VIVID

More homes **bright futures**

Annual Report and Financial Statements 2018-19

Mary with her children at their VIVID home in Shinfield near Reading

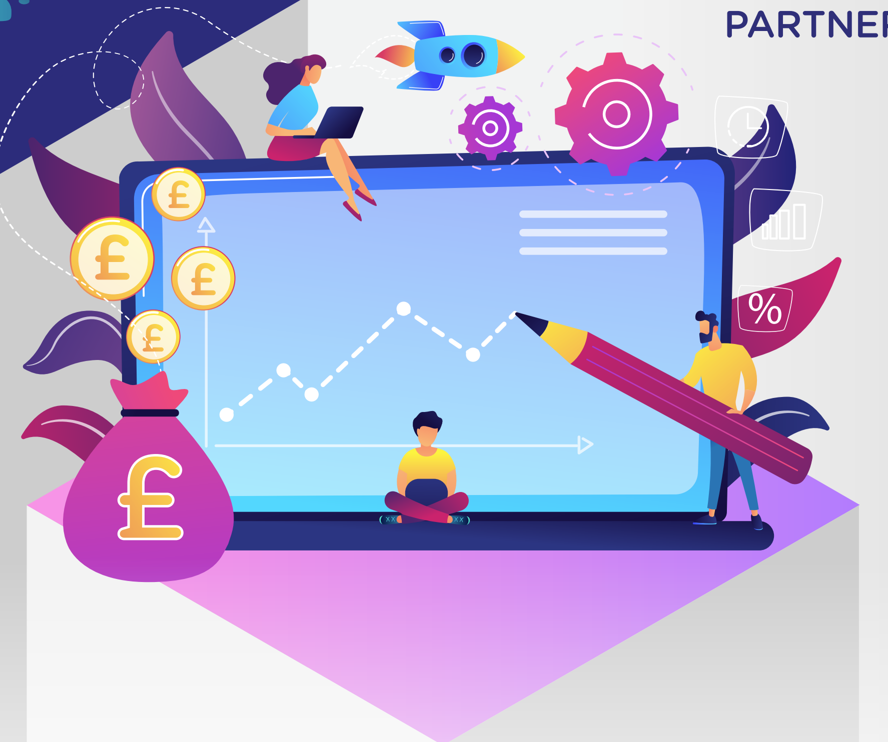
Achievements at a glance

WELCOMED
2,658
NEW CUSTOMERS

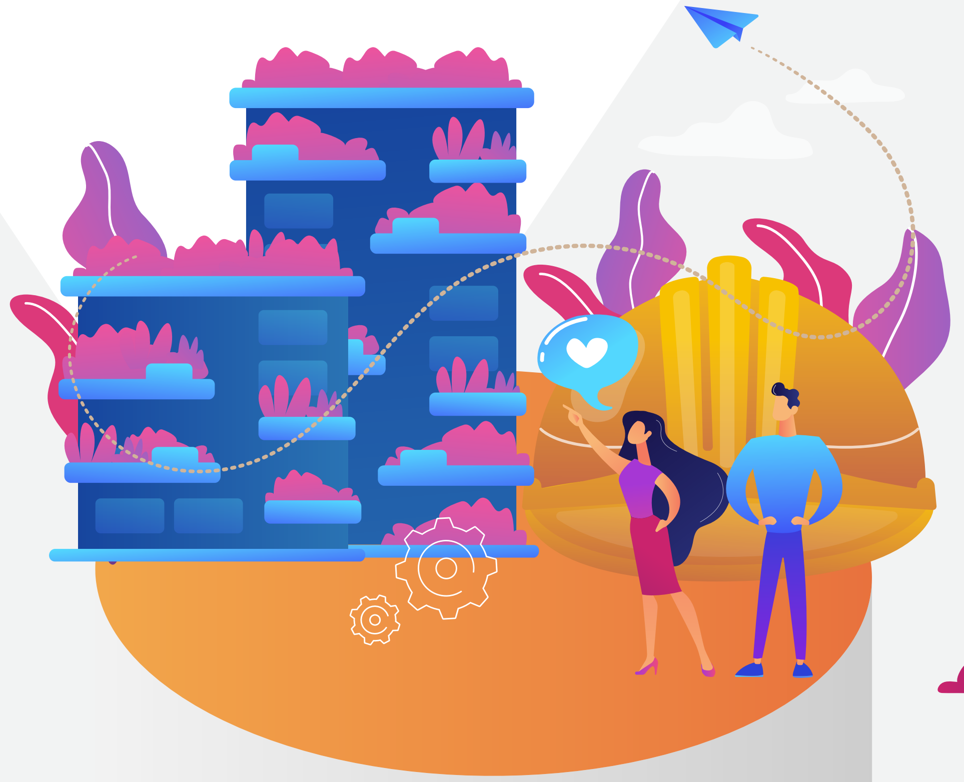
INVESTED
£47.7m
IN EXISTING HOMES

SECURED
£4.6m
OF UNCLAIMED BENEFITS/INCOME FOR CUSTOMERS

STARTED
CONSTRUCTION OF
1,044 HOMES



COMPLETED
1,005
NEW HOMES



SECURED
£88.2m
FUNDING FOR NEW HOMES
AS PART OF HOMES ENGLAND STRATEGIC PARTNERSHIP

RETAINED THE
HIGHEST
REGULATORY RATING FOR GOVERNANCE AND VIABILITY

REPAIRS SATISFACTION OF
8.4/10

ACHIEVED A SURPLUS FOR THE YEAR OF
£73m

Who we are

We're a leading provider of homes and housing-related services in the south of England.

Our vision's 'More homes, bright futures' because having a place to call home, a place to suit our needs and circumstances, is vital to everyone's wellbeing and chances in life.

With 70,000 customers in over 30,000 homes and plans to build 17,000 new homes over the next 10 years across all tenures, we're a major provider amongst UK housing associations.

We bring together the expertise, financial strength and housebuilding ambitions to significantly increase the number of homes across Hampshire, Berkshire, Surrey and West Sussex, whilst delivering a wide range of advice and support.

Contents

VIVID

All photos are actual photos of our customers, staff and homes.

Click on the number to visit that section

Section 1:
Annual review

The Mouring family,
Netley

Chair’s introduction Mike Kirk

Mike Kirk
Chair

I believe we all need and deserve a place to call home. It’s fundamental to our health and wellbeing, and satisfies our need for shelter, security and belonging. But a home is much more than this and our focus is on ensuring our customers benefit from good quality housing, services and support, so that they can thrive.

We operate in an environment where we see the need for homes as great as it has been for a generation, where the impact of the financial crisis is still being felt by some in society and the uncertainty created by Brexit is making it harder to find solutions. However we feel we have the ability to make a real difference for many people in the geographies that we operate.

Over the last 2 years we have created a vibrant new business for our current and future customers and this is the foundation for doing even better in the future.

An important part of this is the work we do for our existing customers, whether that’s maintaining their home or providing additional support to customers who may be struggling. I am delighted that we are able to significantly improve the wellbeing of so many of our customers giving them a better chance of a brighter future.

Our success has been built on the skills and commitment of our people who deliver the best outcomes they can for our customers. We continue to invest in our staff as they are the cornerstone of delivering our services.

We do not operate in isolation and it is through partnerships, recognising the expertise that each party brings, that we will deliver the most benefit for our customers. This drives our social purpose to create long-term, thriving, sustainable communities.

I am immensely proud that in creating VIVID we have been able to invest significantly in building new homes of all tenures. As well as finding efficiencies through our merger in 2017 we have maximised impact through working in partnership and this has resulted in us nearly doubling our programme in the 2 years since the inception of VIVID. As a result, nearly 1,800 families now have a new home.

As we continue to invest in our people and resources to deliver our services we know that we won't always get everything right. When this happens, which it did on occasions this year, we strive to put things right as quickly as possible and ensure that we learn from these challenges so that we can deliver an even better service to our customers.

So, in summary, I'm delighted that our achievements during the year endorse all the reasons we had for our merger in 2017 to create a really strong business and to realise our ambition of more homes and bright futures. We have delivered a record surplus, have built more homes than ever before, delivered a range of services for customers that help them improve their wellbeing, and have been assessed as V1 G1 by the regulator. This is the highest regulatory rating a housing association can achieve by the Regulator for Social Housing with a G1 for governance and V1 for financial viability.

I'd like to thank our customers, partners and employees for their continued support and commitment in all that we do, to get us to where we are today and in helping us to get to where we want to be tomorrow.

Mike Kirk Chair

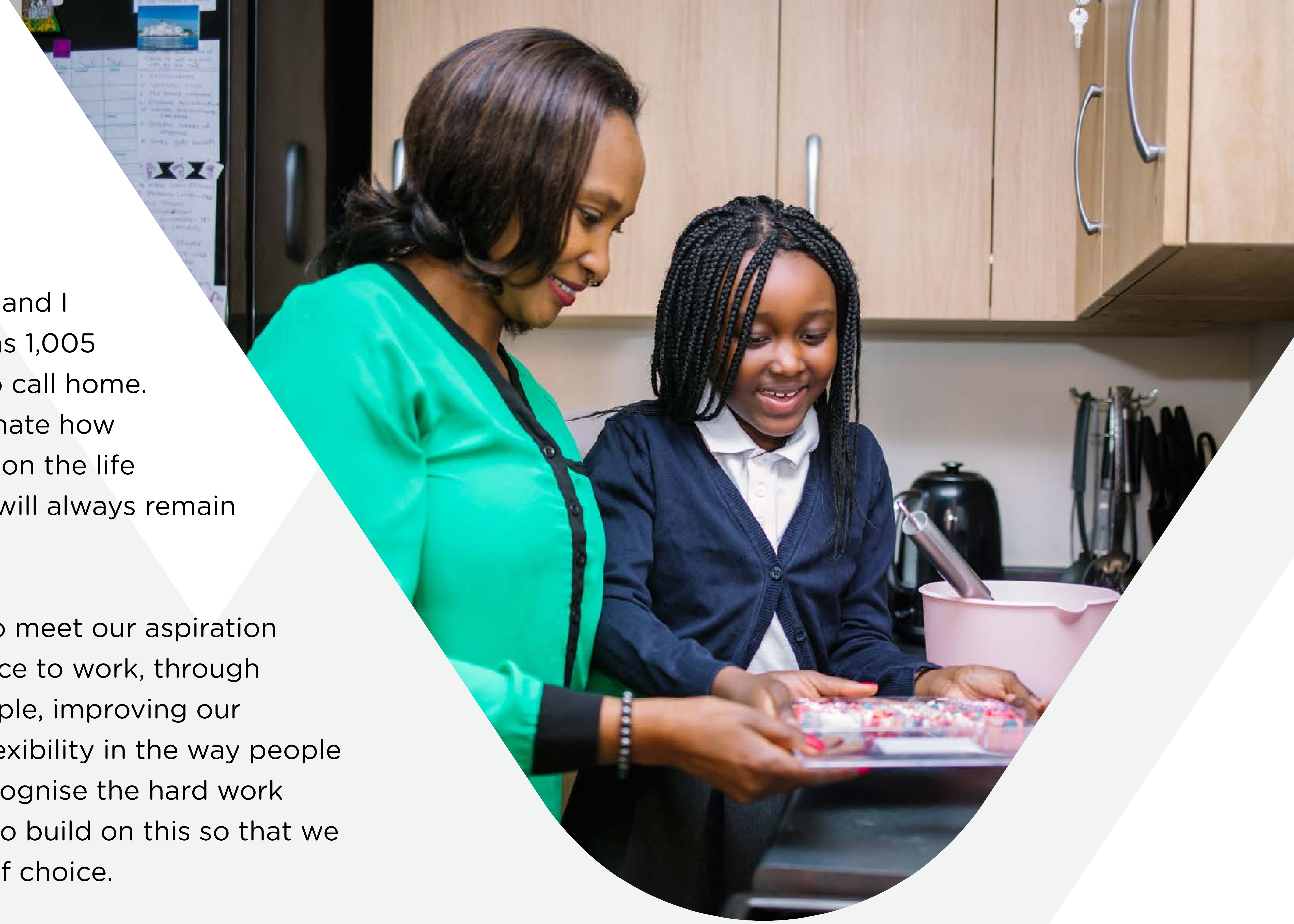
We create long-term, thriving, sustainable communities.

Chief Executive's Statement Mark Perry

'More homes, bright futures' is all about ensuring that our existing customers have a place to call home and that our new customers can share in that possibility. We also want to be there when things don't go according to plan by providing the support people need when they need it and tailored to their circumstances.

It's not easy but we're confident that we are heading in the right direction having laid the foundations of our success in creating VIVID, success that we have built upon this year.

Our customers' sense of wellbeing is an important aspect of our work and that's why during the year we helped our existing customers access in excess of £4.6m in unclaimed benefits they were entitled to. This means they were more financially able to meet the challenges that were presented to them in a time of austerity. We have also piloted a pioneering partnership with Solent NHS Mental Health team to support those with mental health challenges to enable them to receive the support they need. Helping people find and stay in work is key to maintaining their standard of living and we have worked with our customers helping to find jobs for 209 of them.



We've also invested in the quality and useability of our customers' homes.

This year we fitted 662 new kitchens and 1,492 boilers as examples of investing £47.7m into improving and updating our homes to make them great places to live. As well as updating our properties we are constantly making sure our homes are well equipped and function in the way our customers would want. We completed over 64,000 repairs over the year. Attending to a whole range of issues ranging from servicing boilers, fixing leaks, maintaining public areas to changing windows and carrying out general repairs we help reduce some of the stresses in our customers' lives.

We answered 264,000 calls and responded to over 120,000 digital contacts which helped to ensure that our customers have "brighter futures" whether through improving the infrastructure of their homes, helping them financially, or responding and resolving a myriad of concerns.

During this year we have delivered 1,005 new houses and I am delighted that this means 1,005 families now have a place to call home. We should never underestimate how important having a home is on the life chances of people and this will always remain a core value for VIVID.

We have gone a long way to meet our aspiration of making VIVID a great place to work, through investing in the skills of people, improving our pensions offer, increasing flexibility in the way people work and doing more to recognise the hard work people put in. We will look to build on this so that we can become the employer of choice.

It's been a year of numerous achievements but equally we're not complacent and know that we can do more.

We recognise that there are those who are going through challenging times in their life, as we all do, and that these people may need more and different support to others. For these people our focus is on helping them meet and overcome their challenges so that they can lead independent lives doing what they do best. We will look to deepen and widen the range of support we offer them.

For others, their interaction with us may be more transactional but we still need to respond quickly to ensure that minor irritations do not become major problems. We recognise that in some areas we still need to work on the standards of service that our customers have a right to expect from us. This will be a major focus for us in 2019/20.

We'll achieve our ambition of 17,000 more homes in the next 10 years by being agile in our approach including with modern methods of construction and are already expanding our geographic area into West Sussex. We successfully bid for £88m of Homes England investment, and together with £150m of private investment I am confident this target of 17,000 will be met starting with 1,200 in 2019/20.

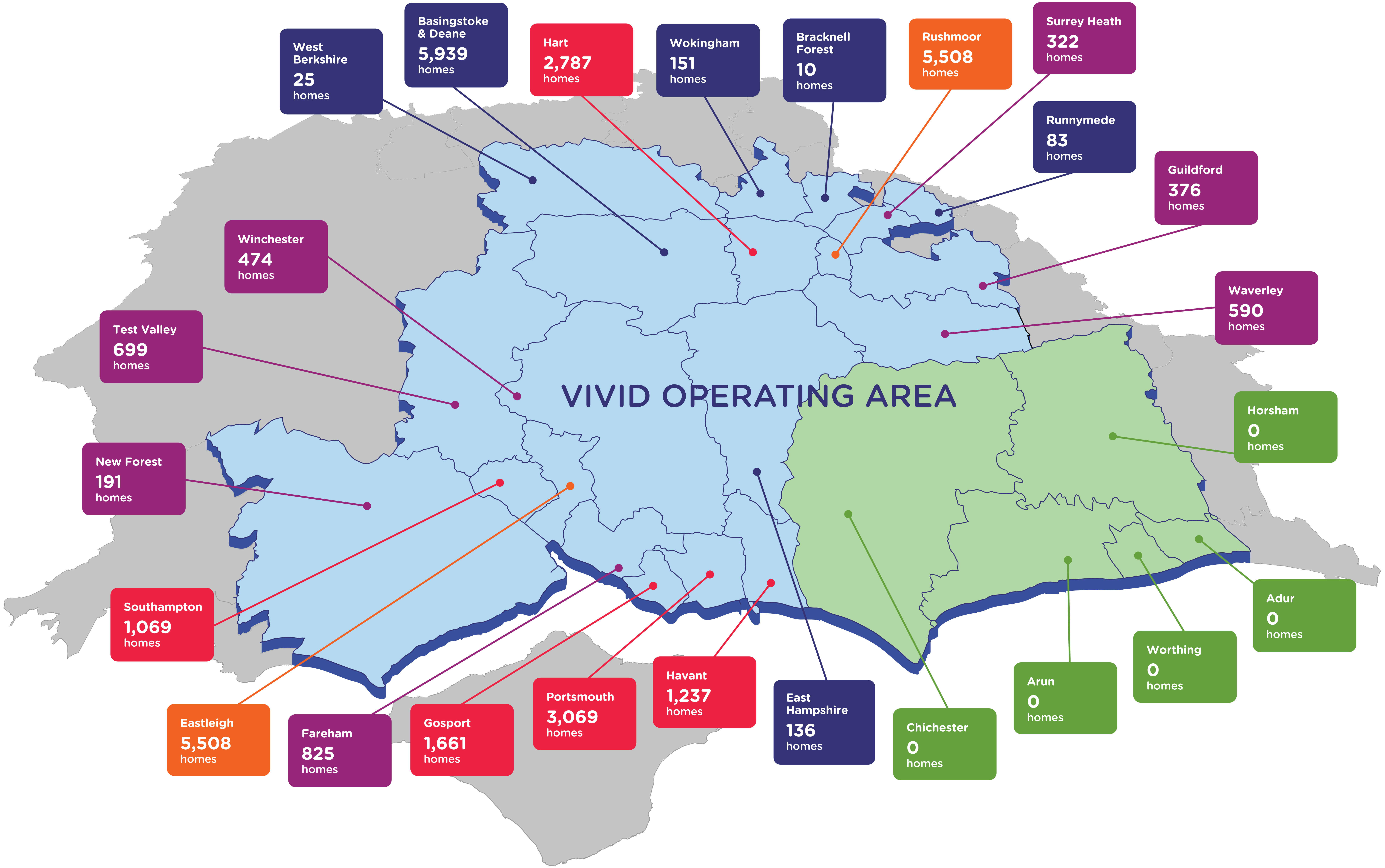
We're in great shape to take on forthcoming opportunities and challenges to support the wellbeing of our customers. Of course, we're continuously seeking to improve what we do for our customers and as a business we know we can do even better.

Mark Perry Chief Executive

Our homes

We operate in an area of strong demand for housing of all tenure types. A substantial proportion of the regional population needs help with their housing costs. Many of them look to housing associations for either rented or shared ownership homes. On average, we receive around 60-70 applicants for each of our homes.

We took the decision this year to expand into West Sussex to bring more affordable housing to this area, and we now have a growing number of homes in contract or in the pipeline. This growth area is marked in the part of the map shaded green.



Our local authority areas

We work in over 20 local authority areas across Hampshire, Berkshire, Surrey and West Sussex. This geographical concentration is a key business strength enabling us to maintain close links with our local authority partners and to deliver our services efficiently. Within our operating area we have 30,521 homes.

Tenure type	2015	2016	2017	2018	2019	Value in use (£'000)	Market Value (£'000)
General needs	20,145	20,995	21,419	21,901	22,885	1,735,681	5,218,075
Older people's and supported housing	2,358	2,187	2,174	2,183	1,579	82,880	226,135
Shared ownership	3,286	3,812	4,091	4,360	4,642	219,139	656,043
Intermediate rent	629	466	350	333	364	25,480	69,028
Market rent	82	187	187	196	276	45,369	53,375
Leased or owned by others	1,175	1,100	753	728	600	38,347	58,318
Managed by others	336	266	236	263	175	7,085	15,455
Total	**28,011**	**29,013**	**29,210**	**29,964**	**30,521**	**2,153,982**	**6,296,428**

* 30 units of accommodation have been excluded from the 2018/19 Statistical Data Return. These are units where VIVID owns a freehold or leasehold interest but are managed by third parties. The nature of the management agreements in place mean that VIVID has no direct legal relationship with the occupants. On this basis, and in accordance with NROSH definitions, these units are not counted in the SDR.

Our housing properties are independently valued by JLL as at 31st March 2019.

The value in use shown in the table exceeds the net book value of our completed housing properties by £383m. Together with our reserves of £517m, they increase our net worth to £900m.

The right choice for customers

Leah Gardens, Eastleigh

Customer priorities

We know the quality of people's home and the neighbourhood as a place to live are important. So is the way we can help our customers resolve their queries quickly and easily. We have made a good start, and there is more to do in 2019/20 to really focus on these changing and evolving priorities.

Customer experience

We're highly committed to providing a great customer experience whether that's through access to our online services or through direct contact such as phone, email and customer visits. We have taken action to improve on the way it's delivered through investing in technology and people. This is making a positive impact and getting us back to where customers expect us to be.

For example, we increased the size of the Customer Experience team so we can handle our contacts in a quicker and more effective way and a change of approach has been embedded to resolve customer queries at the first point of contact. We've also been recruiting more specialist trades resource to ensure we can deliver on our customers' expectations for a responsive and quality repair.

PROPERTIES WITH **CURRENT GAS CERTIFICATE**

100%

OVERALL **CUSTOMER SATISFACTION**

77.3%

AVERAGE TIME TO **COMPLETE RESPONSIVE REPAIRS**

10.8 DAYS

RESPONSIVE REPAIRS COMPLETED

64,055

QUERIES **RESOLVED FIRST TIME**

84.5%

REPAIRS **SATISFACTION**

8.4 / 10

CUSTOMER CONTACTS **RECEIVED BY THE CUSTOMER EXPERIENCE TEAM**

391,056

To ensure we always have what's best for the customer at front of mind we launched an internal programme for all our staff, that's over 800 of us.

Visiting our customer, Karen at her home in Portsmouth

Taking care of our customers and homes

We put the wellbeing, safety and security of our customers as a top priority and planned maintenance of our homes is an important part of that.

During the year we explored opportunities to review how our services were delivered so that we could provide a more consistent experience and ensure home maintenance is carried out as smoothly as possible. As an example, all our gas servicing is now being undertaken by our own qualified gas engineers rather than contracting some of this work to an external supplier.

The Grenfell Tower fire has rightly continued to impact the sector's and our approach to ensuring our homes and buildings are safe for our customers. It reinforced the need to ensure the safety and wellbeing of our customers, and to make sure their voices are heard.

We continue to ensure all of our communal areas have a valid fire risk assessment carried out by a suitable and competent person, with any works identified being planned and carried out. As always we work closely with the fire service to make sure our properties are safe and meet the required standards. We continuously review any new findings or recommendations where they apply to our buildings.

We make sure customers have a mechanism to provide feedback and have a say in helping us shape our services. VIVID Impact, our customer community group, is one of the crucial ways that our customers help shape the services we deliver.

They looked at 2 areas of the business this year - getting our repairs right first time and resident engagement.

During the review it was found that the online account area for customers could be improved to provide better functionality to report a repair accurately. Our new online account launched in November addresses this so customers can report repairs and book an appointment.

VIVID Impact also influenced the decision to introduce a new queuing system informing customers where they are in the call queue and advising them of online methods of contacting us as an alternative way to get in touch.

We were pleased to pilot our wellbeing service from December 2018 in partnership with the Solent NHS mental health team, bringing the benefits of closer working between the health and housing sectors to our customers.

We created wellbeing worker posts which although aren't clinical roles, provide information, advice and guidance for our customers with mental health issues. The service provides a link between housing and mental health services which includes the NHS, social care, voluntary and community services.

The service provides benefit to our customers in a whole range of ways including supporting in anti-social behaviour cases enabling us to better manage behaviours through improved knowledge of conditions. It also increases engagement with customers where contact with them and access to property is a challenge due to poor mental health.

Taking care of our customers and homes

Ensuring that our houses are well maintained and invested in will help customers feel they have a great place to live. This investment along with the personal and social interventions we make have the biggest impact on the wellbeing of our customers.

£47.7m invested in repairing, maintaining and improving our homes

662 kitchen replacements

204 bathroom replacements

1,492 boiler replacements

3,369 window replacements

1,796 door replacements

124 roof replacements

Modern online services

We make our services as easy as possible for our customers to access from anywhere and anytime. A significant part of that is ensuring our online services meet expectations and are future-proofed.

This year we launched our new online customer account putting more customers more in control of their repairs and rent accounts online. This brought all our customers onto one system rather than two separate legacy systems, and provides consistency across our online services. Our customer support team provided regular sessions for those who want to improve their digital skills and would benefit from being online for instance, to make an application for Universal Credit.

But we know there are some who will struggle online. And that's where our people play a vital role to provide the support and assistance our more vulnerable customers need to manage their home and circumstances and make sure no one is excluded.

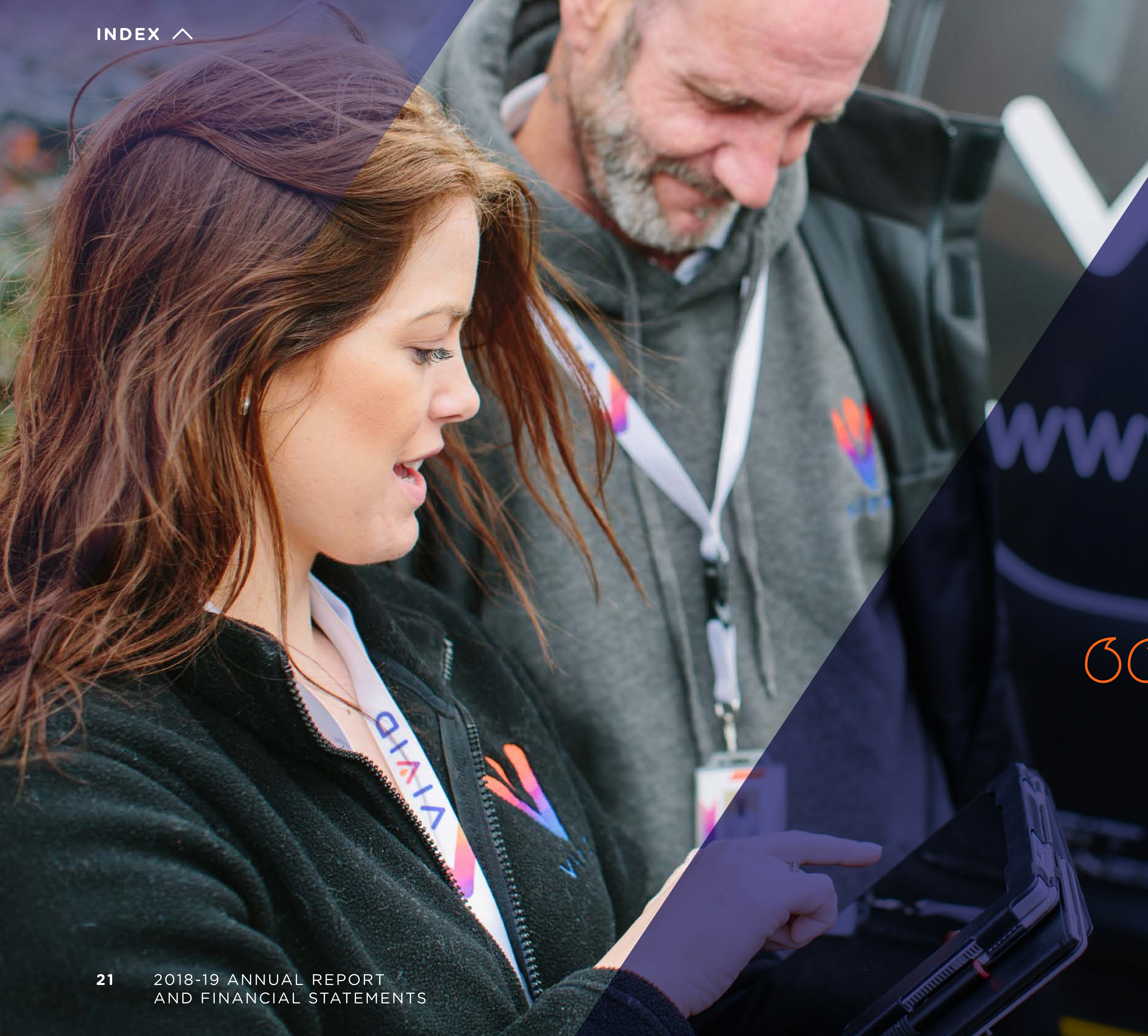
To help ensure our customers are in control, further services are planned for introduction over the next 12 months.

Digital Skills Training

32.4%
DIGITAL CUSTOMER CONTACT

WE'RE PILOTING OVER
130
INTERNET OF THINGS DEVICES IN OUR CUSTOMERS' HOMES

34%
OF TENANCIES **REGISTERED TO USE THEIR ONLINE ACCOUNT**



Technology to help us support our customers

We can provide the best service and support possible to our customers from anywhere as we've invested heavily in mobile working technologies. This enables our staff to access the information needed to provide advice and support to customers in their homes and communities.

> *Being able to work from anywhere importantly allows me to be more visible and accessible to customers and my team. Rather than only being able to access the technology I need in an office, I can now be in the field helping to deliver a great customer experience.*

Richard Lee, Grounds Supervisor

Preventative maintenance

We've been challenging the technology sector to find solutions that could be used in and around our customers' homes.

Technology which will mean we can remotely monitor things like legionella and emergency lighting. This will allow regulatory compliance checks to be carried out remotely, so we can take preventative action to fix issues before they cause any inconvenience or risk to the wellbeing of our customers.

Residents at Fernhill, our 65-home sheltered housing scheme in Chandler's Ford, are benefiting from some cutting-edge Internet of Things (IoT) safety improvements we've introduced, with help from partners Safelicity and Barter for Things. New IoT water sensors and safety lighting at our Fernhill scheme are being trialled and should give significant advantages to customers, help us meet regulatory requirements and improve safety and security.

Cian O'Flaherty
CEO of Safelicity
Alex Barter
CEO of Barter For Things
Justin Crittall
VIVID Head of Innovation and Repairs

Investing in bright futures

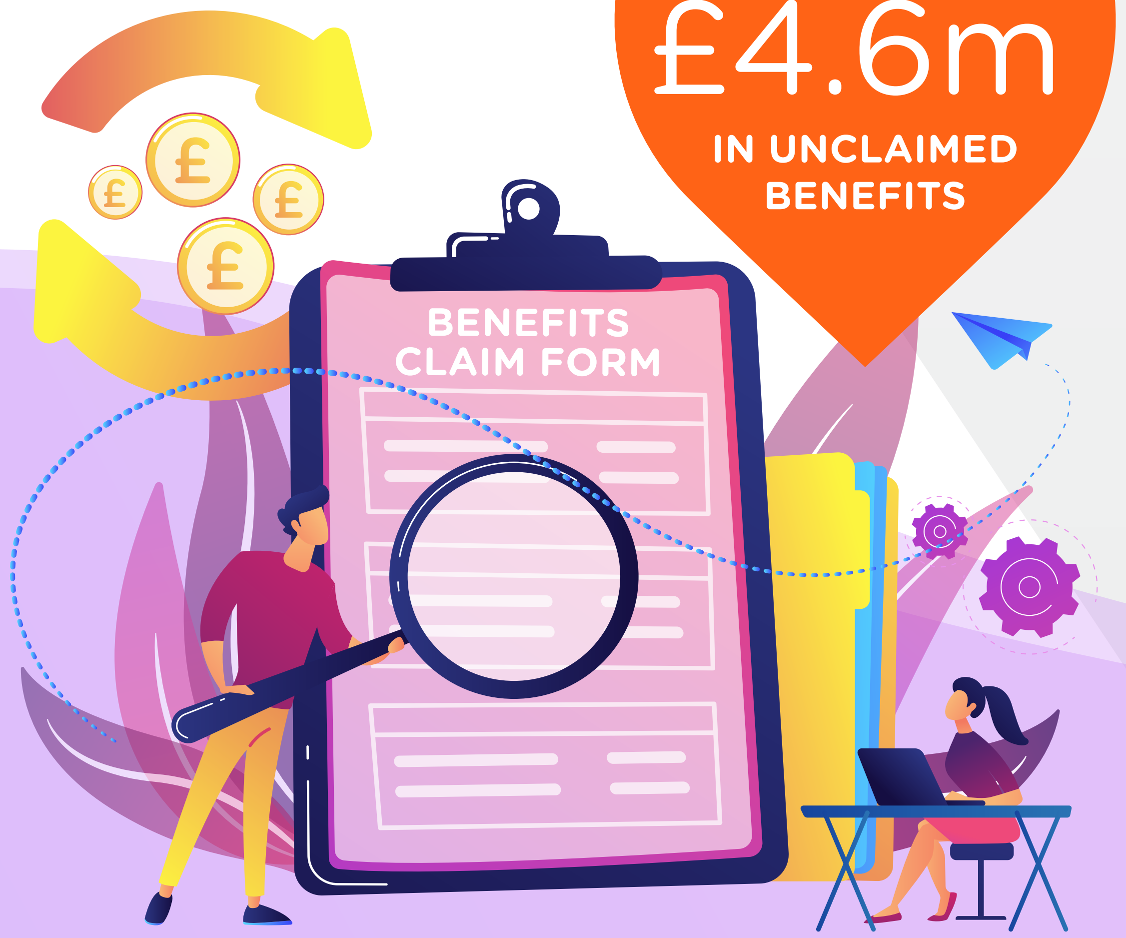
We believe everyone deserves a home and bright future.

And an essential part of that is being here for our customers when things become difficult, to work with them and help them get back on track. We're really pleased with what we've achieved over the year in helping our customers.

As a major employer within Hampshire with a direct impact on the wellbeing of approximately 70,000 people and an indirect impact on significantly more we have a responsibility to ensure that the way we run our business has a positive impact on society by delivering sustainable social, economic and environmental benefits.

Bright futures

HELPED SECURE MORE THAN
£4.6m
IN UNCLAIMED BENEFITS



INVESTED
£47.7m
IN PROPERTY UPGRADES

SECURED
£100k
PARTNERHIP FUNDING FOR OUR COMMUNITY PROJECTS

PROVIDED ADVICE TO
2,668
CUSTOMERS

SOURCED TRAINING COURSES FOR
183
CUSTOMERS

ASSISTED
209
CUSTOMERS GET BACK TO WORK

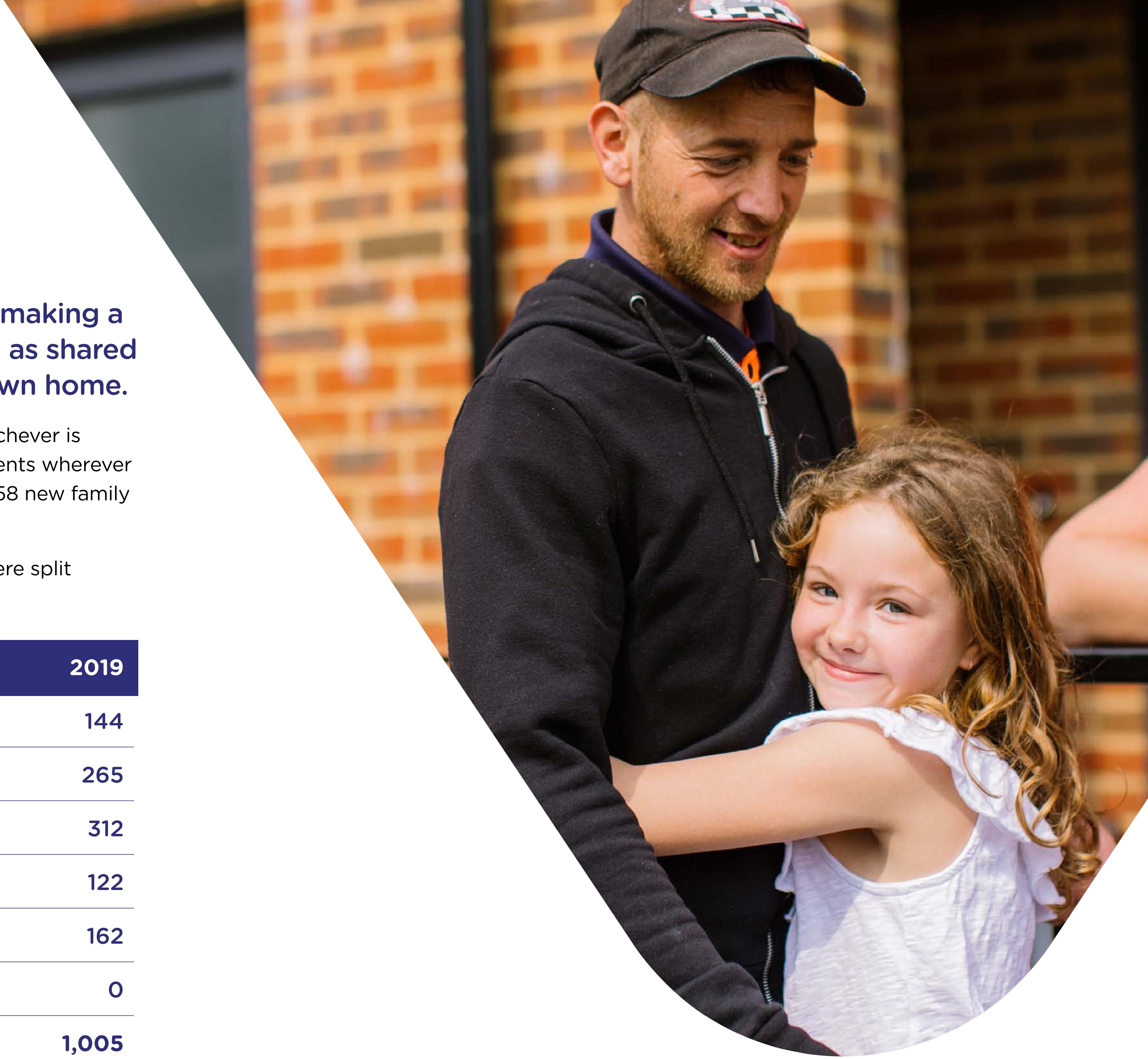
A leading and influential housing provider

We completed 1,005 new homes in the year across a range of tenures helping ensure that more people had a safe home to call their own. This is a 34% increase in delivery from the previous year.

We're delighted to have had another highly successful year in terms of our development activity.

Picket Piece, Andover

More homes and our strong social purpose



Of these 1,005 new homes, over 40% were built for low cost rent, making a difference where it matters the most. A further 312 were delivered as shared ownership helping those customers who want to part-own their own home.

For affordable rents we charge either 80% of market rent or Local Housing Allowance, whichever is lower. We also aim to let larger new build family homes (3 bedroom and above) at social rents wherever we can, subject to any legal or planning restrictions. In the last year that enabled us to let 58 new family homes at social rents which would otherwise have been at affordable rent levels.

Our new homes were delivered across 12 local authorities and 41 development sites, and were split across the following tenure:

Number of new homes completed	2015	2016	2017	2018	2019
Social rented	106	57	37	44	144
Affordable rented	631	322	367	360	265
Shared ownership	274	174	180	189	312
Market rented	0	112	0	0	122
Market sale	30	30	26	156	162
Other tenures	0	0	0	0	0
Total	**1,041***	**695**	**610**	**749**	**1,005**

*2015 saw the end of the 2011-15 Affordable Homes Programme

Strength in partnerships, funding and experience

We've continued to invest in our future build, increasing our forward programme by 50% in the year. We're in a particularly strong position as our development programme is fully funded, giving certainty to our delivery as well as the flexibility to build the right type and tenure of homes in each location. Over the next 10 years we plan to build 17,000 new homes to ensure we play our part in tackling the housing crisis.

Over half of our programme comes from our own land or through joint venture relationships with a number of key development partners. This joint venture approach helps both partners use their core strengths to do more jointly than each could do on their own. We're rightly proud of these relationships and maintaining our role as partner of choice for key developers and local authorities throughout our geography.

We'll be bold and lead where appropriate, but partner where we choose to and benefit from greater influence through our increased scale and expertise. We're a large developer but operate within a local geography and pride ourselves on strength of relationships with our partners.

Our partnering ethos has been demonstrated on a number of achievements throughout the year:

- Homes England strategic partnership. Our development track record saw us become one of 23 strategic development partners with Homes England. Our grant funding allows us to further increase the supply of social rented homes to help tackle the housing crisis.

- Partnership with L&G Homes. We signed a development contract with Legal & General Affordable Homes that will see us deliver 525 new homes in Wokingham. Working jointly with L&G we were able to bring forward this substantial site to deliver social rent, affordable rent and shared ownership.

- Sales. We sold 220 newbuild shared ownership homes in the year, at an average share of 37%. A further 168 private sales were made generating income of £46.7m to support our development programme.

- Aspect. Our joint venture with Eastleigh Borough Council and Fareham Borough Council has delivered 122 homes this year, with a further 163 in the pipeline. Through Aspect we're able to deliver more homes to market more quickly and meet the full range of housing need.

- We explore innovative ways of achieving our joint ambitions and have signed a significant number of deals in the year. These range from small infill opportunities to sites delivering several hundred new homes.

Our financial strength, commercial attitude and open structure facilitates further growth all with the aim of supporting our customers and building more homes to address the current shortage. We have the largest housing association-led development programme in the south and one of the largest nationally.

Quality homes

We want to be known for innovative products and high quality homes that meet the changing needs of our customers. Our developments focus on the quality of external spaces as well as the built product itself.

Stoneham Park
Eastleigh, Hampshire

This high profile development in Eastleigh of 756 homes has continued to progress well throughout the year. By 2023 the site will eventually deliver 1,100 new homes and community facilities in a parkland setting, working in partnership with Eastleigh Borough Council and Highwood Homes.

The first phases are delivering 265 affordable homes, 345 homes for sale and 146 homes for market rent through our Aspect LLP joint venture with the council. Our investment in the site is more than £100m.

Take a look at Stoneham

White Building
Basingstoke, Hampshire

Our Chapel Gate development in partnership with Barratt Homes is delivering over 600 new homes on a brownfield site in Basingstoke creating a new and thriving community. It also includes the restoration of a local landmark – the art deco 'White Building' - which is being sensitively converted into 96 homes.

Take a look at White Building

Little Heath
Chobham, Surrey

We built 35 affordable homes in partnership with Hill Group and Surrey Heath Borough Council to form a lovely new community.

The site comprises a mix of shared ownership and affordable rent homes, from bungalows to 3 bedroom houses.

We also worked closely with Natural England to preserve the countryside surrounding the site.

Take a look at Little Heath

An ambitious development strategy

Looking forward we've revised and updated our development strategy.

This in part recognises that we've achieved our initial development aims of increasing our programme to 1,200 homes a year and have control of significant amounts of land throughout our area of operation. Moving forward we've increased our ambitions by aiming to build 17,000 more homes over the next 10 years. We've also simplified our strategy under 3 main headings:

- Secure a sustainable forward programme
  - Access to, and control of land is essential for us to have a sustainable forward programme. Control of land leaves us better placed to withstand external shocks as opposed to development activity that is driven by third parties
  - Operating within a defined development geography helps us operate as a key partner at a local level. It focusses our expertise and resources and minimises the additional costs of management for our new homes. We have expanded our development area to include Chichester, Arun, Horsham, Worthing and Adur within West Sussex
- Operate a commercially viable and flexible programme meeting housing need
  - The strategy has been broadened to consider the alignment with partners that increase our land holdings and development capabilities
- Deliver high quality developments
  - We need to undertake further work to define what distinguishes our product so that we build homes not houses. This will include modular housing and links with our corporate research topic.

Read more in our development brochure here

(www.vividhomes.co.uk/about-us/more-homes)

More homes...

1,005
NEW HOMES BUILT

DELIVERED
409
HOMES FOR SOCIAL AND AFFORDABLE RENT

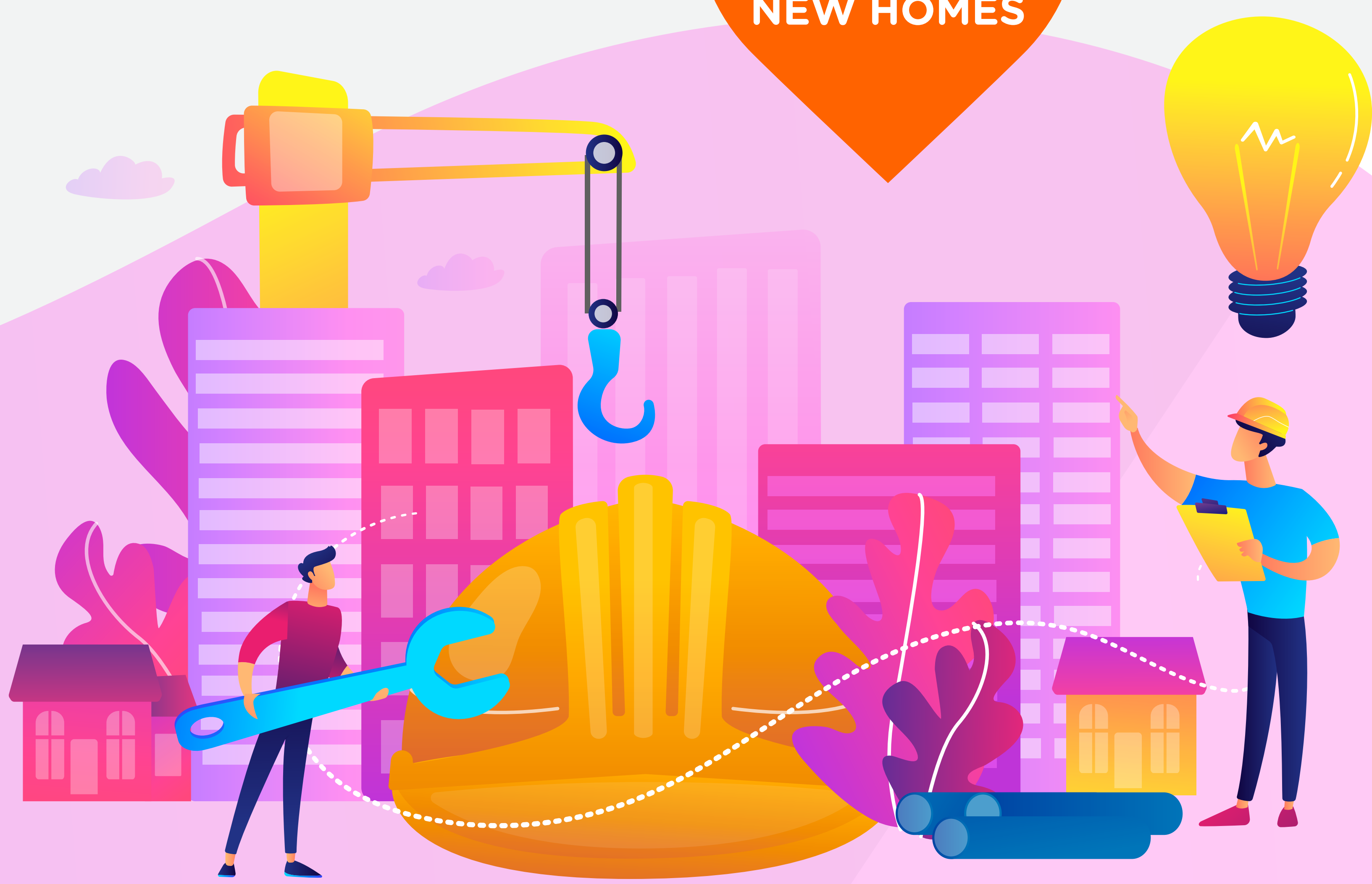
312
NEW SHARED OWNERSHIP HOMES

AVERAGE SALES TIME
38
DAYS*

6,017
HOMES IN CONTRACT OR IN THE PIPELINE

RECEIVED
£72m
FROM SALES TO REINVEST

STARTED BUILDING
519
NEW HOMES



*Average sales time from when a house is built ready for completion until the day a customer completes their sale. Applies to private sale and shared ownership.

A modern and vibrant culture

We’ve made VIVID a great place to work and we’ve brought our vision of ‘bright futures’ alive with our staff as well as customers.

We believe that bright futures for our staff means creating a high-performing culture where we work hard and have fun along the way. And it’s also an environment where you feel able to ‘be yourself’, having good reward and benefits and strong development opportunities.

Colleagues enjoying our ‘Creating bright futures’ staff event in November 2018

Our staff working together with Microsoft and technical consultancy Amido to find innovative solutions to improving customer experience

We're delighted that we've made significant strides on "Gender Pay". The median difference between men and women's pay is now only 1.7%, down from 8.3% last year. And men are paid an average of 3.5% more than women, compared to 10.9% more in 2018. We'll continue to make sure that VIVID is an employer where everyone feels they can give their best and be rewarded fairly.

We have continued to move to a more flexible employment model with fewer offices and depots and staff having more choice about where they work from, including being at home. This all supports our drive to create a culture where we are all treated as adults and trusted to deliver on our work commitments.

We will continue to build on this in 2019.

We've introduced leadership and management training for all line managers - from supervisors to executives which has further embedded the collaborative and coaching culture we want where outcomes are more important then "inputs".

We're upskilling existing staff and maximising our use of the apprentice levy through apprenticeships for existing staff and recruiting new apprentices. Our existing repairs operatives are becoming 'multi-skilled' and our front facing operations staff are improving their housing knowledge and will have the qualifications to prove it. We've also recruited new employees as apprentices who work in a variety of back office teams.

VIVID is committed to being a diverse and inclusive organisation. We recognise that we're all different, and believe that inclusion is all about welcoming this difference and creating an environment in which we can work well together. We have a diversity and inclusion (D&I) working group made up of staff representatives across the business, and a dedicated area on our intranet for D&I updates, documents, materials (including a guide to inclusive language) and blogs/vlogs.

We've been working hard to maintain the health and safety of all our colleagues whilst at work. We get the basics right with measures such as trades undertaking 'Take 5' risk assessments before commencing work, Time Out for Safety Days, H&S training and H&S communications. Our bespoke incident reporting system also enables us to record, keep track and investigate incidents when things do go wrong. We've worked hard to promote a positive H&S culture, and this year we've had a 33% reduction in workplace accidents, reduced our RIDDORS from 8 to 6 and injury accidents from 81 to 54.

We've signed up to the '**time to change**' pledge to demonstrate that we fully support eliminating stigma attached to mental health in the workplace. The staff who are happy to do so are sharing their experiences and encouraging open conversations with anyone who is struggling with their mental wellbeing.

The results are shown through comments in our employee engagement scores, the comments we get on social media and the number of employment referrals we have.

Mark Perry, Chief Executive, signing the 'Time to change' pledge with Claire Swaffield and Steve Austin

A financially strong and cost-effective operator

Our results show a year of continued strong operational performance with significantly improved financial strength. Our turnover increased by £21.7m (9.5%), driven by an increase in outright property sales and shared ownership first tranche sales. Social housing turnover increased by £2.2m (1.1%) with the impact of rent reductions being offset by rents from new developments.

Our operating surplus rose by more than £6m (18.5%) as we continue to drive efficiency in everything we do. These results maintain our financial strength and enable us to keep investing more in homes and communities.
The full financial results for the year are set out on pages 61 to 98 and our Value for Money statements on pages 41 to 44 which show our excellent operating costs per unit.

	2015	2016	2017	2018	2019
Turnover	182,719	197,825	211,117	228,488	250,158
Operating surplus	61,005	71,901	82,639	86,354	102,039
Net surplus before tax	21,018	39,819	49,420	66,699	73,071
Housing properties at cost	1,799,406	1,876,278	1,950,358	2,075,570	2,221,752
Long-term loans	895,856	939,981	955,248	985,456	1,050,125
Net current assets	74,960	92,240	92,818	85,913	105,463
Net assets	310,222	350,939	393,892	459,548	516,533
Operating cost per unit	3,733	3,621	3,447	3,496	3,157

All figures are £'000 unless otherwise indicated. Figures for 2015 onwards are stated in accordance with FRS 102.

You can read our financial statements

Funding and treasury management

Our treasury management work makes sure that adequate cost-effective funding is available and exposure to financial risk is managed. We borrow from a range of sources to support our development activities.

Our business plan and development programme are fully funded. We've fixed the interest rate on 80.5% of our debt to protect us against future interest rate volatility.

On 31 March 2019 our loan facilities totalled £1,299m of which £1,050m was already drawn.

Key treasury risks

- **Funding risk –** Our business plan identifies the private finance facilities required to fund our development programme. Our treasury policy calculates the level of liquidity we need to maintain. On 31 March 2019 we had £249m of undrawn loans and £15m of available cash, providing enough funding for all our current development commitments in the next two years without reliance on sale proceeds and operating cash flows.
- **Liquidity risk –** We hold enough immediately-available cash or revolving credit facilities to meet our next two years' requirements. We deposit surplus cash with ten different counterparties. The credit ratings of counterparties, rather than the returns, are the primary consideration when deciding how to invest cash balances.
- **Counterparty credit risk –** In our treasury policy we've set minimum credit ratings for each lender, investment counterparty and banker. Counterparty credit ratings are monitored by our treasury consultants.
- **Interest rate risk –** Our treasury policy sets parameters for the percentage of fixed, floating and index-linked debt within our loan portfolio. On 31 March 2019 80.5% of our drawn debt was at fixed rates, none was index-linked and 19.5% was exposed to variable interest rates.
- **Compliance risk –** Through our business planning and budgeting process we monitor the corporate financial covenants within our loan agreements. Our treasury policy requires us to maintain headroom above these covenants and we set a budget to exceed each lender's requirements. Performance against the budget is monitored monthly.

Our loans are analysed further in Note 20.

Our approach to value for money

This section explains our approach to value for money and how it underpins the work we do to achieve our purpose. It sets out our ambitions, tells us how we're performing compared to our peers and the value for money gains we've achieved in 2018-19.

To us, value for money means providing a standard of service that meets our purpose as efficiently as possible.

We have 3 value for money (VFM) objectives:

- **Provide efficient and effective landlord services**
- **Maximise our contribution to tackling housing need**
- **Continually improve the return on our assets**

We have 19 value for money measures that track our progress with each of these objectives. And we compare our performance with a group of 11 selected peers using the Sector Scorecard. We have reported 5 year trend data as well as our projection for the coming year.

VFM objective 1: Providing efficient and effective landlord services

Measure	2015	2016	2017	2018	2019	2020**	Benchmark Top Quartile
Overall customer satisfaction	-	-	-	79.6	77.3	80%	80.6%
Operating margin	33%	36%	39%	38%	41%	39%	35%
Operating cost per unit	£3,733	£3,621	£3,447	£3,496	£3,157	£3,098	-
Operating margin (social housing lettings)*	38%	41%	44%	45%	49%	50%	40.5%
Social housing cost per unit*	£3,542	£3,353	£3,006	£2,816	£2,752	£2,769	£3,027
Properties managed per FTE staff	24.1	26.9	31.9	36.2	38.4	39.8	-
Overheads as a % of adjusted turnover***	-	-	7.88%	7.03%	6.63%	6.20%	9.89%

* Regulator for Social Housing VFM metrics

** The 2020 figures are our target for next year

*** www.sectorscorecard.com

VFM objective 1:
Providing efficient and effective landlord services

We measure customer satisfaction through independent surveys by The Leadership Factor.

We've achieved a score of 77.3 which places us in the second quartile of 135 other housing associations who measure satisfaction in the same way. In the coming year we'll be reviewing our customers' priorities and focusing on improving areas that are most important to them to make their overall experience better.

We have continued to improve our rent collection and maintained a low level of arrears. In these areas we outperform most of our peers. But we need to improve the time it takes to re-let homes and this will reduce our rent loss and improve our operating margin.

Our operating costs are among the most competitive in our sector. We set out to reduce our operating costs by £7.8m each year by 2020. So far, we've achieved £9.1m and we're on track to deliver total savings of £11.4m. These savings will primarily be used to increase the supply of new homes (VFM objective 2).

Some of the things we've done in the last year to deliver these savings include:

- **Harmonising our working practices, bringing all our people together into one structure, removing duplication and implementing a new integrated IT system. So far, we've reduced our costs by £2m and by next year the annual saving will increase to £2.6m.**
- **Reducing our office locations and moving all staff into our two main offices in Basingstoke and Portsmouth. This reduces the costs of office space and administration, travel and environmental impact. So far, we've saved £2.3m and by next year we expect this to reach £3.2m.**
- **Reviewed our repairs service and identified opportunities to modernise the service. We've changed the way all our operatives are remunerated which saves us £1.2m each year. We've also identified a combination of productivity improvements and opportunities to reduce the cost of repairs. This will deliver an annual saving of £3m by 2020.**
- **A review of major repair install costs and cyclical decorations programmes was completed during the year and will yield £1.1m savings from 2019-20.**
- **We're also continuing to streamline our repairs contracts and re-procuring some of our repair services. This programme has delivered £0.6m in savings in 2018-19 rising to £0.8m by 2020.**

VFM objective 2:
Maximising our contribution to tackling housing need

Measure	2015	2016	2017	2018	2019	2020**	Benchmark Top Quartile
Number of new homes completed	1041	695	610	749	1,005	1,200	935
Reinvestment in homes*	8.2%	7.6%	7.3%	7.9%	8.26%	10.6%	6.5%
New supply delivered (Social Housing)*	4.0%	2.1%	2.2%	2.2%	2.4%	3.0%	2.6%
New supply delivered (Non-social housing) %*	0.1%	0.5%	0.1%	0.5%	0.6%	0.8%	0.5%

One of our key ambitions is to increase our output of new homes, increasing to 1,200 new homes each year by 2020 and 17,000 over the next 10 years.

This commitment includes the aspiration to build 20% of new homes at social rent and 20% at affordable rent. We're clear that building homes for social rent is a vital part of meeting housing needs, making maximum use of our surplus to make our new homes as affordable as possible. We've also committed to all 3 and 4 bedroom homes being let at social rent, keeping them more affordable.

For our size, we're one of the biggest developers in the country and we're committed to maximising the number of new affordable homes we build each year. We achieve this by generating a healthy surplus and using it to subsidise our development costs.

We can develop more than our peers because we generate more of the funding ourselves:

Funding for our developments (£m's)	2015	2016	2017	2018	2019
Grant funded	22.5	9.1	8.1	6.7	4.0
Debt funded	58.6	56.8	26.7	83.3	94.5
Self-funded	55.2	56.0	99.0	137.5	138.7
Total	136.3	121.9	133.8	227.5	237.2

We manage the mix of our programme to generate a profit from sales which subsidises our affordable rented housing, taking care not to over-expose ourselves to the housing market.

We've locked in low interest rates by fixing the rates on 80% of our debt for an average term of 16 years, enabling us to put more resources into development without worrying about rising interest rates.

VFM objective 3:
Continually improving the return on our assets

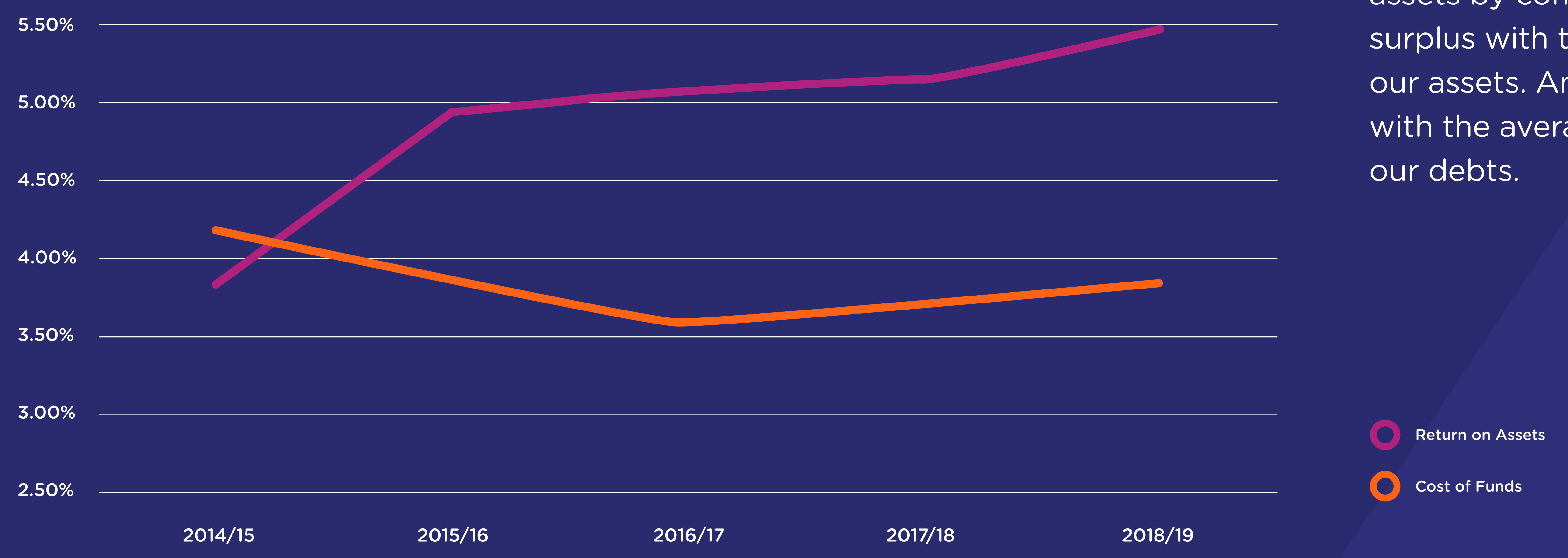
Measure	2015	2016	2017	2018	2019	2020**	Benchmark Top Quartile
Gearing %*	52%	52%	51%	50%	53%	52%	39%
EBITDA MRI interest cover*	196%	197%	207%	268%	250%	298%	228%
Return on capital employed (ROCE)*	3.7%	4.2%	4.8%	4.8%	4.6%	5.2%	4.3%
Occupancy rate	-	-	99.72%	99.44%	99.5%	-	99.72%
Rent collected	-	-	99.33%	98.67%	101.1%	100%	100.38%
Current tenant arrears %	-	-	3.3%	3.4%	4.7%	4.5%	-
Average re-let days	-	-	20.5	27.8	31.5	23	-
Void loss %	-	-	0.59%	0.57%	0.57%	0.57%	-

We've continued to increase the value of our business by achieving a return on assets that exceeds our effective interest rate.

We have updated our Asset Management Strategy to place greater emphasis on understanding the performance of our asset base to drive our investment decisions or where appropriate planned sales of assets.

To help achieve our strategy we've implemented a new asset management tool called Bravo. This will enable us to begin benchmarking the value and return on our assets against other social landlords.

Return on Assets and Average Cost of Funds



We calculate the return on our assets by comparing our operating surplus with the historic cost of our assets. And we compare this with the average interest rate on our debts.

* Regulator for Social Housing VFM metrics
** The 2020 figures are our target for next year

Our future plans

Our corporate plan sets out how we'll achieve our purpose. It contains 4 ambitions and the Board has identified how we'll measure the success of each:

Ambitions	Success measures
We'll be a major and influential housing provider operating across the South	• We'll have an ambitious development programme, with active control over our pipeline, increasing the number of new homes we build each year across a range of tenures to suit local housing need
	• We'll have a structure and organisation in place that facilitates and drives further growth, so that we can build more homes and help more people
	• We'll be known for innovative products and high-quality homes that meet the changing needs of our customers
	• We'll be bold and lead, but partner where we choose to, and we'll benefit from greater influence through our increased scale and expertise housing provider operating across the South
We'll be the right choice for our customers	• Our customers will value our innovative, modern and accessible services that reflect the 'digital world'
	• We'll know all about our customers and we'll be using this intelligence to design services to meet their current needs and future aspirations
	• We'll have a clear customer offer and customers will feel supported, benefitting from the right level of support tailored to meet their housing needs
	• We'll contribute to building long term sustainable communities where people want to live
We'll be a cost-effective operator	• We'll be increasing our financial strength by reducing our operating cost per property year on year and we'll make balanced decisions on where to invest
	• We'll be maximising the use of our assets to invest in delivering more homes, quality neighbourhoods and supporting customers
	• Our people will have the technology they require to deliver services anywhere through our mobile operating model and customers will see the clear benefits of communicating and transacting on-line, driving savings for them and us
	• We'll continue to secure the funding needed to support our Business Plan and manage our financing, interest and inflation risks in the most cost-effective manner
We'll have a modern and vibrant culture that attracts and develops the brightest talent	• Our people will be proud to work for us and be rewarded competitively, with a strong emphasis on wellbeing and providing a fun working environment
	• Our culture will encourage people to be open, innovative and creative, working together as one team to challenge the way we do things to bring about improvements and change, driving benefits for our customers
	• Our employee development offer will enable people to grow personally and professionally, to enhance their career opportunities
	• Our collaborative leadership style will drive high performance and effective partnerships

Section 2:
The Board's report

Our legal structure

VIVID Housing Ltd is a registered Cooperative and Community Benefit Society (registration number 7544) and is regulated by the Regulator of Social Housing (registration number 4850). The group comprises:

Company Name	Registration	Controlling interest	Description
Vestal Developments Limited	05509078	100% share capital	Limited company providing development services & market sales
VIVID Build Limited	07930319	100% share capital	Limited company carrying out development activities
During the year we provided administrative support or acted as trustee to the following entities			
Hewitt Homes	235827	Corporate Trustee	Registered charitable trust
The Paddon Memorial Trust	229547	Corporate Trustee	Registered charitable trust
Hilda Ruth Daley Trust	1052875	Corporate Trustee	Registered charitable trust
Mitre Court (Fareham) Ltd	01350375	Limited by guarantee	Limited company carrying out property management services

On 1 April 2018 VIVID retired as Corporate Trustee for Hewitt Homes (a registered charitable trust with 49 sheltered homes) via Deed of Replacement which appointed Crown Simmons Housing.

During the year VIVID continued to act as a Corporate Trustee for The Paddon Memorial Trust and Hilda Ruth Daley Trust, which are registered charitable trusts with 1 and 2 properties respectively. On 1 April 2019 VIVID retired as Corporate Trustee via a Deed of Replacement which appointed Portsmouth Rotary Housing Association.

Acquisition of Bargate Homes

On 22 May 2019 VIVID Build Limited acquired 100% of the share capital of Bargate Homes Limited (05626135) as part of our ambitious housebuilding plans to develop 17,000 more homes in the south over the next 10 years.

Bargate currently has around 2,500 plots secured for new homes giving us access to the extra land we need to maintain the momentum of our housebuilding programme. In addition, their expertise in land management and construction complements the skills of our team meaning that together we can achieve much more than either business can individually to meet our customers' needs and aspirations.

"There continues to be a critical shortage of homes for people wanting to live in the region, which we're doing all we can to help address."

Mark Perry
Chief Executive of VIVID

The Board and Committees

The Board sets the strategic direction of VIVID and its subsidiaries, monitoring the performance and financial position.

Board of Directors
Mike Kirk, Board Chair
Michael Stancombe, Senior Independent Director
Juliet Annesley-Gamster - Retired from Office 13 September 2018
Jane Earl
David French
David Mairs
Philip Raw
Lynda Shillaw
Jane Tabor
Jean-Marc Vandevivere
Mark Perry, Chief Executive
Duncan Brown, Director of Finance & Technology

We're open and transparent about how much we pay our board members. We review our board remuneration annually, and use independent advice and benchmarking at least every three years (we last did this in 2019).

Remuneration of the non-executive board members and the executive directors is detailed on page 78.

Vestal Developments Ltd Board

The Board of Vestal Developments Ltd is appointed by the VIVID Board. It's chaired by Duncan Brown, who sits alongside Mike Shepherd and Phillip Raw.

VIVID Build Ltd Board

The Board of VIVID Build Ltd is appointed by the VIVID Board. It's chaired by Duncan Brown, who sits alongside Philip Raw.

The Committees

Audit & Risk Committee

The Audit & Risk Committee is responsible for overseeing our risk management framework and receiving assurance on the system of internal control. It also provides audit and assurance services to Vestal Developments Limited and VIVID Build limited under the terms of the Intra-Group Services Agreement. During the year, the committee met 5 times.

"At the start of the year we set our Assurance plan based on our approved Strategic Risk Register. Working closely with our Internal Audit partner we engaged specialist external reviews along with a number of deep dives. The outcomes were closely monitored through our Control Improvement Plan, which provides strength to our risk management framework and internal controls. We undertook a full review of our risk appetite with the Board in the autumn, and we'll shortly be reviewing our three-year assurance plan to ensure our approach to risk remains as robust as ever."

David French, Chair

The Board and Committees

The Committees

Remuneration & Nominations Committee

The Remuneration & Nominations Committee (RNC) is responsible for overseeing our People strategy and the appointment and performance of our non-executive directors and the Chief Executive. During the year, the committee met 5 times.

"This year we approved our approach to diversity and inclusion, which we're proud to say has been successfully adopted across the organisation. We also undertook a first year governance review, strengthening the membership of committees and agreeing the appointment of a Senior Independent Director. We also progressed the pensions strategy review, and commissioned an external review of our board effectiveness to support us with our succession planning. Looking ahead, we'll be welcoming two new board members, and developing the next stage of our People Strategy."

Jane Earl, Chair

Project Approvals Committee

The Project Approvals Committee (PAC) is responsible for approving expenditure on major projects which support our Development Strategy and Corporate Plan. It monitors the award of contracts and our planned improvements programmes to ensure that approved projects deliver the expected benefits and that the risks connected with these projects are managed. This may include the development of new schemes, the remodelling, rehabilitation, regeneration and disposal of the Group's stock or projects within the asset management strategy. During the year, the committee met 11 times.

"The committee has had another busy year overseeing development projects that enabled us to deliver 1005 homes for our customers. Part of our role is to carry out end of scheme reviews, and we used these through-out the year to provide us with insight and challenge to make improvements for future projects. We also kept tabs on our asset investment and our planned/major programmes of work. We have a healthy forward programme and look forward to delivering even more homes for our customers next year."

Mark Perry, Chair

Treasury Committee

The Treasury Committee is responsible for overseeing our treasury strategyplan and providing assurance to the Board on new funding decisions. During the year, the committee met 3 times.

"The main focus of the committee this year was the recommendation of new funding proposals to the Board and the restructuring of loan arrangements. We monitored compliance with our Golden Rules and maintained good levels of liquidity throughout the year."

David Mairs, Chair

As the organisation adapts to the changing needs of the customer, the Board has also discussed the option to create a new Customer Service Committee and this will be reviewed in 2019/20.

About us

Executive Officers	
Julian Chun	Director of Strategic Services
Jonathan Cowie	Chief Operating Officer, appointed 18 March 2019
Mike Shepherd	Director of New Business & Development
Duncan Short	Director of Resources
Mark Batchelor	Commercial Director, resigned 31 December 2018
Margaret Dodwell	Chief Operating Officer, appointed 3 January 2018, resigned 2 May 2018
Tom Norris	Chief Operating Officer, appointed 15 October 2018, resigned 4 March 2019
Company Secretary	
Duncan Brown	
Registered Office	
Peninsular House, Wharf Road, Portsmouth, Hampshire PO2 8HB	
Bankers	
Royal Bank of Scotland	3 Hampshire Corporate Park, Templars Way, Chandlers Ford, Hampshire SO53 3RY
Barclays Bank	8 Market Place, Basingstoke RG21 7QA

More details on our Board and Executive team members can be found on our website here.

Auditors	
External Auditors	
Nexia Smith & Williamson	Cumberland House, 15-17 Cumberland Place, Southampton SO15 2BG
Internal Auditors	
PricewaterhouseCoopers LLP	3 Ocean Way, Ocean Village, Southampton SO14 3TJ
Accountancy & Tax Advisors	
Smith & Williamson LLP	Cumberland House, 15-17 Cumberland Place, Southampton SO15 2BG
KMPG LLP	Gateway House, Tollgate, Chandler's Ford, Eastleigh SO53 3TG
Solicitors	
Capsticks LLP	Staple House, Staple Gardens, Winchester SO23 8SR
Winckworth Sherwood	Minerva House, 5 Montague Close, London, SE1 9BB
Trowers & Hamlins	3 Bunhill Row, London EC1 8YZ
Anthony Collins	134 Edmund St, Birmingham B3 2ES
Treasury Advisors	
J.C. Rathbone Associate Ltd	12 St James's Square, London SW1Y 4LB

Compliance with regulatory standards

The Board confirms that we've met the economic and consumer standards as set out in the Regulator of Social Housing's Regulatory framework for registered providers of social housing. The Board has carried out an assessment, made enquires and gained appropriate assurance that we comply with the:

- **Governance and Viability Standard 2015**
- **Value for Money Standard 2018**
- **Rent Standard 2015**
- **Home Standard 2015**
- **Tenancy Standard 2015**
- **Neighbourhood and Community Standard 2015**
- **Tenant Involvement and Empowerment Standard 2017.**

All required disclosures and returns to the regulator have been made and we've maintained registers for the declaration of interests by Board members, disposals of properties and the giving and receiving of gifts and hospitality by Board members and staff.

Regulatory performance - In-depth assessment

We've maintained our top rating of G1, V1 following our latest in-depth assessment. We were able to demonstrate a strong business plan with reasonable assumptions and a good set of scenario and stress testing plans (including follow up mitigation actions in the event we need them). Our strong internal controls and understanding of our key risks provided assurance about the way we manage and govern our business. Our simple legal structure, which allows clear oversight by the Board, combined with the right blend of non-executive and executive skills provided further assurance of the robustness of our governance.

Risk and internal control

The Board is responsible for our system of internal control and for reviewing its effectiveness. Our system of internal control is designed to manage rather than eliminate the risk of failure to achieve our corporate ambitions. It's designed to provide reasonable, but not absolute, assurance over the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Board is committed to maintaining a high standard of governance and accountability in all our activities. We've adopted the National Housing Federation's (2015) Code of Governance, which promotes board excellence for housing associations. We comply with all aspects of the code, although our Project Approvals Committee (PAC) is chaired by the Chief Executive rather than by a non-executive director. This gives us the ability to make timely operational decisions, which supports our ambitious development programme. We have no current plans to change this arrangement as it's appropriate to the circumstances of our organisation and we have measures in place to provide assurance that the principles of good governance are being upheld. Two non-executive directors, including the Senior Independent Director, sit alongside the Executive Chair as members of the committee. PAC minutes are referred to Board for noting, and PAC terms of reference and the Financial Regulations set clear boundaries for PAC's operation.

Our system of internal control includes:

- **Our Standing Orders and Financial Regulations which provide clearly defined roles, responsibilities and management and reporting structures, including a system of delegation.**
- **A risk management framework that provides a comprehensive process for assessing and managing strategic, financial and operational risks. Our Risk Map is updated quarterly and reviewed by the Audit and Risk Committee (ARC).**
- **Comprehensive risk scenarios and stress testing plans, each with thorough mitigation plans in the event they are needed.**

Risk and internal control

- A 3 year Assurance Plan approved by ARC which includes the forward planning of specialist audits.
- The internal audit service, provided by PricewaterhouseCoopers, which regularly assesses compliance with key control activities with a programme of reviews - the outcomes of which are reported to the ARC.
- A Control Improvement Plan to monitor actions from audit, which is reported monthly to the Executive team and to every ARC.
- Our recruitment process, appropriate training and individual performance monitoring systems which ensure we have sufficient, well-trained staff.
- Twice-yearly service reviews that are carried out by our scrutiny panel with the findings reported directly to Board.
- Our Treasury and Investment Policies and a set of Golden Rules which clearly establish the Board's financial risk appetite. The Board monitors compliance with the Golden Rules throughout the year.
- Clear criteria for investment appraisals which are overseen by the Project Approvals Committee.
- A Speak Up (whistle blowing) policy and an Anti-Bribery, Fraud and Money Laundering policy which covers the prevention, detection and reporting of fraud and the recovery of assets. The Audit and Risk Committee (ARC) reviews the Fraud Register at each meeting.
- An annual review of compliance against the Code of Governance and Regulatory Standards.
- A Legal Compliance Certification and a rolling programme of 6 legal monthly updates.
- A detailed business and strategic planning process which includes the preparation of annual budgets and a 30-year financial forecast.
- Monthly reporting of financial results and performance against budgets, targets and external benchmarks to the Board and Executive team.

Risk and internal control

To meet our business plan aspirations, we need to take some calculated risks. The Board has considered the level of risk it's willing to take and able to manage across five categories of risk – financial, health & safety, reputational, service delivery and compliance. Our risk management framework is based around our risk appetite and is designed to highlight any exposures which exceed the level of risk that we're comfortable with.

Key strategic risks and how we're managing them

The risk	Our mitigation
Failure to comply with landlord health and safety statutory requirements	• Comprehensive property registers • Regular inspections supported by independent specialist audits • Compliance data held on databases with reporting functionality • Continuous internal auditing of compliance data • Continuous data reconciliation cross referencing numerous data sources • Deep dive external audits • Monthly compliance scorecard
Health & Safety: Accident or incident causing serious injury, illness or death	• H&S committee • Monthly internal controls assessment • Bespoke incident reporting system to record, track and investigate incidents • Robust H&S training and communications • Promotion of positive H&S culture • COSHH related products reviewed/COSHH assessments in place • Annual H&S plan

The risk	Our mitigation
Fire risk in high rise flats due to component materials used in build	• Intrusive type 4 (common parts and flats) Fire Risk Assessments completed for all blocks 5 storeys and above • Works ongoing with opening and inspection of any cladding systems to fully confirm the construction make up • A1 non-combustible rain screen system design underway for the 3 buildings with ACM which are below 18m in height • Range of fire control measures agreed with the fire brigade until replacement cladding is in situ • Interim safety measures in place including robust fire risk assessments, firefighting measures and effective communication with residents
Changes in Building Regulations: Cost implications of potential changes	• Joint working with local authorities to ensure we have an understanding and lobbying influence of any changes to legislation and regulation • Provisions made in the budget for remedial works • Increase in tender costs reviewed to give early warning of any cost increases

Key strategic risks and how we're managing them

The risk	Our mitigation
Welfare reform and other public funding cuts: collecting our rents becomes more difficult	• Triage process to assess all customers who are claiming and receiving Universal Credit • Tailored support packages for customers available in-house • Affordability and benefits assessments for every new customer • Proactively supporting customers to move to smaller homes via mutual exchange and/or through the councils waiting lists to improve their financial situation • Strong rent collection process and focus on early intervention • Monthly monitoring of impact and degree of exposure • On-going training on reforms for all key staff
Brexit: The current uncertainty and volatility on both the financial and housing markets leaves us unable to fully assess potential issues	• Funding costs have been fixed at 80% for an average of 16 years • Monthly reviews of interest rates and interest costs compared to budget • Monthly reviews of our exposure to variable interest rates • Negotiation of additional funding arrangements • Six monthly assessments of new homes valuations
Housing market exposure: A downturn in housing market performance will reduce the surplus and cash generated from sales and the subsidy provided for the development programme	• Robust stress testing of the business plan to identify the impact of recession and the amount of exposure we can tolerate within our Golden Rules • Close monitoring of the treasury policy which establishes liquidity rules to ensure we can fund all our commitments without relying on sales • Multiple income streams including sales, shared ownership, affordable rent housing, private rent and supported housing • Use of joint ventures • Retaining the option to switch tenure of market sales homes • Monthly reports of sales activity

The risk	Our mitigation
Pension costs: The triennial revaluations will result in significant increases in pension costs. The declining membership of our LGPS schemes could trigger a cessation event	• Cessation costs of LGPS built into the business plan • Business plan model's CPI+0.5% increase in pension costs over the next 30 years • Introduction of a single SHPS defined contribution scheme for all staff from July 2019 with minimum contributions of 2% employee and 6% employer up to a maximum of matched 10% contribution
Data Protection: Failure to comply with the General Data Protection Regulation (GDPR)	• Data Protection Officer to oversee compliance • Information Asset Register • Robust policy and breach reporting procedure • Data retention schedule • Data Privacy Impact Assessments undertaken when carrying out new business activities • Continuous review of data sharing and processing agreements • Mandatory training for all staff
Information security: Unauthorised access to information including our systems being hacked, sending electronic or paper based information to the wrong place/person, losing information held on paper and loss of electronic device/s	• Continuous improvement of technical cyber defences • Regular campaigns to increase staff awareness of cyber security • IT resilience/hacking quarterly network penetration testing and undertaken • Detailed business continuity plan in place and annually tested • Robust disaster recovery capabilities in the Microsoft Azure Cloud • All staff trained to handle sensitive and personal information

Board's statement on internal control

During the year the Board conducted reviews of the internal controls we have in place:

- **The risk map and a review of the quality assurance received by the Board for each risk**
- **Reports from the Audit and Risk Committee and minutes of its meetings**
- **The internal auditor's annual report which includes a summary of the outcomes from its work during the year**
- **A review of the fraud register**
- **An annual internal control assessment from the Chief Executive**

The Board confirms that there are currently no significant control weaknesses, and that our established and sound system of internal controls has operated satisfactorily throughout the year.

Disclosure of information to the auditor

The directors who held office at the date of signing this report confirm that, so far as they are each aware, all relevant information has been provided to the auditor and each director has taken all the steps they ought to have taken to be aware of any relevant audit information and provide it to the auditor.

Statement of Board's responsibilities

Mike Kirk
Chair

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations, the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

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 and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association 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 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Going concern

The Board confirms that we have adequate resources to continue operating for the foreseeable future. For this reason, the Financial Statements have been prepared on a going concern basis.

Mike Kirk,
on behalf of the board
27 June 2019

Section 3:
Financial Statements

Independent auditor's report to the members of VIVID Housing Limited

Opinion

We have audited the financial statements of VIVID Housing Limited (the 'association') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Changes in Reserves, the Group and Association Statement of Financial Position, the Group and Association Statement of Cashflows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- **give a true and fair view of the state of the group and association's affairs as at 31 March 2019 and of its surplus for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and**
- **have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.**

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 59, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the 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 and association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Cumberland House
15-17 Cumberland Place
Southampton SO15 2BG

Date: 1 July 2019

Statement of Comprehensive Income for the year ended 31 March 2019:

	Notes	Group		Association	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Turnover	2	250,158	228,488	223,760	211,518
Operating costs	2	(95,795)	(103,843)	(96,051)	(103,099)
Cost of sales	2	(52,324)	(38,291)	(26,731)	(25,755)
Operating surplus	2	102,039	86,354	100,978	82,664
Surplus on sales of properties	4	4,872	8,428	4,872	8,428
		106,911	94,782	105,850	91,092
Interest receivable and similar income	8	189	377	1,557	1,308
Interest and financing costs	9	(34,141)	(29,586)	(34,141)	(29,586)
Transfer of subsidiary to other RP	10	(1,237)	-	-	-
Pension scheme re-measurement	29	-	140	-	140
Movement in fair value of financial instruments		-	1,195	-	1,195
Change in value of Investment Properties	14	1,349	(208)	1,349	(208)
Surplus before taxation		73,071	66,700	74,615	63,941
Taxation		(415)	(735)	(400)	(174)
Surplus for the year	11	72,656	65,965	74,215	63,767
Other comprehensive income					
Actuarial gain/(loss) in respect of pension scheme	29	(8,032)	50	(8,032)	50
Net liability increase SHPS defined benefit pension transition	29	(7,636)	-	(7,636)	-
Unrealised loss on investment		-	(359)	-	(359)
Total comprehensive income for the year		56,988	65,656	58,547	63,458

All of the Group's activities relate to continuing operations.

The notes on pages 68 to 98 form part of these financial statements.

Statement of Changes in Reserves for the year ended 31 March 2019:

	Group		Group	
	Revaluation Reserve 2019 £'000	Revaluation Reserve 2018 £'000	Revenue Reserve 2019 £'000	Revenue Reserve 2018 £'000
As at 1 April	914	1,481	458,634	392,411
Surplus for the year	-	-	72,656	65,965
Actuarial gain/(loss)	-	-	(15,668)	50
Other adjustment	(3)	(359)	-	-
Revaluation during the year	1,349	(208)	(1,349)	208
At 31 March	2,260	914	514,273	458,634

	Association		Association	
	Revaluation Reserve 2019 £'000	Revaluation Reserve 2018 £'000	Revenue Reserve 2019 £'000	Revenue Reserve 2018 £'000
As at 1 April	914	1,481	458,524	394,499
Surplus for the year	-	-	74,215	63,767
Actuarial gain/(loss)	-	-	(15,668)	50
Other adjustment	(3)	(359)	-	-
Revaluation during the year - Investment Properties	1,349	(208)	(1,349)	208
At 31 March	2,260	914	515,722	458,524

Statement of Financial Position As At 31 March 2019:

	Notes	Group		Association	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed Assets:					
Housing properties	12	1,960,096	1,836,816	1,964,589	1,839,706
Other Fixed Assets	13	20,995	21,937	19,028	19,848
Investment Properties	14	25,885	23,436	25,885	23,436
Homebuy loans	15	2,457	2,559	2,457	2,559
Investments in joint ventures	15	2,867	2,067	2,867	2,067
Investments	15	1,356	1,517	1,356	1,517
		2,013,656	1,888,332	2,016,182	1,889,133
Current assets:					
Stock	16	119,976	95,899	46,381	36,023
Debtors	17	13,680	13,231	79,630	66,057
Cash at bank and in hand		34,087	37,965	33,817	30,420
		167,743	147,095	159,828	132,500
Creditors: Amounts falling due within one year	18	(62,280)	(61,875)	(55,619)	(48,878)
Net current assets		105,463	85,220	104,209	83,622
Total assets less current liabilities		2,119,119	1,973,552	2,120,391	1,972,755
Creditors: Amounts falling due after one year	19	(1,565,256)	(1,500,630)	(1,565,256)	(1,500,105)
Provisions for liabilities					
Pension scheme provision	29	(37,071)	(13,130)	(37,071)	(13,130)
Deferred tax	24	(259)	(244)	(82)	(82)
Total net assets		516,533	459,548	517,982	459,438
Capital and reserves:					
Share capital – non-equity	25	-	-	-	-
Revenue reserve		514,273	458,634	515,722	458,524
Revaluation reserve		2,260	914	2,260	914
Total reserves		516,533	459,548	517,982	459,438

The financial statements were approved by the Board on 27 June 2019 and signed on its behalf by:

Mike Kirk
Chair

Philip Raw
Board Member

Duncan Brown
Secretary

The notes on pages 68 to 98 form part of these financial statements.

Statement of Cashflows for the year ended 31 March 2019:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash flows from operating activities				
Operating surplus	102,039	86,354	100,978	82,664
Depreciation of tangible fixed assets	29,693	31,974	29,693	31,672
Decrease/(increase) in inventory	(24,077)	(49,259)	(10,358)	1,957
(Increase)/decrease in debtors	(1,177)	(2,028)	(14,300)	(40,041)
Increase/(decrease) in creditors	5,709	4,682	11,524	(179)
Grant amortisation	(5,479)	(5,419)	(5,479)	(5,412)
Other	(657)	(384)	(143)	(385)
Net cash generated from operating activities	**106,051**	**65,920**	**111,915**	**70,276**
Cash flow from Investing activities				
Additions to fixed assets and investments	(163,494)	(140,857)	(163,494)	(145,822)
Loans repaid to part equity owners	(43)	-	-	-
Proceeds from sale of assets	13,896	21,115	13,896	21,115
Grants received	4,034	4,584	4,034	4,585
Interest received	189	364	1,557	1,295
	(145,418)	(114,794)	(144,007)	(118,827)
Cash flow from financing activities				
Interest Paid	(40,933)	(36,172)	(40,933)	(36,172)
Loan arrangement fees	-	-	-	-
Net drawdown from loan facilities	76,422	29,782	76,422	29,782
	35,489	(6,390)	35,489	(6,390)
Net change in cash and equivalents	**(3,878)**	**(55,264)**	**3,397**	**(54,941)**
Cash and equivalents at beginning of year	37,965	93,229	30,420	85,361
Cash and equivalents at end of year	34,087	37,965	33,817	30,420
Movement in cash and equivalents	**(3,878)**	**(55,264)**	**3,397**	**(54,941)**

Notes to the accounts

1. Accounting policies

1.1 Accounting convention, compliance with accounting standards and constitution

The Association is incorporated in England and Wales under the Co-Operative and Community Benefit Societies Act 2014 and is a registered housing association. The registered office is Peninsular House, Wharf Road, Portsmouth, Hampshire, PO2 8HB.

The financial statements have been prepared under the UK General Accepted Accounting Practice (UK GAAP) including the Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practise (SORP) for Registered Social Providers and complies with the Accounting Direction for Private Registered Providers of Social Housing 2015.

VIVID is a public benefit entity in accordance with FRS 102.

The Group financial statements are required to be prepared and consolidate those of the Association and its subsidiary undertakings drawn up to 31 March 2019. Profits or losses on intra-group transactions are eliminated in full.

1.2 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. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the group has adequate resources to continue to meet its financial obligations as they fall due for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

1.3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

a) Impairment

Management consider that there have been no impairment indicators in the year.

b) Investment property classifications

Investment properties consist of commercial properties and other properties not held for social benefit or for the use in the business under FRS 102. VIVID Housing reviewed all commercial properties and determined the majority were held for social purpose, and the stock held as market rental has been revalued and this is recognised in the financial statements.

c) Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases.

Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 29).

d) Arrears provisions

Arrears provisions have been set based on our experiences of cash flows and recovery rates. We make allowances for housing benefit due and treat former tenant arrears prudently (see note 17).

e) Classification of housing loans

Judgements have been applied in determining whether our housing loans are "basic" or "other" financial instruments.

f) Useful economic lives

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

1.4 Turnover

Turnover represents rental income, fees and service charges receivable in respect of the year, after deduction of void losses. It also includes revenue grants received from local authorities, Homes England, other stakeholders along with other income relating to the year which is recognised in the same period as the related expense. Turnover includes the proceeds of first tranche sales of properties developed for shared ownership and outright sales that are recognised on completion. Turnover also includes amortised government grant as required under the accrual model as defined by FRS 102.

1.5 Tangible fixed assets

a) Housing properties

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

The cost of acquiring properties includes all costs of acquiring the land and buildings, construction and interest on borrowings to finance the construction of assets.

Costs of construction are capitalised at their full amount and any retention is included within creditors due within one year.

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 property are capitalised as additions in the year.

The cost of shared ownership properties held at the year end is included in Housing properties only to the extent that it represents the cost of subsequent tranches. The costs attributable to the unsold first tranche sales are classified as current assets within stock.

b) Depreciation

Depreciation is provided on a straight-line basis on properties to write-down the cost less residual value over the estimated useful lives of the assets, at the following rates:

Type of property	Depreciation rate
Freehold housing (structure)	1% per annum
Leasehold property	Over the life of the lease
Commercial and office buildings	1% - 2% per annum
Hostels	2% per annum

Depreciation is not provided on freehold land or on assets in the course of construction.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

Component	Depreciation life	Depreciation rate
Kitchens	20 years	5.00%
Bathrooms	30 years	3.33%
Roof	60 years	1.67%
Structure	100 years	1.00%
Windows/Doors	30 years	3.33%
Gas Boilers	12 years	8.33%
Heating Systems	30 years	3.33%
PV Panels	20 years	5.00%
Rewire	40 years	2.50%

c) Impairment

Annually housing properties are assessed for impairment indicators. Where an indicator is identified an assessment for impairment is carried out comparing the scheme's carrying amount to the recoverable amount of the asset of the respective cash generating unit. Where the carrying amount of a scheme is deemed to exceed the recoverable amount the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure.

Additional reviews are carried out to include properties developed for shared ownership sales, shared ownership properties earmarked for change in use and properties developed for outright sale which remain unsold at the year end.

d) Sales of housing accommodation

The surplus/deficit arising on sales of housing properties comprises of proceeds from property sales, which are recognised at the date of completion, less the net book value of the properties taking into account any associated sales costs.

The surplus or deficit on sales of housing accommodation takes into account any liabilities under right to buy sharing agreements with local authorities.

Sales of second or subsequent tranches of shared ownership properties are dealt with in the income and expenditure account after the operating surplus for the period within the surplus/deficit on sales of properties. Proceeds from first tranche sales of shared ownership and properties for constructed for outright sales properties are included within turnover with attributable costs being included within cost of sales.

e) Improvements to property and major repairs

The group capitalises items of expenditure on housing properties if they result in an enhancement to the economic benefits from the property or if they replace a component that has been treated separately for depreciation purposes.

Works to existing properties which do not meet the above criteria are charged to the income and expenditure account.

f) Capitalisation of interest

Interest on loans financing a development scheme is capitalised to the extent that it accrues in respect of the period of development.

g) Capitalisation of development on-costs

Staff salary costs which are directly attributable to an individual development are capitalised. Other costs are capitalised only to the extent that they are incremental as a result of the individual development. Costs incurred on schemes, which are identified as abortive, are written off at the point at which it becomes apparent that the scheme is likely to be aborted.

h) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. On other fixed assets depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation used are as follows:

Type of asset	Depreciation rate
Furniture, equipment, fixtures and fittings	10% to 33.3% per annum
Office refurbishment	20% per annum
Computer equipment	33.3% to 50% per annum
Leasehold improvements	Over the life of the lease

1.6 Investment properties

Investment properties are measured at cost on initial recognition and subsequently at fair value and any gains or losses arising from changes in the fair value are recognised in the surplus for the year. No depreciation is provided in respect of investment properties.

1.7 HomeBuy loans

Under the HomeBuy scheme, the Association receives HomeBuy grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the association meet the definition of concessionary loans and are shown as fixed asset investments on the statement of financial position. The HomeBuy grant provided by the government to fund all or part of a HomeBuy loan has been recognised as a creditor due in more than one year.

1.8 Accounting for joint ventures

Investments in joint ventures and jointly controlled entities will be held as part of Fixed Asset Investments. In accordance with section 9.26 of FRS 102 the Association will account for these investments at cost (less impairment). On consolidation the investments will be accounted for in accordance with section 15.9a of FRS 102, being initially held at cost and subsequently adjusted using equity accounting.

1.9 Investments

Unlisted fixed asset investments are stated at cost less provision for any impairment in value. Listed fixed asset investments are stated at market value and the unrealised gain/loss is recognised in the statement of comprehensive income.

1.10 Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Work in progress represents the cost of assets (for outright sale) under development, and first tranches of shared ownership housing accommodation.

1.11 Value added tax

The group is VAT registered but a large proportion of its income, rent, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is therefore shown gross of VAT, with any net recovery of VAT included within operating costs.

1.12 Deferred Taxation

Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those assets have not been rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Any assets and liabilities recognised have not been discounted.

1.13 Rentals under operating leases

Rentals under operating leases are charged to the income and expenditure accounts as incurred.

1.14 Housing Grant

Housing Grants include grant received 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 properties structure under the accruals model.

Where grant is received on items treated as revenue expenditure, e.g. elements of major repair expenditure, it is treated as a revenue grant and credited to the income and expenditure account in line with the underlying expenditure.

Grants due or received in advance are included in current assets or liabilities.

Grants released on the disposal of an asset are credited to Recycled Capital Grant Fund. Where individual components are disposed of and this does not create a relevant event for recycling purposes any grant which has been allocated to the component is released to income. Upon disposal of the associated property, the group is required to recycle these proceeds and recognise them as a liability.

1.15 Pension costs

VIVID has four distinct pension arrangements in operation for its employees:

Hampshire County Council Pension Fund – Defined Benefit (DB)

VIVID participates in a defined benefit pension scheme which provides benefits based on final pensionable salary. VIVID has closed new membership admissions to the scheme for all staff. The assets of the scheme are held by the Hampshire County Council Superannuation Fund.

The pension costs relating to the scheme are accounted for in accordance with FRS 102. Current service costs and interest costs relating to the net defined obligation are included in the income statement in the period to which they relate. Actuarial gains and losses as well as any other remeasurements are recognised in the statement of comprehensive income.

Social Housing Pension Scheme – Defined Benefit

VIVID participates in the Social Housing Pension Scheme administered by The Pensions Trust Retirement Solutions. This is a multi-employer defined benefit scheme. VIVID has closed new membership admissions for all staff.

The Pensions Trust has provided new sufficient information identifiying the underlying assets and liabilities of the scheme at individual participating employer level as at 31 March 2018. No other changes to the scheme benefits have come into effect by 31 March 2019. In prior years, VIVID accounted for the scheme as a defined contribution scheme and recognised an additional creditor for agreed deficit recovery payments. However now that sufficient information is available the treatment is in line with FRS 102 for full defined benefit accounting.

VIVID is early adopting the principles set out in FRS 102 (May 19) 28.11b in order to transition to full DB accounting. This involves derecognising the liability for agreed deficit recovery payments and recognising the net pension deficit for the scheme as at 1 April 2018. The net difference of the two is recognised separately in other comprehensive income.

Pensions Trust Growth Fund – Defined Benefit

VIVID participates in the Pensions Trust Growth Fund administered by The Pensions Trust Retirement Solutions. This is a multi-employer defined benefit scheme. VIVID has closed new membership admissions for all staff.

Sufficient information does not exist to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS 102 represents the employer contribution payable.

The scheme currently has a shortfall of assets compared to liabilities. Deficit recovery payment plans have been agreed between the participating employers and Trustees of the schemes to eliminate this shortfall. In line with FRS 102 requirements, this cash payment plan has been recognised as a liability in the statement of financial position and is measured at the reporting date by discounting the future cash outflows at the rate of an AA corporate bond. The unwinding of this discounting is recognised as a finance charge in the period to which it relates.

Social Housing Pension Scheme – Defined Contribution

VIVID participates in a defined contribution scheme provided by The Pensions Trust Retirement Solutions. This scheme is open to new members and is the preferred vehicle for auto enrolment. The accounting charge for the period represents the employer contribution payable.

1.16 Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument defined in section 11 of FRS 102 are accounted for under an amortised cost model. Basic instruments which have undergone a substantial modification in terms are measured at the present value of future cashflows discounted at a market rate of interest for a similar instrument.

Non-basic financial instruments which meet the criteria in section 12 of FRS 102 are recognised at fair value using a valuation technique. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure.

1.17 Corporation tax

The charge for taxation is based on surpluses arising on certain activities which are liable to tax.

1.18 Reserves

Revenue – contains all historic surplus' and deficits to date.

Revaluation reserve – contains the difference between the value in the statutory accounts and historic cost of assets and investments held fair value, incorporating an annual adjustment to the revenue reserve for excess depreciation.

2. Group particulars of turnover, operating costs and operating surplus

	2019 Turnover	2019 Operating Costs	2019 Cost of Sales	2019 Operating Surplus/(Deficit)	2018 Turnover	2018 Operating Costs	2018 Cost of Sales	2018 Operating Surplus/(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
a) Group								
Social housing lettings (Note 3a)	167,693	(85,294)	-	82,399	164,882	(90,581)	-	74,301
Other social housing activities:								
Current asset property sales (Shared Ownership)	25,525	-	(16,313)	9,212	26,686	-	(17,240)	9,446
Development services	635	(1,518)	-	(883)	108	(2,073)	37	(1,928)
Total for social housing activities	**193,853**	**(86,812)**	**(16,313)**	**90,728**	**191,676**	**(92,654)**	**(17,203)**	**81,819**
Open market property sales	46,647	-	(36,011)	10,636	26,110	-	(21,088)	5,022
Activities other than Social Housing Activities (Note 3b)	9,658	(8,983)	-	675	10,702	(11,189)	-	(487)
Total for all activities	**250,158**	**(95,795)**	**(52,324)**	**102,039**	**228,488**	**(103,843)**	**(38,291)**	**86,354**

2. Association particulars of turnover, operating costs and operating surplus

	2019 Turnover	2019 Operating Costs	2019 Cost of Sales	2019 Surplus/(Deficit)	2018 Turnover	2018 Operating Costs	2018 Cost of Sales	2018 Surplus/(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
b) Association								
Social housing lettings (Note 3a)	167,693	(85,294)	-	82,399	164,539	(90,418)	-	74,121
Other social housing activities:								
Current asset property sales (Shared ownership 1st tranche)	25,525	-	(16,313)	9,212	26,686	-	(17,240)	9,446
Development services	635	(1,472)	-	(837)	108	(1,776)	-	(1,668)
Total for social housing activities	**193,853**	**(86,766)**	**(16,313)**	90,774	**191,333**	**(92,194)**	**(17,240)**	**81,899**
Open market property sales	11,839	-	(10,418)	1,421	9,438	-	(8,515)	923
Amounts due under a Deed of Covenant	8,071	-	-	8,071	-	-	-	-
Activities other than Social Housing Activities (Note 3b)	9,997	(9,285)	-	712	10,747	(10,905)	-	(158)
Total for all activities	**223,760**	**(96,051)**	(26,731)	100,978	**211,518**	**(103,099)**	**(25,755)**	**82,664**

3a. Group particulars of income and expenditure from social housing lettings

	General Needs	Supported housing & housing for older people	Low Cost Home Ownership	Other	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	133,806	8,243	8,844	2,774	153,667	150,802
Service charge income	3,600	3,096	1,841	10	8,547	8,661
Amortised government grants	4,437	372	445	225	5,479	5,419
Turnover from social housing lettings	**141,843**	**11,711**	**11,130**	**3,009**	**167,693**	164,882
Management	13,570	1,643	1,578	231	17,022	17,559
Service charge costs	7,272	2,794	816	297	11,179	10,926
Routine maintenance	14,983	1,168	152	321	16,624	13,724
Planned maintenance	4,598	109	9	26	4,742	5,509
Major repairs expenditure	6,574	664	98	46	7,382	12,458
Bad debts	563	174	(61)	2	678	1,365
Rent charges & property lease charges	95	-	14	375	484	138
Depreciation of housing properties	23,512	1,585	1,319	767	27,183	28,902
Operating costs on social housing lettings	**71,167**	**8,137**	**3,925**	**2,065**	**85,294**	90,581
Operating surplus on social housing lettings	**70,676**	**3,574**	**7,205**	**944**	**82,399**	74,301
Void losses	635	414	16	7	1,072	1,168

3a. Association particulars of income and expenditure from social housing lettings

	General Needs	Supported housing & housing for older people	Low Cost Home Ownership	Other	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	133,806	8,243	8,844	2,774	153,667	150,590
Service charge income	3,600	3,096	1,841	10	8,547	8,537
Amortised government grants	4,437	372	445	225	5,479	5,412
Turnover from social housing lettings	141,843	11,711	11,130	3,009	167,693	164,539
Management	13,570	1,643	1,578	231	17,022	17,555
Service charge costs	7,272	2,794	816	297	11,179	10,829
Routine maintenance	14,983	1,168	152	321	16,624	13,706
Planned maintenance	4,598	109	9	26	4,742	5,497
Major repairs expenditure	6,574	664	98	46	7,382	12,451
Bad debts	563	174	(61)	2	678	1,366
Rent charges & property lease charges	95	-	14	375	484	138
Depreciation of housing properties	23,512	1,585	1,319	767	27,183	28,876
Operating costs on social housing lettings	71,167	8,137	3,925	2,065	85,294	90,418
Operating surplus on social housing lettings	70,676	3,574	7,205	944	82,399	74,121
Void losses	635	414	16	7	1,072	1,167

3b. Turnover from non-social housing activities

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Lettings				
Market renting	1,720	1,745	1,720	1,745
Garage renting	1,448	1,381	1,448	1,381
Private sector leasing	2,632	2,800	2,632	2,800
Commercial	1,044	1,033	1,044	1,033
Leaseholder and owned by others	1,282	1,592	1,282	1,592
Total lettings	8,126	8,551	8,126	8,551
Other				
Management fees	76	111	637	342
Insurance claims	258	433	258	433
Recharge income	225	998	225	998
Maintenance services provided to other companies	33	-	33	120
Other income and VAT recovery	940	609	718	303
Total other	1,532	2,151	1,871	2,196
Total all activities	9,658	10,702	9,997	10,747

3c. Units of accommodation in management and managed by others

	Group & Association	
	Number of units at 31 March 2019	Number of units at 1 April 2018
Units of accommodation in management		
Social housing		
General needs – social	18,784	18,207
General needs – affordable	4,101	3,694
Supported housing & housing for older people	1,579	2,183
Intermediate rent	364	333
Low cost home ownership	2,933	2,700
Total	27,761	27,117
Non-social housing		
Low cost home ownership 100% equity sold	1,709	1,660
Market rented	276	196
Other	600	728
Total	**2,585**	**2,584**
Total units of accommodation in management	**30,346**	**29,701**
Units of accommodation managed by others	175	263
Total of all units of accommodation	**30,521**	**29,964**

4. Surplus on disposal of fixed assets and investment

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Gross sales proceeds	15,257	22,600	15,257	22,600
Amounts payable to Local Authority	(824)	(841)	(824)	(841)
Cost of sales	(9,561)	(13,331)	(9,561)	(13,331)
Surplus for the year	4,872	8,428	4,872	8,428

5. Expenses and auditor remuneration

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation and amortisation:				
Depreciation of housing properties	27,263	28,978	27,263	28,959
Depreciation of other tangible fixed assets	2,543	2,995	2,430	2,713
Impairment	-	-	-	-
Amortisation of Grant	5,479	5,419	5,479	5,412
External auditors' remuneration (excl. VAT and incl. expenses):				
In their capacity as auditors of statutory accounts	47	48	34	33
Other non-audit services paid to related companies of the auditors	44	33	44	33
Operating lease rentals				
Land and buildings	2,712	2,820	2,712	2,820
Motor vehicles	1,447	1,540	1,447	1,540
Hire of plant and machinery	130	306	130	306

6. Employees

The average number of employees, including the executive officers, expressed as full-time equivalents based on 37 hours per week.

	Group		Association	
	2019	2018	2019	2018
Average number of employees	790	820	786	804

7. Key Management Personnel – Group and Association

We define the Key Management Personnel of the Group as the Board and Committee Members, the Chief Executive and the other members of the Executive Management Team.

	2019 £'000	2018 £'000
Emoluments of executive staff members	1,145	1,338
Emoluments of non-executive board members	94	85
Total Emoluments (including pension contributions and benefits in kind)	1,239	1,423
Remuneration of non-exectutive board members:		
Kike Kirk, Board Chair	20	20
Michael Stamcombe, Senior Independent Director	8	8
Juliet Annesley-Gamster, Retired 13 September 2018	4	8
Jane Earl	10	10
David French	10	10
David Mairs	10	10
Philip Raw	8	8
Lynda Shillaw	8	4
Jane Tabor	8	8
J ean-Marc Vandevivere	8	4
Emoluments (excluding pension contributions) payable to the Chief Executive	234	174

The Chief Executive participated in the defined benefit pension scheme under the same terms as the other members of that scheme.

During the year, aggregate compensation for loss of office of key management personnel included above was £29k (2018: £252k).

Employer's National Insurance contributions relating to Key Management Personnel was £141,420 (20108: £147,041).

7. Key Management Personnel – Group and Association

The full-time equivalent number (based on a 37 hour week) of staff whose remuneration (including any compensation for loss of office) fell within each band:

	Group		Association	
	2019	2018	2019	2018
£60,000 - £69,999*	10	24	10	23
£70,000 - £79,999	4	9	4	9
£80,000 - £89,999	5	7	5	4
£90,000 - £99,999	4	2	4	2
£100,000 - £109,999**	0.4	1	0.4	1
£110,000 - £119,999	-	3	-	3
£120,000 - £129,999	1	1	1	1
£130,000 - £139,999	-	1	-	1
£140,000 - £149,999	1	-	1	-
£150,000 - £159,999	-	-	-	-
£160,000 - £169,999	2	-	2	-
£170,000 - £179,999	-	1	-	1
£180,000 - £189,999**	-	1	-	1
£190,000 - £219,999*	1	-	1	-
£220,000 - £239,999	1	-	1	-
£240,000 - £269,999**	-	1	-	1

* Includes compensation for loss of office paid during the year.
** Includes compensation for loss of office paid during the prior year.

8. Interest receivable and similar income

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable and similar income	101	119	100	116
Interest receivable from subsidiaries	-	-	1,369	934
Income from long term investment	88	258	88	258
	189	377	1,557	1,308

9. Interest and financing costs

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans and bank overdrafts	40,185	35,861	40,185	35,861
Interest on RCGF	72	34	72	34
Net interest charge DB pension schemes	740	445	740	445
	40,997	36,340	40,997	36,340
Capitalised interest	(6,856)	(6,754)	(6,856)	(6,754)
	34,141	29,586	34,141	29,586

10. Transfer of charitable trusts to other Registered Providers

On the 1st April, VIVID resigned as trustee of Hewitt Homes. This resulted in a charge of £1,237k against the group surplus representing the net assets of the trust.

11. Tax on surplus on ordinary activities

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Taxation charge for the year				
Corporation tax charge for the year	(401)	(696)	(401)	(183)
Deferred tax	(15)	(52)	-	(4)
Adjustment in respect of prior years	1	13	1	13
Total taxation charge for the year	**(415)**	(735)	**(400)**	(174)

The tax assessed for the period has been charged at the 19% rate of corporation tax in the UK (2018: 19%). The differences are explained below:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Surplus for the year before taxation	73,071	66,700	74,615	63,941
Surplus multiplied by effective tax rate of 19% (2018: 19%)	(13,883)	(12,673)	(14,177)	(12,149)
Surplus relating to charitable activities	13,774	12,001	13,774	12,001
Group relief	-	-	1	-
Effect of timing differences	-	6	-	-
Capital allowances in excess of depreciation	5	4	3	4
Adjustments to brought forward balances	(1)	13	(1)	13
Other	(310)	(86)	-	(43)
Total tax charge	**(415)**	(735)	**(400)**	(174)

12a. Tangible fixed assets - Housing properties

	Properties held for letting	Under Construction	Total
Group	**£'000**	**£'000**	**£'000**
Cost:			
Balance at 1 April 2018	1,918,526	157,043	2,075,569
Additions	9,569	152,294	161,862
Disposals	(14,580)	-	(14,580)
Transfers	118,727	(118,727)	-
Transfer to investment properties	-	(1,100)	(1,100)
Balance at 31 March 2019	**2,032,242**	189,510	2,221,752
Depreciation & Impairment:			
Balance at 1 April 2018	238,753	-	238,753
Depreciation charge for year	27,263	-	27,263
Disposals	(4,360)	-	(4,360)
Balance at 31 March 2019	261,656	-	261,656
Net book value at 31 March 2019	**1,770,586**	**189,510**	**1,960,096**
Net book value at 31 March 2018	1,679,496	157,321	1,836,816

Expenditure on works to existing properties	**2019**	**2018**
	£'000	**£'000**
Components capitalised	16,052	12,616
Amounts charged to income and expenditure	6,193	10,112
	22,245	22,728
Additions to the cost of housing properties include:		
Capitalised Interest charged in the year	6,856	6,754

All housing properties for letting or shared ownership are held on a freehold or long leasehold tenure. Completed shared ownership properties have a cost of £218,228k and accumulated depreciation of £9,613k giving a Net Book Value of £208,615k.

12b. Tangible fixed assets - Housing properties

	Properties held for letting	Under Construction	Total
Association	**£'000**	**£'000**	**£'000**
Cost:			
Balance at 1 April 2018	1,919,276	158,949	2,078,225
Additions	9,568	152,688	162,256
Disposals	(13,136)	-	(13,136)
Transfers	120,633	(120,633)	-
Transfer to investment properties	-	(1,100)	(1,100)
Balance at 31 March 2019	2,036,341	189,904	2,226,699
Depreciation & Impairment:			
Balance at 1 April 2018	238,519	-	238,519
Depreciation charge for year	27,262	-	27,262
Disposals	(4,125)	-	(4,125)
Balance at 31 March 2019	261,656	-	261,656
Net book value at 31 March 2019	**1,774,685**	**189,904**	**1,964,589**
Net book value at 31 March 2018	1,680,757	158,949	1,839,706

Expenditure on works to existing properties	**2019**	**2018**
	£'000	**£'000**
Components capitalised	16,052	12,578
Amounts charged to income and expenditure	6,193	10,105
	22,245	22,683
Additions to the cost of housing properties include:		
Capitalised Interest charged in the year	6,856	6,754

All housing properties for letting or shared ownership are held on a freehold or long leasehold tenure. Completed shared ownership properties have a cost of £218,228k and accumulated depreciation of £9,613k giving a Net Book Value of £208,615k.

13a. Tangible fixed assets - other

	Commercial Buildings	Office Buildings	Other	Total
Group	**£’000**	**£’000**	**£’000**	**£’000**
Cost or valuation:				
Balance at 1 April 2018	7,008	11,615	11,110	29,733
Additions	-	35	1,589	1,624
Disposals	-	-	(307)	(307)
Balance at 31 March 2019	7,008	11,650	12,392	31,050
Depreciation:				
Balance at 1 April 2018	1,260	2,052	4,484	7,796
Charge for the year	84	1,072	1,387	2,543
Disposals	-	-	(284)	(284)
Balance at 31 March 2019	1,344	3,124	5,587	10,055
Net Book Value at 31 March 2019	**5,664**	**8,526**	**6,805**	**20,995**
Net Book Value at 31 March 2018	5,748	9,563	6,626	21,937

13b. Tangible fixed assets - other

	Commercial Buildings	Office Buildings	Other	Total
Association	**£’000**	**£’000**	**£’000**	**£’000**
Cost or valuation:				
Balance at 1 April 2018	7,008	11,615	8,047	26,670
Additions	-	35	1,588	1,623
Disposals	-	-	(49)	(49)
Balance at 31 March 2019	7,008	11,650	9,586	28,244
Depreciation:				
Balance at 1 April 2018	1,261	2,052	3,509	6,822
Charge for the year	83	1,072	1,275	2,430
Disposals	-	-	(36)	(36)
Balance at 31 March 2019	1,344	3,124	4,748	9,216
Net Book Value at 31 March 2019	**5,664**	**8,526**	**4,838**	**19,028**
Net Book Value at 31 March 2018	5,747	9,563	4,538	19,848

14. Investment Properties

Group and Association	**£’000**
Balance as at 1 April 2018	23,436
Additions	1,100
Net gain/(loss) from fair value adjustments	1,349
Balance as at 31 March 2019	25,885

Investment properties are market rental residential properties, owned and managed by the Association. All investment properties have been valued at fair value by external valuers and in association with the Royal Institution of Chartered Surveyors professional standards.

15. Fixed Asset Investments

	Listed	Unlisted	Joint Ventures	Homebuy Loans	Starter Home Initiative	Total
Group and Association	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation						
At 1 April 2018	1,310	25	2,067	2,584	157	6,143
Additions	-	-	800	-	-	800
Revaluation	(113)	-	-	-	-	(113)
Disposal	-	-	-	(127)	(23)	(150)
At 31 March 2019	**1,197**	**25**	**2,867**	**2,457**	**134**	**6,680**

Investments in joint ventures

VIVID Housing is a co-investor in Aspect Building Communities Ltd ("Aspect") with another Registered Provider and two Local Authorities. Aspect was formed to bring forward housing developments to increase housing supply and boost the local economy by working in partnership with local organisations. VIVID Housing has a 26% non-controlling interest in Aspect. Since Aspect is a company limited by guarantee the Association has no right to distribution of profits.

Aspect has created two special purpose vehicles through which the development of housing is undertaken and VIVID has invested in these partnerships. (Woodside LLP £2,190k, Stoneham LLP £677k). Both investments are shown at initial cost with no indicators of impairment.

Investment in subsidiaries

VIVID Housing holds a £1 investment and is the ultimate parent undertaking of:

VIVID Build Limited	A limited company carrying out development activities for the Group. VIVID Housing owns 100% of the share capital.
Vestal Developments Limited	A limited company carrying out development activities and sale of open market properties for the Group. VIVID Housing owns 100% of the share capital.

16. Properties held for sale and stock

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Work in progress				
Raw materials and consumables	330	308	330	308
Completed Units				
Shared ownership	9,385	923	9,385	923
Outright Sales	-	7,439	-	7,439
	9,385	8,362	9,385	8,362
Work in progress				
Shared ownership	36,666	24,910	36,666	24,910
Outright Sales	73,595	62,319	-	2,443
	110,261	87,229	36,666	27,353
	119,976	95,899	**46,381**	36,023

17. Debtors

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Due within one year				
Rental debtors	12,563	9,737	12,563	9,729
Less: provision for bad debts	(4,397)	(4,429)	(4,397)	(4,425)
	8,166	5,308	8,166	5,304
Trade debtors	312	229	312	193
Amounts owed by subsidiary undertaking	-	-	36,067	34,035
Amounts owed from gift aid	-	-	8,071	-
Other debtors	693	380	693	205
Prepayments and accrued income	3,080	3,125	2,998	3,113
VAT/CT debtor	1,391	3,423	-	2,441
Capital grants	38	766	38	766
	13,680	13,231	**56,345**	46,057
Due more than one year				
Prepayments and accrued income*	-	-	23,285	20,000
	13,680	13,231	**79,630**	66,057

*VIVID has entered into a binding sale agreement with its subsidiary Vestal Developments Ltd for land acquired as part of an overall development strategy at a site known as Stoneham Lane, Eastleigh. Vestal has up to 10 years to complete the purchase. This shown as a debtor greater than one year.

18. Creditors: Amounts falling due within one year

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans	8,588	7,989	8,578	7,989
Deferred grant	5,521	5,499	5,521	5,493
Trade creditors	1,804	3,484	1,778	1,554
Rent received in advance	4,213	2,872	4,213	2,859
Other creditors	6,982	7,976	427	497
Taxation and social security	1,002	-	1,002	-
Rent Deposits	129	156	129	156
Local Authority claw back	37	367	37	367
Leaseholders' sinking fund *	8,676	7,474	8,676	7,474
Corporation tax	220	662	220	149
Amounts owed to subsidiary	-	-	443	768
Pension Scheme deficit (SHPS)	6	1,621	6	1,621
RCGF & DPF due within 1 year	-	347	-	347
Accruals and deferred income	25,102	23,428	24,589	19,604
	62,280	61,875	**55,619**	48,878

* The cash for the Leaseholders' Sinking Fund is held in a separate client account in accordance with the provisions set out in the Commonhold & Leasehold Reform Act 2002 S156.

19. Creditors: Amounts falling due after more than one year

	Note	Group		Association	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Housing loans	20	1,066,056	990,223	1,066,056	990,223
Recycled capital grant fund	21	8,839	8,387	8,839	8,387
Disposal proceeds fund	22	-	108	-	108
Deferred grant income	23	489,140	491,630	489,140	491,105
Pension Scheme Deficit (SHPS)	29	-	8,495	-	8,495
Grant on HomeBuy Equity Loans		1,221	1,339	1,221	1,339
Accruals and deferred income		-	448	-	448
		1,565,256	1,500,630	**1,565,256**	1,500,105

20. Housing loans analysis

Facilities	Principal Amount	Weighted Average Nominal Rate	Year of final maturity	Carrying Value	
	31/03/2019 £'000			31/03/2019 £'000	31/03/2018 £'000
AHF	164,700	2.86	2043-48	172,103	172,349
Barclays	91,375	5.09	2033-49	110,127	113,344
EM3	1,065	0	2021	1,065	1,597
Harbour Funding	75,000	5.28	2034	74,993	74,995
Lloyds/Scottish Widows	72,830	3.47	2037	69,462	92,069
Orchardbrook	1,932	10.27	2028	1,923	2,066
Private Placements	298,000	3.97	2028-49	298,286	148,512
RBS	30,000	5.88	2035	31,212	31,202
Santander	51,667	6.45	2025-27	59,135	122,694
Syndicate	198,083	1.97	2036-38	192,124	174,623
THFC	12,500	7.04	2030	10,897	11,266
UK Rents	2,974	9.10	2026	2,937	3,276
Yorkshire Building Society	50,000	2.18	2035	50,381	50,219
	1,050,125			1,074,644	998,212
The average interest rate for the above loans is				3.73%	3.54%

Maturity of loans:	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	8,578	7,989	8,578	7,989
Greater than one year	1,066,066	990,223	1,066,066	990,223
	1,074,644	998,212	1,074,644	998,212

Loans are secured by fixed charges on individual properties.

Maturity of loans:	Group & Association Facilities		Group & Association Drawn Debt	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	53,578	7,989	8,578	7,989
Between one and two years	10,458	36,617	10,458	32,534
In two to five years	157,471	162,814	37,472	63,814
In five years or more	1,077,050	956,052	993,617	881,119
	1,298,558	1,163,472	1,050,125	985,456

21. Movements on the recycled capital grant fund

	Group & Association	
	2019 £'000	2018 £'000
Opening balance at 1 April	8,387	7,267
Inputs to fund:		
Grants recycled	2,435	2,870
Interest accrued	64	31
Outputs from fund: New build	(2,047)	(1,781)
Closing balance at 31 March	8,839	8,387
Due within 1 year:	-	-
Due after 1 year:	8,839	8,387
Closing balance at 31 March	**8,839**	8,387

22. Movements of the disposals proceeds fund

	Group & Association	
	2019 £'000	2018 £'000
Opening balance at 1 April	455	455
Inputs to fund: Grants recycled	-	-
Outputs from fund: New build	455	-
Closing balance at 31 March	-	455
Due within 1 year:	-	347
Due after 1 year:	-	108
Closing balance at 31 March	-	455

23. Deferred grant income

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April	497,129	498,494	496,598	497,956
Net Grant received in the year	3,373	3,631	3,373	3,631
Net amount recognised in the Statement of Comprehensive Income in the year	(5,310)	(4,996)	(5,310)	(4,989)
Transfers & Adjustments	(531)	-	-	-
At 31 March	494,661	497,129	494,661	496,598
Amounts to be released in one year	5,521	5,499	5,521	5,493
Amounts to be released in more than one year	489,140	491,630	489,140	491,105
	494,661	497,129	**494,661**	496,598

Total Social Housing Assistance	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Total accumulated social housing grant received or receivable at 31 March:	558,424	555,732	558,424	555,051
Recognised in reserves as at 1 April	58,453	53,607	58,453	53,464
Amortised Grant recognised in the Statement of Comprehensive Income	5,479	5,419	5,479	5,412
Recycled Grant recognised in the Statement of Comprehensive Income	(188)	(182)	(188)	(182)
Transfers & Adjustments	-	(241)	-	(241)
Held as deferred income	494,661	497,129	494,661	496,598
	558,405	555,732	**558,405**	555,051

24. Provisions for liabilities and charges

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred Tax	259	244	82	82
Deferred Tax consists of:				
Capital allowances	259	244	82	82
Unused tax loses	-	-	-	-
	259	244	82	82
Balance at 1 April	244	192	82	78
Charge for the year	15	52	-	4
Balance at 31 March	**259**	244	**82**	82

25. Share Capital – Association

	2019 £	2018 £
As at 1st April	23	34
Issued during the year	-	25
Cancelled during the year	(2)	(36)
As at 31st March	21	23

26. Commitments under operating leases

Future minimum lease payments at 31 March:

	Group & Association	
	2019 £'000	2018 £'000
Land and buildings		
Amounts due within one year	2,457	2,434
Amounts due between one and five years	5,278	5,784
Amounts due after five years	45,336	45,898
	53,071	54,116
Land and buildings lease payments recognised as an expense	2,884	3,072
Vehicle leases		
Amounts due within one year	1,483	1,488
Amounts due within two to five years	2,617	4,113
	4,100	5,601
Grounds & Tool Equipment		
Amounts due within one year	-	15
Amounts due within two to five years	-	1
	-	16

27. Capital commitments

Capital commitment at the end of the financial year for which no provision has been made in these financial statements, were as follows:

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Contracted for	189,963	247,263	189,963	156,395
Authorised by the Board but not contracted for	211,508	120,224	211,508	120,224

28. Financial assets and liabilities

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets:				
Measured at undiscounted amount receivable*	9,714	7,145	77,137	60,965
Financial liabilities				
Financial liabilities measured at undiscounted value	41,752	51,728	36,079	39,262
Financial liabilities measured at fair value through surplus or deficit	-	42,903	-	42,903
Financial liabilities measured at amortised cost	1,074,634	978,555	1,074,634	978,555
Total	**1,126,100**	1,080,331	**1,187,850**	1,121,685

*excludes cash

29. Pension obligations – Group and Association

VIVID Housing currently operates and contributes to three defined benefit pension schemes and a defined contribution scheme. The assets of the schemes are held in separate trustee administered funds

Pension scheme summary

	2019 £'000	2018 £'000
Pension scheme deficit – DB Provision		
LGPS Pension scheme deficit	12,110	13,130
Social Housing Pension Scheme (DB)	24,931	-
Pension Scheme Deficit Provision	**37,041**	**13,130**

Pension scheme SHPS DB transition (excludes SHPS Growth plan)

	2019 £'000
SHPS cash recovery plan discounted creditor at 01/04/2018	10,069
SHPS DB net pension deficit at 01/04/2018	17,704
Net liability increase recognised in Other Comprehensive Income	**7,636**

Hampshire County Council Pension Fund

The disclosures below relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS").

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme Regulations 2014'.

The funded nature of the LGPS requires participating employers and their employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

An allowance has been made for full increases on GMP equalisation for individuals reaching state pension age from 5 April 2016. The additional liability includes an allowance for equalisation between sexes. This is shown in the notes below as a past service cost.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 102 purposes were:

Principal financial assumptions (% per annum)

	2019 % pa	2018 % pa	2017 % pa
Discount rate	2.2	2.4	2.4
Pension accounts revaluation rate	2.7	2.6	2.6
Pensions increases	2.7	2.6	2.6
RPI Inflation	3.5	3.4	3.4
CPI Inflation	2.7	2.6	2.6
Salary increases	4.2	4.1	4.1

Mortality Assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2016 valuation, and allow for expected future mortality improvements. Sample life expectancies at 65 resulting from these mortality assumptions are shown below.

Assumed Life expectancy at 65	2019 £'000	2018 £'000
Male		
Member aged 65 at accounting date	24.1	24.1
Member aged 45 at accounting date	26.3	26.2
Female		
Member aged 65 at accounting date	27.3	27.2
Member aged 45 at accounting date	29.5	29.4

Asset allocation	2019	2019
Equities	60.4%	62.6%
Property	7.6%	7.0%
Government bonds	22.7%	23.7%
Corporate bonds	5.2%	1.0%
Cash	2.3%	2.6%
Other	1.8%	3.1%
Total	100.0%	100.0%

Present values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Liability

	2019 £'000	2018 £'000
Fair value of assets	15,770	13,760
Present value of funded defined benefit obligation	(27,880)	(26,890)
Plan deficit	**(12,110)**	**(13,130)**

Amounts recognised in Income Statement	**2019 £'000**	**2018 £'000**
Operating cost		
Current service cost	60	80
Past service cost	80	-
Financing cost		
Interest on net defined benefit liability	300	300
Settlement costs	-	820
Expense recognised in Income Statement	440	1,200

The settlement cost above is the charge incurred on the net assets and liabilities (see below) of two sections of the scheme which no longer have any contributing members. A provision of £4.49m estimated by the scheme actuary for the exit costs is included within the £12.1m overall provsion.

Amounts recognised in other Comprehensive Income	**2019 £'000**	**2018 £'000**
Asset gains arising during the period	1,420	150
Liability (losses) arising during the period	(1,260)	(100)
Total amount recognised in other Comprehensive Income	160	50

Changes to present value of the defined benefit obligation	**2019 £'000**	**2018 £'000**
Opening defined benefit obligation	26,890	38,590
Current service cost	60	80
Past service cost	80	-
Interest expense on defined benefit obligation	630	910
Contributions by participants	10	20
Actuarial losses on liabilities	1,260	100
Settlement costs	-	(11,470)
Net benefits paid out	(1,050)	(1,340)
Closing defined benefit obligation	27,880	26,890

Changes to the fair value of assets	**2019 £'000**	**2018 £'000**
Opening fair value of assets	13,760	25,330
Interest income on assets	330	610
Remeasurement gains on assets	1,420	150
Contributions by employer	1,300	1,280
Contributions by participants	10	20
Settlement costs	-	(12,290)
Net benefits paid out	(1,050)	(1,340)
Closing fair value of assets	15,770	13,760

Actual Return on Assets	**2019 £'000**	**2018 £'000**
Interest income on assets	330	610
Gain on assets	1,420	150
Actual return on assets	1,750	760

Social Housing Pension Scheme

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

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

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

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

For financial years ending on or before 28 February 2019, it has not been possible for VIVID to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore VIVID has accounted for the Scheme as a defined contribution scheme.

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

For accounting purposes, two actuarial valuations for the Scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates and are used in conjunction with VIVID's fair share of the Scheme's total assets to calculate VIVID's net deficit at the accounting period start and end date.

The Scheme actuary has made an allowance for the expected additional liabilities resulting from GMP equalisation.

VIVID has early adopted the principles set out in FRS 102 (May 19) 28.11b to account for the movement to defined benefit accounting.

Principal financial assumptions (% per annum)	2019 % pa	2018 % pa
Discount rate	2.3	2.6
Pensions increases	1.85 - 3.79	1.81 - 3.75
RPI Inflation	3.5	3.4
CPI Inflation	2.5	2.4
Salary increases	4.0	3.9

Mortaliy assumptions at 31 March 2019	Assumed Life expectancy at 65 (years)
Female retiring in 2019	23.5
Female retiring in 2039	24.7
Male retiring in 2019	21.8
Male retiring in 2039	23.2

Asset allocation	2019 % pa	2018 % pa
Global Equity	16.8%	19.8%
Absolute Return	8.7%	12.2%
Distressed Opportunities	1.8%	1.0%
Credit Relative Value	1.8%	-
Alternative Risk Premia	5.8%	3.8%
Fund of Hedge Funds	0.5%	3.3%
Emerging Markets Debt	3.5%	4.0%
Risk Sharing	3.0%	0.9%
Insurance-Linked Securities	2.9%	2.6%
Property	2.3%	4.6%
Infrastructure	5.2%	2.6%
Private Debt	1.3%	0.9%
Corporate Bond Fund	4.7%	4.1%
Long Lease Property	1.5%	-
Secured Income	3.6%	3.7%
Liability Driven Investment	36.4%	36.4%
Net Current Assets	0.2%	0.1%
Total	100.0%	100.0%

Present values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Liability

	2019 £'000	2018 £'000
Fair value of assets	59,933	57,209
Present value of funded defined benefit obligation	(84,864)	(74,913)
Plan deficit	**(24,931)**	**(17,704)**

Amounts recognised in Income Statement	2019 £'000
Operating cost	
Current service cost	630
Expenses	53
Financing cost	
Interest on net defined benefit liability	439
Expense recognised in Income Statement	**1,122**

Amounts recognised in other Comprehensive Income	2019 £'000
Net defined benefit liability recognised on transition to SHPS DB accounting	(7,636)
Asset gains arising during the period	1,306
Liability (losses) arising during the period	(9,505)
Total amount recognised in other Comprehensive Income	**(15,835)**

Changes to present value of the defined benefit obligation	2019 £'000
Opening defined benefit obligation	74,913
Current service cost	630
Expenses	53
Interest expense on defined benefit obligation	1,917
Contributions by participants	115
Actuarial losses on liabilities	9,505
Net benefits paid out	(2,269)
Closing defined benefit obligation	84,864

Changes to the fair value of assets	2019 £'000
Opening fair value of assets	57,209
Interest income on assets	1,478
Remeasurement gains on assets	1,306
Contributions by employer	2,094
Contributions by participants	115
Net benefits paid out	(2,269)
Closing fair value of assets	59,933

Actual Return on Assets	2019 £'000
Interest income on assets	1,478
Gain on assets	1,306
Actual return on assets	2,784

The Pensions Trust Growth Plan

VIVID Housing participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for VIVID to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m.

Our liability

We have recognised a liability for our share of this obligation based on the net present value of the deficit reduction contributions payable under the agreement made between SHPS and VIVID. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	2019 £'000	2018 £'000	2017 £'000
Present value of liability	35	47	53

Reconciliation of opening and closing liability	2019 £'000	2018 £'000
Provision at start of period	47	53
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(6)	(6)
Remeasurement - impact of any changes in assumptions	(7)	(1)
Provision at end of period	35	47

	2019 £'000	2018 £'000
Impact on income statement		
Interest expense	1	1
Amounts recognised in other comprehensive income		
Remeasurement - impact of any changes in assumptions	(7)	(1)

Assumptions	2019 % per annum	2018 % per annum	2017 % per annum
Rate of discount	1.39	1.71	1.32

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Scheme deficit contributions

To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Series 1	£12,945,440 per annum
From 01 April 2016 to 30 September 2025:	(increasing by 3% each year on 1 April)
Series 2	£54,560 per annum
From 01 April 2016 to 30 September 2028:	(increasing by 3% each year on 1 April)

Note that the scheme's previous full actuarial valuation was carried out at 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Our deficit contributions schedule

The following schedule details the deficit contributions agreed with the scheme.

	2019 £'000	2018 £'000	2017 £'000
Year 1	6	6	6
Year 2	6	6	6
Year 3	6	7	6
Year 4	6	7	7
Year 5	7	7	7
Year 6	6	7	7
Year 7	-	7	7
Year 8	-	4	7
Year 9	-	-	4

Under FRS 102, VIVID Housing must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. The cash contributions above have been used to derive the liability within the Statement of Financial Position.

30. Related party transactions

The Association has taken advantage of the exemption contained within Financial Reporting Standard 102 paragraph 33.11(a) from reporting related party transactions with subsidiary associations and companies as they are eliminated on consolidation.

Related party disclosures

During the year VIVID Housing received services as shown below from companies where our board members or directors have interests in these companies.

Portsmouth Water Limited	£88,000
Altair Consultancy and Advisory Services	£6,000
Radian Group Limited	£75,000

VIVID Housing operates predominantly in the Hampshire area. As such in the normal course of its business it transacts with Hampshire County Council (HCC). HCC also acts as the Fund Administering Authority for the Hampshire County Council Pension Fund (details of which are set out in the Pensions obligation note above). This arrangement operates independently of other contractual agreements listed below.

During the course of the year, VIVID Housing paid HCC for the rental of units of accommodation, maintenance fees, section 106 payments and other sundry purchases the sum of £94,000.

In terms of other influence, HCC acts as the referral agent for VIVID Housing's extra care schemes. HCC also acts as an administration body for the payment of Housing Benefit where residents have opted to have sums paid directly to VIVID Housing. The ultimate responsibility does however rest with the residents in respect of those payments. No amounts were owing to HCC at the year end in respect of these transactions.

During the course of the year, VIVID Housing paid nil to Aspect Building Communities Limited in respect of the running costs of Aspect Joint Ventures.

31. Controlling party

At 31 March 2019, the ultimate controlling party was the Board of VIVID Housing.

32. Post balance sheet event

On the 22nd May 2019 VIVID Build Limited acquired 100% of the share capital of Bargate Homes Ltd (05626135) as part of our ambitious housebuilding plans to develop 17,000 more homes in the south over the next 10 years.

Bargate currently has around 2,500 plots secured for new homes giving us access to the extra land we need to maintain the momentum of our housebuilding programme. In addition, their expertise in land management and construction complements the skills of our team meaning that together we can achieve much more than either business can individually to meet our customers' needs and aspirations.

Bargate will complete an average of 250 new homes a year with 35% of these being affordable housing for VIVID and the remainder generating turnover of £50m per annum and EBITDA of £7m.

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