Registration Number: 7520
31 March 2021

Magna Housing Limited
Financial Statements

Contents

Who we are

We're a Housing Association based in the South West, with a vision to create great homes together. With customers at the heart of everything we do we aim to offer homes to be proud of with a choice of facilities and customer services that are tailored to individuals as their lives change.

Our principal activities are the management, maintenance, construction and acquisition of affordable housing.

As a registered provider of nearly 9,000 homes for rent and shared ownership, we provide more than 20,000 people with a safe and affordable home.

Helping to deliver this we have a workforce of around 432 colleagues providing day to day support for our customers and ensuring that we have the right tools and the capability to meet our customers' needs.

We identify all those who we work with as our customers, including:

- People who rent a home from us.
- People who buy a home from us.
- People who live in our sheltered homes.
- People who receive specialist support services.
- People we work with in our local communities.

What we do & where we do it

We're a registered provider of nearly 9,000 affordable homes for rent and shared ownership, mainly operating in Dorset and Somerset.

Local area	General needs	Supported	Sheltered	Low cost home ownership	Fixed equity	Market rented	Freehold only	General needs – managed	Low cost home ownership – managed	Grand total
Dorset	4,163	92	1,419	220	16		299	5	5	6,219
East Devon	37						3			40
Exeter	1	7								8
Plymouth						25				25
South Somerset	246	26		24						296
Somerset West & Taunton	1,541	99	419	17			77			2,153
Sedgemoor	93	5		2			4			104
Torbay	4									4
West Devon				19			5			24
Grand total	6,085	229	1,838	282	16	25	388	5	5	8,873

We have a strong property development pipeline in place which drives our mission to create great places where people choose to live.

Governance

The Magna Group Structure

'Magna' refers to Magna Housing Limited. 'The Magna Group' refers to the Group created from 31 March 2017 i.e. Magna Housing Ltd and Charter (S.W.) Ltd.

Magna Housing Limited was formed on 31 March 2017 from the amalgamation of Magna Housing Group Ltd, Magna Housing Association Ltd and Magna West Somerset Housing Association Ltd.

It is a Community Benefit Society registered under The Co-operative and Community Benefit Societies Act 2014, and a 'not for profit' Registered Provider, operating under charitable rules, registered with the Regulator of Social Housing and affiliated to the National Housing Federation.

Charter (S.W.) Limited remains as a subsidiary of Magna. It did not trade during 2020/21 and made no loss or surplus during the year. The Board has agreed to retain Charter while it has rights and responsibilities under building contracts it entered into between 2006 and 2011. These progressively expire over time. See note 32 for a description of the relationships between Charter (S.W.) Limited and Charter (S.W.) Investments LLP. None of these traded during the year.

Magna does not produce consolidated financial statements as the 2019/20 transactions and balance of its subsidiary are immaterial to the Magna Group.

Advisors and Board members

Registration number: 7520

Chair	C Turner	
Other Members	A Acharya	
	A Auty	
	D Bond	
	G Clarke	
	P Culpin	
	D Lang	Resigned 30 November 2020
	D Penny	Resigned 30 July 2020
	S Rastrick	
	S White	Appointed 3 September 2020
	J Meek	Appointed 29 April 2021
	R Crownshaw	Appointed 29 April 2021
	P Nourse	Appointed 29 April 2021
	N Perryman	Appointed 24 June 2021
	J Cowie	Appointed 29 July 2021

Senior executive officers

Chief Executive	S White	
Property Director	D Aldwinckle	To 5 June 2020
Finance Director	S Fraser	To 30 April 2021
Interim Finance Director	F Elia	From 01 February 2021 to 31 May 2021
Interim Finance Director	S Keshet	From 01 June 2021
Housing Director	T Murray	
Strategic Director of Organisation Capability	A Davis	From 29 March 2021
Director of Strategic Asset Management	D Greenhalgh	From 1 September 2020
Assistant Director of Development	P Read	From 1 July 2020
Company Secretary	M Taylor	

Independent Auditors	Beever & Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Principal bankers	Barclays Bank plc 3rd Floor Windsor Court 3 Windsor Place Cardiff CF10 3BX
Registered office	Oak House Poundbury Road Dorchester Dorset DT1 1SW
Funders	Lloyds Banking Group plc Royal Bank of Scotland plc Barclays Bank plc Santander UK plc Clerical Medical Investment Ltd

Comment from the Chair

Christine Turner

Chair

The financial year that ended on 31 March was the most challenging of my career in the housing sector. It is also the one I am most proud of.

We started the year in the very early days of the government's first lockdown, and I can recall the sense of fear and uncertainty that pervaded at that time. We responded quickly and focussed our efforts around a single priority: to keep our customers and colleagues safe. As our service delivery scaled down in line with government guidelines, we switched our efforts to maintaining contact with all our customers to check on their well-being.

As a customer focused business, this has been an extremely challenging year for our colleagues at Magna. In the first quarter we furloughed around 40% of our workforce, mainly in our in-house maintenance services team, in response to a sizeable drop in demand from concerned customers and fears raised by many colleagues about their safety and that of our customers. The Board made a pledge to the whole Magna team that we would not ask or expect anyone to do something that we would not be prepared to do ourselves.

It is to the credit of our operational management team that we were able to remobilise our services and have all colleagues back in the business by the end of September. The plans that were formulated and implemented for this first phase of service recovery have successfully guided us through subsequent lockdowns, and corresponding periods of service scale down and recovery. This has provided a strong level of assurance to the Board which has received regular performance updates.

As with most organisations, our plans for the year were severely impacted by the pandemic. Most notable of these was the decision to delay the launch of our new Brilliant Basics strategy. Although as a business we would have been ready to launch by the summer of 2020, the Board and Executive agreed that it would have put more undue pressure on people and resources at a time when they were already significantly stretched, and we took an important decision to delay to the Spring of 2021.

That's not to say that we stopped working on our strategy development, far from it. During the year the directors have worked hard to develop the high-level strategic priorities into workable plans for the next three years, with clear objectives and outcomes. We have used the extra time to engage with as many people as possible, customers, colleagues and stakeholders, and incorporate a diverse range of ideas and thoughts into our final plans.

During the year I have been particularly impressed to see the hard work that continued the implementation of our new company system, Aspirecrm. It would have been easy to slow down this important programme to focus on our Covid response. Instead, we faced into this challenge and bolstered the programme team to support their determination to get the job done. I was immensely proud to hear in early December that our systems had gone live smoothly, on time and to plan.

In January, the Regulator of Social Housing confirmed our G1/V1 ratings, which is something the Board and I were particularly pleased to hear, and it is another brilliant achievement that every colleague at Magna should be very proud of, especially in these unprecedented times.

This past year has also presented many difficulties and hardships for the customers and communities in which we operate, and the support we have been able to offer will continue to be needed as we all adjust to the new norms of life. The strong foundation of our digitalised business has been invaluable in allowing us to consolidate and focus our services. We have continued to deliver a strong pipeline of new homes, incorporating Modern Methods of Construction through our Rollalong partnership, which will enable us to fulfil our commitment to Creating Great Homes Together.

We do not underestimate the work needed to reach Zero Carbon but have also been working on the detail of how we will achieve that target whilst also maintaining the challenge to ensure our homes are safe and secure for our customers who live in them.

Magna has demonstrated its resilience during an unprecedented year and has set a strong direction for the future with our customers at the heart of everything we do. I am confident that we will succeed.

As ever, I thank my colleagues on the Board and our Chief Executive Selina White, for their strong leadership, and our colleagues and partners who are at the forefront of our business.

Comment from our Chief Executive

Selina White
Chief Executive

This has been a year of unprecedented challenge in terms of service delivery. Throughout the pandemic the safety of customers and colleagues has been paramount. Our response to the Covid-19 pandemic has dominated our operational planning and delivery and we closely monitored and followed government guidance to support the shortest route out of each phase of lockdown.

This in turn has impacted on our ability to access homes to deliver repairs and planned maintenance services. Our focus has been on priority repairs and essential compliance activity, such as gas servicing. Our aim was to continue essential property compliance activity during the pandemic and, through close cooperation with customers on access arrangements, we have been able to deliver to target in most service areas. We are confident that customer safety has not been compromised in any way.

We recognise that many of our customers are likely to be severely impacted by the pandemic over the long term, whether it's through low incomes, reduced or loss of employment opportunities, general wellbeing or universal credit dependency. As we emerge from lockdown, we will shape our services to support those most severely affected.

The pandemic has provided a stimulus for new ways of working and has accelerated the plans that we had for more agile working, more self-service and more digital engagement. For example, we have continued to let homes using videos and we have worked with customers to help them better diagnose and resolve repairs using digital channels and expertise on the front line. We have used social media channels and virtual technology to keep in touch and supported many of our older and vulnerable customers to get online and keep in touch with friends and family, as well as several virtual social activities.

We have supported our colleagues to work remotely, providing appropriate technology and equipment to enable them to work effectively in an agile way. This approach will continue after lockdown as we adapt our workspace to support our new ways of working.

We have closely tracked the impact of the pandemic on service delivery. The repairs and planned maintenance works which were delayed are now being rescheduled in conjunction with customers. The delay and postponement of work programmes resulted in 245 homes not meeting the regulatory decent homes standard. These homes have been prioritised in our reprogramming and we are on track to complete the relevant work within the year.

Despite the challenges, our team has achieved an incredible amount in the last 12 months. Our key highlights for the year include:

- An effective and coordinated response to Covid-19
- A refreshed and updated approach to customer and building safety
- A new 3-year strategy 'Brilliant Basics', launched in Q1 2021/22
- A new set of values for the organisation that set out how we do things around here
- The launch of our new housing and finance systems
- A new single customer contact centre
- A new website and internal intranet
- The rationalisation of our workspaces and the introduction of more remote, agile working
- The successful completion of our first leadership development programme
- A reshaped Executive Team and a new executive role: Director of Organisational Capability
- A new treasury strategy to secure significant investment for the future.

Developing our Brilliant Basics strategy

This year the Board agreed our new three-year Brilliant Basics strategy, the first step towards achieving our vision of Creating Great Homes Together, and building on our mission for our customers, communities, people and partners

Our strategy is built around four strategic priorities: Customer Experience, Supply and Investment, Organisational Capability and Performance and Results.

Customer Experience

In the year we focused on gaining a better understanding of our customers and created a new customer experience strategy that will drive greater satisfaction in our services. The successful implementation of our new housing system, Aspirecrm, was a major achievement in 2020. It provides a modern platform from which to build better service delivery and supports our new centralised customer contact centre. This means we are now able to deal with all customer queries through a single point of contact in a consistent way, helping us to resolve enquiries as quickly as possible.

Extensive work to redesign our customer journeys has driven a step change in our working practices and supports our ambition to deliver the right services at the right time, first time. It means our

Comment from our Chief Executive (continued)

knowledge and understanding of our customers' needs will grow and we will support our colleagues with the provision of better information, leading to a much-enhanced customer experience.

We were proud to join the NHF's Together With Tenants campaign this year, as it aligns closely with our new strategy and our commitment to strengthening the voice of our customers and we will be creating our own customer charter in the coming year.

Supply and Investment

We are also committed to the ongoing delivery of affordable, sustainable, and safe homes. There are big challenges ahead as we look to balance the demand for new homes with investment in existing homes, and that we meet requirements of new building safety legislation and plan for major retrofit of our existing homes in the years to come as we consider delivery against the Government's zero carbon target of 2050. Our Business Plan makes provision for all these demands.

The safety of our customers and colleagues is at the forefront of our plans. We are transforming our approach to fire safety, setting up a new building safety team, developing robust standards and processes in consultation with customers and strengthening the skills and competencies of our teams. We have limited exposure to high rise, high risk buildings and, where necessary, remediation work on cladding has already been completed. We have included significant resources in our business plan for the next three years to address building safety remediation following extensive fire door inspections and more comprehensive fire risk assessments.

We have already updated our portfolio of new homes for process and in use improvements by switching to MMC Volumetric first and designs that are 'Zero Carbon ready' and all electric, so we do not add to the future challenge of retrofitting homes. We have appointed an energy officer to help us make our homes more energy efficient.

Strategically, we have taken the decision to commit investment and resources into delivering building safety remediation over the coming three years. This provides us with the space to complete the essential groundwork needed to prime our investment in environmental sustainability. It will also provide us with the opportunity to carry out that essential engagement work with our customers and colleagues, to collaborate effectively with other stakeholders and to develop the essential supply chains and skills needed to deliver our sustainable ambitions

Organisational Capability

Without the right people, the right processes, and the right technology we will struggle to achieve our objectives and our vision. We have invested in our people over the past year. We have appointed a new Director of Organisational Capability to support our transformation and to signal the importance of this for our future.

We have also invested in our data capability and insight to make sure that we fully understand our customers, our colleagues, our homes and estates. This work helps us to be more in tune with the needs and aspirations of our customers, of the issues affecting our colleagues and helps us to assess the health and performance of our properties. It also helps us make more informed decisions when it comes to service development, delivery and investment.

Performance and Results

In the next financial year, Magna will, for the first time since merging, raise new funding to meet its future investment in new and existing homes. Our new treasury strategy sets out the level of investment needed and when and will support our route to market to ensure we achieve the best value possible.

We have developed new performance measures that fit the objectives and outcomes of the strategic priorities, and we will be introducing balanced scorecard reporting so we fully understand the levers of performance to ensure best value is delivered, and that achievement of objectives in one area is not at the detriment of other areas.

The Brilliant Basics strategy will see Magna emerge as a more agile and responsive organisation, with exciting opportunities for our people to develop and excel and always with customers at the heart of everything we do.

I have learnt a lot about the resilience and strength of the business in the last year, and I am incredibly proud to work with such a caring, talented and dedicated team of people. Once more, I am looking forward to working with Christine, the Board and the whole #teamMagna to achieve even more in the year ahead.

Strategic report

Performance for the financial year and position at year end (including key performance indicators)

Review of the year

In the year to 31 March 2021, Magna achieved an operating surplus of £10.5m (2020: £11.6m). Total comprehensive income for the year shows a deficit before tax for the year of £3.3m (2020: £6.5m surplus). The deficit is attributable to the end of year pension valuation, which reduced our surplus after tax of £4.2m by £7.5m. Turnover decreased by £0.3 million (a 0.6% decrease). Total net assets at 31 March 2021 were £227.1m, a year on year decrease of £3.3m. We reviewed and updated our assessment of potential impairment indicators and concluded that the increased risk, due to the Covid-19 pandemic, of our rents not being paid did materialise but not to the levels we had provided for, and that the sales values of our shared ownership units didn't reduce allowing us to adjust the provisions made against these.

Operational Performance

Like other Registered Providers we have seen a significant impact on the volume of work that we were able to carry out, and our overall satisfaction levels, have reduced in 2020-21. We have continued monitoring satisfaction through our STAR survey which covers core areas of customer perception, but with a significant move to online surveys. The overall satisfaction is 77% (2020: 87%) and is based on responses from 1,658 customers. We are disappointed to see the drop in satisfaction levels and we are studying the results to better understand the drivers of this. We acknowledge that there have been similar trends reported in some parts of our sector and beyond, which is being attributed to the effect of the Covid-19 pandemic and resulting service reductions, but our brilliant basics strategy is focused on our customers' requirements.

STAR	2020/21	2019/20	2018/19	2017/18
Overall satisfaction with services	77%	87%	87%	88%

We continued with emergency repairs during the whole year, with other day-to-day repairs delivered where possible resulting in 15,077 repairs (2020: 26,459) being carried out. Of these, 87% were on time (2020: 98%).

Demand for properties continued and despite taking longer to turnaround due to revised working practices we made 439 lettings (2020: 480), achieving customer satisfaction with the lettings process of 95% (2020: 95%). We also supported customers to downsize to smaller properties, resulting in 131 more bedspaces being made for customers in our homes.

Our CORE re-let time for empty properties was 40.6 days, which is lower than our revised target of 51 days. However, we recognise that this is still higher than we want it to be and have focused additional resource to help support higher volumes of void properties becoming available. We continued to see an improvement in the satisfaction with the condition of the new home at 86% (2020: 82%) following our change in approach during 2019-20 to focus on the re-let standard and carrying out less post occupation repairs.

We've helped customers deal with the continuing roll out of Universal Credit and the impact of other welfare changes affecting them. This accelerated during the pandemic as we now have over 2,250 (2020: 1,604) customers benefitting from Universal Credit. At the end of March rent arrears were 2.1% (2019: 1.4%), which was within our revised target of 2.2%.
We recognised the financial impact of the pandemic on our customers and provided 'virtual' contact to help them during this difficult time, including supporting a move to internet bank transfers from giro card payments. Our 'Money Matters' and tenancy advice services, working on behalf of our customers, have also helped them access £1.3million of welfare benefit gains and backdated payments in 2020/21.

Most of our housing stock is post-war semi-detached houses and sheltered schemes designed for older persons and in 2020-21 we let a further 21 new rented homes and sold 6 new shared ownership properties. Our development pipeline for 2021-22 is for 168 new homes. A handful of completions moved from this year into 2021-22 due to the Covid-19 impact on our supply chain. We have also invested in modern methods of construction (MMC) and a further 50 modular homes have been manufactured by Rollalong in Dorset as part of our new zero carbon ready homes range for 2021-22. We will see 45 of our original designs going out to sites across Dorset from the summer as we complete our initial proof of concept work on MMC, and we are investing £5m in new sites associated with MMC delivery.

An independent Stock Condition Survey validation was completed by Savills in 2020. The report confirmed our stock to be in good condition and being maintained effectively, with our database reflecting the investment plans required to maintain and improve the position in-line with our Magna Standard. The pandemic and resulting safe working restrictions have delayed delivery of services to customers including non-urgent repair and maintenance activities and some planned major repair programmes e.g. kitchen and bathroom refurbishments. As a result, and at the year-end, 31 March 2021, 2.2% of our homes were recorded as not meeting the Decent Homes Standard. These homes are now included and prioritised in the early part of our 2021/22 programmes of work. We have since reviewed and updated our improvement plans and 30 year financial forecast to take into account the impact of the pandemic and also the emerging themes of building and fire safety, and energy efficiency and carbon reduction with increased levels of expenditure over the 30 year horizon.

We spent £12.2 million on major, response and cyclical repairs (2020: £15.6 million), replacing a small number of new kitchens, bathrooms, wet rooms, front doors and heating systems. During the year we also fitted 25 shower wet rooms, in keeping with our plans to future proof our sheltered housing.

We received 15 formal complaints (2020: 30) during the year. At the end of the year 10 had been closed, with 2 of these being closed at stage two. There were 4 open at stage one, and 1 at stage two. In the year, no formal complaints were investigated by the Housing Ombudsman. During the year we carried out our own self-assessment against the Housing Ombudsman's new complaint handling code to ensure we were compliant.

Total number of formal complaints received			
	2020/21	2019/20	2018/19
Repairs and maintenance	2	13	16
Sheltered housing & support services	7	6	5
Housing services	5	10	10
Staff & customer services	0	0	0
Development	1	0	0
Asset management	0	1	0
Total	**15**	**30**	**31**

We have reviewed our formal complaints policy to ensure it meets current regulatory requirements and the direction set by the Social Housing White Paper.

This means we have now reduced our stage one responses from 15 to 10 working days, and stage two responses increased from 15 to 20 working days.

Magna's G1 and V1 ratings were confirmed by the Regulator in January 2021. To the best of its knowledge, the Board considers that it complied with the Governance and Financial Viability Standard of the Regulatory Framework and the provisions concerning rents set out in the 2016 Welfare Reform and Work Act.
Magna has remunerated Board Members since April 2017, and this totals 0.1% of annual turnover.

Key Performance Indicators Performance

We have a number of performance indicators that meet both the Regulator of Social Housing's and our own requirements for monitoring our progress in achieving our objectives. Monthly performance data is reported to senior executive officers. The Board reviews performance and success in achieving targets every quarter. All performance information is derived from core management information systems.

We considered the impact of Covid-19 when target setting for 2021 and therefore some targets were adjusted in order to keep them realistic. These were approved at the April and June 2020 board meetings. In addition to our usual performance monitoring, throughout 2020/21 performance has been monitored regularly with a relevant balanced scorecard which provides up to date reporting on the impact of the pandemic on our operations, our colleagues, and our customers.

Our customer insight has identified our top three key drivers of satisfaction with our services as being 'Easy to Deal With', 'Repairs and Maintenance' and 'Safe and Secure'. We have used this data to create new measures and provided challenging targets to ensure we retain the right focus on the right results.

Some key performance indicators (KPIs) as at 31 March 2021 and the previous years, along with our targets for 2021/22, are presented below, together with some of the new measures that support our new strategic priorities. These measures, and targets will be further reviewed as we emerge from the pandemic. The colour shading indicates whether we achieved our target (green) or not (red) in the given area:

Performance Indicator	2021/22	2020/21		2019/20		2018/19	
	Target	Value	Target	Value	Target	Value	Target
Customer experience							
Taking everything into account the percentage of residents satisfied with the overall service provided by Magna	87.0%	77.0%	87.0%	86.8%	88.9%	86.8%	89.2%
Satisfaction that Magna is easy to deal with	90.0%	77.0%	80.0%				
% of repair appointments made and kept	98.0%	98.8%	99.0%	New measure in 2020/21			
Customer Net Promoter score	33	25	New measure in 2020/21				
Supply and investment							
Satisfaction that Magna provide a home that is safe and secure	90%	80%	90%	New measure in 2020/21			
Average re-let times - general needs and sheltered housing (CORE)**		40.61 days	51.00 days	14.99 days	16.00 days	13.01 days	16.00 days
% of dwellings with a valid gas certificate	100%	100%	100%	100%	100%	100%	100%
% of communal areas with a valid Fire Risk Assessment	100%	99.4%	100%	98.7%	100%	100%	100%
Organisation Capability							
GPTW Trust Index	68%	65%	New measure in 2020/21				
% Colleagues recommend Magna as a GPTW	70%	67%	New measure in 2020/21				
Performance and Results							
All rented dwellings current arrears as a % of the annual rental	1.71%	2.1%	2.2%	1.4%	1.9%	1.5%	2.8%
Additional Revenue generated from new developments	£328k	New measure from 2021/22					
% Operating Margin	18.9%	18.5%	23.8%	20.7%	33.6%	27.7%	38.9%

**The average re-let measure, based on CORE definition does not include a target as we will be using the all re-lets as our measure in 21-22, with a target of 25.0 days.

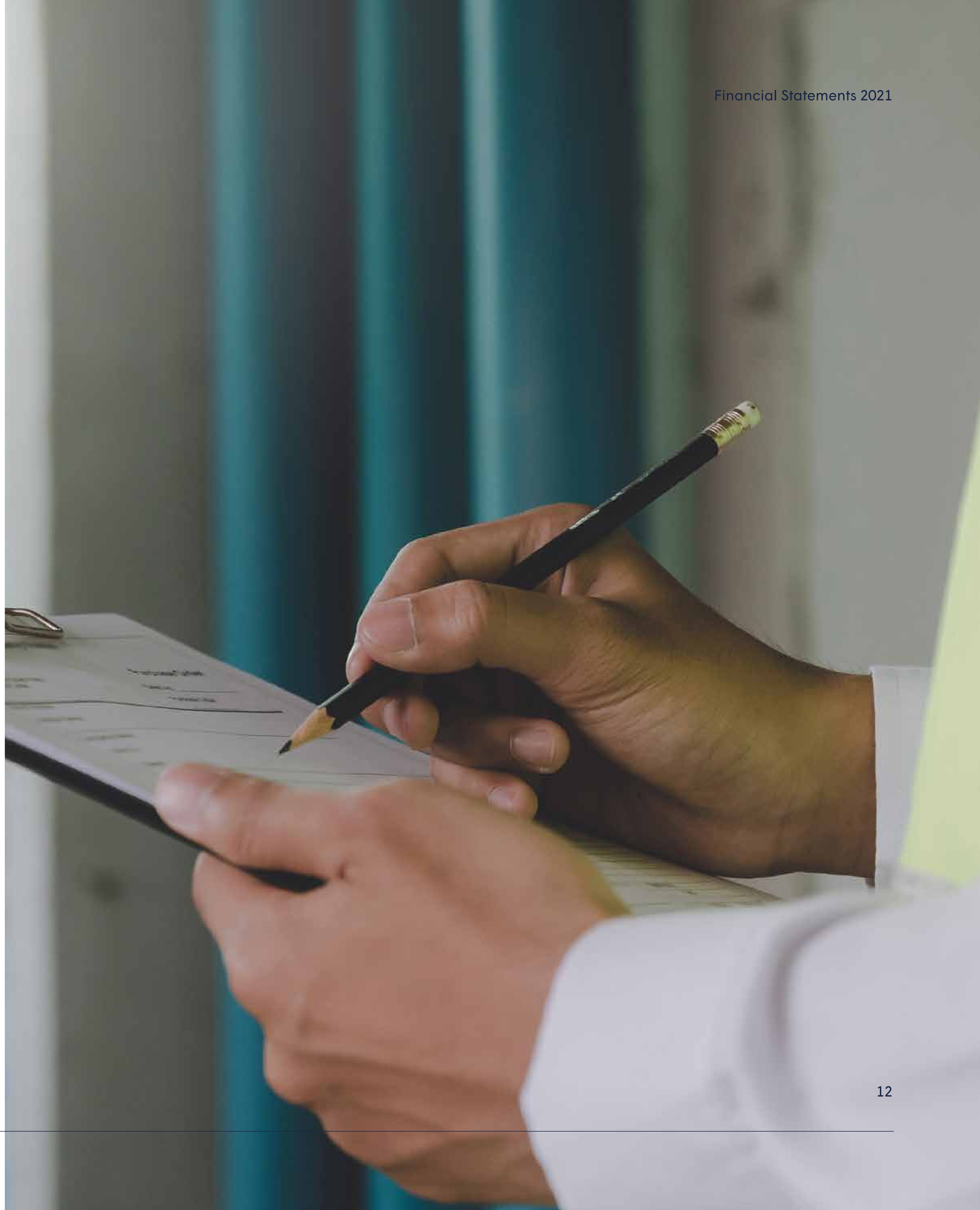
We have four KPIs on health and safety compliance, relating to gas safety and fire risk assessments as above and electrical safety and legionella. 'A health and safety failure' is one of our top five risks, and the KPIs reflect our strategic objectives to provide high quality housing and services, and our commitment to ensuring the safety of our customers.

Communal areas with valid fire risk assessments (FRA) achieved 99.4% against our 100% target. We have a small number of leasehold homes where a freeholder other than ourselves is responsible for undertaking the FRA. They are not undertaking them as frequently as we require but they are not breaching any regulation. We are seeking to dispose of the small number of properties where this is an issue. We have seen 171 electrical tests becoming overdue, due to the pandemic, and have plans in place to catch up on these as soon as is possible.

It has taken longer to achieve our re-let time due to the Covid-19 safe working conditions applied for our employees and customers. We offered less mutual exchange opportunities during this time but did apply additional resource to ensure our void properties were ready as soon as was possible as the demand still exists. This had led to a similar number of properties being let during the year as in previous years.

Colleague experience is important to us and we were really pleased to achieve a positive 65% trust index score when we carried out the Great Places To Work (GPTW) survey for the first time during the year. This links to our strategic priorities and we have added GPTW to our scorecard KPIs and have set an increased target for the next survey which will be carried out in 2021-22

We adjusted our target for current tenant arrears due to the uncertainties of universal credit and the impact of Covid-19. In response, our income management and specialist "money matters" and tenancy advice teams have focussed on working pro-actively to mitigate these uncertainties through early intervention, support, maximising benefit take up and work on debt prevention. We have also been responsive to our customers need to pay their rent and change the methods of payment used.



Value for money (VfM)

The Board aims to achieve value for money (VfM) as a result of the constant and successful operation of many policies and practices, and not as a separate aim or a special initiative. The Board sees achieving VfM one of Magna's strategic objectives. This ensures that we consider all the time what we need to do to achieve it, and to assess all other initiatives against it.

The Board views VfM as consisting of economy, efficiency and effectiveness, which it interprets as follows:

Economy

Minimising the cost of resources used while having regard to quality.

Efficiency

The relationship between the output from goods or services and the resources to produce them (the input). More output for the same input, the same output for less input, or less output for even less input, are all examples of improved efficiency.

Effectiveness

The extent to which objectives are achieved and the relationship between intended and actual impacts.

Achieving VfM requires an optimum blend of all three aspects. No one aspect necessarily takes precedence over the other two.

Each year we set clear, quantifiable targets for future VfM savings. Current estimates are that in 2020/21 Magna achieved cash and non-cash VfM gains of £496k compared to a target of £356k. This excludes £230k of subsidy (social value) for new development schemes being approved in the year. During the year we also invested resources into our capability to delivering and adding further value in the years ahead, including further customer journey reviews and digital investment.

The current year's savings of £496k includes the use of a procurement framework to purchase air sourced heat pumps for our new MMC homes. We have also moved to digital sign ups, saving our colleagues time travelling, and stopped using fixed term tenancies as the administration of them outweighed the potential benefits. We have renegotiated several contracts including our mobile contract to reduce prices and increase coverage. As our shared ownership sales programme has started to increase we have negotiated improved rates with estate agents to maximise our marketing. Our board and other meetings have been held virtually, attaining the same outcomes but saving travel costs and we have seen the financial benefit of the new ERP system we have introduced too. Other improvements include downsizing incentives, where we have freed up 50 properties for new customers and a change to green energy for our offices and community areas for a similar price.

As our new housing management system and new customer experiences bed down, we will see further efficiencies, social value and customer experience being provided. It is expected that our revised customer journeys will realise £629k of VfM gains per annum, albeit with the majority being realised from 2022-23. Coinciding with the introduction of our new housing management system, and with insight gained from our customers we introduced a new customer contact centre in 2020/21, making us easier to deal with by having a single point of contact. We expect this to provide significant value to our customers in 2021/22.

The following table shows the Regulator's value for money metrics:

Magna Housing Ltd Value for Money Metrics	2017/18	2018/19	2019/20	2020/21	2021/22	2023/24	2031/32	2019/20
	Stats	Stats	Stats	Stats	Budget	Year 3 Forecast	Year 10 Forecast	Benchmark (Median)
Reinvestment %	1.86%	2.90%	4.97%	5.68%	10.82%	10.40%	7.60%	8.11%
New Supply Delivered (Social housing units) %	0.00%	0.18%	0.24%	0.31%	1.96%	1.90%	1.90%	-
New Supply Delivered (Non-Social housing units) %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-
Gearing %	32.94%	26.30%	24.55%	24.15%	28.61%	33.10%	36.80%	52.38%
EBITDA MRI Interest Cover %	292.3%	251.3%	209.4%	207.3%	235.9%	278.8%	147.5%	186.2%
Headline social housing cost per unit (£)	3,303	3,538	3,924	3,672	3,900	4,213	5,189	3,662
Operating Margin (Social Housing lettings) %	35.69%	29.42%	22.41%	19.16%	17.81%	19.60%	23.60%	31.69%
Operating Margin (Overall) %	34.94%	27.67%	20.71%	18.45%	17.04%	17.70%	21.30%	28.20%
Return on capital employed %	5.38%	4.39%	3.14%	2.89%	2.38%	2.60%	2.80%	3.59%

Our new supply of non-social housing is 0% for current and future years.

The Covid-19 pandemic has impacted several of our VfM indicators, for example we took the decision to furlough staff, and also chose not to claim our furlough costs from the government resulting in Magna picking up the cost, ie paying 80% of wages but not getting any output for this.

The VfM Metrics are defined by the Regulator of Social Housing. The latest benchmark figures have been obtained from the Global Accounts (GA) sector scorecard as at April 2020 and are for 2019/20. The benchmark is derived from data for 16 associations operating in the south west and south east, excluding London, with a minimum of 2,500 properties. There was no metric for new supply, non-social housing units, delivered.

Future prospects

The Statement of Financial position as at 31 March 2021 demonstrates Magna's financial strength. Previous measures introduced in anticipation of the impact of welfare reform, and strengthened in response to the Government's rent cut from April 2016, mean that Magna is a resilient business, able to respond quickly and effectively to threats and any subsequent downturn in performance, such as we encountered with the Covid-19 pandemic. Revised long-term business plans show Magna's financial strength increasing further in future years and that all strategic objectives are fully funded.

We have maintained a Covid-19 balanced scorecard to closely monitor the risks and shorter-term impacts of the pandemic on the business, and further reviewed our stress testing on the longer-term business plan.

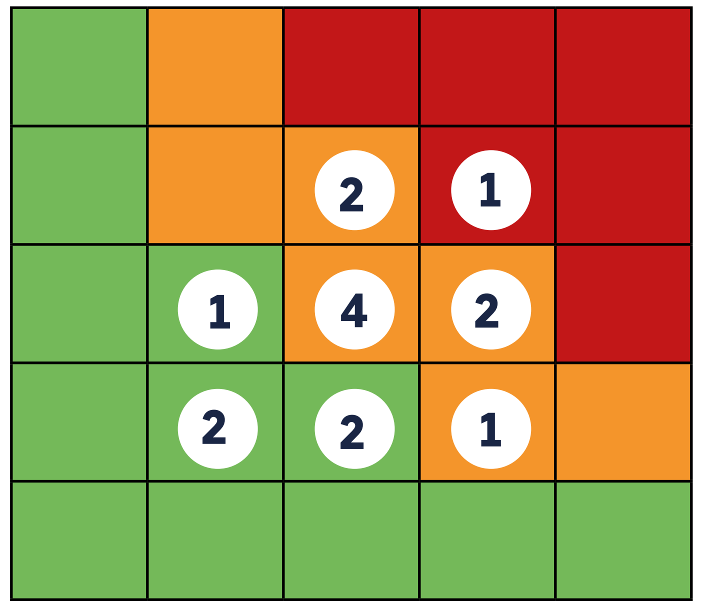
We ended 2020/21 with a very strong development programme, an allocation of grant from Homes England and 211 (2020: 152) units on site. We are in contract to complete 278 units and we have future commitments which would see Magna complete on a further 91 units along with additional site opportunities and increased modular methods of construction manufacturing.

Description of principal risks and uncertainties being faced

Magna's strategic risks, i.e. those that influence the achievement of our strategy are reviewed by the Executive Team monthly and by the Risk and Audit Committee and the Board at least quarterly. The strategic risk register describes, for each strategic risk, the impact; the controls in place to reduce probability and impact; the actions being taken to strengthen the controls; and a progress report on those actions. Each risk is scored by impact and likelihood, before and after the application of controls. Risks are mitigated through Magna's whole system of internal control, which is described in the Internal Control & Risk Management section of this report.

At the end of March 2021 there were 15 strategic risks identified and mitigated as summarised below:

Risk ratings



Red and amber risks are those risks for which actions are required to reduce them to, or below, an acceptable level

RED Risks – We have moved into a position we're uncomfortable with and will manage very closely. The risk is red when the calculated 'likelihood' and 'impact' scores for the risk are 16 and above, from a maximum of 25

AMBER Risks – We need to watch out, stay alert and action! Risks become amber when the calculated score is 8 or more.

GREEN Risks – We're managing this satisfactorily, with calculated scores being below 8.

Red Risks

Strategic risk	Examples of risk	Examples of key controls
Health and safety (H&S) failure	Failure to undertake H&S checks, assess H&S risks or deal with remedial actions.	Policies and procedures relating to the full range of health and safety activities in place and regularly reviewed. Risk assessment framework in place for all aspects of work. Regular audits and third-party assurance checks on key compliance activities. Comprehensive performance reporting on principal health and safety activities. Governance arrangements in place - Health and Safety Policy and Plan approved annually by Board. Health and Safety Forum meets regularly. Focus on health and safety through procurement and contract management arrangements. CDM processes in place and adhered to. Oversight of health and safety by the H&S Forum. Health and safety plan developed and scrutinised. Full range of Corporate insurances. Disaster and business recovery arrangements. Covid recovery plan. Crisis Communications Plan. Scenario testing & planning. Related to strategic priorities – Customer experience, Supply and investment.

Amber Risks

Strategic risk	Examples of risk	Examples of key controls
Data Protection	Loss of or unauthorised access to customer or colleague personal data as a result of non-compliance with GDPR or cybercrime.	Data protection (including archiving) policies and procedures. Induction & mandatory data protection training for colleagues and Board Members. Office security measures. IT security measures and Cyber Security Analyst. Programme of internal audits. Reporting & monitoring with Risk and Audit Committee. Cyber insurance. Lessons learned from breach reports. Related to strategic priorities – Customer Experience, Performance and Results.
Business continuity	Sustained business disruption for an extensive and unknown period, for example as a result of fire, flood, medical emergency or IT failure.	IT policies and procedures including recovery plan and newly equipped failover centre. Business continuity plan with clear responsibilities and tested to check effectiveness. Secure managed data room and back-up data room. Proven home working capabilities in the event of office unavailability. Cyber security analyst employed to ensure robust penetration procedure. High levels of cross business responsiveness to business continuity situations through scenario testing. Use of recovery centre. Related to strategic priority – Organisational capability.
Reputational risk	Factors that drive reputational risk are ethics and integrity, such as fraud, bribery and corruption; security risks, including both physical and cyber breaches; service risks, such as health and safety, and the environment; and third-party relationships, i.e. being held accountable for the actions of our suppliers and partners.	Crisis Communication & proactive PR management (national & local). Monitoring compliance with code of governance and regulatory standards. Gifts & hospitality and procurement policy and procedures. Fraud response plan. Programme of internal audit & annual internal Auditors' report. Membership and Remuneration Committee. Overall management of compliance and health and safety activities, including reporting. Business continuity and disaster recovery plans in place. Regular performance review arrangements with key partners, such as our out of hours emergency call centre provider and warden alarm contractors. Business continuity planning focuses on prompt recovery to high level service risks. Covid recovery plan under constant review. IT security and recovery arrangements. Related to strategic priority – Performance and Results.

Amber Risks (continued)

Strategic risk	Examples of risk	Examples of key controls
Development risk	Failure as a result of unenforceable contractual arrangements, counterparty risk, failure to comply with the terms and conditions of receiving social housing grant, or inability to find sites.	Failure as a result of unenforceable contractual arrangements, counterparty risk, failure to comply with the terms and conditions of receiving social housing grant, or inability to find sites.
Availability of finance	Inability to refinance and/or raise new finance, irreparable breach of existing lender covenants, or inability to access or draw down funds on acceptable terms due to adverse economic or political conditions.	Finance and treasury management policies and procedures, including IFF. Regular draw down against RCF to test lender appetite. External treasury advisors. Programme of internal audit and annual reporting. Maintain strong relationships with existing lenders. Role of the Treasury Panel. Strong project management. Increase to our minimum cash holding to £5.6m. Related to strategic priorities – Supply and Investment, Performance and Results.
Sales risk	Failure to sell properties, delays in sales, sell at lower price, inability to transfer or swop tenure (including first tranche shared ownership, staircasing and void disposals).	Market appraisals and other research of potential development opportunities. In-house legal team and sales and marketing team. Development and asset disposal policies and procedures. Stress testing. Cashflow forecasts and cost management, financial reporting and regular monitoring. Monitoring mortgage market through panel advisors. Greater liquidity cover. Not assuming 100% sales receipts in business plan cashflow. Related to strategic priority – Supply and Investment.

Strategic risk	Examples of risk	Examples of key controls
Adverse economic changes	Driven by global pandemic, no trade deal, recession, widespread job losses, changes in interest rates, inflation (including wage inflation), falling house prices.	Whilst we cannot control the probability of adverse economic changes, as these are external risks beyond our influence, we monitor the situation closely and have controls in place to reduce the impact of such changes and ensure there is no breach of our business plan. Stress testing the business plan and full mitigation plan. Effective management & monitoring of arrears. Finance, Income Management, Treasury Management policies and procedures. Effective benefits advice and money matters service. Programme of Internal Audit & Annual Internal Auditors' report. Monthly financial reporting to Board & Supply and Investment Committee. Related to strategic priorities – Supply and Investment, Performance and Results.
Customer satisfaction	A significant fall in satisfaction with Magna, caused by, for example, failure in the response repair service, failure to respond to complaints promptly and effectively, or failure to manage neighbour nuisance or ASB effectively.	Magna policy and procedures. Service improvement reviews and reviews of customer journeys. Formal complaints policy and procedures and review of complaints received, and evidence of lessons being learnt. Surveys of customer opinion and acting on the results to make improvements to customer services. Use of mystery shopping and the work of the customer scrutiny group. Monitoring of performance and taking corrective action to deal with poor performance. Effective crisis management procedures. A focus on fast and effective resolution to problems highlighted and effective management of complaints. Internal training, communication and engagement. Related to strategic priorities – Customer Experience, Performance and Results.
Pension costs increase	Significant increase in Magna's liability due to fall in gilt rates, change in actuarial assumptions or lower projected investment returns.	Closed defined benefits pension option to new entrants. Stress testing. Monitoring by Finance Director. External pensions consultant and external audit. Pensions Policy. The Board keeps pensions under annual review. Related to strategic priority – Performance and Results.

During 2020/21 the Executive Team and the Board continued to monitor the risks associated with Brexit and reflected these in the strategic risk register. Early in 2020, the Executive Team and Board started to examine the impact of the global Covid-19 pandemic, on services, customers, and colleagues. The priority was to ensure key service delivery was maintained whilst ensuring the safety of customers and colleagues and during March a response group was set up to meet daily to review the current position and any new developments. The Board reviewed the strategic risk register in the light of the pandemic and adjusted its assessments of a number of risks accordingly.

As at the end of March 2021, the Board considered the following to be emerging risks:

- longer term impact of Covid-19 on the business and customers
- building safety (building safety bill, fire safety bill etc).
- climate change and environmental sustainability
- regeneration/investment in existing assets
- uncertainty about legislative programme
- right to shared owner for tenants
- new shared ownership lease and impact on current and future schemes

Magna's appetite for risk is commensurate with how far it thinks the likely impact of taking the risk, after having taken all reasonable actions to manage it, will help Magna to achieve its strategy, and the risk's compatibility with Magna's capacity and it being a not-for-profit housing charity in receipt of public money. During 2020/21 the Board considered a revised risk appetite and risk tolerance framework, and risk appetite surveys showed that the view of the Board was moving from 'cautious' to 'open'. A new approach, linking risk appetite to strategic objectives, is being developed as part of work on the new strategy and will be finalised during 2021/22.

Liquidity is managed by maintaining adequate cash reserves and having loan facilities available for drawdown as required. The cost of finance is managed using fixed interest debt as part of the treasury strategy.

C Turner

Chair

Report of the board

Structure, Governance and Management

Corporate governance

The Board is responsible for the proper conduct of Magna's affairs. It consists of a maximum of 12 (2020: 10) Members, all but one being non-executive. They bring substantial relevant knowledge and experience. Each was remunerated for their services. Each Member acts in a personal capacity. The Board met 7 times (2020: 11) during the year. The Board has adopted the 2020 NHF Code of Governance and considers that it has no areas of non-compliance to explain in this report.

The Board ended the year with 4 (2020: 4) permanent Committees, dealing in turn with Risk and Audit, Membership and Remuneration and Supply and Investment. A Chairs Committee is also in place. The Finance Committee was disbanded on 3 September 2020. A new Treasury Panel was set up on 3 September 2020. Membership of the Committees and Panel is shown opposite. Each had Terms of Reference and reported to the Board by means of its minutes and reports from its committee/panel chair.

The table opposite details the Members of the Committees and the Treasury Panel.

Committee	Member
Risk and Audit Committee	Ms Suzanne Rastrick (Chair from 3 September 2020); Mr Asit Acharya; Mrs Debbie Bond; Mr Graham Clarke (from 3 September 2020); Ms Phyllida Culpin (to 2 September 2020); Ms Dawn Lang (Chair to 2 September 2020 and member to 30 November 2020); Mr Peter Nourse (from 29 April 2021); Mr Jonathan Cowie (independent member from 1 May 2021); N Perryman (from 24 June 2021)
Membership and Remuneration Committee	Ms Phyllida Culpin (Chair from 3 September 2020); Mrs Debbie Bond; Ms Dawn Lang (to 2 September 2020); Dr David Penny (Chair to 30 July 2020); Ms Christine Turner; Ms Suzanne Rastrick (from 3 September 2020); Rachel Crownshaw (from 29 April 2021).
Supply and Investment Committee	Mr Alistair Auty (chair); Mr Asit Acharya; Ms Phyllida Culpin (from 3 September 2020); Peter Nourse (from 29 April 2021); Jesse Meek (from 29 April 2021); Mr Simon Gibbs (independent member); Mr Robin Roberts (independent member).
Chairs Committee	Ms Christine Turner; Mr Alistair Auty; Ms Phyllida Culpin; Ms Suzanne Rastrick.
Treasury Panel	Mr Graham Clarke (Chair); Mr Simon Gibbs (independent member); Ms Christine Turner; N Perryman (from 24 June 2021)

Magna seeks Board Members with the skills, experience and other qualities which enable them to help run Magna properly, and who accept the obligation upon them to uphold the Purpose and Objectives of Magna. The Board undertakes regular self assessment of its performance as well as independent assessments of its governance arrangements, which was last carried out in 2019. Individual performance of board members is assessed at least annually by way of an appraisal conducted by the Chair of the Board, and the performance of the Chair of the Board is assessed annually by the Membership and Remuneration Committee.

The Risk and Audit Committee acts as an audit committee for the whole Group. It reviews reports from management, from the internal auditors and from the external auditors, and seeks to obtain reasonable assurance that controls are in place and are being followed. The Risk and Audit Committee approves an annual internal audit plan, considers recommendations, and agrees appropriate responses and action with the senior executive officers. The Committee met five times during the year. The internal auditors also attended meetings and they had unrestricted access to the Chair of the Committee. The senior executive officers attended meetings when required. The Risk and Audit Committee reports back to the Board any issues of concern. The Board also formally considers internal control once during the year in addition to considering the statement on internal control contained in these Financial Statements. The minutes of the Committee are formally recorded and are reported to the Board.

The Board delegates day-to-day management to the Chief Executive and other senior colleagues. They are accountable to the Board, carrying out its instructions and providing it and its Committees with comprehensive reports and advice on Magna's affairs, including its performance across a broad range of measures. One employee, the Chief Executive, is a member of the Board.

The Board has adopted the 2012 NHF Code of Conduct to help ensure probity and considers that it complies with the principles and provisions of the code. It has policies and procedures on sensitive areas such as tendering and procurement, again to help ensure probity. It uses internal audit to check compliance with these and other policies and procedures which have the same aims.

Members of the Board and Senior Executive Officers

The Members of the Board and the senior executive officers of Magna are set out on page 5. All the Members and senior executive officers served throughout the year except as noted on page 5.

Accounting Policies

Magna's financial statements are reported under FRS102. The detailed accounting policies are disclosed in Note 1.

Treasury Policy

Magna's financing structure is made up of bank debt and development grant from Homes England. Treasury activities are controlled and monitored by the Finance Director, reporting to the Board with advice from treasury advisors as required. They are carried out in accordance with a Treasury Management Policy.

Magna meets all financial covenants as agreed with its lenders.

Cash flow requirements are reviewed weekly and monitored daily. Magna normally carries only sufficient liquidity for current working capital requirements, with any significant excess cash balances managed in accordance with the Treasury Management Policy. During the year we increased our liquidity level because of the Covid-19 pandemic and economic uncertainty that this has brought. This has now been reduced back down to previous levels.

Interest rate exposure is managed using interest rate fixes as part of a balanced treasury strategy and, at the year end, 87.5% (2020: 87.3%) of Magna's drawn funds were at fixed interest rates.

During 2021/22 Magna intends to refinance an existing loan which is due for repayment by March 2023.

Social and community activities and charitable donations

We continue to work with the wider community and others to help achieve our purpose.

Magna made charitable donations totalling £8,420 (2020: £23,019). Within this total £115 was paid to local community initiatives (2020: £5,302).

Employees

Magna's success is driven by a team of 427 (2020: 440) full and part time dedicated colleagues who put our customers first in everything that they do. Indeed, we know that one of the main motivators for our colleagues is seeing how their hard work creates great homes for our customers and working in a team of like-minded people.

In April 2020 it became clear that we would have significant restrictions on what we could and couldn't do because of Covid-19. This was also leading to reduced demand for some of our services as our customers were concerned with us entering their homes. We assessed how many colleagues we would need to carry out the services that would continue and, where we saw reductions in numbers, we asked those colleagues or groups of colleagues if they would be happy to furlough at 80% of their salary, with 160 volunteering.

Colleagues who were not furloughed and whose jobs could switch from a Magna office to work remotely at home did so. They were provided with laptops and other IT equipment to work from home effectively. It was a period of immense change for everyone, but we are proud of the resilience and adaptability our colleagues showed during these testing times.

Our managers kept in regular contact with their team members, whether they were working from home or furloughed, and we made increased use of platforms such as Teams and Yammer to ensure everyone stayed connected.

One of the focuses was colleague wellbeing and we gathered data and insight to best support those who needed it. We switched occupational health suppliers during this time with our new supplier having better online wellbeing resources for colleagues. We reminded colleagues of the resources available to them on this platform and through our colleague assistance programme. We also continued to use our team of dedicated wellbeing supporters who we know provided some much needed peer support to colleagues, as well as signposting them to additional resources to help. We are now developing a specific wellbeing section on our intranet so that colleagues can find advice and guidance at their fingertips.

We want Magna to not only create great homes but also to be a great place to work, and we are on our journey to achieve this. Magna will be a place where talented and ambitious people enjoy rewarding careers in an inspirational environment.

We have an excellent track record in developing our people and supporting them to be the best that they want to be. We have learning programmes developing right up to the leadership team. We want to further encourage learning and progression and will be creating innovation hubs where ideas can be put into practice. We already have a well-rounded range of colleague benefits and support, including a group of committed wellbeing supporters, an assistance programme and a virtual GP. The health of our colleagues is important to us and always has been, now more than ever. We are transitioning from traditional ways of working to being able to work anytime and anywhere, whatever enables our colleagues to best provide the services our customers need.

Put simply, we are investing in our people and in turn, we believe they will continue to invest in us. According to our 2020 great place to work survey, 78% of our colleagues say they want to work for Magna for a long time.

Equality & diversity

We're a great place to work and are looking for creative, aspirational and talented people to work with us - especially people who share our commitment to equality and diversity and who have a wide range of backgrounds and abilities to add value and richness to our workforce.

We know that difference is what helps us to be forward thinking and innovative – we welcome colleagues based not just on their technical abilities and whether they can 'do the job', but equally based on how well they demonstrate our values. Individually we are all different, but together we are #teammagna.

Magna's mean gender pay gap is 14.3% (April 2020) and we know that a factor influencing this is our male dominated trade teams - around half our colleagues are employed in trades roles. We will be looking at ways we can improve the gender diversity in these teams over time.

Directors' and officers' insurance

The Group maintains Directors' and Officers' Liability Insurance.

Internal control & risk management

This report covers the whole system of internal control during the year 2020/21 and is not restricted to internal financial control.

The Board acknowledges that it is responsible for Magna's system of internal control and for reviewing its effectiveness. The Board recognises that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material mis-statement or loss.

The Board is satisfied that the process for identifying, evaluating and managing the significant risks faced by Magna is continuous, has been in place for the year in question and up to the date of approval of the financial statements, and is regularly reviewed.

The Board has reviewed the effectiveness of the system of internal control by several means, including its reviews of the Risk Management framework, consideration of the work of the Risk and Audit Committee, regular reports on performance against targets, compliance and similar reports by external bodies, and a review of the fraud and theft register.

The Board pursues policies and practices which are designed to achieve effective internal control, and describes the most important in this report.

Magna exercises control in the first instance by establishing and following a methodical process of deciding its Vision, Mission, Strategic Priorities, operational targets and associated budgets.

The Board last reviewed its Risk Management Policy in November 2019 and reviewed its strategic risks and how they are controlled quarterly. A Scheme of Delegation in Magna requires the Board to take primary responsibility for the production of a Risk Management Policy. The Risk Management framework itself is subject to periodic internal audit.

Magna views risk primarily as anything which does, or may, hinder its ability to achieve its strategy. Hence, its main risks may be readily summarised as any factor which may lead to failure to achieve its vision and strategic priorities. The quality and effectiveness of the controls in place to manage those risks are further tested and strengthened by consideration of risks such as major fraud or breach of lenders' covenants. The overall aim of the Risk Management Policy is to enable Magna to do the right thing in the right way.

Magna kept the risks created by the general operating, political, economic, climate and health environments under constant review during 2020/21, and implemented suitable controls where necessary and possible.

Responsibility for key controls is mainly allocated by policies and procedures. These are controlled and maintained to a high standard, and made available to colleagues in electronic format.

Magna operates a whistle-blowing system which encourages colleagues to raise anonymously with external consultants any concerns which they feel they cannot raise through the normal internal channels.

Control is further reinforced by the production of comprehensive performance data, followed by analysis and action.

The Strategic Internal Audit Plan 2019-2022 reflects the Risk Management Policy so that internal audit resources are directed towards testing the risks and their controls which the Policy identifies. The Plan, which is subject to the approval of the Risk and Audit Committee, is proposed and implemented by professional, independent auditors, who have unrestricted right of access to the Chair of the Risk and Audit Committee.

Magna places emphasis on the benefits which arise from personal responsibility in addition to those achieved by following procedures. We aim to produce an open organisation in which information of all sorts flows freely in the belief that the more open an organisation is the more robust it is as it is more likely to uncover weaknesses of any type in good time. Recruitment, selection, training and appraisal policies seek to reinforce this approach.

The Risk and Audit Committee is a Committee of the Board of Magna. It receives quarterly internal audit reports from the internal auditors. Any material instances of weak internal control are reported to this committee and/or the Board.

The Board considers reports from the external auditors, and from other external bodies, such as the Regulator of Social Housing, on compliance. Board Members undergo both collective and individual appraisal, and view this as an important risk control.

Fraud and theft

Magna complies with the Regulator of Social Housing's requirements on fraud, and adheres to additional requirements of its own. Group-wide anti-fraud policies require, amongst other things, a register to be maintained of all instances of actual and suspected fraud and theft.

Conclusion on internal control

The Risk and Audit Committee has received the Chief Executive's report on internal control. In the light of that, and using other sources of assurance available to it, the Board has reviewed the effectiveness of the system of internal control. The Board is satisfied that there is sufficient evidence to show that systems of internal control existed and operated throughout the year, that those systems were aligned to a continuous process for the management of the significant risks facing Magna, and that those controls are subject to professional, independent testing and assessment. The Board believes that this will remain true up to (and beyond) the date of the approval and signing of the annual financial statements. The Board is aware of no weaknesses which have resulted in material mis-statement or loss and which have required disclosure in the financial statements, and considers that the risk that the financial statements may be materially misstated due to fraud is low. To the best of its knowledge and belief, the Board knows of no reason why it should not sign its Representation Letter to its external auditors.

Statement of Board's responsibilities

The Directors are responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and other legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Provider (RP) and of the surplus or deficit 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping accounting records that are sufficient to show and explain the RP's transactions and disclose with reasonable accuracy at any time the financial position of the RP and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2019. It is also responsible for safeguarding the assets of the RP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring the accuracy of the Magna website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of compliance

The Board confirms that the Report of the Board has been prepared in accordance with the principles set out in Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

Going concern

The 30-year business plan is updated on a regular basis and was last approved by the Board in April 2021. We have stressed tested the plan against a wide range of scenarios to identify potential sensitivities in the base plan. The key sensitivity is loan covenant headroom and we prepare a comprehensive mitigation plan annually that identifies, in order of priority, the areas we would target to reduce expenditure if necessary.

In response to the Covid-19 pandemic, we have extended the number and range of scenarios for testing to ensure we are monitoring short, medium and long-term potential impacts.

The Board has reviewed and approved the annual budgets for 2021/22 and the medium to long term financial position as demonstrated in the 30-year business plan, and is assured that Magna has the financial capacity and strength to successfully operate for the foreseeable future.

In reaching this level of assurance, the Board has scrutinized a number of areas:

- Exposure to the property market – budget and business plan sensitivity testing takes account of a slowing down of construction, fewer first tranche sales, and a reduction in sales values
- Increases in operating costs – taking into account increases in management costs, reflecting higher CPI and RPI levels and delays to our expected efficiencies
- Rent and service charge receivable – sensitivity testing a loss of income due to the impact of welfare reforms, taking into account increases in bad debts and void properties as well as frozen or reduced rent rises
- Other adverse scenarios, e.g. rising interest rates and heavy fines for non-compliance in areas such as GDPR and safeguarding residents

The Board are satisfied that Magna has sufficient financial capacity and liquidity to remain compliant with its loan covenants, and to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Accordingly, the Directors have prepared the financial statements on a going concern basis.

Appointment of Independent Auditor

Beever and Struthers were appointed for the year ended 31 March 2021 at Magna's Annual General Meeting held on 30 July 2020.

By order of the Board

Christine A Turner

C Turner
Chair

29 July 2021

Independent Auditor's Report

Opinion

We have audited the financial statements of Magna Housing Limited "the association" for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, 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 association's affairs as at 31 March 2021 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 prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 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

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 association'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 association's Board is responsible for the other information, which comprises the Board's annual report, including the strategic review, value for money, risk management, corporate governance, the statement on internal control and the directors report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the information given in the Board's report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- 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 require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on pages 22 and 23, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board 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 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 intend to liquidate the 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.

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 association, 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 Co-operative and Community Benefit Societies 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 association's activities and the regulated nature of the association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- 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 our report

This report is made solely to the association's members, as a body, in accordance with section 87(2) 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

Beever and Struthers

17 August 2021

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

Statement of Comprehensive Income

The financial statements on pages 26 to 54 were approved and authorised for issue by the Board on 29 July 2021 and were signed on its behalf by:

Chair

C Turner

Board member

P Culpin

Deputy Secretary

S Keshet

	Note	Year ended 31 March 2021	Year ended 31 March 2020
		£000	£000
Turnover	2	**45,437**	45,708
Cost of sales	2	**(451)**	(220)
Operating expenditure	2	**(36,604)**	(36,020)
Surplus on disposal of fixed assets	5	**2,151**	2,170
Operating surplus		**10,533**	11,638
(Decrease) /increase in valuation of investment properties	12	**(240)**	70
Impairment losses on assets of cash generating units		**(11)**	(86)
Interest receivable and similar income	6	**48**	292
Interest payable and financing costs	7	**(6,141)**	(6,405)
Surplus before tax		**4,189**	5,509
Other comprehensive Income/(Expenses)			
Actuarial gain in respect of pension schemes	23	**(7,533)**	971
Share Captial Redemption	13	**-**	-
Total other comprehensive Income/(Expenses)		**(7,533)**	971
Total comprehensive income for the year		**(3,344)**	6,480

Statement of Changes in Reserves

	Revaluation reserve	Income and expenditure reserve	**Total reserves**
	£000	£000	**£000**
Balance as at 31 March 2019	93,050	130,880	**223,930**
Surplus from statement of comprehensive income	-	6,410	**6,410**
Depreciation at deemed cost transferred from revaluation reserve to income and expenditure reserve	(1,236)	1,236	**-**
Movement on revaluation reserve for disposal of fixed assets	(465)	465	**-**
Revaluation at fair value		70	**70**
Balance as at 31 March 2020	**91,349**	**139,061**	**230,410**
Surplus from statement of comprehensive income	-	(3,104)	**(3,104)**
Depreciation at deemed cost transferred from revaluation reserve to income and expenditure reserve	(1,223)	1,223	**-**
Movement on revaluation reserve for disposal of fixed assets	(326)	326	**-**
Revaluation at fair value	-	(240)	**(240)**
Balance as at 31 March 2021	**89,800**	**137,266**	**227,066**

Statement of Financial Position

The financial statements on pages 26 to 54 were approved and authorised for issue by the Board on 29 July 2021 and were signed on its behalf by:

Chair

C Turner

Board member

P Culpin

Deputy Secretary

S Keshet

The notes on pages 26 to 34 form an integral part of these accounts.

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Fixed Assets			
Tangible fixed assets	11	**367,140**	357,011
Investment properties	12	**930**	1,170
Investments in subsidiaries	13	**26**	26
Total Fixed Assets		**368,096**	358,207
Current Assets			
Inventories	14	**4,176**	2,410
Trade and other debtors	15	**3,307**	4,750
Cash and cash equivalents	16	**17,991**	31,714
		25,474	38,874
Creditors: amounts falling due within one year	17	**(29,311)**	(26,864)
Net Current Assets (liabilities) / Assets		**(3,837)**	12,010
Total assets less current liabilities		**364,259**	370,217
Creditors: amounts falling due after more than one year	18	**(96,633)**	(107,377)
Provision for Liabilities			
Pension provision	23	**(37,861)**	(29,774)
Other provisions	24	**(2,699)**	(2,656)
Total Net Assets		**227,066**	230,410
Reserves			
Non–equity share capital	27	**-**	-
Income and expenditure reserve		**137,266**	139,061
Revaluation reserve		**89,800**	91,349
Total Reserves		**227,066**	230,410

Statement of Cash Flows

	Year ended 31 March 2021	Year ended 31 March 2020
	£000	£000
Net cash generated from operating activities – see note A	**23,871**	19,749
Cash flow from investing activities		
Purchase of tangible fixed assets	**(4,933)**	(7,331)
New development spend	**(17,210)**	(9,459)
Proceeds from sale of tangible fixed assets	**3,766**	4,284
Gift Aid	**-**	-
Interest received	**55**	285
Share Capital Repayment	**-**	-
	(18,322)	(12,221)
Cash flow from financing activities		
Interest paid	**(6,472)**	(6,545)
Repayment of borrowings	**(12,800)**	(1,000)
	(19,272)	(7,545)
Net change in cash and cash equivalents	**(13,723)**	(17)
Cash and cash equivalents at the beginning of the year	**31,714**	31,731
Cash and cash equivalents at the end of the year	**17,991**	31,714

(continued) →

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Note A		
Cash flow from investing activities		
Operating surplus for the year	**10,533**	11,638
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**8,536**	8,164
Surplus on disposal of fixed assets	**(1,528)**	(2,170)
(Increase) /decrease in stock	**(161)**	195
Decrease / (Increase) in trade and other debtors	**1,436**	(2,535)
Decrease in debtors more than one year	**-**	21
Increase in trade and other creditors	**4,202**	342
Increase in creditors more than one year	**256**	1,139
Increase in provisions	**597**	2,955
Net cash generated from operating activities	**23,871**	19,749

Notes to the Financial Statements

1. Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements have been prepared in compliance with FRS102. Magna meets the definition of a public benefit entity (PBE).

The accounts have been prepared on the historical cost basis of accounting, except in respect of the revaluation of investment properties, and are presented in sterling (£'000) for the year ended 31 March 2021.

A summary of the more significant accounting policies, which have been applied consistently, is set out below:

Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. We have agreed a business plan which allows us to fund both our latest stock condition survey and our development programme. The business plan also shows our adherence to our borrowing covenants and has also been stress tested against a number of scenarios, with mitigating actions identified to counter these. We therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

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 Statement of Financial Position 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.** Magna has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, Magna has considered if the asset is held for social benefit or to earn commercial rentals. Magna has determined that market rented properties are held to earn commercial rentals and hence have been classified as investment properties.
- **Housing properties** in tangible fixed assets are valued at deemed cost as at 1 April 2014. Magna took advantage of transitional relief set out in FRS102 for deemed cost and treated all grant on transition under the performance model with subsequent grants under the accrual model.
- **Investment properties** include market rented properties, shops and other commercial properties. They are measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date.
- **Impairment.** Magna considers the need for impairment on overall property demand and other external sources of information such as changes in Government policy, including the review of voids on a property by property basis.

Other key sources of estimation and assumptions

- **Tangible fixed assets.** Other than investment properties, 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.
- **Revaluation of investment properties.** Magna carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. Fair value, as defined by FRS102, is used for these property types as it can be measured on an on-going basis. Magna engaged independent valuation specialists to determine fair value as at 31 March each year. The valuer used a valuation

technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 12.

- **Pension and other post-employment benefits.** Magna participates in three defined benefit pension schemes as an 'Admitted Body':

  - The Local Government Fund (LGPS) administered by Dorset County Council (DCC);
  - The Local Government Fund (LGPS) administered by Somerset County Council (SCC); and
  - The Social Housing Pension Scheme (SHPS).

  Magna closed these defined benefit pension schemes to new members on 1 October 2011 and introduced, in their place, a defined contribution scheme.

  The cost of the LGPS and SHPS defined benefit pension plans are primarily 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, the scheme employers consider 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 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.

  The future salary increases provided by the actuaries ranged between 3.75% and 3.85%. These are far in excess of our business plan assumptions, which are 1.75% to March 2023, 2.1% to March 2024 and 2.0% for the remainder of the plan. We have reduced the actuary forecasts by 1.0% to better reflect our business model, but retain an element of prudence within the calculation.

  Further details are given in note 23.

- **Impairment.** Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset based on its service potential (Depreciated Replacement Cost - DRC). The resulting impairment loss is recognised as expenditure in the Statement of Comprehensive Income.

  Depreciated Replacement Cost (DRC) is calculated using a replacement cost valuation, depreciated for the number of years the property has been in use.

  Investment properties are valued annually. Where there is a change in value, the charge is recognised in the Statement of Comprehensive Income.

  Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Investments

Investments in shares in group companies are stated at the lower of cost and net realisable value. Any impairment in the value of investments is charged to the Statement of Comprehensive Income in the year in which it is first recognised.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income and is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Service charges

Service charge income and costs are recognised on an accruals basis. Magna operates 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.

Sinking funds

Magna has a number of schemes which require sinking funds in order to provide for the future cost of maintaining them. Magna manages sinking funds in accordance with its policy. Funds are held in a separate bank account and included in the Statement of Financial Position within creditors until costs are incurred.

Loan interest costs

The interest charged to the Statement of Comprehensive Income is calculated using the loan value contained in the Statement of Financial Position multiplied by the appropriate market rate of interest.

Taxation

Magna has charitable status and is therefore not subject to corporation tax on surpluses derived from charitable activities. All charitable activities undertaken are classed as charitable.

Value Added Tax

Magna charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by Magna and not recoverable.

Property, plant and equipment

Housing properties

Tangible fixed assets are stated at deemed cost as at 1 April 2014, less accumulated depreciation. Magna took advantage of transitional relief set out in FRS102 for deemed cost and treated all grant on transition under the performance model with subsequent grants under the accruals method.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land 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.

Magna 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:

Component	UEL
Kitchens	20 Years
Bathrooms	30 Years
Doors	35 Years
Windows	30 Years
Central heating	30 Years
Boilers	15 Years
Flat roofs	30 Years
Pitched roofs	60 Years
Lifts & other communal assets	25 – 30 Years
Oil tanks	25 Years
Alternative energy sources	30 Years
Structure	100 Years
Structure (pre-cast reinforced concrete)	50 Years
Garages	50 Years

Magna depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Impairment of housing properties

Annually housing properties are assessed for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset based on its service potential (DRC). The resulting impairment loss is recognised as expenditure in the Statement of Comprehensive Income. Where an asset is currently deemed not to be providing service potential to Magna, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

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

Freehold and long leasehold properties	50 Years
Maintenance equipment	5 Years
Computer equipment	3 – 6 Years
Office equipment, fixtures and fittings	5 Years
Motor vehicles – New or Pre Owned	8 Years (from vehicle registration date)

Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the low cost home ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental due to the development process and directly attributable to bringing the property into its intended use.

Property managed by agents

Where Magna carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to Magna.

In both cases, the assets and associated liabilities are included in Magna's Statement of Financial Position.

Operating leases

All Magna's leases are operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Investment properties

Investment property includes commercial and other properties not held directly to achieve Magna's Purpose. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Inventories

Stocks of materials are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

Properties held for resale are included in current assets at the lower of cost or estimated selling price less sale costs.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and which are receivable or payable within one year are recorded at transaction price.

Provisions for bad and doubtful debts

The association maintains bad debt provisions for any potential non-payment of debt.

At each Statement of Financial Position date Magna makes an assessment as to the level of bad debt provision required against individual debtors. The assessment takes into account the past payment history of the debtor, the age of the debt and the contractual relationship.

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 as turnover 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.

Social Housing and other government grants

Magna has taken advantage of transitional relief set outin FRS102 for deemed cost and treated all grant on transition under the performance model with subsequent grants under the 'accruals method'.

Where developments have been financed wholly or partly by Social Housing Grant (SHG), the amount of the grant received is held as deferred income on the under creditors less than and greater than one year. The grant is released to turnover over the estimated useful life of the associated asset under the 'accruals model'.

Grant received for items of cost written off in the statement of comprehensive income account is included as part of turnover.

SHG must be recycled by Magna under certain conditions, primarily if a property is sold. In these cases, the SHG can be used for projects approved by Homes England statement of financial position. However, SHG may have to be repaid if certain conditionsare not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover.

Recycling of Capital Grant

Where SHG is recycled, as described above, it 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.

Retirement benefits

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

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS is recognised in Other Comprehensive Income. Further disclosures in this area are included in note 23.

Revaluation reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

Financial instruments

Financial assets and liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, in which case the transaction is measured at the present value of future receipts discounted at a market rate of interest.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments meet the conditions in paragraph 11.8(b) of FRS102 and are measured at amortised cost using the effective interest method.

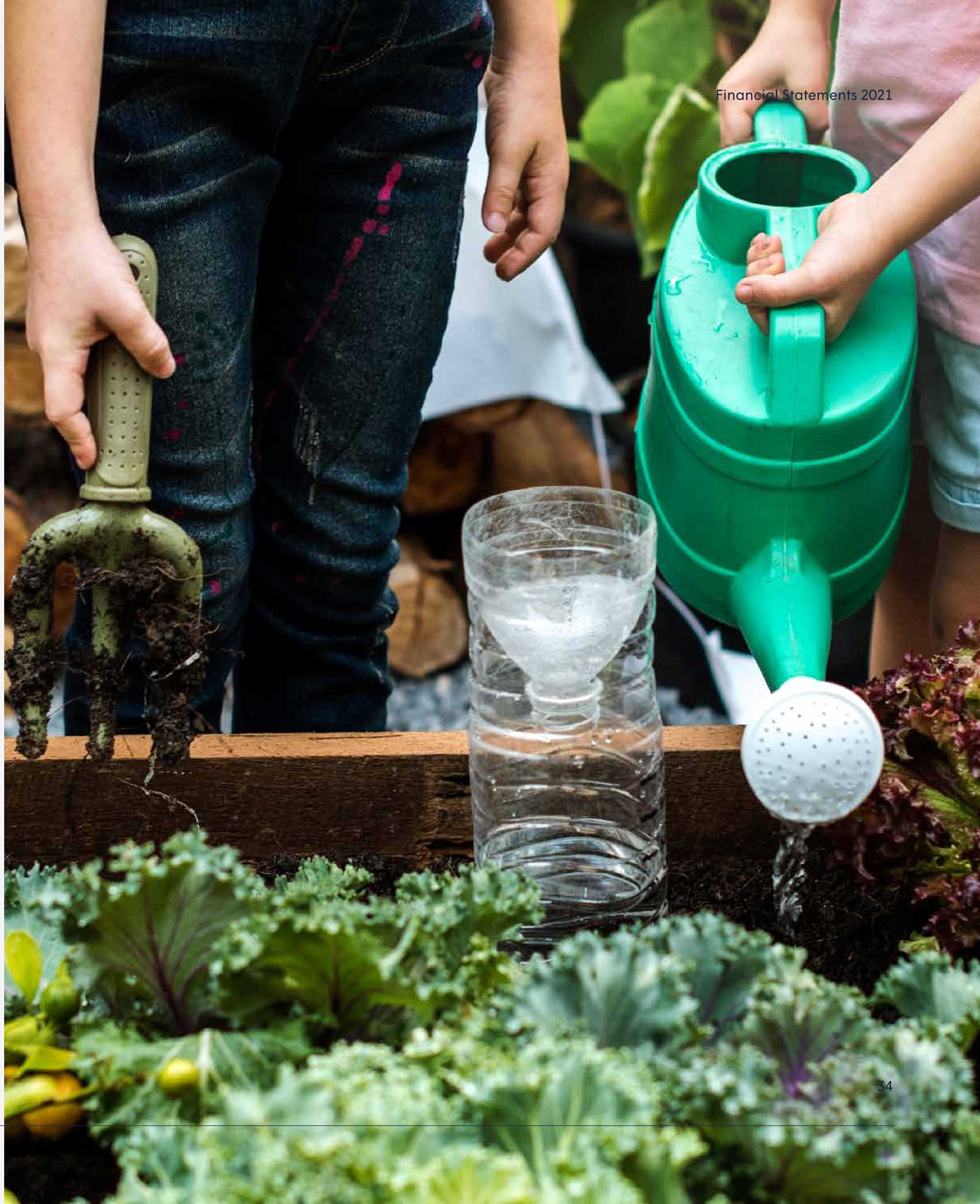
Financial instruments held by Magna are classified as follows:

- Financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities are held at amortised cost using the effective interest based on an appropriate market rate;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.

Concessionary loans

Public benefit entity concessionary loans are loans made or received between public benefit entities at below the prevailing market rate of interest that are not repayable on demand and are for the purposes of furthering the objectives of the public benefit entity.

The loans are measured at the amount received or paid and are recognised in the Statement of Financial Position.



2. Particulars of turnover, cost of sales, operating expenditure and operating surplus

31 March 2021

	Turnover	Cost of Sales	Operating Expenditure	**Operating Surplus**
	£000	£000	£000	**£000**
Social housing lettings (note 3)	43,492	-	(35,161)	**8,331**
Other social housing activities				
Charges for support services	89	-	(134)	**(45)**
Supporting people	54	-	(57)	**(3)**
First tranche sales	589	(451)	-	**138**
Major office costs not capitalised	-	-	-	**-**
Development costs not capitalised	-	-	(251)	**(251)**
Abortive development costs	-	-	(291)	**(291)**
Activities non-social housing				
Lettings – market rented	132	-	(71)	**61**
Other	1,081	-	(639)	**442**
Total	45,437	(451)	(36,604)	**8,382**

31 March 2020

	Turnover	Cost of Sales	Operating Expenditure	**Operating Surplus**
	£000	£000	£000	**£000**
Social housing lettings (note 3)	44,126	-	(34,238)	**9,888**
Other social housing activities				
Charges for support services	132	-	(131)	**1**
Supporting people	31	-	(107)	**(76)**
First tranche sales	310	(220)	-	**90**
Major office costs not capitalised	-	-	-	**-**
Development costs not capitalised	-	-	(107)	**(107)**
Abortive development costs	-	-	(608)	**(608)**
Activities non-social housing				
Lettings – market rented	126	-	(68)	**58**
Other	983	-	(761)	**222**
Total	45,708	(220)	(36,020)	**9,468**

3. Particulars of turnover and operating costs from social housing lettings

Year ended 31 March 2021

	General housing	Supported housing	Low cost home ownership	**Total**
	£000	£000	£000	**£000**
Income				
Rent receivable	30,016	10,683	156	**40,855**
Service charge income	692	1,881	21	**2,594**
Amortisation of grant	43	-	-	**43**
Turnover from social housing lettings	30,751	12,564	177	**43,492**
Operating Expenditure				
Management	8,276	3,628	44	**11,948**
Service charge costs	1,020	1,920	13	**2,953**
Routine maintenance	5,019	1,148	16	**6,183**
Planned maintenance	2,049	589	1	**2,639**
Major repairs	1,820	605	5	**2,430**
Bad debts	41	15	-	**56**
Property lease charges	255	23	-	**278**
Depreciation on housing properties	6,342	1,906	-	**8,248**
Pension operating charge	300	124	2	**426**
Operating cost of social housing lettings	25,122	9,958	81	**35,161**
Operating surplus on social housing lettings	5,629	2,606	96	**8,331**
Void losses	(265)	(134)	(1)	**(400)**

Year ended 31 March 2020

	General housing	Supported housing	Low cost home ownership	**Total**
	£000	£000	£000	**£000**
Income				
Rent receivable	30,146	10,837	146	**41,129**
Service charge income	851	2,069	21	**2,941**
Amortisation of grant	26	-	-	**26**
Other grant	30	-	-	**30**
Turnover from social housing lettings	31,053	12,906	167	**44,126**
Operating Expenditure				
Management	7,188	3,174	47	**10,409**
Service charge costs	1,006	2,084	13	**3,103**
Routine maintenance	3,518	1,489	21	**5,028**
Planned maintenance	2,072	878	3	**2,953**
Major repairs	3,510	524	34	**4,068**
Bad debts	214	75	-	**289**
Property lease charges	245	21	-	**266**
Depreciation on housing properties	5,615	1,872	-	**7,487**
Pension operating charge	447	185	3	**635**
Operating cost of social housing lettings	23,815	10,302	121	**34,238**
Operating surplus on social housing lettings	7,238	2,604	46	**9,888**
Void losses	(131)	(70)	-	**(201)**

4. Surplus on ordinary activities

Operating surplus is stated after charging:	2021	2020
	£000	£000
Auditor's remuneration (excluding VAT)		
In their capacity as statutory auditors	**29**	28
Fees payable to the auditors and its associates for other services:		
Taxation compliance services	**-**	-
Other assurance services for loan covenant certification	**1**	1
Operating lease rentals		
Other – vehicles	**27**	48
Land and buildings	**317**	305
Office equipment	**61**	61
Inventory recognised as an expense	**327**	513
Depreciation of housing properties	**7,626**	7,487
Depreciation of other fixed assets	**911**	677

5. Surplus on disposal of fixed assets

2021	Low cost home ownership staircasing	Right to Buy	Others	Total
	£000	£000	£000	£000
Proceeds of sales	304	460	2,882	3,646
Less: costs of sales	(287)	(267)	(941)	(1,495)
Surplus	17	193	1,941	2,151

2020	Low cost home ownership staircasing	Right to Buy	Others	Total
	£000	£000	£000	£000
Proceeds of sales	**383**	**493**	**3,958**	**4,834**
Less: costs of sales	**(242)**	**(493)**	**(1,929)**	**(2,664)**
Surplus	**141**	**-**	**2,029**	**2,170**

6. Interest receivable and similar income

Surplus for the year is stated after crediting:	2021	2020
	£000	£000
Bank interest	**48**	292

7. Interest payable and financing costs

	2021	2020
	£000	£000
Defined benefit pension charge	**686**	703
On loans wholly or partly repayable in more than five years	**5,729**	5,769
Costs associated with financing	**48**	64
	6,463	6,536
Less: interest capitalised on housing properties under construction	**(322)**	(131)
	6,141	6,405

8. Taxation

Magna's charitable objects exempt it from corporation tax.

9. Directors' remuneration

The remuneration paid to key management personnel, ie. the Chief Executive and executive Directors was:

	2021	2020
	£000	£000
Emoluments	**717**	637
Pension contributions	**79**	86
	796	723
Emoluments paid to the highest paid Director, excluding pension contributions in the year	**149**	138

Key management personnel include Chief Executive, Finance Director, Property Director, Assistant Property Director, Strategic Asset Management Director, Housing Director and Organisational Capability Director (2020: five). The emoluments include £97k of compensation paid to directors leaving office during the year.

Remuneration for the Chief Executive in the year, excluding pension contributions, was £148,728.

The Chief Executive is an ordinary member of the Social Housing Pension Scheme. No enhancements or special terms are applied. Pension contributions of £22,848 (2020: £21,320) were made during the year on behalf of the Chief Executive.

9. Directors' remuneration (continued)

Non executive Board members received the following remuneration:

The board members remunerations are shown in £'s and include National Insurance contributions where relevant.

	2021	220
	£	£
Asit Acharya	4,500	4,500
Alistair Auty (appointed 13 August 2019)	6,500	3,734
Tim Ayre (retired 25 July 2019)	-	1,435
Debbie Bond	4,500	4,500
Graham Clarke	6,500	6,557
Phyllida Culpin	5,652	4,500
Dawn Lang (resigned 30 November 2020)	3,849	6,508
Adam Peat (retired 25 July 2019)	-	3,994
David Penny (resigned 30 July 2020)	2,154	6,500
Suzanne Rastrick (appointed 13 August 2019)	5,652	2,864
Christine Turner (from 27 June 2019)	12,444	9,223
Jill Williams (resigned 25 February 2020)	-	4,070
	51,750	58,385
Total expenses reimbursed to Members	484	10,905

Selina White is an executive board member but receives no additional remuneration.

10. Employee information

	2021	2020
Average number of full time equivalent employees during the year	428	430

The calculation is based on the numbers of employees at the end of each quarter.

Staff Costs	2021	2020
	£000	£000
Wages and salaries	12,788	12,237
Social security costs	1,123	1,103
Other pension costs	1,610	1,832
	15,521	15,172

The number of employees whose remuneration payable in the period of account, including pension contributions and non-cash benefits, excluding national insurance, exceeded £60,000 was:

	2021	2020
£150,001 to £160,000	1	-
£140,001 to £150,000	1	1
£120,001 to £130,000	-	1
£110,001 to £120,000	-	1
£100,001 to £110,000	2	1
£90,001 to £100,000	3	1
£80,001 to £90,000	2	5
£70,001 to £80,000	4	2
£60,001 to £70,000	13	6
	26	18

11. Tangible fixed assets

	Housing properties	Other tangible assets	Total
	£000	£000	£000
Net book value: At 1 April 2020	351,740	5,271	357,011
SNet book value: At 31 March 2021	361,061	6,079	367,140

Housing properties

	Housing properties under construction	Housing properties held for letting	Low cost ownership properties under construction	Completed low cost ownership properties	Total
	£000	£000	£000	£000	£000
Gross book value:					
Cost at 1 April 2020	7,968	404,261	2,452	11,289	425,970
Additions in year	-	275	-	-	275
Properties under construction	13,012	-	4,328	-	17,340
Completions	(2,492)	2,492	(1,218)	1,218	-
Works to existing properties	-	2,859	-	-	2,859
Disposal of components	-	(1,306)	-	-	(1,306)
Interest capitalised	217	-	106	-	323
Transfer from current assets	-	-	2,042	-	2,042
Transfer to current assets	-	-	(3,552)	(95)	(3,647)
Impairment	-	(96)	86	-	(10)
Disposals	-	(1,222)	-	(622)	(1,844)
Cost at 31 March 2021	**18,705**	**407,263**	**4,244**	**11,790**	**442,002**
Accumulated depreciation:					
Depreciation at 1 April 2020	-	72,794	-	1,436	74,230
Charge for the year	-	7,550	-	76	7,626
Disposal of components	-	(683)	-	-	(683)
Disposals	-	(218)	-	(14)	(232)
Depreciation at 31 March 2021	**-**	**79,443**	**-**	**1,498**	**80,941**
Net book value at 31 March 2021	**18,705**	**327,820**	**4,244**	**10,292**	**361,061**
Net book value at 31 March 2020	7,968	331,467	2,452	9,853	351,740

11. Tangible fixed assets (continued)

	2021	2020
	£000	£000
Housing Properties comprises		
Freehold land and buildings	**360,238**	350,608
Long leasehold land and buildings	**823**	1,132
	361,061	351,740
Expenditure on works to existing properties in the year		
Components capitalised	**2,859**	5,408
Amounts charged to expenditure	**11,244**	12,049
Development interest capitalised	**322**	131
Interest rate used for capitalisation (average)	**4.98%**	4.78%

Housing properties valued at deemed cost

Housing properties held for letting as at 1 April 2014 were professionally valued during April 2014 by Savills as at 31 March 2014. The basis of the valuation was their Existing Use Value – Social Housing ("EUV-SH"). The valuation was undertaken in accordance with the RICS Asset Valuation Manual. In determining the valuation, the valuers made use of discounted cash flow methods. The discount rate was 5.5%. The valuation incorporates the impact of the Regulator's Rent Influencing guidance, which sets target rents for each property. The rents set were assumed to grow by RPI plus 0.5% in 2014/15, by CPI plus 1.0% per annum until 2025/26 and then by CPI thereafter.

Magna took advantage of transitional relief set out in FRS 102 to restate the value of its properties at deemed cost as at 1 April 2014, the date of transition. To do this it used the 31 March 2014 valuation, less accumulated depreciation.

All grant on transition was treated under the performance model and was released to the Income and Expenditure Reserve. This increased the carrying value of those properties in the Statement of Financial Position.

Other tangible assets

	Freehold property	Maintenance equipment	Computer equipment	Office equipment, fixtures and fittings	Motor vehicles	Assets under construction	Total
	£000	£000	£000t	£000	£000	£000	£000
Cost							
At 1 April 2020	4,770	222	3,150	992	2,628	900	12,662
Additions	-	46	2,263	60	253	(900)	1,722
Disposals	-	-	-	-	(33)	-	(33)
As at 31 March 2021	**4,770**	**268**	**5,413**	**1,052**	**2,848**	**-**	**14,351**
Accumulated depreciation							
At 1 April 2020	2,780	153	2,847	673	938	-	7,391
Charge for year	57	29	395	105	325	-	911
Disposals	-	-	-	-	(30)	-	(30)
As at 31 March 2021	**2,837**	**182**	**3,242**	**778**	**1,233**	**-**	**8,272**
Net book value							
As at 31 March 2021	**1,933**	**86**	**2,171**	**274**	**1,615**	**-**	**6,079**
As at 31 March 2020	1,990	69	303	319	1,690	900	5,271

12. Investment properties held for letting

Net book value:	2021	2020
	£000	£000
At start of year	**1,170**	1,100
Additions	**-**	-
Disposals	**-**	-
Revaluation	**(240)**	70
At end of year	**930**	1,170

Investment properties were valued at 31 March 2021 by Savills. Commercial properties have been valued on a desktop basis at £250k. The residential properties valuation, £680k, was undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. The properties were valued on a market value basis which we consider to equate to fair value. The £240k reduction reflects imminent roof repair works not previously considered.

13. Investments in subsidiaries and joint ventures

Charter (S.W.) Limited

Charter made a loss before tax of £1k in the year (2020: £nil).

The carrying value of the investment of £26,000 (2020: £26,000) is supported by underlying net assets.

14. Inventories

Properties held for resale	2020	2020
	£000	£000
Completed properties for sale	**95**	-
Work in progress on properties for sale	**3,552**	2,042
Stocks of maintenance materials	**529**	368
	4,176	2,410
The value of stocks of maintenance materials charged to expenditure in the year	**327**	513

15. Trade and other debtors

	2021	2020
	£000	£000
Gross rent arrears	**1,485**	1,221
Less provision for doubtful debts	**(836)**	(837)
	649	384
Other debtors	**1,915**	3,579
Prepayments and accrued income	**743**	787
Amounts owed by subsidiaries	**-**	-
	3,307	4,750

16. Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank	**14,156**	28,068
Sinking fund balances	**3,835**	3,646
	17,991	31,714

17. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	**1,082**	806
Rents received in advance	**1,767**	1,475
Other taxes and social security	**583**	447
Maintenance sinking fund	**3,890**	3,586
Recycled capital grant fund (note 20)	**567**	490
Other creditors	**813**	551
Pension creditor	**170**	149
Accruals and deferred income	**4,261**	3,370
Amounts owed to subsidiaries	**69**	68
Loan interest and repayments (note 19)	**11,000**	12,800
Capital grant received in advance	**5,109**	3,122
	29,311	26,864

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

	2021	2020
	£000	£000
Loan interest and repayments (note 19)	**94,200**	105,200
Social housing grant (note 22)	**2,091**	1,647
Recycled capital grant fund (note 20)	**342**	530
	96,633	107,377

19. Debt analysis

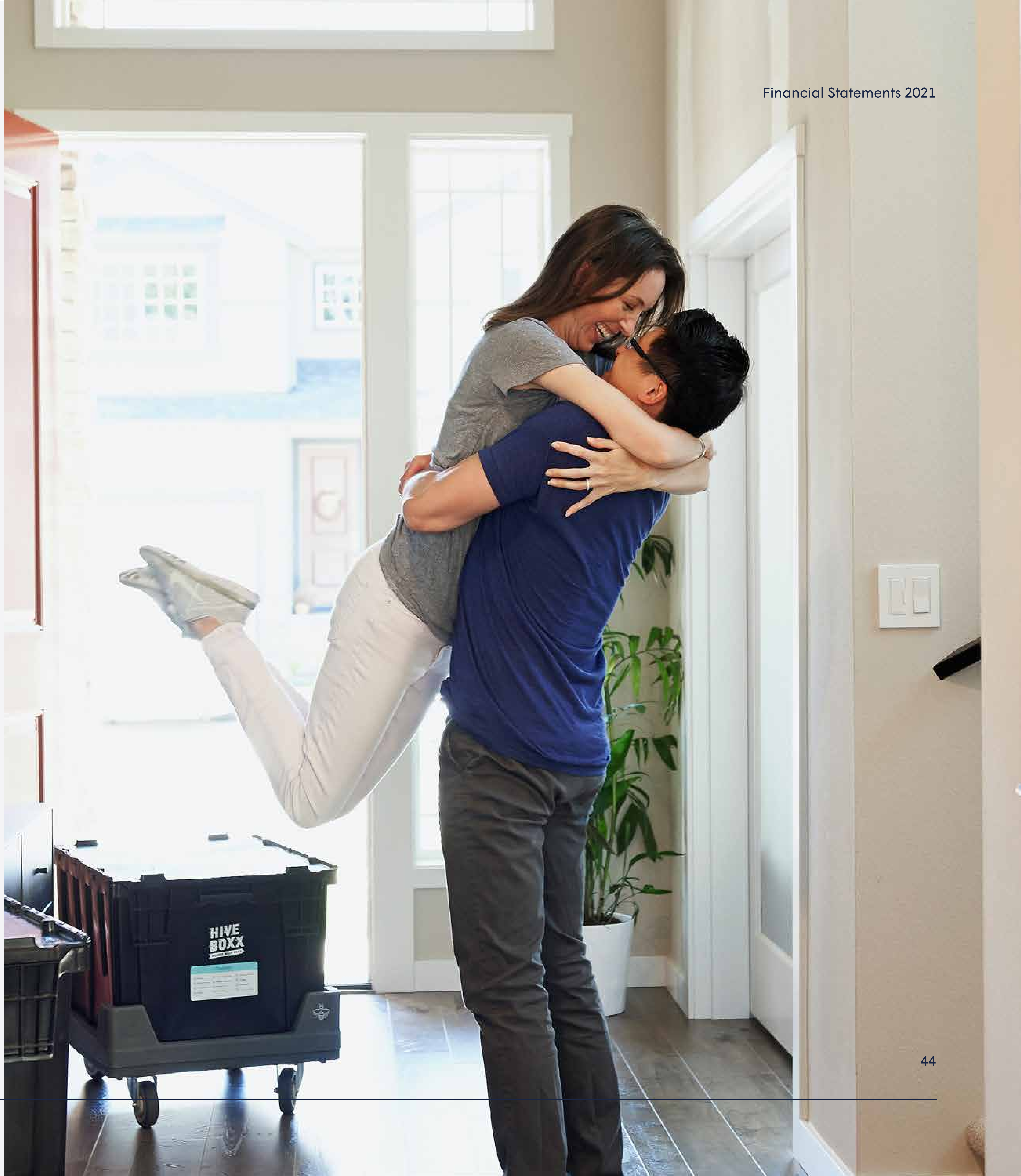
Loans repayable by instalments:	2021	2020
	£000	£000
Within one year	**11,000**	12,800
In one year or more but within two years	**65,200**	11,000
In two years or more but within five years	**8,900**	74,100
In more than five years	**20,100**	20,100
Total loans repayable in more than one year (note 20)	**94,200**	105,200
Total Loans	**105,200**	118,000

At 31 March 2021 Magna had facilities of £147,200,000 (2020: £160,000,000) with consortia led by Lloyds Banking Group plc and Royal Bank of Scotland plc for remaining terms up to 6 years at rates varying with LIBOR, with options to fix. At 31 March 2021, £105,200,000 (2020: £118,000,000) had been drawn down of which £92,000,000 (2020: £103,000,000) is fixed for periods between 1 and 6 years. The average interest rates for the fixed rates loans are 5.31%. The borrowings are secured by fixed charges over housing property assets.

	2021	2020
	£000	£000
At 31 March 2021 Magna had the following undrawn borrowing facilities	**42,000**	42,000
	42,000	42,000

20. Recycled capital grant fund

	2021	2020
	£000	£000
At the start of the year	**1,020**	800
Inputs: Grants recycled	**277**	294
Recycling: New build	**(388)**	(74)
At the end of the year	**909**	1,020
Amount where repayment may be required within one year	**567**	490
Amount where repayment required after one year or more	**342**	530
	909	1,020



21. Contingent liability

During 2019/20 Magna purchased a block of flats, Raglan Lodge. As part of the agreement Magna agreed to accept the liability for the capital grant. This grant, valued at £240,798 only becomes repayable should Magna decide to sell the block of flats outside of the sector. This is not expected to happen and therefore the grant has not been accounted for, but will remain a contingent liability.

22. Social housing grant

	2021	2020
	£000	£000
At the start of the year	**1,647**	637
Additions	**487**	1,036
Amortised within statement of comprehensive income	**(43)**	(26)
At the end of the year	**2,091**	1,647
Creditors: Amounts falling due after one year	**2,091**	1,647

23. Pension arrangements

Magna participates in three defined benefit pension schemes as an 'Admitted Body':

- Local government scheme administered by Dorset County Council;
- Local government scheme administered by Somerset County Council; and
- The Social Housing Pension Scheme.

Magna closed these defined benefit pension schemes to new members on 1 October 2011 and introduced, in their place, a defined contribution scheme. Magna has included the impact of the McCloud / Sargeant judgement in the LGPS disclosures.

Dorset County Council Pension Fund

Magna is a member of the Dorset County Council Pension Fund.

A full actuarial triennial valuation was completed as at 31 March 2016 and was updated to 31 March 2019, using suitable methods, by a qualified independent actuary.

The total pension cost for Magna for the year in respect of this Fund was £662,000 (2020: £684,000). The cost is assessed in accordance with advice from a qualified actuary. Employer's contributions to the Fund of £38,391 (2020: £29,558) were included in creditors and paid after the year end. The employer's contributions certified by the actuary to the Fund in respect of the year ending 31 March 2021 were 490.4% (2019: 465.3%) of members' contributions.

Somerset County Council Pension Fund

Magna is a member of the Somerset County Council Pension Fund. The total pension cost for the year in respect of this Fund was £250,000 (2020: £215,000). The cost is assessed in accordance with advice from a qualified actuary. Employer's contributions to the Fund of £5,642 (2020: £11,722) were included in creditors and paid after the year-end. The employer's contributions proposed by the actuary to the Fund in respect of the year ending 31 March 2021 were 438.6% (2020: 383.9%), of members' contributions.

23. Pension arrangements (continued)

Dorset and Somerset county council funds

The main financial assumptions adopted as at 31 March 2021 were:

	Both 2021	Both 2020	Dorset 2019	Somerset 2019
Financial assumptions (per annum)				
Retail price index inflation	**3.2%**	**2.7%**	3.4%	3.4%
Consumer price Index	**2.8%**	**1.9%**	2.4%	2.4%
Salary inflation	**2.8%**	**2.9%**	3.9%	3.9%
Pension increases	**2.8%**	**1.9%**	2.4%	2.4%
Discount rate	**2.0%**	**2.4%**	2.4%	2.4%
Life expectancy (years)				
Males retiring today	**23.1**	**23.3**	22.9	22.9
Females retiring today	**24.6**	**24.7**	24.8	24.0
Males retiring in 20 years	**24.4**	**24.7**	24.6	24.6
Females retiring in 20 years	**26.0**	**26.2**	26.6	25.8

Magna's share of the fair values of each main class of assets held by the Funds as at 31 March 2021 and the expected rates of return for the ensuing year are set out in the following table:

Fair Value:	2021	2020	2019
Equities	**28,903**	21,929	25,210
Gilts	**659**	4,213	5,263
Property	**4,312**	4,514	4,851
Bonds	**3,961**	3,507	3,420
Cash	**1,479**	1,248	1,729
Other	**10,547**	5,426	5,547
	49,861	40,837	46,020

Magna's share of the net assets and liabilities of the Dorset and Somerset County Council Pension Funds is set out below:

	2021	2020	2019
Share of assets	**49,861**	40,837	46,020
Share of estimated liabilities	**(84,561)**	(69,214)	(73,060)
Net deficit at 31 March	**(34,700)**	(28,377)	(27,040)

Amount charged to surplus	2021	2020	2019
Current service cost	**(986)**	(1,161)	(1,234)
	(986)	(1,161)	(1,234)

25. Pension arrangements (continued)

Amount charged to other finance income

	2021	2020
	£000	£000
Interest on assets	950	1,095
Interest on pension scheme liabilities	(1,607)	(1,732)
Net charge	(657)	(637)

Actuarial (loss) in respect of pension schemes

	2021	2020
	£000	£000
Return on assets less interest	8,885	(5,232)
Change in financial assumptions	(14,448)	4,976
Net gain	(5,563)	(256)

The movement in the net deficit for the year to 31 March 2021 is as follows:

	2021	2020
	£000	£000
Fair value of scheme assets at 1 April	40,837	46,020
Interest on assets	950	1,095
Return on assets less interest	8,885	(5,232)
Other actuarial losses	-	(147)
Administration expenses	(29)	(35)
Contributions by employer including unfunded	912	899
Contributions by fund participants	192	203
Estimated benefits paid	(1,886)	(1,966)
Fair value of scheme assets at 31 March	49,861	40,837
Defined benefit obligations at 1 April	(69,214)	(73,060)
Service cost	(986)	(1,161)
Interest cost	(1,607)	(1,732)
Change in financial assumptions	(16,094)	6,791
Change in demographic assumptions	740	738
Experience loss on defined benefit obligations	906	(2,553)
Past service costs including curtailments	-	-
Estimated benefits paid net of transfer in	1,885	1,965
Contributions by scheme participants	(192)	(203)
Unfunded pension payments	1	1
Defined benefit obligations at 31 March	(84,561)	(69,214)
Net deficit at 31 March	(34,700)	(28,377)

23. Pension arrangements (continued)

Social Housing Pension Scheme (SHPS)

Magna participates in the social housing pension scheme, a defined benefit multi-employer scheme administered by TPT Retirement Solutions (TPT).

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 Pension Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes.

	2021	2020	2019
Retail price index inflation	3.2% per annum	2.5% per annum	3.1% per annum
Consumer price Index	2.9% per annum	1.5% per annum	2.1% per annum
Salary inflation	2.9% per annum	2.5% per annum	3.1% per annum
Discount rate	2.2% per annum	2.3% per annum	2.6% per annum
Life expectancy (years)			
Males retiring today	21.6 years	21.5 years	21.8 years
Females retiring today	23.5 years	23.3 years	23.5 years
Males retiring in 20 years	22.9 years	22.9 years	23.2 years
Females retiring in 20 years	25.1 years	24.5 years	24.7 years

Magna's share of the fair values of each main class of assets held by the Funds as at 31 March 2021 and the expected rates of return for the ensuing year are set out in the following table:

Fair Value	**2021**	2020
Absolute return	**549**	442
Alternative risk premia	**375**	593
Corporate bond fund	**588**	483
Credit relative value	**313**	233
Distressed opportunities	**287**	163
Emerging markets debt	**402**	257
Fund of hedge funds	**1**	5
Global equity	**1,586**	1,240
High yield	**298**	-
Infrastructure	**663**	631
Insurance-linked securities	**239**	260
Liability driven investment	**2,529**	2,814
Liquid credit	**119**	3
Long lease property	**195**	147
Net current assets	**60**	36
Opportunistic	**253**	205
Opportunistic Credit	**237**	171
Private debt	**273**	-
Property	**207**	187
Risk sharing	**362**	286
Secured income	**414**	322
	9,950	8,478

23. Pension arrangements (continued)

Magna's share of the net assets and liabilities of the SHPS fund is set out below:

	2021	2020
	£000	£000
Share of assets	9,950	8,478
Share of estimated liabilities	(13,111)	(9,875)
Net deficit at 31 March	(3,161)	(1,397)

Amount charged to surplus

	2021	2020
	£000	£000
Current service cost	(194)	(237)
	(194)	(237)

Amount charged to other finance income

	2021	2020
	£000	£000
Interest on assets	202	188
Interest on pension scheme liabilities	(231)	(254)
Net charge	(29)	(66)

Actuarial gain/(loss) in respect of pension schemes

	2021	2020
	£000	£000
Return on assets less interest	901	265
Change in financial assumptions	(2,871)	1,065
Net surplus/(loss)	(1,970)	1,330

	2021	2020
	£000	£000
Fair value of scheme assets at 1 April	8,478	7,701
Interest on assets	202	188
Return on assets less interest	901	265
Contributions by employer including unfunded	437	426
Contributions by plan participants	-	-
Estimated benefits paid	(68)	(102)
Fair value of scheme assets at 31 March	9,950	8,478
Defined benefit obligations at 1 April	(9,875)	(10,542)
Service cost	(194)	(237)
Interest cost	(231)	(254)
Change in assumptions	(2,871)	1,065
Estimated benefits paid net of transfer in	68	102
Contributions by plan participants	-	-
Expenses	(8)	(9)
Defined benefit obligations at 31 March	(13,111)	9,875
Net deficit at 31 March	(3,161)	(1,397)

23. Pension arrangements (continued)

As at the 31 March 2021 there were 18 active members of the defined benefit (DB) Scheme (2020: 19) employed by Magna. The annual pensionable payroll for Magna in respect of those DB members was £810,191 (2020: £835,678).

The total pension cost for Magna for the year in respect of this DB Scheme was £175,136 (2020: £170,615). Employer contributions to the DB Scheme of £14,931 (2020: £14,411) were included in creditors and paid after the year end.

Magna closed this defined benefit pension scheme to new members on 1 October 2011 and replaced it with a defined contribution (DC) scheme. As at the statement of financial position date there were 291 active members (2020: 302). The annual pensionable payroll in respect of those DC members was £8,169,253 (2020: £7,688,807).

The total pension cost to Magna for the year in respect of this DC section of the Scheme was £799,777 (2020: £782,230). Employer contributions to the DC section of the Scheme of £79,777 (2020: £67,146) were included in creditors and paid after the year end.

24. Other provision

Other provisions are analysed as follows	**2021**	2020
	£000	£000
Redundancies	**43**	-
Major Repairs	**2,656**	2,656
	2,699	2,656

The major repair provision relates to works which have been investigated and assessed and are due on a scheme where a number of defects have been identified. The addition of £2.1m during 2019/20 followed the thorough investigation Magna performed.

25. Analysis of changes in net debt

	At beginning of the year	Cash flows	Non-cash movements	At end of the year
	£000	£000	£000	£000
Cash and cash equivalents	31,714	(27,061)	13,338	17,991
Housing loans due in one year	12,800	(12,800)	11,000	11,000
Housing loans due after one year	105,200	-	(11,000)	94,200
	149,714	**(39,861)**	**13,338**	**123,191**

26. Financial instruments

Financial instruments are analysed as follows	Note	2021	2020
		£000	£000
Financial assets that are debt instruments at amortised cost			
Trade receivables	15	**649**	384
Other receivables	15	**2,658**	4,366
		3,307	4,750
Financial liabilities measured at amortised cost			
Bank loans	19	**105,200**	118,000
Trade creditors	17	**1,082**	806
Rent in advance	17	**1,767**	1,475
Sinking fund	17	**3,890**	3,586
Recycled capital grant	20	**909**	1,020
Social housing grant	22	**2,091**	1,647
Taxes and social security	17	**583**	447
Owed to subsidiaries	17	**69**	68
Other creditors	17	**5,244**	4,070
		120,835	131,119

27. Non-equity share capital

Allotted, issued and fully paid	2021	2020
	£000	£000
At 1 April	19	22
Shares of £1 issued during the year	-	3
Surrendered during the year	(3)	(6)
At 31 March	16	19

Each Member of Magna holds a non-equity share of £1 in Magna. They carry the right to vote at General Meetings of Magna on the basis of one share one vote. No rights to participate in the distribution of the net assets of Magna in the event of a winding up are conferred by the shares.

28. Capital commitments

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

	2021	2020
	£000	£000
Contracted	16,350	22,521
Authorised but not contracted	17,732	10,577
	34,082	33,098
Capital commitments will be funded by		
Cash or drawings on agreed loan facilities	34,082	33,098

29. Operating leases

Magna holds properties and vehicles under non-cancellable operating leases. At the end of the year Magna had commitments of future minimum lease payments as follows:

	2021	2020
	£000	£000
Land and Buildings		
Expires in less than one year	10	10
Expires in one year or more but less than two years	22	-
Expires in two years or more but less than five years	109	168
Expires in five years or more	3,308	3,356
Vehicles		
Expires in less than one year	2	7
Expires in one year or more but less than two years	-	-
Expires in two years or more but less than five years	-	6
	3,451	3,547

30. Accommodation owned and managed

Under development at the end of the year

	No. of properties 2021	No. of properties 2020
General needs housing	**204**	151
Low-cost home ownership	**74**	66
	278	217

Social Housing

	No. of properties 2021		No. of properties 2020	
	Owned	**Managed**	Owned	Managed
Under management at the end of the year				
General needs housing	**6,085**	**5**	6,091	5
Supported housing	**229**	**-**	227	-
Housing for older people	**1,838**	**-**	1,838	-
Low-cost home ownership	**282**	**5**	281	5
Fixed equity	**16**	**-**	16	-
Total social housing units owned and managed	**8,450**	**10**	8,453	10
Market rented	**25**	**-**	25	-
Freehold only	**388**	**-**	394	-
	8,863	**10**	8,872	10

Reconciliation of stock movements in the year

	GN	SH	SU	LCHO	Other Social	Non Social	Total
Units at start of period	6,096	1,838	227	286	16	419	8,882
New developments/acquisitions	19	-	-	7	-	-	26
Property sales/disposals	(24)	-	-	(3)	-	(3)	(30)
Other	(1)	-	2	(3)	-	(3)	(5)
Units at 31 March 2021	**6.090**	**1,838**	**229**	**287**	**16**	**413**	**8,873**

Garages

	No. of units owned 2021	No. of units owned 2020
Under management at the end of the year		
Garages	**1,350**	1,350

Managed units represent properties we manage on behalf of The Buckland Newton Community Partnership Trust.

Accommodation managed by others is included within the information above.

31. Accommodation managed by others

Magna owns/leases property managed by other bodies	No. of properties 2020	No. of properties 2020
	Managed	Managed
Market rented	**25**	25
Supported housing	**76**	50
	101	75

32. Related parties

Legal status

Magna Housing Limited is a public benefit entity.

Magna Housing Limited ('Magna') is the ultimate parent undertaking and controlling party of the Group. All bodies are incorporated in England and Wales. The registered office of the Group is Oak House, Poundbury Road, Dorchester, Dorset, DT1 1SW.

Magna is the parent company and provides management and administration services to members of the Group who have agreed to pay for the cost of those services. None of these are consolidated on the basis of materiality.

Name	Incorporated	Registered/Non registered	Legal Status
Charter (S.W.) Limited *	Companies Act 2006	Non Registered	Private company limited by shares

** Charter (S.W.) Limited is a 100% owned subsidiary of Magna Housing Limited.

At the end of the financial year 1 (2020:1) Board member was a tenant of Magna, holding a standard Magna assured tenancy. No special terms apply. Charges incurred during the year were £5,573 (2020: £5,540) and there was a credit balance of £494 at 31 March 2021 (2020: £235 credit).

The recharge for management and administration services from Magna to Charter (S.W.) Limited is a nominal charge to cover time spent by the Chief Executive and Finance Director on Charter (S.W.) Limited matters. Charges incurred during the year were £nil (2020: £nil)

Amounts charged by members of the Group during the year	**2021**	2020
	£000	£000
Amounts charged from Magna to Charter (S.W.) Limited for management and administration	**-**	-

A summary of intra-group closing debtor and creditor balances	**2021**	2020
	£000	£000
Charter (S.W.) Limited Intra-Group closing debtor and creditors Balances		
Debtors – amounts owed by group members	**69**	68
Creditors – amounts payable to group members	**-**	-

There is no interest charged on the outstanding balances and they are unsecured debt.

magna

For more information visit
magna.org.uk