Registration Number: 7520
31 March 2020

Magna Housing Limited

Financial Statements

Contents

Who we are

We're a registered provider of over 8,000 affordable homes for rent and shared ownership.

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

We're a customer centred business, passionate about creating great homes. We offer homes for rent and shared ownership, mainly in Dorset and Somerset. We put our customers at the heart of everything we do and 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 Customers are:

- 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.

To ensure that we can continue to build great communities, we have a development committee which directs our investment and priorities to help us continue to build great homes. We have a strong pipeline in place which drives our mission to create great places where people choose to live.

What we do & where we do it

We're a registered provider of over 8,000 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
East Devon	37			3					
Exeter	1	7							
North Dorset	158			41					
Plymouth						25			
Sedgemoor	93	5		2			4		
South Somerset	239	27		20					
Torbay	4								
West Devon				19			5		
West Dorset	3,622	58	1,432	146	16		302	5	5
Somerset West & Taunton	1,548	80	427	17			80		
Weymouth & Portland	361	57		36					

Grand Total: 8,882

Over the past year, the Board continued to follow our 2016 – 21 strategy and started to build and transition to our new 10 year strategy. Our new vision of creating great homes together was launched in May 2019 and highlighted the following strategic priorities:

Our strategic priorities

Customer experience

Right service,
right time,
first time

Supply and investment

Right homes,
right quality,
right place

Organisational capability

Right people,
right processes,
right technology

Performance and results

Right focus,
right controls,
right results

We also developed our mission to our customers, communities, people and partners.

Our purpose is why we exist. This has been 'To help people meet their housing needs', but the Board have now agreed that this will be replaced by our vision of 'creating great homes together'. However this is more than a vision, it is our reason to exist and it encapsulates our intent.

Our strategic objectives are what we aim to do:

With our transition to our new strategy we can clearly align the current strategic objectives to the new strategic priorities agreed in May 2020.

- To provide high quality housing and services
- To have good leadership and governance
- To achieve value for money in the use of our resources
- To develop, motivate and reward staff to achieve, innovate and take responsibility
- To achieve the best mix of risk, prudence, flexibility and cost effectiveness in our finances

Our behaviours describe how we do it

Our behaviours provided us with a clear approach about how we operated. From 2020 these will be replaced by our new strategic priorities and mission, as well as new organisational values and commitments.

- We are committed to our customers
- We are passionate about performance
- We lead by example

Our strategic objectives were each supported by detailed strategic targets which set out what we aimed to do in the year and when we would do it by. These in turn influenced the annual business plan and our local delivery targets.

Principal activities

Our principal activities are the management, construction and acquisition of non-market housing in Dorset and Somerset.

Governance

The Magna Group Structure

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 2019/20 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 34 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	From 27 June 2019
	A Peat OBE	Retired 25 July 2019
Other Members	A Acharya	
	T Ayre	Retired 25 July 2019
	A Auty	Appointed 13 August 2019
	D Bond	
	G Clarke	
	P Culpin	
	D Lang	
	D Penny	
	S Rastrick	Appointed 13 August 2019
	J Williams	Resigned 25 February 2020

Senior executive officers

Chief Executive	S White	
Property Director	D Aldwinckle	To 5 June 2020
Finance Director	S Fraser	
Interim Finance Director	S Martin	22 March 2019 to 31 December 2019
Housing Director	T Murray	
Director of Service Transformation	S Barratt	
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

As I approach my first anniversary as Chair, I have reflected on what an incredible and personally rewarding first year it has been. We started the year with Brexit looming large, amidst significant prevailing political and economic uncertainty, and ended it in the changing and challenging world of a pandemic. Despite this, the Board approved an ambitious budget and business plan designed to support the transformation of the business and to ensure that we are equipped to respond robustly for our residents, colleagues and other partners.

We're on an exciting journey – one that requires both agility in how our business develops over the next decade, and different, innovative ways of working as we respond to a new external environment and explore how we can best supply homes and services to those who need them the most. In June, at Magna Day 2019, the Board, the Executive and over 300 colleagues came together to help shape the future direction of the organisation around our new vision: Creating great homes together.

The huge environmental agenda and the exciting world of sustainable homes and green energy are yet to be fully explored, but we will do this. We are already making a significant step through our pilot programme of providing new high standard homes using modern methods of construction in our partnership work with an established manufacturer, Rollalong.

Underpinning this vision sits our mission. This is the how we will deliver our vision. It is the promises we make to our customers and how we fulfil them.

We are mindful, however, that none of us can predict what the future will be like in 10 years' time. It is clear that we must be ready to adapt to changing circumstances which will inevitably arise over the next few years.

This has never been truer than in the first few months of 2020 and the impact of Covid19 on us all, on our customers, our colleagues and our communities. As with all businesses, the epidemic has affected every part of our organisation and we have created a 'customer and colleague safety first' approach to lockdown, closing all offices and maintaining only critical service delivery. Statutory safety checks have remained a priority as has welfare support to colleagues and residents alike.

Despite the lockdown, work has continued at pace in developing the new strategy and we are designing a new target operating model that is based on what we have learnt about ourselves and our capabilities under the new enforced ways of working. As we emerge from this period we will continue to listen to our customers and colleagues to help shape that model into the future.

We have expedited the launch of our Aspire Transformation Programme and we have accelerated our plans to become a fully agile business. This means that despite a necessary delay to the launch of our new strategy to April 2021, we are already significantly ahead of where we expected to be in many areas of our original transformation plan.

In January we underwent our second In Depth Assessment by the Regulator of Social Housing. We are absolutely delighted to have retained our top G1/V1 ratings and I would like to congratulate everyone at Magna on this brilliant and important achievement.

On a final note, I want to thank my Board colleagues for their support and work during the year. I want to pay particular thanks to our CEO Selina White who has led the organisation through an unprecedented challenging time, but none of this could have been achieved without our dedicated colleagues at Magna. Their commitment and hard work, particularly throughout the lockdown, demonstrates how importantly we view our services to our residents and communities. I thank them equally for their patience and support throughout these unprecedented times.

Comment from our Chief Executive

Selina White
Chief Executive

Over the past 12 months we have been working hard to shape our future 10-year strategy. In today's rapidly changing world it is essential for every business to remain current and relevant in its response to uncertainty and volatility. To help us understand the opportunities and challenges the next 10 years will present, we started to undertake research to inform our future strategy. The outcomes of the research programme have been consolidated to create our ambitious vision.

We are proud to put our name to this vision. It is our reason to exist and is, put simply: **Creating great homes together**.

Magna is a team of dedicated and talented people that collaborate to create great homes together. Most importantly, we are a customer-centred business and the people we serve are at the heart of everything we do.

Aspire Transformation Programme

Aspire is the new umbrella name for all change programmes in the organisation, that together form the wider business transformation. It ensures that the connections across the organisation are clear and that the context of these developments can be understood.

Magna has ambitious plans for the future and we will need people to work, act and behave differently to achieve the outcomes we are hoping for. Aspire brings together all the activities we need to be undertaking to deliver the change.

We understand that the programme of work is considerable and it matches the size of our ambition.

During the year we have:

- Reviewed our approach to the implementation of a new IT system. We concluded that the work needed to more closely align with the development of the new strategy and so we created a new delivery programme, Aspirecrm, which directly links the digital and data projects with the customer experience.
- Worked with our customers and a team of industry specialists to review every single service we provide today. By doing so we have collectively identified hundreds of ways in which we can improve what we do tomorrow.
- Changed how we communicate digitally through our social media platforms and a new shared ownership micro site. Our new website is being designed with the user experience central to its success and will launch in September 2020.
- Used chatbots and digital channels as a replacement to paper-based surveys and questionnaires. This has meant that the number of customers who are joining the conversation on our online community is growing at a rapid rate. Talking to lots more of our customers, who found old fashioned methods a barrier to communication, means we gain insight quickly and can continually improve at a much faster rate.
- Used technology to work smarter, enabling personal telephone and video calls to be made to customers on a weekly basis, proactively engaging with those who are most socially isolated within our communities. We don't just talk about housing and service-related subjects, sometimes we just phone for a chat. We will use the data we capture to personalise our service offer to customers.

People

Never before has leadership been so critical. The world is changing fast, and this rate of change is accelerating and shows no sign of slowing down. Globally we are facing unprecedented times. Global warming and the Covid-19 pandemic are real live examples of enforced change, and we have proven to ourselves that we can adapt quickly to change.

During the year we have:

- Equipped our leadership team with the right skills they need to become future leaders. Our leadership development programme has provided comprehensive coaching and learning experiences for all our leaders, enabling them to develop a modern outlook and approach to leadership that is so necessary for success in today's business climate, both now and in the coming years.
- Supported our leaders to work in an agile way, using modern technology that enables them to connect with hundreds of people at the same time using cloud-based communications tools.
- Developed their strategic thinking to develop the future workforce that will continue to be 100% customer centred, but will also be 100% agile, digital and committed to continuous innovation and change.
- The people development will continue and be available to all our people, enabling every single Magna employee to update their skills and experience, so they remain relevant to the needs of today's customers and today's businesses.

Supply and Investment

This year we launched our development, asset management and sales modernisation programme, with proof of concept in our demonstration home. This home was specified for our sales and rental customers and led to our initial order for 45 homes from our resident led portfolio of homes.

In the future, our portfolio will evolve to offer even more customisation of the home and the specifications for carbon reduction, making them greener, cheaper and easier to maintain. This continuous quality improvement is part of our commitment to the sector and our stakeholders.

Performance and Results

As we develop our vision 'creating great homes together' we will ensure that our operational and strategic objectives align to this. This will be the gauge of our success, evidence to our customers of our ability to re-invest our surplus to where it will have the greatest impact to meeting our customer's needs.

During 2019/20 we undertook a comprehensive programme to modernise our approach to managing performance and results. This included:

- Training and engagement of the senior management team in the outlook and requirements of managing performance and results.
- Focussing action on key business issues, stripping out key business decision-making data from historical trend monitoring data.
- Developing a robust stress testing model.
- Establishing a digital strategy to enable effective collaboration and data usage.

This review of 2019/20 demonstrates how much we've achieved, despite the considerable challenges we faced. It makes me immensely proud to work with such a dedicated team of people who are so passionate about our vision for Magna. I am looking forward to working with Christine, the Board and the whole #teammagna to achieve even more in the years to come.

Strategic report

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

Review of the year

The past year has been one of incredible change for Magna. We have been working to develop a new strategic direction for the business, encapsulated in our new 10 year strategy, and to understand what Magna wants to be in the future. We have seen a major transformation over the past year; with people working and thinking differently, with empowered colleagues doing what is right for our customers and our teams working together across departmental boundaries.

During 2019/20, we have worked with our customers and a team of industry specialists to review every single operational service we provide today. As a result of this customer journey mapping of services we have collectively identified numerous ways in which we can improve housing and maintenance services. All of these improvements are being built into our new Aspirecrm customer relationship platform and housing system that we will launch in October 2020.

Achieving our vision entailed carrying out 26,459 day-to-day repairs (2019: 25,923), 98% on time (2019: 99%). We made 480 lettings (2019: 514) and achieved customer satisfaction with the lettings process of 94.8% (2019: 96.5%).

Our CORE re-let time for empty properties was very good at 15 days. However, we identified during the year that our focus on adherence to the target was having the unintended result of contributing to a reduction in the satisfaction levels of new customers with the quality of their new homes. In response, our maintenance services team focussed on changing the way they work to ensure they met the re-let standard at the time of letting and carrying out less post occupation repairs. As a result of these changes, customer satisfaction with the condition of newly let properties has improved from a low point of 69% in the month of December 2019 to 95% in the month of March 2020. This was a significant improvement in customer experience.

We helped residents deal with the continuing roll out of Universal Credit and the impact of other welfare changes affecting them. At the end of March rent arrears were 1.4% (2019: 1.5%), The impact of welfare reform was mitigated by our pro-active approach to income management and the work of our 'Money Matters' and tenancy advice services. Working on behalf of our customers, these teams have helped them access £1.3million of welfare benefit gains and backdated payments in 2019/20.

Most of the housing stock is post-war semi-detached houses and sheltered schemes designed for older persons and in 2019/20 we let a further 20 new rented homes and sold 2 new shared ownership properties. Our development pipeline for 2020/21 is for 166 new homes although we expect the coronavirus crisis to impact as our supply chain adapts its approach to meet government guidelines on safe operating practices. We have also invested in modern methods of construction (MMC) and 45 modular homes have been manufactured by Rollalong in Dorset and they will be delivered to sites over the course of the year.

Unfortunately we had to make a provision for remedial work to the roofs, windows and improvements to fire safety of 23 homes constructed for Magna in the last 8 years in order to keep our customers safe. Further work is planned to resolve remaining issues with the walls. This has been taken into account in how we review newly built properties and will in the future but has nevertheless impacted our financial performance by £2.1m, reducing our operating margin by 4.7 percentage points.

Magna has kept stock condition data up-to-date by undertaking annual surveys of 20% of the stock. An independent validation of the stock condition data was undertaken in 2019. Magna has agreed standards for the maintenance of its homes which exceed the Government's minimum 'Decent Homes Standard'. This regime provides our business plan with forecasts for maintenance expenditure and programmes of cyclical works, and will continue to do so in the future. The validation of our stock during the year, carried out by Savills, showed it was in good condition and had been maintained effectively. The investment levels recommended per home were a reduction compared to those arising from the previous validation survey.

We spent £15.6 million on major, response and cyclical repairs (2019:£15.9 million), replacing hundreds of new kitchens, bathrooms, front doors and heating systems. During the year we fitted 25 shower wet rooms and redecorated 87 sheltered homes prior to re-letting to better meet our customers' needs. These were recommendations from the 2018/19 review of sheltered housing.

Total number of formal complaints received		
	2019/20	2018/19
Repairs and maintenance	13	16
Sheltered housing & support services	6	5
Housing services	10	10
Staff & customer services	0	0
Assets management	1	0
Total	30	31

We received 30 formal complaints (2019: 31) during the year. Magna promoted the formal complaints policy as a reliable way to put things right and help us to improve. At the end of the year 2 complaints remained open, one at stage one and 1 that has progressed to stage two. 2 complaints have exhausted Magna's complaint process this year (2019: 2), and have been submitted to the Ombudsman.

These were both housing related, with one for general needs and one for sheltered service. One case has been closed as the complaint was bought over 3 years after the incident. The other case was recently accepted by the Ombudsman who have requested further information and expect to report an outcome in October 2020.

Overall resident satisfaction with Magna was 87% (2019: 87%) based on our quarterly STAR surveys carried out in the year.

Magna retained its G1 and V1 ratings from the Regulator following an IDA in January. 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.

Operational performance

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

We have considered the impact of Covid-19 when target setting for 2021 and therefore some targets have been increased in order to keep them realistic. These were approved at the June board. Since the beginning of the Covid-19 pandemic performance has been monitored regularly with a relevant balanced scorecard of measures and critical service review discussions.

Some key performance indicators (KPIs) as at 31 March 2020 and the previous years, along with our targets for 2020/21, are presented to the right. The colour shading indicates whether we achieved our target (green) or not (red) in the given area.

Performance Indicator	2020/21	2019/20		2018/19		2017/18	
	Target	Value	Target	Value	Target	Value	Target
All rented dwellings current arrears as a % of the annual rental	2.1%	1.4%	1.9%	1.5%	2.8%	1.6%	2.3%
Average re-let times – general needs and sheltered housing (CORE) (days)	51.0	14.99	16.0	13.01	16.0	17.38	14.8
% of valid Landlord Gas Safety Records given to tenant at sign up (new lets,relets and mutual exchanges)	100%	100%	100%	100%	100%	100%	100%
Overall response repairs completed within target		98.0%	99.0%	99.0%	98.0%	99.5%	98.0%
% of report appointments made and kept	99.0%						
% of dwellings with a valid gas certificate	100%	100%	100%	100%	100%	100%	100%
% of communal areas with a valid Fire Risk Assessment	100%	98.7%	100%	100%	100%	100%	100%
% carried out of all the planned work necessary to meet the Magna Standard, as identified by inspections in the previous financial year	95.0%	95.73%	94.6%	91.8%	100%	100%	100%
Taking everything into account the percentage of residents satisfied with the overall service provided by Magna	87.0%	86.8%	88.9%	86.8%	89.2%	88.3%	90.0%

Overall response repairs completed within target has been updated for 2021. Our KPI will now measure the % of repairs appointments made and kept and is targeted at 99.0%.

We had three KPIs on health and safety compliance, relating to gas safety and fire risk assessments. A health and safety failure is one of our top five risks, and the KPIs reflect our strategic objective to provide high quality housing and services, and our commitment to ensuring the safety of our residents.

We adjusted our target for current tenant arrears in the year due to the uncertainties of universal credit and the impact of Coronavirus. In response, our income management and specialist money matters and tenancy advice teams are focussed on working pro-actively to mitigate these uncertainties through early intervention, support, maximising benefit take up and work on debt prevention.

Our continued strong performance for our re-let time has been achieved primarily through enhanced promotion and marketing plans for sheltered homes combined with the enthusiasm from all the teams involved in the allocation and lettings process.

Response repairs complete on time are lower than target due to a higher than expected number. The complexity of response and void repairs put pressure on our response times leading to some non-urgent repairs being completed beyond their target of 20 working days.

Communal areas with valid fire risk assessments (FRA) achieved 98.7% against our 100% target. Magna has a small number of leasehold homes where a freeholder other than Magna 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.

The results for resident satisfaction are gathered from the STAR survey. This is a quarterly survey and we gather the feedback to review and action as needed. For 3 of the existing core questions – overall satisfaction, value for money (VfM) of rent and VfM of service charges satisfaction is the same as 2018/19. For views taken into account and acted upon; neighbourhood; quality of home and repairs and maintenance satisfaction has decreased. Despite measures being taken to target areas where there is lower satisfaction, there is not much movement or improvement.

The key drivers of satisfaction remain similar; repairs and maintenance is the top driver, followed by views listened to and taken into account and then quality of home. Last year, views listened to was the top driver and repairs the second driver.

Following the previous year's results we put considerable resource into listening to views and taking them into account. It is disappointing that our efforts have seen a small drop in satisfaction across four areas and performance staying the same in three areas. The most common theme amongst survey comments are issues with response and service delay and communication amongst departments. We worked during the year to redesign all of our customer journeys in preparation for a much improved housing IT system and enhanced digital capability for our customers going live later in 2020/21. This will improve communication between Magna and our customers and we are confident will lead to improved satisfaction.

Magna provides two broad types of housing: general needs housing and supported housing (which is mainly sheltered housing – see note 3). The operating margin for supported housing is lower at 20.2% (2019: 26.5%) than the operating surplus margin for general needs at 23.3% (2019: 30.5%). Operating margins are lower for supported housing due to the higher labour costs involved in providing services. Both areas have suffered reduced rental income year on year due to the 4 years of annual rent cuts from April 2016.

Magna made a surplus before tax for the year of £6.5 million (restated 2019: £9.8 million). Turnover decreased by £0.3 million (a 0.7% decrease). Total net assets at 31 March 2020 were £230.4 million, a year on year increase of £6.5 million. We undertook an assessment of potential impairment indicators and concluded, due to the Covid-19 pandemic that there was an increased risk of our rents not being paid and the sales values of our shared ownership units that are currently contracted may drop and have made appropriate provisions against these.

Our provision to make 23 of our properties safe reduced our surplus by £2.1m. This also has a large impact on our operating margin of 4.7% points.

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 makes 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 2019/20 Magna achieved cash and non-cash VfM gains of £348k compared to cash and non-cash targets of £311k. This excludes £545k of subsidy (social value) for new development schemes being approved in the year. This year Magna has also invested a lot of resources into our capability to delivering and adding further value in the years ahead, including numerous customer journey reviews and digital investment.

The current year's savings of £348k can be summarised as follows. Magna has brought a number of operational areas in house during the year, such as communal asbestos surveys and planning consents. We have renegotiated several contracts without any loss of service making savings of £51k. Other improvements include downsizing incentives, a green energy switch reducing costs when carrying out void works, the use of an app for monitoring noise nuisance and savings through team restructures in both back office and front line teams.

As our new IT system and reviewed customer journeys are applied we will see further efficiencies and social value/customer experience being provided. Whilst we will be focused on delivering this during the year we have still targeted other VfM gains of £353k in 2020/21, noting that these may be impacted by the Covid-19 pandemic, and expect further value to be added in the years following the implementation of our new ways of working.

The following table shows the Regulator's value for money metrics, including restated 2018/19 data:

Magna Housing Ltd Value for Money Metrics	2017/18	2018/19	2019/20	2020/21	2022/23	2030/31	2018/19
	Stats	Stats	Stats	Budget	Year 3 Forecast	Year 10 Forecast	Benchmark (Median)
Reinvestment %	1.86%	2.90%	4.97%	10.49%	9.20%	8.30%	6.81%
New Supply Delivered (Social housing units) %	0.00%	0.18%	0.24%	2.07%	2.10%	1.90%	
Gearing %	32.94%	26.30%	24.55%	30.54%	35.40%	33.30%	47.72%
EBITDA MRI Interest Cover %	292.3%	251.3%	209.4%	234.9%	314.0%	308.8%	203.3%
Headline social housing cost per unit (£)	3,303	3,538	3,924	3,805	3,919	4,465	3,427
Operating Margin (Social Housing lettings) %	35.69%	29.42%	22.41%	21.82%	23.10%	29.50%	35.07%
Operating Margin (Overall) %	34.94%	27.67%	20.71%	19.30%	21.10%	27.40%	30.25%
Return on capital employed %v	5.38%	4.39%	3.14%	2.74%	2.90%	3.50%	3.98%

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

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 2018/19.

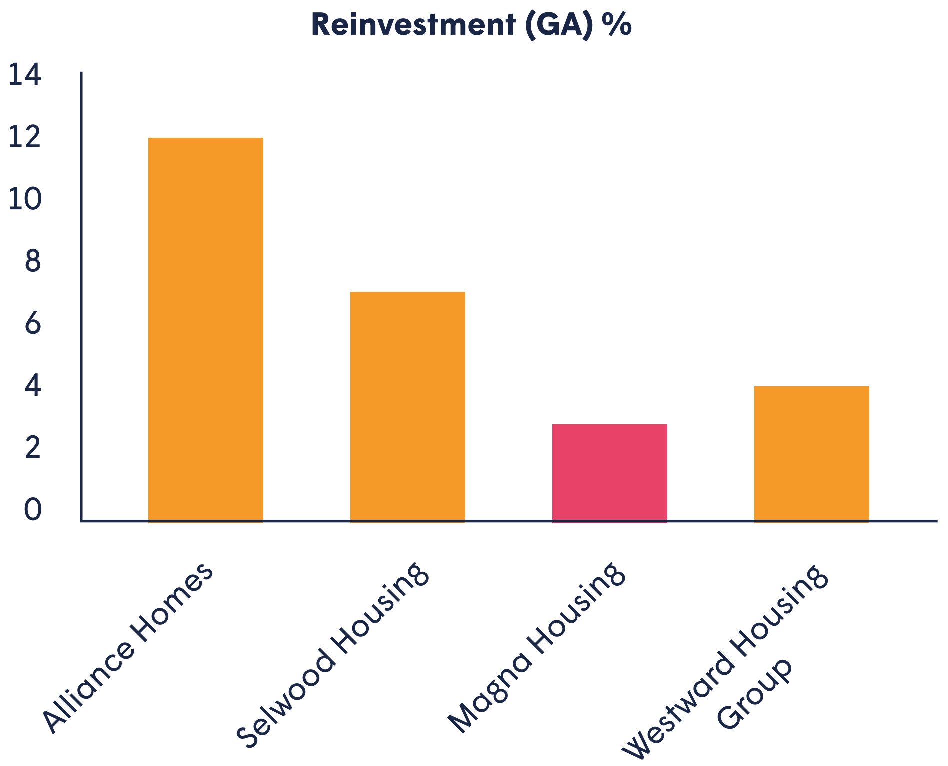
The benchmark is derived from data for 39 associations operating in the south west and south east, excluding London, with a minimum of 2,500 properties. There was no metric for new supply, non-social housing units, delivered.

We have also carried out further analysis against our closest peers in the South West, of between 5,000 and 10,000 units.

Significant differences between Magna's performance and the benchmark are commented on below.

Reinvestment:

The majority of completions in Magna's programme to deliver new properties are in 2021/22 and 2022/23.



We expect this performance to increase year on year as our new development programme matures as can be seen in our VfM metrics table, with 10.49% forecast for 2020/21.

We continue to close the gap to our peers with £12.0m investment in development in 2019/20 compared to £3.0m in 2018/19.

New supply delivered:

New supply delivered (social housing units) is forecast to grow over the next two years to 2.1% of existing housing stock. We delivered 20 units during the year and forecast 166 units in 2020/21. We expect this performance to continue to increase further over time as our new development programme matures.

Gearing:

The definition for the VfM metrics is based on net debt. In 19/20 Magna reduced its loan balance by a net £1m. A higher closing cash balance, along with the loan movement and an increase to our housing assets result in a positive movement in this ratio in the year. During 19/20 Magna has also removed clauses in loan agreements which restricted future borrowing.

EBITDA MRI interest cover:

Following a reduction in operating surplus in the year the ratio has reduced but this is still above the benchmark and considerably higher than our loan covenant requirements.

Social housing cost per unit:

Social housing cost per unit is £3,924 per unit. This is impacted by our provision for making historic builds safe, which equates to £249 per unit and is outside the general operational costs incurred.

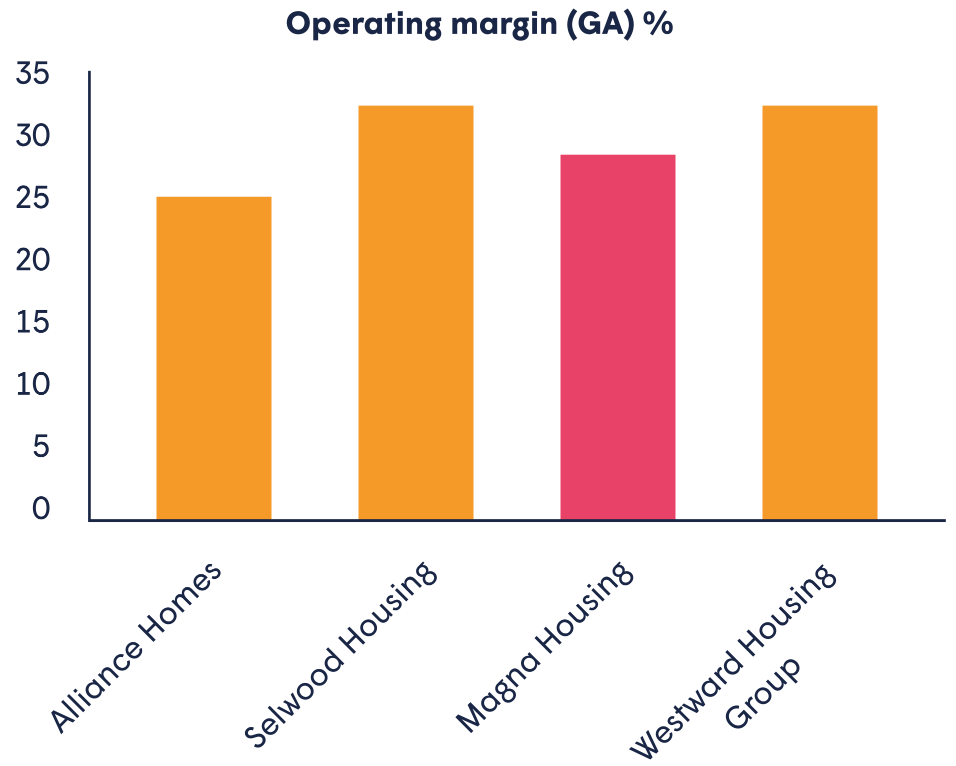
Magna achieved £3,561 per unit in 2018/19 and so the general cost per unit increase is £114 per unit, equal to a 3.2% rise in cost.

Magna is ranked just below the median of £3,427 in 2018/19 against the peer group but performed on par with the most local peer group.

Magna increased its void standard during the year which has also had an impact on the costs invested but it is improving the customer experience.

Operating margin:

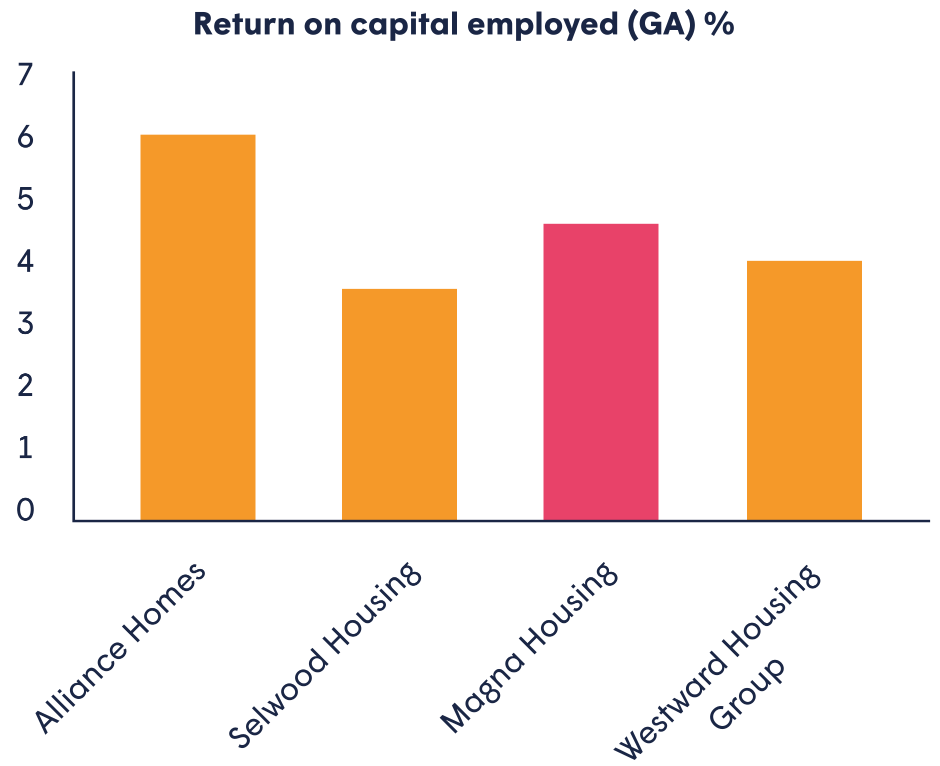
The operating margin of 22.4% is lower than the benchmarks in 2018/19, and has fallen in 2019/20 due to the impact of the 1% rent cut as well as the 4.7 percentage point impact of our mitigating action on 23 of our units.



The benchmark for 2019/20, when known, is likely to be lower than 2018/19's, again due to the 1%rent cut and taking our mitigation impact into account would see us performing well against our most local peers.

Magna's performance in 2018/19 was third quartile in the wider peer group.

Return on capital employed:



Return on capital employed has reduced in 2019/20 due to lower property sales and the specific provision Magna made to make properties safe.

The imposed rent cut is expected to lower the performance against this metric and we expect to remain above the median when results are published for 2019/20.

Future prospects

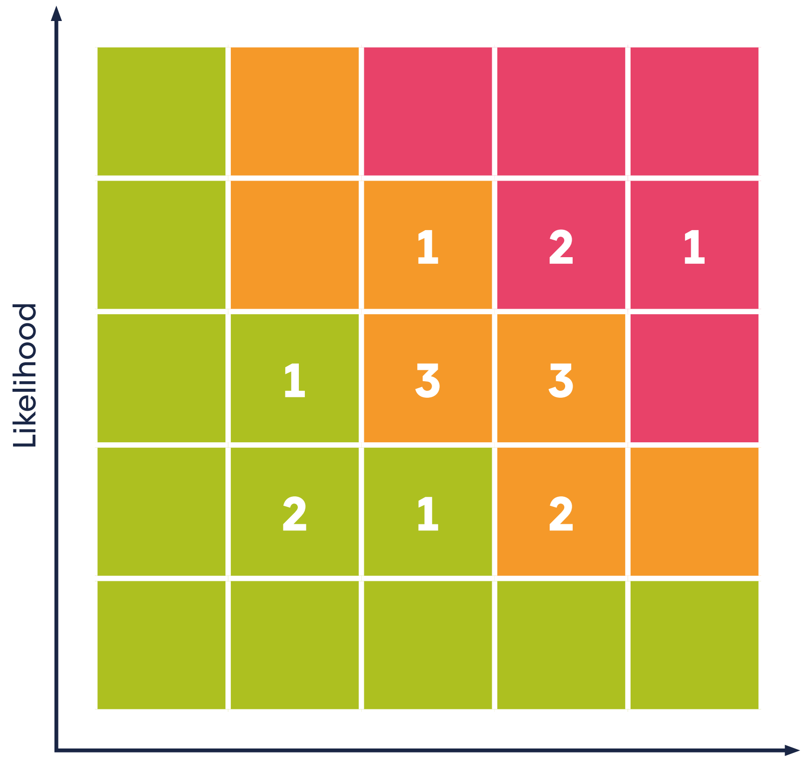
Measures which Magna introduced from 2012/13 in anticipation of welfare reform helped it tackle without significant disruption the consequences of a rent cut implemented by the Government from April 2016. Revised long-term business plans show Magna continuing to be able to fund the achievement of its purpose and objectives.

We have also developed a Coronavirus balanced scorecard to closely monitor the short term impact of the pandemic on the business, and further reviewed our stress testing on the longer term business plan.

We ended 2019/20 with a very strong development programme, an allocation of grant from Homes England and 152 (2019: 48) units on site. We are in contract to complete 217 units and we have future commitments which would see Magna complete on a further 98 units along with additional site opportunities, land purchases and increased modular methods of construction manufacturing.

Description of principal risks and uncertainties being faced

Magna's strategic risks, ie. 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 key controls over risks, possible sources of assurance on their effectiveness, and the remedial actions that could be taken in the event that a risk materialises.



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 2020 there were 16 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 15 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 gas safety checks or deal with actions arising from a FRA.	Colleague training on H&S. Policies and procedures. Compliance checks. Risk assessments. H&S Forum. Internal audit. Management of colleagues and contractors on site. Monitoring H&S PIs. Related to strategic objective – 1.
Business continuity	Disruption caused by fire, flood or medical emergency eg. global pandemic.	IT and business continuity plans, policies and procedures. Data back-up. Internal Audit. Review of IT PIs. Disaster testing. Financial stress testing. Increase to our minimum cash holding and tests of our ability to draw down against available loan facilities. Related to strategic objective – 1.
Failure of Aspirecrm implementation	Failure of the new system due to insufficient, planning/testing. Lack of people resources/ contractors, due to global pandemic.	Project monitoring and scrutiny. IT policies and procedures. Contractual agreements and checks on significant contractors. Project governance structure, rigorous procurement process, use of experienced external consultant, full time project manager, seconded colleagues and IT team to implement new system. Testing and training plan for colleagues. Business case. Related to strategic objectives – 1, 3.

Amber Risks

Strategic risk	Examples of risk	Examples of key controls
Availability of finance	Irreparable breach of lender's covenant or inability to draw down funds due to Brexit or global pandemic.	Finance and treasury policies and procedures. Management Accounts. External treasury advisor. Internal audit. Regular dialogue with lenders. Increase to our minimum cash holding and tests of our ability to draw down against available loan facilities. Related to strategic objective – 5.
Development risk	Failure to comply with the terms and conditions of receiving grant. Unknown risks around modern methods of construction. Market crash and/ or contractor failure due to global pandemic.	Development/ procurement policies and procedures. Robust contract documentation. Robust scheme appraisal process. Accounting controls. Market appraisals. Annual stability checks on, and regular communication with, significant contractors. Development PIs. Financial performance reporting. Role of the Development Committee. Internal audit. Management and monitoring of grant allocations. Stress testing. Related to strategic objective – 5.
Data Protection (GDPR) breach	Release of residents' email addresses or non-compliance with GDPR.	Data protection policies and procedures. Data protection training for colleagues and Board Members. IT and office security measures. Archiving procedures. Internal audit. Related to strategic objective – 1.

Amber Risks (Continued)

Strategic risk	Examples of risk	Examples of key controls
Reputational risk	Failure to retain the confidence of residents and other key stakeholders. Failure to understand the reputational damage of actions.	Role of the communication department and relationship with local press. Monitoring compliance with code of governance and regulatory standards. Policies and procedures on gifts, hospitality, fraud and procurement. Strong partnerships with key stakeholders. Internal audit. Role of the Membership and Remuneration Committee. Related to strategic objective – 2.
Sales risk	Failure to sell properties, delays in sales, or sales at lower price.	Market appraisals and other research of potential development opportunities. Stress testing. Development and asset disposal policies and procedures. Cashflow forecasts. Monitoring development and sales PIs. Internal audit. Financial monitoring. Related to strategic objective – 5.
Adverse Economic changes	Costs go up and/or our income goes down eg. as a result of a global pandemic or Brexit, interest rates.	Finance and treasury policies and procedures. Stress testing. Mitigation plans. Internal audit. Monthly financial reporting to Board. Development reporting. Intense monitoring of arrears. Related to strategic objective – 5.
Pension costs increase	Pension costs increase beyond planning assumptions	Monitoring by Finance Director. External pensions consultant. Pensions Policy. Review by Finance Committee. External audit role. Stress testing. Related to strategic objective – 5.

Strategic risk	Examples of risk	Examples of key controls
Resident satisfaction	Failure in service provision leading to fall in satisfaction. Failure to respond to complaints promptly and effectively.	Key customer service policies and procedures. Review of complaints received. Surveys of resident opinion and acting on the results. Use of resident mystery shoppers. Service standards agreed with residents. Monitoring performance against service standards. Annual resident engagement plan. Review of PIs. Benchmarking. Related to strategic objective – 1.
Weak/ineffective leadership and governance	Lack of relevant skills and experience on Board. Failure to comply with regulatory standards. Lack of vision and strategy. Inappropriate delegations. Failure to prevent a major fraud.	Robust governance processes. Assessments of our compliance with regulatory standards and code of governance. Procedures on recruitment, induction, appraisal and training of Board Members and colleagues. Employee and Board Member codes of conduct. Fraud detection and prevention measures. Internal audit. Independent governance review. Rigorous corporate and business planning processes. Review of PIs. Benchmarking. Related to strategic objective – 2.

Strategic Objective 1:
To provide high quality housing and services.

Strategic Objective 2:
To have good leadership and governance.

Strategic Objective 3:
To achieve VfM in the use of our resources.

Strategic Objective 4:
To develop, motivate and reward staff to achieve, innovate and take responsibility.

Strategic Objective 5:
To achieve the best mix of risk, prudence, flexibility and cost-effectiveness in our finances.

During 2019/20 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 pandemic, Covid-19, upon 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 2020, the Board considered the following to be emerging risks:

- Longer term impact of Coronavirus: how does the business recover?
- Impact of Coronavirus on our customers.
- Voluntary right to buy.
- Right to shared ownership for tenants.
- Climate change and environmental sustainability.
- Regeneration/investment in existing assets.
- Uncertainty about legislative programme.
- Issues associated with service charges.

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 2019/20 the Board considered a revised risk appetite and risk tolerance framework, and a risk appetite survey 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 2020/21.

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

Christine A Turner

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 10 (2019: 9) Members, all 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 11 times (2019: 11) during the year. The Board has adopted the 2015 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 (2019: 4) permanent committees, dealing in turn with finance, risk and audit, membership and remuneration and development. Membership of the Committees is shown below. Each had terms of reference and reported to the Board by means of its minutes and reports from its committee chair.

Committee	Member
Risk and Audit Committee	Ms Dawn Lang (Chair); Mr Asit Acharya; Mrs Debbie Bond; Ms Phyllida Culpin
Finance Committee	Mr Graham Clarke (Chair); Ms Phyllida Culpin; Dr David Penny; Ms Christine Turner; Mr Adam Peat (to 25 July 2019); Mrs Jill Williams (to 25 February 2020); Mr Tim Ayre (to 25 July 2019)
Membership and Remuneration Committee	Dr David Penny (Chair); Mrs Debbie Bond; Ms Dawn Lang; Ms Christine Turner; Mr Adam Peat (to 25 July 2019); Mrs Jill Williams (to 25 February 2020)
Development Committee	Mr Alistair Auty (chair); Mr Asit Acharya; Mr Simon Gibbs (independent member); Mr Robin Roberts (independent member), Ms Christine Turner.

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 2018/19. 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 report 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. No employee is a member of the Board.

The Board has adopted the 2012 NHF Code of Conduct to help ensure probity. 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 6. All the Members and senior executive officers served throughout the year except as noted on page 6.

On 25 July 2019 the Chair of the Board, Adam Peat, retired from Magna. The Board appointed Christine Turner to be Magna's Chair with effect from immediately after the AGM and associated events on Thursday 25 July 2019.

Accounting Policies

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

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 £23,019 (2019: £25,685) which included a £4,350 loan to Homeless International being converted to charitable grant. Within this total £5,302 was paid to local community initiatives (2019: £16,110).

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 Finance Committee with advice from consultants as required. They are carried out in accordance with a Treasury Management Policy.

During the year Magna took out a new £30m revolving credit facility (RCF) in order to take advantage of any unforeseen development opportunities as well as to provide additional liquidity should the need arise. Magna meets covenant requirements as shown in the table below:

Measure	Requirement	Result
Interest cover	> 110%	214%
Debt per unit	£24k	£14.5k
Asset cover	> 110%	234%

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. We have increased our liquidity level in the last quarter as a result of the Coronavirus pandemic and economic uncertainty that this has brought.

Interest rate exposure is managed through the use of interest rate fixes as part of a balanced treasury strategy and, at the year end, 87.3% (2019: 96.4%) of Magna's drawn funds were at fixed interest rates.

Colleagues

Magna's success is driven by a team of 440 (2019: 401) 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.

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.

Equality & diversity

Magna welcomes applications from all parts of the community for housing and services, employment, appointment as a contractor, and as a member of its boards and committees. Magna is committed to ensuring equality of opportunity in recruitment and selection. All selection, appointment and promotion of colleagues is based on their ability to do the work and in accordance with our recruitment and selection procedures. Any applicants selected for interview will be asked to advise us of reasonable adjustments necessary to the interviewing procedure to ensure they are not disadvantaged.

Colleagues with disabilities or who become disabled while employed by Magna will be supported and any reasonable adjustments to their employment or working conditions which may assist them to perform their duties will be considered.

Magna calculates data on gender pay, but following the covid-19 pandemic the government removed the requirement for April 2020 as the data would have been unrepresentative due to staff being furloughed. In 2019 Magna had a mean gender pay gap of 7.1% (2018: 14.1%) and a median gender pay gap of 13% (2018 10.9%). The 2019 results are taken from 415 employees, 164 females and 251 males.

Magna will ensure that all colleagues have equal access to training, career development and promotion, and will also ensure there is no unjustifiable discrimination, either direct or indirect, when organising training and development.

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 2019/20 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 Policy, 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 purpose and objectives. 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 2019/20, 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 paper and electronic formats.

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 self-control 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. On behalf of the Board, the Risk and Audit Committee receives quarterly from the Chief Executive a report on any material instances of weak internal control.

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

A joint meeting of the Finance and Risk and Audit Committees 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 Board agreed the 2020/21 budget and priorities and has agreed a 30 year financial forecast. It has also agreed a new 10 year strategy, ending 31 March 2031, which has already started to be phased in. It is satisfied that its plans and forecasts, including additional analysis and review following the Covid-19 pandemic will enable Magna to continue to achieve its Purpose and Strategic Objectives. Accordingly, the Board has adopted the going concern basis in preparing the Financial Statements.

Appointment of Independent Auditor

Beever and Struthers were appointed for the year ended 31 March 2020 at Magna's Annual General Meeting held on 25 July 2019.

By order of the Board

Christine A Turner

C Turner
Chair

30 July 2020

Independent Auditor's Report

Opinion

We have audited the financial statements of Magna Housing Limited 'the association' for the year ended 31 March 2020 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 2020 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

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

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

Other information

The 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 page 26, 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 web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Date: 26 August 2020

Statement of Comprehensive Income

The financial statements on pages 28 to 57 were approved and authorised for issue by the Board on 30 July 2020 and were signed on its behalf by:

Chair

C Turner

Board member

P Culpin

Secretary

M Taylor

	Note	**Year ended 31 March 2020**	Year ended 31 March 2019 Restated
		£000	£000
Turnover	2	**45,708**	45,770
Cost of sales	2	**(220)**	(222)
Operating expenditure	2	**(36,020)**	(32,882)
Surplus on disposal of fixed assets	5	**2,170**	3,279
Operating surplus		**11,638**	15,945
Increase/(Decrease) in valuation of investment properties	12	**70**	(220)
Impairment losses on assets of cash generating units		**(86)**	-
Interest receivable and similar income	6	**292**	228
Interest payable and financing costs	7	**(6,405)**	(6,862)
Surplus before tax		**5,509**	9,091
Gift aid from subsidiaries	13	**-**	11
Surplus after tax		**5,509**	9,102
Other comprehensive Income/(Expenses)			
Actuarial gain in respect of pension schemes	25	**971**	502
Share Captial Redemption	14	**-**	212
Total other comprehensive Income/(Expenses)		**-**	714
Total comprehensive income for the year		**6,480**	9,816

Statement of Changes in Reserves

Interest payable has been restated following a review of the market rate used to calculate the effective interest. More interest had previously been carried within the loan values in the creditor disclosures and is now reported within the reserves.

	Revaluation reserve	Income and expenditure reserve	**Total reserves**
	£000	£000	**£000**
Balance as at 1 April 2018, as previously stated	94,911	108,919	**203,830**
Prior year adjustment (see note 35)		10,285	**10,285**
Restated Balance as at 1 April 2018	94,911	119,204	**214,115**
Surplus from statement of comprehensive income	-	10,035	**10,035**
Depreciation at deemed cost transferred from revaluation reserve to income and expenditure reserve	(1,241)	1,241	**-**
Movement on revaluation reserve for disposal of fixed assets	(620)	620	**-**
Revaluation at fair value		(220)	**(220)**
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**

Statement of Financial Position

The financial statements on pages 28 to 57 were approved and authorised for issue by the Board on 30 July 2020 and were signed on its behalf by:

Chair

C Turner

Board member

P Culpin

Secretary

M Taylor

The notes on pages 32 to 57 form an integral part of these accounts.

	Note	Year ended 31 March 2020	Year ended 31 March 2019 Restated
		£000	£000
Fixed Assets			
Tangible fixed assets	11	**357,011**	349,802
Investment properties	12	**1,170**	1,100
Investments in subsidiaries	14	**26**	26
Total Fixed Assets		**358,207**	350,928
Current Assets			
Inventories	15	**2,410**	853
Trade and other debtors	16	**4,750**	2,209
Cash and cash equivalents	18	**31,714**	31,731
		38,874	34,793
Creditors: amounts falling due within one year	19	**(26,864)**	(20,328)
Net Current Assets		**12,010**	14,465
Debtors: amounts falling due after more than one year	17	**-**	21
Total assets less current liabilities		**370,217**	365,414
Creditors: amounts falling due after more than one year	20	**(107,377)**	(111,037)
Provision for Liabilities			
Pension provision	25	**(29,774)**	(29,881)
Other provisions	26	**(2,656)**	(566)
Total Net Assets		**230,410**	223,930
Reserves			
Non–equity share capital	28	**-**	-
Income and expenditure reserve		**139,061**	130,880
Revaluation reserve		**91,349**	93,050
Total Reserves		**230,410**	223,930

Statement of Cash Flows

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Net cash generated from operating activities – see note A	**19,749**	23,918
Cash flow from investing activities		
Purchase of tangible fixed assets	**(7,331)**	(7,074)
New development spend	**(9,459)**	(4,350)
Proceeds from sale of tangible fixed assets	**4,284**	5,806
Gift Aid	**-**	43
Interest received	**285**	228
Share Capital Repayment	**-**	350
	(12,221)	(4,997)
Cash flow from financing activities		
Interest paid	**(6,545)**	(5,968)
Repayment of borrowings	**(1,000)**	(8,500)
	(7,545)	(14,468)
Net change in cash and cash equivalents	**(17)**	4,453
Cash and cash equivalents at the beginning of the year	**31,731**	27,278
Cash and cash equivalents at the end of the year	**31,174**	31,731

(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	**11,638**	15,945
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**8,164**	7,975
Surplus on disposal of fixed assets	**(2,170)**	(3,279)
(Increase) in investments	**-**	(212)
Decrease/(Increase) in stock	**195**	(69)
(Increase) in trade and other debtors	**(2,535)**	(577)
Decrease in debtors more than one year	**21**	-
Increase in trade and other creditors	**342**	2,773
Increase/(Decrease) in creditors more than one year	**1,139**	(886)
Increase in provisions	**2,955**	2,248
Net cash generated from operating activities	**19,749**	23,918

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 and are presented in sterling (£'000) for the year ended 31 March 2020.

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. 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 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.

  Further details are given in note 25.

- **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.

Support income and costs including Supporting people income and costs

Supporting People (SP) contract income received from administering authorities is accounted for as SP income in turnover as per note 2 in line with contractual agreements. The related support costs are matched against this income in the same note. Support charges included in rent are included in the statement of comprehensive income from social housing lettings note 3 and matched against the relevant costs.

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 opening 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.

Leasing and hire purchase

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.

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.

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.

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.

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 out in 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 conditions are 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.

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

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 25.

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.

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.

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 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)**
Lettings – market rented	126	-	(68)	**58**
Other	983	-	(761)	**222**
Total	45,708	(220)	(36,020)	**9,468**

31 March 2019

	Turnover	Cost of Sales	Operating Expenditure	**Operating Surplus**
	£000	£000	£000	**£000**
Social housing lettings (note 3)	44,130	-	(31,149)	**12,981**
Other social housing activities				
Charges for support services	131	-	(165)	**(34)**
Supporting people	131	-	(135)	**(4)**
First tranche sales	276	(222)	-	**54**
Major office costs not capitalised	-	-	(623)	**(623)**
Development costs not capitalised	-	-	(57)	**(57)**
Abortive development costs	-	-	(2)	**(2)**
Activities non-social housing				
Lettings – market rented	132	-	(80)	**52**
Other	970	-	(671)	**299**
Total	45,770	(222)	(32,882)	**12,666**

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

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)**

Year ended 31 March 2019

	General housing	Supported housing	Low cost home ownership	**Total**
	£000	£000	£000	**£000**
Income				
Rent receivable	29,976	10,796	138	**40,910**
Service charge income	811	2,314	8	**3,133**
Amortisation of grant	7	-	-	**7**
Other grant	30	-	50	**80**
Turnover from social housing lettings	30,824	13,110	196	**44,130**
Operating Expenditure				
Management	6,445	2,919	44	**9,408**
Service charge costs	958	1,900	13	**2,871**
Routine maintenance	3,240	1,335	18	**4,593**
Planned maintenance	2,388	735	2	**3,125**
Major repairs	2,136	679	-	**2,815**
Bad debts	117	40	-	**157**
Property lease charges	239	25	-	**264**
Depreciation on housing properties	5,513	1,837	-	**7,350**
Pension operating charge	399	165	2	**566**
Operating cost of social housing lettings	21,435	9,635	79	**31,149**
Operating surplus on social housing lettings	9,389	3,475	117	**12,981**
Void losses	(102)	(44)	-	**(146)**

4. Surplus on ordinary activities

Operating surplus is stated after charging:	**2020**	2019
	£000	£000
Auditor's remuneration (excluding VAT)		
In their capacity as statutory auditors	**24**	24
Fees payable to the auditors and its associates for other services:		
Taxation compliance services	**-**	1
Other assurance services for loan covenant certification	**1**	1
Operating lease rentals		
Other – vehicles	**48**	114
Land and buildings	**305**	297
Office equipment	**61**	61
Inventory recognised as an expense	**513**	387
Depreciation of housing properties	**7,487**	7,350
Depreciation of other fixed assets	**677**	625

5. Surplus on disposal of fixed assets

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**

2019

	Low cost home ownership staircasing	Right to Buy	Others	Total
	£000	£000	£000	£000
Proceeds of sales	573	378	5,076	6,027
Less: costs of sales	(420)	(364)	(1,964)	(2,748)
Surplus	153	14	3,112	3,279

6. Interest receivable and similar income

Surplus for the year is stated after crediting:	2020 £000	2019 £000
Bank interest	**292**	228

7. Interest payable and financing costs

	2020 £000	2019 restated £000
Defined benefit pension charge	**703**	765
On loans wholly or partly repayable in more than five years	**5,769**	6,123
Costs associated with financing	**64**	-
	6,536	6,888
Less: interest capitalised on housing properties under construction	**(131)**	(26)
	6,405	6,862

As per note 35 interest payable has been restated following a review of the market rate used to calculate the effective interest. More interest had previously been carried within the loan values in the SOFP. The prior year interest payable increased by £1,957k following this adjustment.

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:

	2020 £000	2019 £000
Emoluments	**637**	472
Pension contributions	**86**	69
	723	541
Emoluments paid to the highest paid Director, excluding pension contributions in the year	**138**	109

Key management personnel include Chief Executive, Finance Director, Property Director, Housing Director and Director of Service Transformation (2019: four).

Remuneration for the Chief Executive in the year, excluding pension contributions, was £138,437.

The Chief Executive is an ordinary member of the Social Housing Pension Scheme. No enhancements or special terms are applied. Pension contributions of £21,320 (2019: £14,812) 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.

	2020	2019
	£	£
Asit Acharya	**4,500**	4,000
Alistair Auty (appointed 13 August 2019)	**3,734**	-
Tim Ayre (retired 25 July 2019)	**1,435**	4,000
Debbie Bond	**4,500**	4,000
Graham Clarke	**6,557**	6,024
Phyllida Culpin	**4,500**	4,000
Ryan Gralia (resigned 17 April 2018)	**-**	276
Dawn Lang	**6,508**	6,002
Adam Peat (retired 25 July 2019)	**3,994**	11,433
David Penny	**6,500**	6,000
Suzanne Rastrick (appointed 13 August 2019)	**2,864**	-
Christine Turner (from 27 June 2019)	**9,223**	-
Jill Williams (resigned 25 February 2020)	**4,070**	4,000
	58,385	49,735
Total expenses reimbursed to Members	**10,905**	5,595

10. Employee information

	2020	2019
Average number of full time equivalent employees during the year	**430**	399

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

Staff Costs	2020	2019
	£000	£000
Wages and salaries	**12,237**	11,143
Social security costs	**1,103**	1,021
Other pension costs	**1,832**	1,893
	15,172	14,057

10. Employee information (Continued)

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:

	2020	2019
£140,001 to £150,000	**1**	-
£120,001 to £130,000	**1**	-
£110,001 to £120,000	**1**	1
£100,001 to £110,000	**1**	1
£90,001 to £100,000	**1**	2
£80,001 to £90,000	**5**	2
£70,001 to £80,000	**2**	4
£60,001 to £70,000	**6**	4
	18	14

11. Tangible fixed assets

	Housing properties	Other tangible assets	Total
	£000	£000	£000
Net book value: At 1 April 2019	345,172	4,630	349,802
SNet book value: At 31 March 2020	351,740	5,271	357,011

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 2019	3,043	398,458	353	11,479	413,333
Additions in year	-	520	-	-	520
Properties under construction	8,039	-	3,901	-	11,940
Completions	(3,209)	3,209	-	-	-
Works to existing properties	-	5,408	-	-	5,408
Disposal of components	-	(1,833)	-	-	(1,833)
Interest capitalised	95	-	36	-	131
Transfer from current assets	-	-	290	-	290
Transfer to current assets	-	-	(2,042)	-	(2,042)
Impairment	-	-	(86)	-	(86)
Disposals	-	(1,501)	-	(190)	(1,691)
Cost at 31 March 2020	**7,968**	**404,261**	**2,452**	**11,289**	**425,970**
Accumulated depreciation:					
Depreciation at 1 April 2019	-	66,786	-	1,375	68,161
Charge for the year	-	7,412	-	75	7,487
Disposal of components	-	(1,156)	-	-	(1,156)
Disposals	-	(248)	-	(14)	(262)
Depreciation at 31 March 2020	**-**	**72,794**	**-**	**1,436**	**74,230**
Net book value at 31 March 2020	**7,968**	**331,467**	**2,452**	**9,853**	**351,740**
Net book value at 31 March 2019	3,043	331,672	353	10,104	345,172

11. Tangible fixed assets (Continued)

An impairment review was carried out against the sales value of shared ownership units following the Covid-19 pandemic. External sources indicated that house prices could fall by 10% over the short term and therefore the sales price expected for contracted schemes was reduced by this amount, resulting in a cost impairment of £86k.

	2020	2019
	£000	£000
Housing Properties comprises		
Freehold land and buildings	**350,608**	344,089
Long leasehold land and buildings	**1,132**	1,083
	351,740	345,172
Expenditure on works to existing properties in the year		
Components capitalised	**5,408**	5,328
Amounts charged to expenditure	**12,049**	10,533
Development interest capitalised	**131**	26
Interest rate used for capitalisation (average)	**4.78%**	4.76%

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 2019	4,770	212	3,059	790	1,938	666	11,435
Additions	-	17	91	226	758	234	1,326
Disposals	-	(7)	-	(24)	(68)	-	(99)
As at 31 March 2020	**4,770**	**222**	**3,150**	**992**	**2,628**	**900**	**12,662**
Accumulated depreciation							
At 1 April 2019	2,722	133	2,649	567	734	-	6,805
Charge for year	58	26	198	125	270	-	677
Disposals	-	(6)	-	(19)	(66)	-	(91)
As at 31 March 2020	**2,780**	**153**	**2,847**	**673**	**938**	**-**	**7,391**
Net book value							
As at 31 March 2020	**1,990**	**69**	**303**	**319**	**1,690**	**900**	**5,271**
As at 31 March 2019	2,048	79	410	223	1,204	666	4,630

12. Investment properties held for letting

Net book value:	2020 £000	2019 £000
At start of year	**1,100**	1,420
Additions	**-**	-
Disposals	**-**	(100)
Revaluation	**70**	(220)
At end of year	**1,170**	1,100

Investment properties were valued at 31 March 2020 by Savills. Commercial properties have been valued on a desktop basis at £250k. The residential properties valuation, £920k, 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.

13. Gift aid

Gift aid received

	2020 £000	2019 £000
Gift aid from reserves	**-**	11
	-	11

Magna (West Devon) Limited was a 100% subsidiary of Magna. The company was dissolved on the 2nd April 2019. Prior to this a payment of reserves for £10,745 was made to Magna in July 2018.

14. Investments in subsidiaries and joint ventures

Charter (S.W.) Limited

Charter made a profit before tax of £nil in the year (2019: £nil).

The carrying value of the investment of £26,000 (2019: £26,000) reflects the share reduction in the year. The remaining value is supported by underlying net assets.

Charter made a share capital repayment of £350,000 in November 2018. This is shown in other comprehensive income as the net effect of the payment made and the reduction in the carrying value of the investment in Charter.

15. Inventories

Properties held for resale

	2020 £000	2019 £000
Completed properties for sale	**-**	220
Work in progress on properties for sale	**2,042**	290
Stocks of maintenance materials	**368**	343
	2,410	853
The value of stocks of maintenance materials charged to expenditure in the year	**513**	387

16. Trade and other debtors

	2020	2019
	£000	£000
Gross rent arrears	**1,221**	1,249
Less provision for doubtful debts	**(837)**	(657)
	384	592
Other debtors	**3,579**	630
Prepayments and accrued income	**787**	987
Amounts owed by subsidiaries		-
	4,750	2,209

17. Debtors: amounts falling due after more than one year

	2020	2019
	£000	£000
Debtor: amount falling due after one year	**-**	21
	-	21

The loan previously issued to Homeless International was changed to a donation at the end of the year.

18. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank	**28,068**	28,271
Sinking fund balances	**3,646**	3,460
	31,714	31,731

19. Creditors: amounts falling due within one year

	2020	2019 Restated
	£000	£000
Trade creditors	**806**	1,693
Rents received in advance	**1,475**	1,283
Other taxes and social security	**447**	402
Maintenance sinking fund	**3,586**	3,380
Recycled capital grant fund (note 22)	**490**	400
Other creditors	**551**	517
Pension creditor	**149**	124
Accruals and deferred income	**3,370**	1,176
Amounts owed to subsidiaries	**68**	68
Loan interest and repayments (note 21)	**12,800**	9,000
Capital grant received in advance	**3,122**	2,285
	26,864	20,328

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

	2020	2019 Restated
	£000	£000
Loan interest and repayments (note 21)	105,200	110,000
Social housing grant (note 24)	1,647	637
Recycled capital grant fund (note 22)	530	400
	107,377	111,037

21. Debt analysis

Loans repayable by instalments:	2020	2019 Restated
	£000	£000
Within one year	12,800	9,000
In one year or more but within two years	11,000	12,800
In two years or more but within five years	74,100	69,200
In more than five years	20,100	28,000
Total loans repayable in more than one year (note 20)	105,200	110,000
Total Loans	118,000	119,000

At 31 March 2020 Magna had facilities of £160,000,000 (2019: £139,000,000) with consortia led by Lloyds Banking Group plc and Royal Bank of Scotland plc for remaining terms up to 7 years at rates varying with LIBOR, with options to fix. At 31 March 2020, £118,000,000 (2019: £119,000,000) had been drawn down of which £103,000,000 (2019: £114,685,000) is fixed for periods between 2 and 7 years. The average interest rates for the fixed rates loans are 5.25%. The borrowings are secured by fixed charges over housing property assets.

The debt analysis reflects the change made following the interest rates and interest payable recalculations.

As per note 35 interest payable has been restated following a review of the market rate used to calculate the effective interest. More interest had previously been carried within the loans repayable values in the debt analysis. The prior year loans repayable reduced by £8,327k following this adjustment.

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

22. Recycled capital grant fund

	2020	2019
	£000	£000
At the start of the year	800	693
Inputs: Grants recycled	294	236
Recycling: New build	(74)	(129)
At the end of the year	**1,020**	**800**
Amount where repayment may be required within one year	490	400
Amount where repayment required after one year or more	530	400
	1,020	800

23. 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.

24. Social housing grant

	2020	2019
	£000	£000
At the start of the year	637	644
Additions	1,036	-
Amortised within statement of comprehensive income	(26)	(7)
At the end of the year	1,647	637
Creditors: Amounts falling due after one year	1,647	637

25. 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 £684,000 (2019: £703,000). The cost is assessed in accordance with advice from a qualified actuary. Employer's contributions to the Fund of £29,558 (2019: £42,204) 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 2020 were 465.3% (2019: 442.1%) 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 £215,000 (2019: £220,000). The cost is assessed in accordance with advice from a qualified actuary. Employer's contributions to the Fund of £11,722 (2019: £16,138) 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 2020 were 383.9% (2019: 366.1%), of members' contributions.

25. Pension arrangements (Continued)

Dorset and Somerset county council funds

The main financial assumptions adopted as at 31 March 2020 were:

	Both 2020	Dorset 2019	Somerset 2019	Dorset 2018	Somerset 2019
Financial assumptions (per annum)					
Retail price index inflation	**2.7%**	3.4%	3.4%	3.3%	3.3%
Consumer price Index	**1.9%**	2.4%	2.4%	2.3%	2.3%
Salary inflation	**2.9%**	3.9%	3.9%	3.9%	3.8%
Pension increases	**1.9%**	2.4%	2.4%	2.4%	2.3%
Discount rate	**2.4%**	2.4%	2.4%	2.6%	2.6%
Life expectancy (years)					
Males retiring today	**23.3**	22.9	22.9	24.0	24.0
Females retiring today	**24.7**	24.8	24.0	26.1	25.2
Males retiring in 20 years	**24.7**	24.6	24.6	26.2	26.2
Females retiring in 20 years	**26.2**	26.6	25.8	28.4	27.5

Magna's share of the fair values of each main class of assets held by the Funds as at 31 March 2020 and the expected rates of return for the ensuing year are set out in the following table:

Fair Value:	2020	2019	2018
Equities	**21,929**	25,210	26,066
Gilts	**4,213**	5,263	5,191
Property	**4,514**	4,851	4,499
Bonds	**3,507**	3,420	3,390
Cash	**1,248**	1,729	912
Other	**5,426**	5,547	5,133
	40,837	46,020	45,191

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

	2020	2019	2018
Share of assets	**40,837**	46,020	45,191
Share of estimated liabilities	**(69,214)**	(73,060)	(73,100)
Net deficit at 31 March	**(28,377)**	(27,040)	(27,909)

Amount charged to surplus

	2020	2019	2018
Current service cost	**(1,161)**	(1,234)	(1,387)
	(1,161)	(1,234)	(1,387)

25. Pension arrangements (Continued)

Amount charged to other finance income

	2020	2019
	£000	£000
Interest on assets	**1,095**	1,137
Interest on pension scheme liabilities	**(1,732)**	(1,837)
Net charge	**(637)**	(700)

Actuarial gain/(loss) in respect of pension schemes

	2020	2019
	£000	£000
Return on assets less interest	**(5,232)**	953
Change in financial assumptions	**4,976**	1,406
Net gain	**(256)**	2,359

The movement in the net deficit for the year to 31 March 2020 is as follows:

	2020	2019
	£000	£000
Fair value of scheme assets at 1 April	**46,020**	45,191
Interest on assets	**1,095**	1,137
Return on assets less interest	**(5,232)**	953
Other actuarial losses	**(147)**	-
Administration expenses	**(35)**	(35)
Contributions by employer including unfunded	**899**	923
Contributions by fund participants	**203**	218
Estimated benefits paid	**(1,966)**	(2,367)
Fair value of scheme assets at 31 March	**40,837**	46,020
Defined benefit obligations at 1 April	**(73,060)**	(73,100)
Service cost	**(1,161)**	(1,234)
Interest cost	**(1,732)**	(1,837)
Change in financial assumptions	**4,976**	1,406
Change in demographic assumptions	**-**	-
Experience loss on defined benefit obligations	**-**	-
Past service costs including curtailments	**-**	(444)
Estimated benefits paid net of transfer in	**1,965**	2,366
Contributions by scheme participants	**(203)**	(218)
Unfunded pension payments	**1**	1
Defined benefit obligations at 31 March	**(69,214)**	(73,060)
Net deficit at 31 March	**(28,377)**	(27,040)

25. 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 accounting policy in relation to SHPS is set out on page 36.

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.

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

Magna has agreed to a deficit funding arrangement. Magna recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The discount rate is revised annually and any impact is recognised as a finance cost.

	2020	2019
Retail price index inflation	**2.5% per annum**	3.2% per annum
Consumer price Index	**1.5% per annum**	2.2% per annum
Salary inflation	**2.5% per annum**	3.2% per annum
Discount rate	**2.3% per annum**	2.4% per annum
Life expectancy (years)		
Males retiring today	**21.5 years**	22.9 years
Females retiring today	**23.3 years**	24.6 years
Males retiring in 20 years	**22.9 years**	24.6 years
Females retiring in 20 years	**24.5 years**	26.6 years

Magna's share of the fair values of each main class of assets held by the Funds as at 31 March 2020 and the expected rates of return for the ensuing year are set out in the following table:

Fair Value	**2020**	2019
Absolute return	**442**	666
Alternative risk premia	**593**	444
Corporate bond fund	**483**	359
Credit relative value	**233**	141
Distressed opportunities	**163**	140
Emerging markets debt	**257**	266
Fund of hedge funds	**5**	35
Global equity	**1,240**	1,296
Infrastructure	**631**	404
Insurance-linked securities	**260**	221
Liability driven investment	**2,814**	2,816
Liquid credit	**3**	-
Long lease property	**147**	113
Net current assets	**36**	15
Opportunistic	**205**	-
Private debt	**171**	103
Property	**187**	173
Risk sharing	**286**	233
Secured income	**322**	276
	8,478	7,701

25. Pension arrangements (Continued)

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

	2020	2019
	£000	£000
Share of assets	**8,478**	7,701
Share of estimated liabilities	**(9,875)**	(10,542)
Net deficit at 31 March	**(1,397)**	(2,841)

Amount charged to other finance income

	2020	2019
	£000	£000
Interest on assets	**188**	187
Interest on pension scheme liabilities	**(254)**	(252)
Net charge	**(66)**	(65)

Amount charged to surplus

	2020	2019
	£000	£000
Current service cost	**(237)**	(210)
	(237)	(210)

Actuarial gain/(loss) in respect of pension schemes

	2020	2019
	£000	£000
Return on assets less interest	**265**	175
Change in financial assumptions	**1,065**	(526)
Net surplus/(loss)	**1,330**	(351)

25. Pension arrangements (Continued)

	2020	2019
	£000	£000
Fair value of scheme assets at 1 April	**7,701**	7,043
Interest on assets	**188**	187
Return on assets less interest	**265**	175
Contributions by employer including unfunded	**426**	357
Contributions by plan participants	**-**	1
Estimated benefits paid	**(102)**	(62)
Fair value of scheme assets at 31 March	**8,478**	7,701
Defined benefit obligations at 1 April	**(10,542)**	(9,603)
Service cost	**(237)**	(210)
Interest cost	**(254)**	(252)
Change in assumptions	**1,065**	(526)
Estimated benefits paid net of transfer in	**102**	62
Contributions by plan participants		(1)
Expenses	**(9)**	(12)
Defined benefit obligations at 31 March	**9,875**	(10,542)
Net deficit at 31 March	**(1,397)**	(2,841)

As at the 31 March 2020 there were 19 active members of the defined benefit (DB) Scheme (2019: 22) employed by Magna. The annual pensionable payroll for Magna in respect of those DB members was £835,678 (2019: £860,870).

The total pension cost for Magna for the year in respect of this DB Scheme was £170,615 (2019: £142,972). Employer contributions to the DB Scheme of £14,411 (2019: £11,883) 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 302 active members (2019: 261). The annual pensionable payroll in respect of those DC members was £7,688,807 (2019: £6,379,299).

The total pension cost to Magna for the year in respect of this DC section of the Scheme was £782,230 (2019: £572,243). Employer contributions to the DC section of the Scheme of £67,146 (2019: £52,081) were included in creditors and paid after the year end.

26. Other provision

Other provisions are analysed as follows	2020	2019
	£000	£000
Redundancies	**-**	2
Major Repairs	**2,656**	563
	2,656	565

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.

27. 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	31,731	8,094	(8,111)	31,714
Housing loans due in one year	9,000	(9,000)	12,800	12,800
Housing loans due after one year	110,000	8,000	(12,800)	105,200
	150,731	**7,094**	**(8,111)**	**149,714**

28. Financial instruments

Financial instruments are analysed as follows	Note	2020	2019
		£000	£000
Financial assets that are debt instruments at amortised cost			
Debtors falling due after one year	17	**-**	21
Trade receivables	16	**384**	592
Other receivables	16	**4,366**	1,617
		4,750	2,230
Financial liabilities measured at amortised cost			
Bank loans	21	**118,000**	119,000
Trade creditors	19	**806**	1,693
Rent in advance	19	**1,475**	1,283
Sinking fund	19	**3,586**	3,380
Recycled capital grant	22	**1,020**	800
Social housing grant	24	**1,647**	637
Taxes and social security	19	**447**	402
Owed to subsidiaries	19	**68**	68
Other creditors	19	**4,070**	1,817
		131,119	129,080

29. Non-equity share capital

Allotted, issued and fully paid	2020 £000	2019 £000
At 1 April	**22**	23
Shares of £1 issued during the year	**3**	-
Surrendered during the year	**(6)**	(1)
At 31 March	**19**	22

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.

30. 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:

	2020 £000	2019 £000
Contracted	**22,521**	6,144
Authorised but not contracted	**10,577**	28,256
	33,098	34,400
Capital commitments will be funded by		
Cash or drawings on agreed loan facilities	**33,098**	34,400

31. 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:

	2020 £000	2019 £000
Land and Buildings		
Expires in less than one year	**10**	9
Expires in one year or more but less than two years	**-**	3
Expires in two years or more but less than five years	**168**	45
Expires in five years or more	**3,356**	3,741
Vehicles		
Expires in less than one year	**7**	38
Expires in one year or more but less than two years	**-**	-
Expires in two years or more but less than five years	**6**	11
	3,547	3,847

32. Accommodation owned and managed

Under development at the end of the year	No. of properties 2020	No. of properties 2019
General needs housing	**151**	37
Low-cost home ownership	**66**	11
	217	48

32. Accommodation owned and managed (Continued)

Social Housing

	No. of properties		No. of properties	
	Owned	**Managed**	Owned	Managed
Under management at the end of the year				
General needs housing	**6,091**	**5**	6,092	5
Supported housing	**227**	**-**	211	-
Housing for older people	**1,838**	**-**	1,849	-
Low-cost home ownership	**281**	**5**	287	5
Fixed equity	**16**	**-**	17	-
Total social housing units owned and managed	**8,453**	**10**	8,456	10
Market rented	**25**	**-**	25	-
Freehold only	**394**	**-**	394	-
	8,872	**10**	8,875	10

Reconciliation of stock movements in the year

	GN	SH	SU	LCHO	Other Social	Non Social	Total
Units at start of period	6,097	1,849	211	292	17	419	8,885
New developments/acquisitions	32	1	-	-	-	-	33
Property sales/disposals	(30)	(1)	-	(6)	-	-	(37)
Other	(3)	(11)	16	-	(1)	-	1
Units at 31 March 2020	**6.096**	**1,838**	**227**	**286**	**16**	**419**	**8,882**

Garages

	No. of units owned 2020	No. of units owned 2019
Under management at the end of the year		
Garages	**1,350**	1,433

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.

33. Accommodation managed by others

Magna owns/leases property managed by other bodies	**No. of properties 2020**	No. of properties 2019
	Managed	Managed
Market rented	**25**	25
Supported housing	**50**	63
	75	88

34. 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.) Investments LLP **	Companies Act 2006	Non Registered	Limited Liability Partnership

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

** Charter (S.W.) Investments LLP is a joint venture between Charter (S.W.) Limited and Charter (S.W.) Developments Limited. The company was voluntarily wound up by the members on 24 April 2019.

At the end of the financial year 1 (2019:1) Board member was a tenant of Magna, holding a standard Magna assured tenancy. No special terms apply. Charges incurred during the year were £5,540 (2019: £5,482) and there was a credit balance of £235 at 31 March 2020 (2019: £363 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 (2019: £nil).

Magna owed Charter (S.W.) Limited £68,000 in retentions (2019: £68,000).

Amounts charged by members of the Group during the year

	2020	2019
	£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

	2020	2019
	£000	£000
Charter (S.W.) Limited Intra-Group closing debtor and creditors Balances		
Debtors – amounts owed by group members	**68**	68
Creditors – amounts payable to group members	-	-

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

35. Prior year adjustment

Following a review of the effective interest rate used to calculate the fair value of certain loans an adjustment has been made which impacts the prior year. This is set out in notes 7 and 21.

magna

For more information visit
magna.org.uk