



Empowering People Inspiring Communities Limited

Financial statements

For the year ended 31 March 2021

Charity Number: 1118644

Company Number: 3333405

Regulator of Social Housing Number: L4167

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Chair's Foreword

COVID 19 must be a key thought when considering the outcomes of the last year for EPIC, COVID 19 has clearly had a profound impact on us, and has touched all of us in different ways. I am pleased to say that EPIC managed its way through the major challenges and minimised the impact to tenants. With a successful move to home working, EPIC staff were able to provide effective support to our tenants. In line with the rest of the sector, there was a direct impact on tenants as key areas of employment were forced to lockdown due to the impact of COVID 19 controls, resulting in an increase in Universal Credit claims. Being small and retaining close links with our community, we were able to keep repairs delays to a minimum, with the key issues seen as delays in component replacement due to restricted access to homes.

Performance wise it was a good year despite the impact of COVID 19, voids fell to be less than anticipated and before adjustment for the pension a health surplus of £1.26m was made. A further 12 homes for social rent were also acquired attracting grant funding of over £540k.

Following a successful bidding exercise during the year, EPIC took over the management of 169 new homes from previous landlord, Bromford. Bromford decided to undertake stock rationalisation with the aim of improving the quality of services to tenants by transfer to a "better placed" landlord, together with improving the efficiency of services through local management. I am pleased to let you know that these tenants joined EPIC in May 2021.

Since the financial year end, there has been ongoing regulatory engagement from the Regulator of Social Housing, resulting in the Regulator of Social Housing placing EPIC on the grading under review listing in June 2021.

Since then the Regulator of Social Housing has undertaken a review of a number of matters and has decided on the following outcomes. In the first instance a Regulatory Judgement reflecting downgrading to Governance: G3 (non-compliant) and Viability: V2 (compliant) has been issued. In addition, a Regulatory Notice has been issued, which indicates that EPIC has failed to meet the requirements of the Home Standard due to not carrying out appropriate fire safety remedial actions when it should have, and did not complete all appropriate checks to meet its statutory Health and Safety responsibilities.

Clearly this is a very disappointing outcome to the review for EPIC, and the Board recognise that these are issues of serious regulatory concern and are determined to work with our Interim CEO, Susan Kellock, and her management team to address them as soon as is practicable.

Please be assured that tenants' safety is our paramount concern and swift action has been taken to begin to resolve the weaknesses identified. A programme of fire alarm installation is in place to enable a simultaneous evacuation in the event of fire within any of the identified properties. In addition a programme of work has been contracted to replace the front doors of properties together with improving windows in communal areas. A further programme of loft compartmentalisation will follow in due course enabling the return to a stay put fire policy, normal policy for properties of this nature.

EPIC and it's Board will continue to work closely with the Regulator in addressing all these matters so that we can return to a position of regulatory compliance as soon as practicably possible.

Finally, and most importantly the Board and myself recognise the challenges the EPIC staff have had and thank them for their significant efforts over the last year, it is appreciated.

Stephen Funnell

Chair

Board Members, Executive Officers, Company Information

Board Members		Date Joined/ Resigned	Other Committee Membership	Board Meeting Attendance		
				Attended No.	Total No.	% attendance
S Funnell	Chair	Apr 17	ARC & OC	6	7	86%
P Lunio	Vice Chair	Sep 17	OC	7	7	100%
A Fury		Sep 12/ Jun21	ARC (Chair)	2	7	29%
A Stone		Jun 16	OC	7	7	100%
V Robb		Sep 18/ Jun 21	-	5	7	71%
L Dulson		Sep 19/ Jun21	-	5	7	71%
A Milroy		Oct 18	OC (Chair)	7	7	100%
J Powell		Nov 20	OC	5	7	80%
R Emery		May 20	OC	7	7	100%
P Turner	Co-opted	Sep 17/May 21	-	5	7	57%
R Kent	Co-opted	Mar 20	ARC	7	7	100%
N Leggett	Co-opted	Mar 20	ARC	6	7	86%
D Matharoo	Former Vice Chair	Sep 16/Nov 20	ARC & OC	1	2	50%

Key:

OC *Operations Committee*
ARC *Audit and Risk Committee*

Board Members, Executive Officers, Company Information

Executive Officers		
Finance Director	S Kellock	Appointed 14.6.21
Interim Chief Executive	S Kellock	Appointed 15.6.21
Operations Director	J Plant	
Changes		
Chief Executive	L Gibbs	Resigned 30.6.21
Finance Director	R Fullwood	Resigned 31.5.21

Company Information	
Registered Office	131-141 Ubberley Road, Bentilee, Stoke on Trent, Staffordshire, ST2 0EF
Company Secretary	S Kellock appointed 30.6.21 formerly L Gibbs
Company No.	3333405
Charity No.	1118644
Regulator of Social Housing Registration No.	L4167
Auditor	Beever and Struthers, St. George's House, 215-219 Chester Road, Manchester, M15 4JE
Bank	The Co-operative Bank plc, Birmingham Commercial Banking Centre, 118-120 Colmore Row, Birmingham, B3 3BA
Key lender	Triodos Bank, Deanery Road, Bristol, BS1 5AS

Report of the Board

The Board presents its report and the audited financial statements for the year ended 31 March 2021

Principal activities

Empowering People Inspiring Communities (EPIC) is charitable registered provider of social housing and is administered by a Board of 8 members. We are a community-based housing association managing 1,224 homes predominantly in the Bentilee area of Stoke-on-Trent. The vast majority of our homes are for general social housing residents, but we also have 20 leasehold properties. Full details of the stock and tenure is shown in Notes 3 and 4 of these financial statements.

During the year EPIC successfully bid for 169 properties arising from a stock rationalisation strategy by Bromford Housing. The stock came into our ownership in May 2021. These properties, located in Stoke on Trent, provide tenure diversification through acquiring, shared ownership and supported accommodation.

Board and governance

EPIC is governed by a Board of Management who provide their time and commitment on a voluntary non-remunerated basis. The Board currently comprises of 8 members; an independent Chair, a further 6 independent members, a tenant member, a local authority member in addition there are currently two co-opted members. The Board members who served during the period are shown on page 3.

Our Executive Officers are listed on page 4, they are not members of the Board. They act as an executive within the authority delegated to them by the Board, as set out in the Rules and Standing Orders. The remuneration of the Executive team, along with details of the highest paid officer, is detailed in Note 7 of these financial statements.

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

Committee structure

Throughout the year there were two formal Committees – the Audit and Risk Committee (ARC) and Operations Committee (OC). Each Committee of the Board has clear terms of reference and report back to the Board following each of their meetings.

Following the year end, as result of our regulatory referral, it has been agreed by the Board to suspend the two formal committees on a temporary basis.

Meetings during the year ended 31 March 2021

Board	9
Audit & Risk Committee	3
Operations Committee	3

Report of the Board

Appointment of Board members

Board members are appointed in a formal process and are formally appointed at the Annual General Meeting.

Board skills, quality & experience

Board members should collectively possess the qualities and skills to take decisions and monitor performance. Collectively the Board needs to bring experience and understanding of a broad range of topics including, but not limited to, finance, development, residents' issues and local housing need.

Board Code of Conduct

Board members have an obligation to ensure that their private or personal interests do not influence their decisions or compromise their ability to always act in the best interests of EPIC and those who it seeks to serve. They must not use their position to obtain personal gain of any sort.

Regulatory Judgement/ Regulatory Notice

During the year circumstances arose that resulted in post year end a referral to the Regulator of Social Housing where upon EPIC was placed upon the Grading Under review listing.

The final outcome of this review was published in late August 2021 and concluded the following Regulatory Judgement and Regulatory Notice:

- **Regulatory Judgement**

Governance G3 (non-compliant)- This judgement downgrades EPIC's governance to a non-compliant G3 grade. This means that there are issues of serious regulatory concern but that the provider is working with us to address them.

The regulator concluded, that they lack assurance that EPIC's governance arrangements are effective and that the board has been unable to demonstrate that it is managing its affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.

Viability V2 compliant) - The regulator's assessment of EPIC's compliance with the financial viability element of the Governance and Financial Viability standard is that it has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance. The rating in this area is V2 compliant.

- **Regulatory Notice**

At the same time as the judgement above, the regulator has published a regulatory notice stating that EPIC's ineffective management of statutory health and safety compliance has breached the requirements of the Home Standard.

EPIC's Board places the Health and safety of its tenants at the forefront of its operations and is working with the regulator to ensure the matters raised are dealt with and resolved in a timely manner.

Report of the Board

Internal controls assurance

The Board acknowledges its responsibility for the system of internal controls and for reviewing its effectiveness mindful of the objectives of, and risks facing EPIC.

The Board confirmed that there are ongoing processes for maintaining sound systems of internal controls and for managing risk. These processes have been operational during the year and were regularly reviewed by the relevant committees and the Board.

Resulting from consideration of the Regulator's placing of EPIC on the grading under review listing the Board agreed that for an interim period that all sub-committees be suspended to allow all business to be reviewed directly by the Board.

Donations

No donations were made during the year (2020: £nil).

Directors' insurance

EPIC's Board members and officers have personal liability insurance through the organisation's company insurance. Cover was in place throughout the year and no claims were made.

Provision of information to the Auditor

The members of the Board who were in the meeting on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the members of the Board have confirmed that they have taken all of the steps that they ought to have taken as members of the Board in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditor

Beever and Struthers were re-appointed as auditor at the Board Meeting on 7 October 2020. They have confirmed their willingness to continue in office.

Approval

The report of the Board was approved by the Board on 31 August 2021 and signed on its behalf by:



Susan Kellock
Company Secretary

Strategic Report

What we do

EPIC were formed in 1998 following a stock transfer from Stoke-on-Trent City Council. Our overall mission is to extend the range of good quality housing choices for people on below-average incomes. We offer houses, flats and bungalows for rent. We also offer a number of houses through our Rent to Buy scheme, where tenants can purchase their home, after a 5-year tenancy at a discounted rent. We work closely with three local authorities and a range of other partners to ensure our housing helps meet the needs of local people.

In our first years of operation we concentrated on bringing our flats into good condition and improving their management and maintenance. In 2000 we began to expand our offering, purchasing houses in the Bentilee area. Now over a quarter of our stock is made up of family-sized houses. We have a strong commitment to our local communities, and from 2005 we worked to develop the Bentilee area. 2010 onwards saw EPIC continue to grow, buying existing properties in Stoke-on-Trent, Newcastle-under-Lyme, and Staffordshire Moorlands, and bringing them up to modern standards. Our latest growth has been in 2021 with the 169 additional units purchased from Bromford in May 2022, bringing our current housing stock to around 1,400 dwellings across North Staffordshire.

Vision, Mission, Objectives and Beliefs

Our Vision

To create an agile and resilient organisation which will deliver our ambition and achieve our social purposes.

Our Mission

To deliver high quality homes and services for our customers in the most efficient ways so that we generate surpluses which secure business growth and enhance communities.

Our Key Objectives

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

What We Believe

As a charity our values are intrinsic to how we go about doing business. We need to generate surpluses in order to deliver our services and key objectives, but to do this we make sure we act in line with our charitable ethos:

- Fairness: We treat people equally and make decisions based on facts not personal opinions.
- Respect: We treat people with respect, and act with courtesy.
- Understanding: We are empathetic, approachable and act professionally.
- Integrity: We are honest, dependable and do what we say we will.
- Teamwork: We work with our customers to ensure we deliver high quality services. We believe that using our combined strengths makes us a better organisation.
- Excellence: We take pride in what we do, help others, are precise and accurate and strive to improve services.

Strategic Report

Regulatory Downgrading

Governance weaknesses compounded by a series of simultaneous material events (fire safety and stock acquisition) has resulted in a regulatory referral in June 2021. This regulatory referral was not unexpected as processes had already highlighted areas of concern.

The resulting Regulatory Judgement was published in late August 2021 stating a downgrade from G1V1(compliant) to G3(non-compliant) V2(compliant). In addition a Regulatory Notice was published stating that EPIC's ineffective management of statutory health and safety compliance has breached the requirements of the Home Standard.

Tenants' safety is EPIC's paramount concern and swift action has been taken to begin to resolve the weaknesses identified. EPIC acknowledges that these outcomes indicate that there are issues of serious regulatory concern and is working with the Regulator to address them.

Value for Money

The Regulator of Social Housing Value for Money Standard and Code requires providers to report in their statutory accounts against the metrics defined by the Regulator. These metrics are defined in the 'Value for Money Metrics' document issued by the Regulator.

The table below details EPIC's performance against both the Value for Money Metrics as well as the Sector Scorecard indicators.

Value for Money Metrics						
	2019/20	2020/21	Sector Median (all)	Peer Median	West Midlands Median	
Reinvestment % <i>This metric looks at investment in properties including existing stock and new stock. This is calculated as a percentage of value of total properties.</i>	12.4%	5.6%	7.2%	5.6%	5.4%	
New supply delivered (social housing) as a % of total stock <i>This sets out the number of new social housing units that have been acquired or developed in the year as a proportion of total units.</i>	3.3%	0.9%	1.5%	0.7%	1.6%	
Gearing % <i>This shows the proportion of our borrowing compared to our assets. A high gearing could indicate that we have taken on too much borrowing however low gearing could indicate that we have capacity to borrow more.</i>	13.4%	14.9%	44.0%	34.5%	48.2%	
EBITDA – MRI (Interest Cover) <i>This shows how much cash the organisation is generating compared to interest payments. Any result above 100% means that we are generating surplus cash over and above interest payments</i>	681.8%	772.9%	170.0%	199.0%	156.0%	
Headline social housing cost per unit (£) <i>The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator of Social Housing</i>	2,290	2,342	3,830	4,600	3,490	
Operating Margin % Social Housing <i>This is an indicator of operating efficiency and business health as it measures the amount of surplus generated from turnover on our day to day activities</i>	36.1%	33.4%	25.7%	23.9%	31.7%	
Operating Margin % Overall <i>This is an indicator of operating efficiency and business health as it measures the amount of surplus generated from turnover on our day to day activities</i>	36.1%	32.9%	23.1%	20.3%	24.5%	
Return on capital employed (ROCE) % <i>This metric compares the operating surplus to total assets less current liabilities and assesses the efficient investment of capital resources</i>	3.9%	3.6%	3.4%	3.0%	4.3%	

Overall our performance is strong in most areas and where performance is below target we understand why this is. Our reinvestment level is in line with our peer group but slightly under the sector median, as we stopped acquisition's in 2021 to enable us to fund a major acquisition in 2021-22. Our Operating Margin (overall) and Operating Margin (social housing lettings) have seen a reduction, but remains strong. The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity and our score is favourable compared to the peer group median. The low level of gearing is a result of low debt levels and healthy cash reserves as at 31st March 2021. Our Headline Social Housing cost per unit has seen a small rise as we continue to invest to make stock improvements, but is favourable to our peers.

Strategic Report

Other Metrics		
	2019/20	2020/21
Voids <i>This measure illustrates the % rent lost through empty (void) stock %</i>	0.56	0.91
Management cost per unit <i>This metric shows the cost per unit incurred in managing our properties £</i>	1,120	1,270
Service charge cost per unit <i>This metric shows the service charge cost per unit £</i>	143	107
Maintenance cost per unit <i>This metric shows the average maintenance cost per unit</i>	478	482
Rent Arrears <i>This shows how % of rent arrears compared to rent charged %</i>	1.52	2.11
Rent Receivable <i>This shows how effective we are at collecting rents due %</i>	98.8	98.8

Financial review

The Statement of Comprehensive Income for the year ended 31 March 2021 and the Statement of Financial Position at 31 March 2021 are shown on pages 19 and 20. The key financial highlights for EPIC are as follows:

- The total comprehensive income for the year of £613,144 represents a £1,229,939 or 66.7% decrease from the 2020 result of £1,843,083. This, however, masks a significant swing in the actuarial value of the pension scheme bearing a surplus in 2020 but indicating a deficit in 2021.
- The surplus for the year before pension adjustments reflects a fall from £1,401,363 in 2020 to £1,258,050 in 2021, a £143,313, 10.2% fall. Note 2 Illustrates the movement in key operating areas, with no significant cost increases identified. In addition the increase of £50k in financing costs is detailed in note 5.
- Turnover of £4,657,118 (2020: £4,524,811) represents a net increase of £132,307. While the major increase reflects the annual rental increase. Taken together with some new stock coming online agreed, it has been adjusted for voids rental losses which have increased by some 62%, £16k since 2020 resulting from slower turnaround of properties due to COVID restrictions.
- Based on the statement of comprehensive income the operating surplus for the year of £1,549,629, 33.2% of turnover (2020: £1,641,936, 36.3%) represents a decrease of £92,307 on the prior year operating surplus. The decrease in operating margin is primarily as a result of an increase in operating expenditure.
- Interest and financing costs for the year to 31 March 2021 of £291,626 (2020: £242,045) represents an increase of £49,581. Drawdown of loans throughout the year in 2020 now have a full-year impact in 2021.
- The year-end cash and short term investment position has decreased during the year with a balance of £2,462,447 at 31 March 2021 (2020: £3,467,701).

Strategic Report

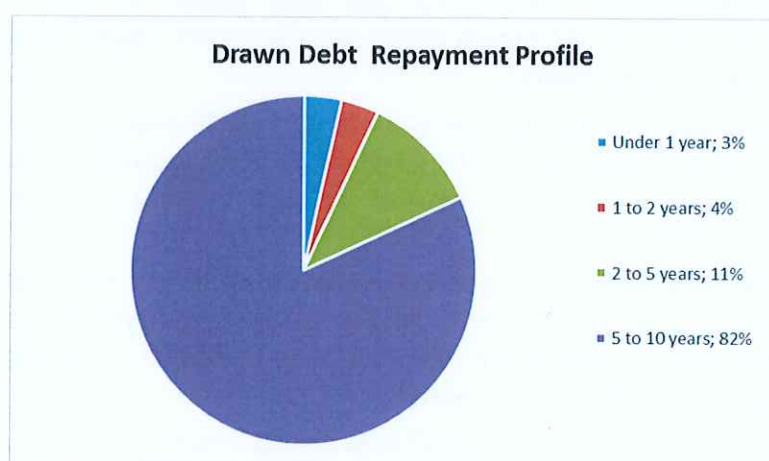
Funding and Treasury

In relation to funding and Treasury activity, our sole lender is Triodos. Our principal bank providing day to day transactional support is the Co-operative Bank PLC.

EPIC having already secured loan financing of £14 million from Triodos, of which £9 million had been drawn and was partly used to fund the existing acquisition programme. EPIC is set to raise a further £5.3 million against the exiting headroom with indicative Heads of Terms, broadly in line with our existing loan facility. Noting the additional £5.3 million required no additional security, with security being used from the existing loan in place.

This new available facility sum of £10.3 million was drawn in May 2021 to purchase the 169 properties from Bromford Housing.

Arranged facilities as at 31 March 2021 totalled £19.3 million of which (47%) £9 million were drawn. At 31.3.21, the Drawn Debt Repayment Profile is illustrated below.



All of the total debt drawn is at fixed interest rates.

At the year-end there were 260 units of unencumbered units of stock, subject to satisfactory gearing and interest cover providing approximate security head room of EUV £ 6.1 million, MVSH £10.8 million.

Treasury activities are controlled and monitored by the Board and are executed by the Finance Director. Cash flows are monitored and forecast regularly to minimise cash held and ensure further funds are drawn down as required.

EPIC's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance operations.

Strategic Report

Future plans, risks and uncertainties

- Previous growth plans have been set aside as the 2021 Fire safety remediation requirements have taken operational priority ensuring compliance with consumer standards and, importantly, safeguarding the health and safety of our tenants. This was highlighted as a key concern by the Regulator and extensive work is being undertaken in the identified properties, namely 43 blocks that contain six flats. While the required area of work comprising (1) Installing an upgraded fire alarm system, (2) Replacing front doors and (3) Addressing loft compartmentation issues, has been planned and prioritised, there continues to be uncertainty in three areas. (1) confirmation of costs of works and availability of trades to undertake work, (2) accessibility to the required properties, and (3) the on-going risk associated with neither a 'stay put' nor 'evacuation' policy requirements being able to be met. In mitigation, in addition to waking watch, a comprehensive fire safety management policy is in place guided and supported by fire safety experts. Tenants are fully aware of the current circumstances and are being kept up to date of matters.
- The risk of the above work plan is the level of costs, (circa £750k in 2021-22, 2022-23 £1.2m 2023-24 circa £250k), and timing which impact on the cash flow of the business. Recent capital acquisition of housing stock has reduced liquidity significantly and this requires extensive ongoing liquidity management to ensure Loan covenants are not breached.
- Recent events identified in the Regulatory referral section above have identified significant governance weaknesses at both Board and Executive level. These have been addressed with a matter of urgency and on-going support has been sourced externally.
- The above business critical matters are currently taking precedence. Notwithstanding this, the following are also being noted when reviewing the future activity:
 - Potential for higher than anticipated asset management costs;
 - Potential for lower than forecast rent receivable, due to market changes and also implications of the fire safety works; and
 - consideration of net zero carbon by 2050

The Governance and Financial Viability Standard

Based on the evidence supporting the recent Regulatory referral, grading under review listing and the subsequent re-grading to G3 V2, together with the Regulatory Notice indicating a breach in Home standard, the Board cannot confirm full compliance with the Governance and Financial Viability Standard issued by the Regulator of Social Housing.

Full details of areas non-compliance and other information can be found on Page 7. Further details on the RSH's regulatory approach and EPIC's regulatory judgement can be found at <https://www.gov.uk/government/publications/regulatory-judgements-and-regulatory-notices>

National Housing Federation Code of Governance

The Board has adopted the National Housing Federation's "Code of governance: Promoting board excellence for housing associations (2015 edition)". The Board met on 18th May 2021 and approved compliance with the 2015 code.

Based on the evidence supporting the recent Regulatory referral, grading under review listing and the subsequent re-grading from G1V1 to G3V2, the Board are no longer able to confirm full compliance with 2015 code. More detail and other information can be found on Page 7.

Strategic Report

Statement of Board members' responsibilities

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

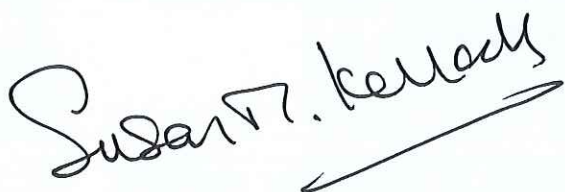
Registered Provider legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with Housing Association legislation. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board on 31st August 2021 and signed on its behalf by:



Susan Kellock
Company Secretary

Independent Auditor's Report

Opinion

We have audited the financial statements of Empowering People Inspiring Communities Limited (the 'company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The 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.

Independent Auditor's Report

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion a satisfactory system of control over transactions has not been maintained

Responsibilities of the Board

As explained more fully in the Board's Responsibilities Statement set out on page 12/13, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Companies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud.
- We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing, recognising the nature of the company's activities and the regulated nature of the company's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.

Independent Auditor's Report

- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of the audit report

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



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

Date: 22 September 2021

Statement of Comprehensive Income

	Note	Year Ended 31 March 2021 £	Year Ended 31 March 2020 £
Turnover	1,2	4,657,118	4,524,811
Operating costs	2	(3,125,189)	(2,890,153)
Gain on disposal of property, plant and equipment	22	17,700	7,278
Operating surplus		1,549,629	1,641,936
Interest receivable		47	1,472
Interest and financing costs	5	(291,626)	(242,045)
Surplus before taxation		1,258,050	1,401,363
Taxation		-	-
Surplus for the year after taxation		1,258,050	1,401,363
Other comprehensive income			
Actuarial (loss)/gain in respect of pension scheme	16	(644,906)	441,720
Total comprehensive income for the year		613,144	1,843,083

The results relate wholly to continuing activities and the notes on pages 23 to 41 form an integral part of these accounts

Statement of Financial Position

	Note	As At 31 March 2021 £	As At 31 March 2020 £
Fixed assets			
Tangible fixed assets	9	40,152,279	38,793,454
Investments in subsidiary	10	1	1
		40,152,280	38,793,455
Current assets			
Trade and other debtors	11	1,772,594	490,653
Investments	12	13,601	13,585
Cash and cash equivalents	12	2,448,846	3,454,116
		4,235,041	3,958,354
Less: Creditors: amounts falling due within one year	13	(1,197,511)	(1,047,618)
Net current assets		3,037,530	2,910,736
Total assets less current liabilities		43,189,810	41,704,191
Creditors; amounts falling due after more than one year	14	(14,747,120)	(14,479,892)
Provisions for liabilities			
Pension – defined benefit liability	16	(966,000)	(396,000)
Total net assets		27,476,690	26,828,299
Reserves			
Revaluation reserve		9,703,346	9,825,099
Revenue reserve		17,773,344	17,003,200
Total Reserves		27,476,690	26,828,299

Company registration number 3333405.

The financial statements on pages 19 to 41, were approved and authorised for issue by the Board on 31 August 2021 and were signed on its behalf by:



S. Funnell - Chair



S.Kellock – Company Secretary

Statement of Changes in Reserves

	Revenue Reserve £	Revaluation Reserve £	Total £
Balance at 31 March 2019	14,842,117	10,127,848	24,969,965
Surplus 2019/20	1,843,083	-	1,843,083
Right to Acquire Property Disposals (Reversal of Revaluation)	-	15,251	15,251
Transfer between reserves (excess depreciation)	318,000	(318,000)	-
Balance at 31 March 2020	17,003,200	9,825,099	26,828,299
Surplus 2020/21	613,144	-	613,144
Right to Acquire Property Disposals (Reversal of Revaluation)	-	35,247	35,247
Transfer between reserves (excess depreciation)	157,000	(157,000)	-
Balance at 31 March 2021	17,773,344	9,703,346	27,476,690

Statement of Cash Flows

	Note	Year ended 31 March 2021 £	Year ended 31 March 2020 £
Net cash generated from operating activities (see below)		1,085,378	2,354,049
Cash flow from investing activities			
Purchase of tangible fixed assets		(2,229,216)	(5,354,936)
Proceeds from sale fixed assets		90,710	172,500
Grants received		618,897	1,286,601
Interest received		47	1,472
Cash flow from investing activities		(1,519,562)	(3,894,363)
Cash flow from financing activities			
Interest paid		(291,626)	(242,045)
New secured loans		0	4,000,000
Repayment of borrowing		(279,444)	(216,415)
Subtotal		(571,070)	3,762,585
Net change in cash and cash equivalents		(1,005,254)	2,001,225
Cash and cash equivalents at beginning of the year		3,467,701	1,466,476
Cash and cash equivalents at end of the year	12	2,462,447	3,467,701
Cash flow from operating activities			
Surplus before taxation		1,258,051	1,401,363
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		843,269	793,446
Movement in bad debt provision		27,966	7,936
Movement in trade and other debtors		(1,309,908)	128,699
Movement in trade and other creditors		144,808	(63,906)
Pension costs less contributions payable		(82,906)	(81,280)
Adjustments for investing or financing activities:			
Surplus from the sale of tangible fixed assets		(18,341)	(9,831)
Government grants utilised in the year		(69,140)	(62,952)
Interest payable		291,626	242,045
Interest received		(47)	(1,472)
Net cash generated from operating activities		1,085,376	2,354,049

Reconciliation of Net Debt	At the Beginning of the Year £	Cashflows £	At the End of the Year £
Cash and Cash Equivalents	3,467,701	(1,005,254)	2,462,447
Housing Loans Due in 1 Year	(279,444)	(6,871)	(286,315)
Housing Loans Due After 1 Year	(8,355,210)	286,451	(8,068,759)
	(5,166,953)	(725,674)	(5,892,627)

Notes to the Financial Statements

Legal Status

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

Principle Accounting Policies

(a) Basis of accounting

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

The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The accounts are prepared on the historical cost basis and are presented in sterling for the year ended 31 March 2021.

The financial statements have been prepared in compliance with FRS102.

(b) Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis. Please see the sections regarding the regulatory notice issued in August 2021 in note 27 of these accounts for further information.

(c) Critical accounting judgements and key sources of estimation uncertainty

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

- **Categorisation of housing properties**

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

- **Impairment**

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

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

Notes to the Financial Statements

Principle Accounting Policies (continued)

- **Impairment (continued)**

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

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

- **Development expenditure.**

The Association capitalises development expenditure in accordance with the accounting policy described on pages 21-22. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

- **Pension and other post-employment benefits**

Until May 2016 staff were on various schemes, depending on when they joined the organisation. This included a final salary scheme, career average earnings and defined contribution. The final salary scheme and career average earnings schemes closed in May 2016. The pension scheme offered from May 2016 being a defined contribution scheme.

The minimum contribution levels set by law effective from April 2019 are as follows:
5 % Employee contribution, 3 % Employer contribution, 8% Total contribution

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

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for

Notes to the Financial Statements

Principle Accounting Policies (continued)

quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 16.

(d) Other key sources of estimation and assumptions

- **Tangible Fixed Assets**

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

(e) Turnover and revenue recognition

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

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

(f) Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

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

(g) Loan interest costs

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

- **Loan finance issue costs**

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

Notes to the Financial Statements

Policies (continued)

(h) Taxation

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

(i) Housing properties

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

All properties and land are freehold. Freehold land held for development is not depreciated.

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

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

UELs for identified components are as follows:

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

Other Tangible Fixed Assets

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

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

The Association has elected to use a previous GAAP valuation of the freehold offices as deemed cost at transition to FRS102 in 2016.

(j) Capitalisation of interest and administration costs

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

Notes to the Financial Statements

Principle Accounting Policies (continued)

(k) Property managed by other parties

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

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

(l) Leasing

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

(m) Investments

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

(n) Short-term debtors and creditors

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

(o) Non-government grants

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

(p) Social housing grant and government grants

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

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

(q) Non-monetary government grant

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

(r) Recycling of capital grant

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

Notes to the Financial Statements

Principle Accounting Policies (continued)

(s) Holiday pay accrual

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

(t) Retirement benefits

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

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

(u) Reserves policy

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

(v) Financial instruments

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

Financial Assets

Trade and Other Debtors

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

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

Financial Liabilities

Trade and Other Creditors

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

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

Notes to the Financial Statements

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

2021				
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£	£	£	£
Social housing lettings (note 2)	4,657,118	-	3,125,189	1,531,929
Activities other than social housing	-	-	-	-
Total	4,657,118	-	3,125,189	1,531,929

2020				
	Turnover	Cost of sales	Restated Operating expenditure	Operating surplus
	£	£	£	£
Social housing lettings (note 2)	4,524,811	-	2,890,153	1,634,658
Activities other than social housing	-	-	-	-
Total	4,524,811	-	2,890,153	1,634,658

Notes to the Financial Statements

2 Turnover and operating expenditure

	General Needs 2021 £	General Needs 2020 £
Income		
Rent receivable net of identifiable service charges	4,463,818	4,342,466
Service charges income	119,705	119,394
Net rental income	4,583,523	4,461,860
Sundry income	4,455	-
Total turnover from social housing lettings	4,587,978	4,461,860
Amortised government grants (Note 15)	69,140	62,951
Turnover from social housing lettings	4,657,118	4,524,811
Operating expenditure		
Management	1,554,363	1,380,445
Service charge costs	130,367	143,356
Routine maintenance	441,108	418,052
Major repairs expenditure	155,309	168,550
Bad debts	54,947	42,695
Depreciation of housing properties (Note 6)	789,095	737,055
Operating expenditure on social housing lettings	3,125,189	2,890,153
Operating surplus from social housing lettings	1,531,929	1,634,658
Void rental losses	41,751	25,827

3 Accommodation owned, managed and in development

	No. of properties		No. of properties	
	Owned 2021	Managed 2021	Owned 2020	Managed 2020
Social Housing				
Under Management at the end of the year:				
General needs housing – Social Rent	953	-	954	-
– Affordable Rent	173	-	165	-
– Intermediate	85	-	73	-
– Leasehold	20	-	20	-
General needs housing – In development	5	-	13	-
	1,236	-	1,225	-

4 Accommodation managed by others

EPIC owns property managed by other bodies.

	No of properties 2021	No of properties 2020
General needs – Social Rent	8	8

Notes to the Financial Statements

5 Interest and financing costs

	2021	2020
	£	£
Deferred benefit pension charge	8,000	21,000
Amortisation of Loan arrangement fees	62,914	64,711
Loan interest payable	220,712	156,334
	291,626	242,045

6 Surplus on ordinary activities

	2021	2020
	£	£
The operating surplus is stated after charging/(crediting):-		
Annual audit of the Association's financial statements	13,324	11,161
Fees payable to the auditor for other services to the Association:		
Taxation compliance services	-	-
Operating lease rentals – Office equipment	-	3,125
Depreciation of housing properties	744,650	737,055
Depreciation of other fixed assets	54,173	56,391
Amortisation of grant	(69,140)	(62,951)

7 Key Management Personnel

	2021	2020
	£	£
The aggregate emoluments paid to or receivable by Directors and the executive management team	388,834	368,618
The pension contributions paid to the key management personnel	18,463	17,469
The emoluments paid to the highest paid Director excluding pension contributions	120,339	118,327

The Chief Executive is an ordinary member of the pension scheme. The pension scheme offered from May 2016 was a defined contribution scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by EPIC of £5,730 (2020: £5,634) was paid in addition to the personal contributions of the Chief Executive.

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

Notes to the Financial Statements

8 Employee information

	2021 No.	2020 No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	21	21
Wardens, caretakers and cleaners	-	-
Total employees	21	21
	£	£
Staff costs		
Wages and salaries	774,574	732,040
Social security costs	75,521	73,170
Other pension costs (Defined benefit & defined contribution treated as defined benefit)	46,321	43,553
Total Employee Costs	896,416	848,763
	No.	No.
Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the year		
£60,001 to £70,000	1	1
£80,001 to £90,000	1	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-

Notes to the Financial Statements

9 Tangible fixed assets

	Social Housing Properties Completed £	Social Housing Properties Not Completed £	Land £	Freehold offices £	Office Furniture and equipment £	Total £
Cost or valuation						
At 31.3.20	44,186,088	1,244,925	26,000	109,604	527,178	46,093,795
Additions	-	1,690,953	-	-	-	1,690,953
Properties	-	1,690,953	-	-	-	1,690,953
Additions	538,263	-	-	-	-	538,263
Components	538,263	-	-	-	-	538,263
Component	(138,974)	-	-	-	-	(138,974)
Replacements	(138,974)	-	-	-	-	(138,974)
Property	(37,967)	-	-	-	-	(37,967)
Disposals	(37,967)	-	-	-	-	(37,967)
Transfer to	2,448,837	(2,448,837)	-	-	-	-
Completed	2,448,837	(2,448,837)	-	-	-	-
At 31.3.21	46,996,247	487,041	26,000	109,604	527,178	48,146,070
Depreciation / impairment						
At 31.3.20	6,926,386	-	-	12,603	361,352	7,300,341
Charge for year	744,650	-	-	2,180	51,993	798,823
Components	-	-	-	-	-	-
replaced	(97,533)	-	-	-	-	(97,533)
Property	(97,533)	-	-	-	-	(97,533)
Disposals	(7,840)	-	-	-	-	(7,840)
At 31.3.21	7,565,663	-	-	14,783	413,345	7,993,791
NBV 31.3.21	39,430,584	487,041	26,000	94,821	113,833	40,152,279
NBV 31.3.20	37,259,702	1,244,925	26,000	97,001	165,826	38,793,454

	2021 £	2020 £
Components capitalised	538,263	878,133
Amounts charged to expenditure	155,309	168,550

Notes to the Financial Statements

10 Fixed asset investments

	2021	2020
	£	£
At 31.3.20	1	1
Additions in the year	-	-
At 31.3.21	1	1
Net book value 31.3.21	1	1
Net book value 31.3.20	1	1

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

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

11 Trade and other debtors

	2021	2020
	£	£
Rent arrears	118,354	99,153
Less: provision for bad debts	(100,677)	(72,710)
Other debtors	97,308	81,599
Prepayments and accrued income	1,657,609	382,611
Total	1,772,594	490,653

All debtors are due within one year.

12 Cash and cash equivalents

	2021	2020
	£	£
Money market investments	13,601	13,585
Cash at bank and in hand	2,448,846	3,454,116
Total	2,462,447	3,467,701

Included in the above is £102,443 (2020:£101,848) held on trust for Leaseholders.

13 Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	127,601	145,099
Deferred capital grant (Note 15)	69,140	62,951
Rents and service charges paid in advance	201,106	189,657
Service charge balances held on behalf of leaseholders	102,443	101,714
Accruals and deferred income	409,969	267,816
Loans and overdrafts	286,315	279,444
Other creditors	937	937
Total	1,197,511	1,047,618

Loans are secured by housing properties, see note 24.

Notes to the Financial Statements

14 Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Deferred Capital Grant (Note 15)	6,586,476	6,042,908
Loans	8,068,759	8,355,210
Recycled Capital Grant Fund	91,885	81,774
Total	14,747,120	14,479,892

Loans are secured by housing properties, see note 24.

15 Deferred capital grant

	2021	2020
	£	£
At 31.3.20	6,105,859	4,867,209
Grant received in the year	618,897	1,321,601
Grant transferred Re Property Disposals	-	(20,000)
Amortised in the year	(69,140)	(62,951)
At 31.3.21	6,655,616	6,105,859
Amount due to be released in less than 1 year	69,140	62,951
Amount due to be released after 1 year	6,586,476	6,042,908
Total	6,655,616	6,105,859

16 Provision For Liabilities – Social housing pension scheme

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

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

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

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

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

Notes to the Financial Statements

Fair value plan of assets , present value of defined benefit obligation and defined benefit asset/ (liability)

	2021	2020
	£'000	£'000
Fair value of plan assets	3,143	2,687
Present value of defined benefit obligation	4,109	3,083
(Deficit)/ surplus in plan	(966)	(396)
Unrecognised surplus	-	-
Defined benefit (liability)/ asset to be recognised	(966)	(396)

Reconciliation of opening and closing balances of the defined benefit obligation

	2021	2020
	£'000	£'000
Defined benefit obligation at start of period	3,083	3,476
Current service cost	-	-
Expenses	4	4
Interest expense	72	83
Member contributions	-	-
Actuarial losses (gains) due to scheme experience	(66)	28
Actuarial losses (gains) due to changes in demographic assumptions	13	(28)
Actuarial losses (gains) due to changes in financial assumptions	1,022	(461)
Benefits paid and expenses	(19)	(19)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	4,109	3,083

Notes to the Financial Statements

Reconciliation of opening and closing balances of the fair value of plan assets

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	2,687	2,578
Interest income	64	62
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	324	(20)
Employer contributions	87	86
Member contributions	-	-
Benefits paid and expenses	(19)	(19)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	3,143	2,687

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £388,000

Defined benefit costs recognised in the statement of comprehensive income (SOCI)

	2021 £'000	2019 £'000
Current service cost	-	-
Expenses	4	4
Net interest expense	8	21
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	12	25

Defined benefit costs recognised in other comprehensive income (OCI)

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	324	(20)
Experience gains and losses arising on the plan liabilities - gain (loss)	66	(28)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(13)	28
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,022)	461
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(645)	441
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in Other Comprehensive Income - gain (loss)	(645)	441

Notes to the Financial Statements

Assets

	2021	2020
	£'000	£'000
Global Equity	501	393
Absolute Return	173	140
Distressed Opportunities	91	52
Credit Relative Value	99	74
Alternative Risk Premia	118	188
Fund of Hedge Funds	-	2
Emerging Markets Debt	127	81
Risk Sharing	114	91
Insurance-Linked Securities	75	83
Property	65	59
Infrastructure	210	200
Private Debt	75	54
Opportunistic Illiquid Credit	80	65
High Yield	94	-
Opportunistic Credit	86	-
Cash	-	-
Corporate Bond Fund	186	153
Liquid Credit	38	1
Long Lease Property	62	46
Secured Income	131	102
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	799	892
Net Current Assets	19	11
Total assets	3,143	2,687

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	2021	2020
	% per annum	% per annum
Discount Rate	2.21%	2.34%
Inflation (RPI)	3.22%	2.53%
Inflation (CPI)	2.87%	1.53%
Salary Growth	3.87%	2.53%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	2021	2020
	Life expectancy at age 65	Life expectancy at age 65
	Years	
Male retiring in 2021	21.6	21.5
Female retiring in 2021	23.5	23.3
Male retiring in 2041	22.9	22.9
Female retiring in 2041	25.1	24.5

Notes to the Financial Statements

17 Capital commitments

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

	2021 £	2020 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	10,773,433	260,810
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	3,805,000
Capital commitment	10,773,433	4,065,810

EPIC expects these commitments to be financed with:

Triodos loan facilities	10,300,000	2,663,000
Social housing grant (In line with spend)	-	1,142,000
Internally generated resources (Revenue reserve)	473,433	260,810
Total	10,773,433	4,065,810

18 Contingent liability

If EPIC were to withdraw from all forms of the Social Housing Pension Scheme it has been calculated that our debt on withdrawal would be £3,316,108. We have no plans to exit from the scheme at the present time.

19 Grant and financial assistance

	2021 £	2020 £
Total accumulated SHG received or receivable at 31 March:		
Held as deferred capital grant	6,914,041	6,295,144
Total	6,914,041	6,295,144

20 Related parties

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

21 Surplus/ (deficit) on disposal

One house has been sold in the current financial year under the Right to Acquire (RTA).

	2021 £	2020 £
Sale Proceeds	90,710	172,500
Less:		
Associated selling fees	(641)	(2,553)
Write off cost (NBV)	(72,369)	(162,669)
Surplus on disposal	17,770	7,278

Notes to the Financial Statements

22 Recycled capital grant fund

	2021	2020
	£	£
Opening balance of fund	81,774	70,000
Inputs: Grants recycled	-	46,774
Inputs/Withdrawals	10,000	(35,000)
Interest Accrued	111	-
At the end of the year	91,885	81,774

23 Loans

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

	2021	2020
	£	£
Maturity of debt		
In less than one year	286,315	279,444
In more than one year but less than two years	293,837	286,315
In more than two years but less than five years	928,633	904,860
In greater than five years	6,846,289	7,164,035
Total	8,355,074	8,634,654

24 Interest rate risk and exposure

As at 31st March 2021 the following amounts were drawdown and had been fixed on 20th March 2020:

Facility 1 - £4,533,576.98 - 2.553% - Fixed until 20/03/2030
Facility 2 - £3,821,496.49 - 2.653% - Fixed until 20/03/2030
Combined - £8,355,073.47

EPIC Treasury Management & Investment Policy sets out that when looking at any aspect of interest rate exposure, it is important to remember that overall interest rate risk management is about reducing risk and increasing certainty. It is not about best guessing or predicting the way interest rates will move. Following a review of the fixed rates available both loan facilities 1 & 2 with the Triodos Bank for £5m and £4m respectively were fixed for a period of 10 years on the 20 March 2020.

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

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

The additional drawdown of £10.3m undertaken in April 2021 was also fixed for a period of 10 years as outlined in the section covering post balance sheet events.

Facility 3 - £5,000,000 - 2.779% - Fixed until 21/04/2031

Facility 4 - £5,300,000 - 2.879% - Fixed until 21/04/2031 (Interest only until April 2026)

Notes to the Financial Statements

25 Post balance sheet events

Purchase of Housing Stock

On the 10 May 2021, EPIC completed the purchase of 169 units and 1 satellite office from the Bromford Housing Group. The deposit of £1.19m was paid on 21 March 2021, and was accounted for within prepayments as at the year ended 31 March 2021.

The payment for the remaining balance of the purchase costs, of £10.7m, was paid on 7 May 2021. This was part funded by a drawdown of £5m, which was part of the initial loan facility with Triodos Bank, and an additional £5.3m loan facility, also with Triodos Bank. The facility of £5m was fixed at a rate of 2.779%, and the facility of £5.3m was fixed at a rate of 2.879%, both fixed rates end on 21 April 2031.

Regulatory Downgrade

On the 21 June 2021, post year end, EPIC was placed on the Regulator of Social Housing's Grading under review listing. Following this review, in August 2021 the Regulator Judgement was issued reflecting a downgrading of the Governance and Viability rating from G1V1(compliant) to G3 (non- compliant) V2 (compliant). In addition a regulatory notice was also issued in which the Regulator concluded that EPIC has failed to meet the requirements of the Home Standard.

Tenants' safety is EPIC's paramount concern and swift action has been taken to begin to resolve the weaknesses identified. EPIC acknowledges that these outcomes indicate that there are issues of serious regulatory concern and is working with the Regulator to address them.

