



The Pioneer Group

People. Housing. Community.

The Pioneer Housing and Community Group Limited

Annual Report and Financial Statements

**for the year ended
31 March 2019**

Homes & Communities Agency No: L4118
Registered Society No: 28414R

The Pioneer Housing and Community Group Limited and its subsidiaries
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2019

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Note; 1. The word "Association" throughout this report refers specifically to The Pioneer Housing and Community Group Limited entity.
 2. The word "Group" throughout this report refers to the consolidated results of The Pioneer Housing and Community Group Limited and its subsidiaries.

The Pioneer Housing and Community Group Limited and its subsidiaries

MEMBERS, SENIOR OFFICERS AND ADVISORS

Pioneer Group Board

Alison Fisher	Chair of the Pioneer Group Board
Sue Spicer	
Ken Sims	
Darshan Matharoo	
Stuart Roberts	
Jonathan Driffill	
Greg Lakin	
Carole Wildman	
Sarah Johnson	from 19 July 2018
Penny Holbrook	until 5 June 2018

Senior Officers

Simon Wilson	Chief Executive – from 25 May 2018
Martyn Hencher	Finance Director – from 3 September 2018
David Livesey	Asset Management Director – from 11 March 2019
Lisa Martinali	Regeneration Director
Kate Foley	Housing and Customer Services Director – from 4 September 2018
Peter Richmond	Chief Executive – until 15 June 2018
Ian Evans	Finance Director – until 31 July 2018
Tony Clark	Asset Management Director – until 22 February 2019

Hannah Pryce	Company Secretary
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Advisors

Statutory Auditor:

Mazars LLP
Chartered Accountants
45 Church Street
Birmingham
B3 2RT

Principal Bankers:

Barclays Bank
15 Colmore Row
Birmingham
B3 2BH

Registered Office

11 High Street
Castle Vale
Birmingham
B35 7PR

Legal Status:

Homes & Communities Agency Registration Number: L4118
Co-operative and Community Benefit Societies Number: 28414R
Member of the National Housing Federation
HMRC Charity Number: XN37009

The Pioneer Housing and Community Group Limited and its subsidiaries STRATEGIC BOARD OF DIRECTORS' REPORT For the year ended 31 March 2019

Introduction

The Pioneer Group Board is pleased to present its report and audited financial statements for the year ended 31 March 2019.

The Pioneer Housing and Community Group Limited (Association) is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider.

Principal activities

Pioneer's mission is helping people and communities to thrive and not get left behind.

The principal activity of the Group is providing social housing in north and east Birmingham, with the vast majority of the stock in Castle Vale, Birmingham. This represents 80% of the Group's turnover.

Consistent with its wider mission, Pioneer provides a range of other people, community and housing-focussed services including:

- Community regeneration, including health, family support and young people services
- CCTV and community safety
- Market rent homes
- A small number of commercial properties on Castle Vale High Street
- Sports and leisure facilities at Castle Vale Stadium

Pioneer Group structure

The Pioneer Group is the group parent. It is a charitable Registered Provider, holding all the Group's housing assets and all of its borrowing. It develops and lets housing under the brands of:

- Castle Vale Community Housing – social housing
- Stockland Green Opportunity Housing and Training – market rent and social housing
- Pioneer Places – market rent and social housing

The Pioneer Group provides the central services of Human Resources, Finance, Information Technology, Executive Support and Business Transformation to the wider group. It also delivers the strategic services of Asset Management, and Partnerships and Development.

The Pioneer Group has two actively trading subsidiaries.

- Compass Support Services Limited – a charity delivering a range of people based services including health, wellbeing, education and employment services
- The Merlin Venture Limited – a company limited by guarantee, it supports the local community through child care services, running the Tiggy Winkles Day Care Nurseries for 0-5 year olds from two locations on the Castle Vale estate. It joined the group in 2017.

This organisation structure allows for other brands or organisations to join the Group in the future. There are no cross guarantees from a finance perspective with regard to the subsidiaries, which provides protection to the social housing assets.

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Corporate Plan 2015-20

The 2015-20 Corporate Plan set out an exciting future for The Pioneer Group, together with a new mission: helping people and communities to thrive and not get left behind.

This mission underpins Pioneer's four strategic goals:

STRATEGIC GOALS	
GOAL 1	Provide great homes and excellent services
GOAL 2	Help people to reach their true potential
GOAL 3	Empower communities and identify community driven solutions
GOAL 4	Build a strong and value driven organisation

Pioneer was founded in 1997 as Castle Vale Community Housing Association, and by 2005 had taken ownership of 2,400 homes built or refurbished as part of the government-sponsored Housing Action Trust regeneration programme in Castle Vale, Birmingham.

Pioneer's core purpose is to sustain the successful regeneration of Castle Vale, and this remains the Board's firm commitment and priority. Castle Vale continues to be a good place to live. The quality of the housing stock is good, the environment is clean and pleasant, and there is a substantial waiting list for people wanting to live in the area.

Through the 2015-20 Corporate Plan, we aim to use our financial and organisational capacity to take our regeneration expertise to other local communities. Our approach is to work in other parts of Birmingham and the surrounding areas, but always in a community setting. We seek to provide community-led housing solutions that meet the needs of that area. We are innovative about the types of housing products we provide, based on the requirements of the community. We continue to develop our people based support services.

We understand the importance of building community capacity to enable local people to identify solutions to the challenges they may face. If a working relationship develops we seek to provide housing or people based programmes. Equally, if the community prefers to work with someone else we step aside; our goal to build capacity within a community will still have been achieved.

During the 2015 strategic review and on several occasions since, the Board has considered the options for merger, groups and alliances, and concluded that an independent structure would be the best approach to deliver Pioneer's mission and goals.

In 2016, Pioneer became a member of the Matrix Partnership to gain development expertise, access to Homes England grant programmes and benefit from wider collaboration opportunities with partners.

We plan to provide 350 new homes over the 10 year period 2015-25, an increase of over 15% of our previous housing stock holding. Our approach to housing growth is to:

- Make a difference as our growth plans must contribute positively to the housing markets, neighbourhoods and communities in which we work.
- Manage risk and only operate in those markets we understand which means leaving areas such as extra care to providers that better understand the risks and markets

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Some highlights of our work in 2018/19

- **We will provide great homes and excellent services**

During the year, the Matrix Partnership was successful in agreeing a strategic partnership with Homes England under wave one of Homes England's New Ways of Working programme. As a delivery partner, Pioneer has secured **£5 million of government grant** to help build 135 new affordable homes. This is a major step forward in enabling delivery of our housing growth strategy and providing the new homes needed in our local communities.

Pioneer has invested over £700,000 in the local community through the **Castle Vale Community Pledge**. The pledge is part of Pioneer's continued commitment to the long-term sustainability of the Castle Vale neighbourhood. Services funded through the Pledge include Community Safety/CCTV, estate services, Castle Vale Stadium, people-focussed services provided through Compass, debt advice and digital inclusion.

As part of our commitment to creating sustainable mixed communities, Pioneer took part in the Midlands pilot of **Voluntary Right to Buy**. We expect that this will enable 30 tenants to buy their own homes, with the sales due to complete in the first few months of next year.

- **We will help people reach their true potential**

Over **1,000 young people** have engaged in Compass activities from youth clubs to 1-1 support, growing leaders of the future through our programmes and capacity building. We have continued to respond to local, city and national issues such as knife crime, child poverty, and health and well-being which has resulted in positive outcomes for 92% of those supported.

Our delivery of the **Youth Promise Plus** contract concluded with the consortium supporting over 2,400 young people, with 38% moving into employment or training opportunities.

- **Empower Communities and identify community driven solutions**

We created a new post of Head of Neighbourhood Fundraising, which has supported our partners to raise **£693,000 of fundraising income for local organisations**. This is more than double the target for the year. The successful bids range from a large Adult Education contract through Compass to music equipment for a local dance group.

We have continued to grow our impact in the **Falcon Lodge** area of Sutton Coldfield. A Community Plan has been developed and funding has been secured to introduce a manager for the community centre. Over 90 families have been supported by our Family Coach service.

- **Build a strong and value driven organisation**

As part of the Regulator of Social Housing's four year programme of reviews, Pioneer was subject to an In Depth Assessment process this year. This process resulted in Pioneer being awarded the **highest regulatory ratings (G1 and V1)**, which were published in March 2019.

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Our commitments in 2019/20

Our annual planning process has identified 15 key projects for delivery this year to support delivery of the final year of the 2015-20 corporate plan. This year will be focussed on core service delivery and strengthening performance, ensuring Pioneer is well prepared for a new corporate plan 2020-25.

Some of the significant projects for next year are listed below:

- **We will provide great homes and excellent services**

The repairs service is one of the most visible aspects of the landlord-tenant relationship. We will tender for and appoint a new **repairs contractor**, to take effect from April 2020.

We will complete our existing development to deliver **83 new homes at Manor House, Stechford**, a mix of affordable homes (39 rent to buy and 32 shared ownership) with 12 homes for open market sale.

- **We will help people reach their true potential**

The operating environment for our subsidiary **Compass Support** continues to change, with an environment of short-life contracts, reduced funding opportunities and increased competition alongside a great need for the services Compass delivers.

During 2019/20, Compass will carry out a review of its services, structure, growth and development in order to ensure it continues to deliver a sustainable model and maximises its impact.

- **Build a strong and value driven organisation**

Our housing growth strategy will require additional borrowing over the next five years, as well as refinancing of our current revolving credit facilities by 2022. This year we will take appropriate professional advice to review our **treasury strategy** and funding needs.

Income management is a key risk and will be a focus for our annual plan. This year we will undertake major reviews of our approach to **service charges** and **income collection**.

To ensure we remain an attractive employer whilst ensuring long term financial viability and flexibility, we will carry out a full **review of pay and benefits** offered to staff.

The tragedy at Grenfell Tower has sharpened the sector's focus on tenant safety. We will improve asset management **compliance reporting** at all levels, and implement **improved fire safety management** in high risk residential buildings.

Finally, our current Corporate Plan will come to an end in March 2020. During the next year, we will be undertaking a full **strategic review** in order to produce a new Corporate Plan 2020-25.

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Principal risks and uncertainties

Pioneer has a comprehensive and well-established risk management process. Strategic risks are assessed and reported quarterly through the Corporate Risk Plan. The risk framework is accompanied by clear risk appetites and golden rules set by the Board.

The national political and economic uncertainty surrounding Brexit has the potential to impact on a number of strategic risks and has been considered by the Board through framework Brexit Risk Plan. Potential strategic impacts of Brexit have been stress tested and appropriate mitigations are in place. Pioneer has also reviewed the potential impacts on operational performance of a disorderly Brexit and has sought appropriate assurances from contractors.

The principal strategic risks facing Pioneer, which have the highest residual scoring in the Corporate Risk Plan, are:

Risk	Description	Assurance/mitigation/action
Income	Income reduces due to welfare reform, financial stresses on individuals or government policy	<p>Key annual plan projects around income management and service charges will ensure income is maximised in a sustainable way. Additional staff have been dedicated to the income team and Pioneer's financial inclusion strategy is being reviewed during the next year.</p> <p>Stress testing of this risk in the financial plan has been carried out, and appropriate mitigations are in place if this risk were to materialise.</p>
Health and safety	Non-compliance with corporate health and safety responsibilities	<p>A survey of Pioneer's two tower blocks identified no risks from the cladding.</p> <p>Health and Safety reporting is reviewed by a cross-business Steering Group, supported by an external consultant.</p> <p>Pioneer has annual plan projects during the year to improve compliance reporting and implement fire risk recommendations</p>
Cost	Cost increases due to adverse economic conditions (inflation/interest rates) or non-delivery of planned efficiencies	<p>The final cost savings required by the government rent reduction have been delivered. The 2019/20 budget and financial business plan do not require any further savings.</p> <p>This risk is potentially impacted by Brexit. Additional stress testing of the financial business plan has been carried out, and appropriate mitigations are in place if this risk were to materialise.</p> <p>Pioneer secured additional loan fixes during the year. Current loan funding is 100% fixed until 30 March 2019.</p>

Risk management is a dynamic process and opportunities to strengthen the internal control environment are continuously sought. During 2019/20 this will include a full assurance mapping exercise and a review of the potential benefits of new risk management software.

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Financial performance

The overall financial performance of The Pioneer Group is a surplus of £2.1 million (2018: £1.9 million).

The core activity of The Pioneer Group is social housing. Social housing accounts for 80% of the Group's turnover (an increase from 77% in the previous year) and 88% of the Group's properties (unchanged from the previous year).

Pioneer's operating model is to generate surpluses from the social housing assets and use these to support wider community and people focussed services, in accordance with its charitable mission. This year the Group invested a net £1.2 million in non-social housing activities, primarily in regeneration. The 2018 figure (£0.3 million) appears substantially lower because a one-off £0.8 million grant relating to Castle Vale Stadium was received in 2018; in reality the ongoing investment in non-social housing activities remains broadly the same.

Some elements of non social housing activity are carried out as investments with the intention of generating funds to subsidise the Group's charitable aims. The most significant of these is the market rent portfolio, which represents 5% of the Group's turnover and 4% of its properties (2018: 4% of turnover, 3% of properties).

Total comprehensive income for the year was £1.2 million (2018: £2.0 million). The main reason for the fall was the initial recognition of the SHPS defined benefit pension scheme (£0.7 million, note 10). This is a longstanding scheme which can now be accounted for as a defined benefit scheme, resulting in the accounting difference between the two methods being charged to other comprehensive income.

The Group's balance sheet shows an increase in fixed assets to £94.1 million (2018: £92.7 million). Retained revenue reserves amounted to £23.7 million (2018: £22.5 million).

The Group's cash balance at year end was £4.7 million, and this is accompanied by a £17 million undrawn revolving credit facility. This will support Pioneer's housing growth strategy and provides adequate liquidity for the next three years.

Despite spending £5.1 million on investment activities in new and existing property, Pioneer has not needed to make any loan drawdowns from its revolving credit facility during the year. Loan balances have actually fallen from £42.2 million to £41.3 million due to scheduled loan repayments. 100% of current loans are fixed until 30 March 2020 and 55% are fixed in excess of 5 years.

All loan covenants have been met during the year.

It is the Pioneer Group Board's intention to retain sufficient levels of reserves to protect the long-term interest of tenants, allowing for the ongoing provision of accommodation at affordable rents and adequate levels of funding for future major repair and development programmes.

Value for Money – performance against regulatory metrics

The table below outlines Pioneer's performance against the nine metrics set out by the Regulator of Social Housing.

The trend columns are colour coded to show whether the metric is constant or improving (green) or deteriorating (red) compared to the previous year.

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The performance columns are colour coded to show whether Pioneer's results are better (green) or worse (red) than internal targets and peer benchmarks. The peer comparison shows the median result for a group of comparable-sized organisations operating in England, excluding London. The national comparison shows the median result for all registered providers, from the Regulator's analysis of the global accounts for the sector.

Regulatory Metric	Trends				Performance		
	2017 Actual	2018 Actual	2019 Actual	2020 Target	Target 2019	Sector median	Peers median
Reinvestment	2.2%	1.8%	4.6%	17%	3.0%	6.0%	4.4%
New supply delivered (social housing units)	0.0%	0.0%	0.0%	3.0%	-	1.2%	1.0%
New supply delivered (non-social housing units)	0.0%	0.5%	0.0%	0.5%	0.5%	0.0%	0.0%
Gearing	46.6%	47.8%	52.1%	47.1%	55.0%	42.9%	38.3%
EBITDA MRI Interest cover	241%	269%	197%	148%	127%	206%	233%
Headline social housing cost per unit	£2,914	£2,733	£2,975	£3,161	£3,461	£3,400	£3,750
Operating margin (social housing lettings)	45.8%	45.9%	41.7%	35.7%	38.8%	32.1%	31.8%
Operating Margin (overall)	36.1%	33.6%	25.6%	22.9%	28.8%	28.9%	28.9%
Return on capital employed	5.6%	5.9%	4.2%	5.6%	4.7%	4.1%	3.4%

As part of the 2015-20 Corporate Plan, Pioneer aimed to use its experience and financial assets to achieve a greater impact on the housing crisis across the Birmingham area. The housing growth strategy targets completion of 350 new or refurbished properties in the period 2015-25.

Pioneer is growing its development programme cautiously and as at year end had 57 units on site at a scheme in Stechford, Birmingham. This is contributing to the planned falls in EBITDA, falls in return on capital employed and rise in gearing, and has delivered a significant increase in reinvestment. The new supply metrics naturally lag behind these indicators and are expected to rise significantly when this scheme is completed in 2019/20.

Maintenance costs have risen by £258 per unit, affecting both headline social housing cost per unit and social housing operating margin. Non-maintenance costs have fallen by £16 a unit. Planned maintenance increases of £137 per unit relate to cyclical investment in housing components, particularly kitchen replacements. Maintaining the quality of Pioneer's stock helps sustain high demand and is a core part of the promise to the local community. In addition, Pioneer has undertaken additional fire risk assessment work in the year as part of the sector's response to the tragedy at Grenfell Tower.

Social housing operating margin remains high for the sector, enabling the investment in wider community and people focussed services which results in a lower overall margin. Without the increased maintenance

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costs this year, social housing operating margin would have been higher still at 44.8%. The fall in overall operating margin this year is mainly due to the fall in social housing margin, plus the one off £0.8 million grant for Castle Vale Stadium in 2018 not being repeated in 2019.

Value for Money – performance against Pioneer's metrics

Alongside the regulatory metrics, Pioneer had identified 12 further value for money targets for the year. These cover qualitative satisfaction metrics alongside metrics covering income collection, voids and expenditure on overheads.

Pioneer Metric	Trends				Performance		
	2017 Actual	2018 Actual	2019 Actual	2020 Target	Target 2019	Sector wide *	Benchmark Peers *
Overall satisfaction with landlord's services	85%	83%	78%	88%	88%	88%	84%
Satisfaction with most recent responsive repair	94%	93%	84%	85%	95%	91%	93%
Rent collection	99.9%	99.8%	99.1%	100.0%	100.0%	99.8%	99.8%
Rent loss due to voids	0.15%	0.24%	0.31%	0.30%	0.30%	0.83%	0.75%
Number of new units developed/refurbished	8	30	6	83	35	Unavailable	Unavailable
Overheads as a % of adjusted turnover	15.5%	15.7%	13.8%	15.7%	16.9%	11.7%	13%
Ratio of responsive to planned maintenance	46%	61%	54%	56%	44%	64%	70%
Repairs completed at first visit	84%	82%	84%	N/A	95%	92%	92%
Management cost per unit	£702	£649	£641	N/A	£665	£1,015	£939
Service charge cost per unit	£381	£318	£309	N/A	£391	£326	£373
Maintenance cost per unit	£930	£666	£710	N/A	£1,087	£930	£1006
Major repairs cost per unit	£901	£547	£625	N/A	£1,236	£720	£630

The decline in overall customer satisfaction is disappointing for Pioneer as a community-led landlord. Regression analysis shows there is some correlation between this metric and the decline in satisfaction with the repairs service. Pioneer has experienced challenges with the repairs service, including the booking appointments process, real-time administration and internal staff turnover.

Actions to improve performance in 2019/20 will include undertaking a process review and service improvement workshops to address process inefficiencies; analysing call failure demand to understand the reason for customers having to make repeat calls; and improving contract management. A scheduled tender process for the repairs contract will also take place during the year, and this will be a key project to deliver an improved service over the longer term.

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Overall pressure on arrears and rent collection remains as welfare reforms continue to impact. A comprehensive income service review has been initiated and will be one of the key annual plan projects monitored by the Board. The intended outcome is to extend a "Rent First" culture across the organisation. Some changes have already been made, including dedicating two income assistants fully to the service.

Demand for our homes remains high and voids performance continues to significantly outperform peers and the wider sector. Investment in cyclical component replacement and community activities helps to support this continued high demand.

Pioneer has added six additional units to its stock this year, through its programme of refurbishing homes purchased on the open market. These are targeted interventions intended to improve the quality of the private rental market in the Castle Vale and Stockland Green areas of Birmingham. As these are not new developments, they are not counted in the regulatory metrics, but they are an important aspect of Pioneer's housing growth strategy. The overall target of 350 new or refurbished properties 2015-25 equates to 35 a year, but distribution of this will be uneven with a significant number of completions expected in 2019-21.

To streamline the metrics, five metrics will be removed from our strategic KPIs from next year. Repairs completed at first visit is a key operational KPI and will be monitored by CVCH Board, with the impact on strategic value for money being seen through overall satisfaction with landlord services. The various cost per unit figures are a subset of headline social housing cost, and will be analysed as part of that measure rather than separately.

As part of next year's strategic review, the Board will consider its planned performance against its own value for money metrics and those set by the regulator. This will ensure a strategic approach to value for money is embedded in the 2020-25 corporate plan.

Statement of the responsibilities of the Pioneer Group Board for the financial statements

Housing Association legislation requires the Pioneer Group Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Association at the end of the financial year and of the surplus of the Group and Association for the year ended on that date.

In preparing those financial statements the Pioneer Group Board are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed and give details of any departures;
- prepare the financial statements on a going concern basis unless it is inappropriate.

The Pioneer Group Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and to enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008.

It is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Group and Association's accounting records, cash holdings and all of its receipts and remittances.

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Going concern

The Group's activities, together with the factors likely to affect its future development, its financial position and its exposure to risk, are described above.

The Group has considerable financial resources and, as a consequence, the Pioneer Group Board believes that the Group is well placed to manage its business risks successfully despite current uncertainties in the social housing sector and wider UK economy. The Pioneer Group Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Governance code

The Pioneer Group Board has formally adopted the National Housing Federation Code of Governance 2015.

The Association confirms its compliance with the code with the exception of the length of service of one Pioneer Group Board member which has been agreed until 2021 to support continuity of expertise for the benefit of the organisation.

Merlin Venture Board does not currently meet the requirement to have a majority of non-exec directors as there are four board members, two of which are exec-directors. This non-compliance has been excepted whilst the due diligence process takes place around potentially collapsing Merlin Venture.

Governance structure

The Pioneer Group Board is ultimately responsible for the Group and Association's strategy and policy framework. The Pioneer Group Board:

- Currently comprises nine members. The present rules of the Association allow for nine members and up to three co-optees.
- Six members are recruited directly and up to three members are nominated from the boards of Castle Vale Community Housing, Compass Support and Stockland Green Opportunity Housing and Training.
- Three of the nine Pioneer Group Board members must have a community connection from one of the Pioneer Group communities.
- Each member is appointed for a term of three years and may be re-appointed at the expiration of that period, subject to a maximum term of nine years.
- Meets formally not less than six times per year for regular business. A rolling programme of training for Pioneer Group Board members is in place.

To support it in achieving the Group's aims, the Pioneer Group Board has delegated responsibility to specialist committees and operational boards covering the Group's key communities.

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Executive Leadership Team

The Board delegates the day to day management and Implementation of the control framework to the Chief Executive and other senior leaders named on page one. The Executive Leadership Team meets weekly and officers regularly attend Pioneer Group Board meetings.

Specialist sub-committees

- **Finance, Audit & Risk Committee**

The committee is made up of between five and seven members and is responsible for Internal and external audit, finance, risk management and compliance. At least four members must be from Pioneer Group Board. The committee meets formally at least four times per year.

- **Development Committee**

The committee is made up of between five and seven members and is responsible for overseeing housing growth for the Group. At least three members must be from Pioneer Group Board. The committee meets formally at least four times per year.

- **Remuneration Committee**

The Remuneration Committee is made up of between three to four members. The committee is responsible for the policy, procedure and review of performance and remuneration of the Chief Executive and Executive Leadership Team members. The Committee meets formally at least once per year.

Community sub-committees

Operational delivery in Pioneer's core operating areas is supported by local, community-focussed boards, with clear reporting and assurance back to Group Board:

- **Castle Vale Community Housing Board**

The board is made up of up to ten members. Five members must be tenants or residents of Castle Vale, elected by Castle Vale tenants; four members will be independents alongside one co-optee. The board is responsible for housing management and housing services, allocations, tenancy enforcement, asset management, repairs and maintenance, estate services, older person's housing services, housing development and community safety in Castle Vale. The board meets formally at least four times per year.

- **Stockland Green Opportunity Housing and Training Board**

The board is made up of between seven to nine members. The board is responsible for housing management and housing services, allocations, tenancy enforcement, repairs and maintenance in Stockland Green. The board meets formally at least four times per year.

Subsidiary boards

Active subsidiaries have their own boards, with clear reporting and assurance back to The Pioneer Group.

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- **Compass Support Services Board**

The board is made up of between five to nine members. The board is responsible for provision of people based services covering youth, family, employment, health and education. The board meets formally at least four times per year.

- **Merlin Venture Board**

The board is made up of between three to five members. The board is responsible for the Tiggy Winkles nurseries which operate in Castle Vale. The board meets formally at least four times per year.

Regulatory framework for social housing

The Board considers it a priority to demonstrate high standards of governance, to comply with the regulatory framework for social housing, and to achieve strong regulatory ratings under the Governance and Financial Viability Standard.

The Board confirms its compliance with the Governance and Financial Viability Standard, during the year and up to the signing of these accounts.

During the year, Pioneer was formally assessed by the Regulator of Social Housing through an In Depth Assessment process. This process resulted in Pioneer being awarded the highest ratings (G1 and V1), which were published in March 2019.

Additionally, the Board has undertaken a detailed self assessment exercise against the regulatory framework and continues to proactively engage with the regulator and wider regulatory framework on an ongoing basis. During the year, actions have been put in place to continue to strengthen internal control and ensure continued compliance against the Rent Standard and the Consumer Standard.

As a community-focussed landlord, Pioneer seeks to exceed the Tenant Involvement and Empowerment Standard and is an early adopter of the National Housing Federation's Together with Tenants Charter.

Internal control assurance

The Pioneer Group Board is responsible for the overall system of internal control throughout the Group and for reviewing its effectiveness.

In discharging its internal control responsibility, the Pioneer Group Board has evolved processes adopted by management to gain assurance that:

- Assets are protected and the Group is safeguarded from losses.
- Financial information is accurate and reliable.
- The Group works within applicable laws and regulations.
- Effectiveness and efficiency of operations is ensured.

The Pioneer Group Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group and Association's assets and interests.

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STRATEGIC BOARD OF DIRECTORS' REPORT
For the year ended 31 March 2019

In meeting its responsibilities, the Pioneer Group Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group and Association is exposed.

A fraud prevention policy, including a fraud response plan, is in place and subject to periodic review by the Pioneer Group Board. A fraud register exists and is reviewed annually by the Pioneer Group Board.

The process adopted by the Pioneer Group Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

- **Appropriately qualified staff**

Experienced and suitably qualified staff are allocated responsibility for important business functions. Job descriptions are appropriate and specific and annual appraisal procedures are well established ensuring the maintenance of standards of performance.

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group and Association's activities. The management team regularly considers and receives reports on significant risks facing the Group and Association and the Chief Executive is responsible for reporting to the Pioneer Group Board any significant changes affecting key risks.

- **Control environment and control procedures**

The Pioneer Group Board retains responsibility for a defined range of strategies, policies and procedures covering operational and financial compliance issues including treasury strategy and new investment projects. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention, detection and reporting.

- **Information and financial reporting system**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Pioneer Group Board. The Pioneer Group Board also reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

- **Monitoring and corrective action**

A process of regular management reporting on control issues provides assurance by senior management to the Pioneer Group Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

- **Internal audit**

The Pioneer Group contracts specialist internal auditors to provide independent assurance on key elements of the internal control framework. During the year, audits conducted by RSM included the impact of welfare reform, the responsive repairs service and the general data protection regulation (GDPR). The organisation has an adequate and effective framework for risk management, governance and internal control, with further enhancements identified to ensure that the framework remains adequate and effective.

**The Pioneer Housing and Community Group Limited and its subsidiaries
STRATEGIC BOARD OF DIRECTORS' REPORT
For the year ended 31 March 2019**

- **Financial planning and stress testing**

The Pioneer Group Board has continued to enhance its approach to stress testing, recognising its responsibility for the identification of risk combinations and appropriate mitigation techniques. This year, the Group adopted industry standard financial planning software (Brixx). Implementation was supported by specialist consultants Altair and subject to internal audit by RSM to ensure the transition was robust. An asset and liability register is also in place and is subject to regular review and further development.

There were no identified weaknesses in internal financial control that required disclosure in the financial statements or in the auditor's report on the financial statements.

Legal Status

The Association is registered society under the Co-operative and Community Benefit Societies Act 2014 (28414R) and is also registered with the Homes & Communities Agency (No L4118) as a Registered Provider.

Pioneer Group Board Members' & Chief Executive's Liability Insurance

The Association maintains insurance against the liabilities of all members of the Pioneer Group Board and Chief Executive in relation to their duties for the Group and Association.

Post Balance Sheet Events

None

Auditor

A resolution to re-appoint Mazars LLP as external auditor will be proposed at the forthcoming Annual General Meeting. Mazars LLP have expressed their willingness to continue in office.

By Order of the Pioneer Group Board



**Allison Fisher
Chair**



**Hannah Pryce
Secretary**

18 July 2019

The Pioneer Housing and Community Group Limited and its subsidiaries
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
For the year ended 31 March 2019

Opinion

We have audited the financial statements of The Pioneer Housing and Community Group Limited (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group and the parent association's Statements of Changes in Reserves, the Group 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2019 and of the group's and the parent association's 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 Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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.

The Impact of uncertainties due to Britain exiting the European Union on our audit

The Board's view on the Impact of Brexit is disclosed on page 6.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Association's trade, customers, suppliers and the wider economy.

We considered the Impact of Brexit on the Association as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Association and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

The Pioneer Housing and Community Group Limited and its subsidiaries
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
For the year ended 31 March 2019

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 parent association has not kept proper books of account; or
- a satisfactory system of control over transactions has not been maintained; 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 the Board's responsibilities set out on page 10, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Pioneer Housing and Community Group Limited and its subsidiaries
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
For the year ended 31 March 2019

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. 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.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Date: *18th JULY 2019*

The Pioneer Housing and Community Group Limited and its subsidiaries

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

		GROUP		ASSOCIATION	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Turnover	3	14,810	15,592	13,105	13,982
Less: Operating expenditure	3	(11,024)	(10,354)	(9,268)	(8,682)
Surplus on disposal of property, plant and equipment	6	344	411	344	411
Operating surplus		<u>4,130</u>	<u>5,649</u>	<u>4,181</u>	<u>5,711</u>
Interest receivable	7	20	19	20	18
Interest and financing costs	8	(1,806)	(1,910)	(1,806)	(1,910)
Deficit on revaluation of investment properties	14	(275)	(1,975)	(275)	(1,975)
Gift on acquisition of subsidiary		-	121	-	-
Surplus for the year	5	<u>2,069</u>	<u>1,904</u>	<u>2,120</u>	<u>1,844</u>
Initial recognition of multi-employer defined benefit scheme	10	(660)	-	(660)	-
Actuarial gains/(losses) in respect of defined benefit pension schemes	10	(205)	72	(205)	72
Total comprehensive income for the year		<u><u>1,204</u></u>	<u><u>1,976</u></u>	<u><u>1,255</u></u>	<u><u>1,916</u></u>

All results relate to continuing activities.

The Pioneer Housing and Community Group Limited and its subsidiaries

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		GROUP		ASSOCIATION	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed Assets					
Intangible assets	12	88	57	88	57
Housing properties	13	78,106	74,303	78,106	74,303
Investment properties	14	13,281	15,564	13,281	15,564
Other property, plant and equipment	15	2,645	2,778	2,562	2,671
		<u>94,120</u>	<u>92,702</u>	<u>94,037</u>	<u>92,595</u>
Current Assets					
Work in progress	16	1,870	-	1,870	-
Trade and other debtors	17	777	1,053	688	985
Cash and cash equivalents		4,718	5,991	4,524	5,808
		<u>7,365</u>	<u>7,044</u>	<u>7,082</u>	<u>6,793</u>
Creditors: Amounts falling due within one year	18	<u>(3,706)</u>	<u>(4,104)</u>	<u>(3,765)</u>	<u>(4,232)</u>
Net current assets		3,659	2,940	3,317	2,561
Total assets less current liabilities		<u>97,779</u>	<u>95,642</u>	<u>97,354</u>	<u>95,156</u>
Creditors: Amounts falling due after more than one year					
Other creditors	19	72,283	72,197	72,244	72,148
Pension liability	10	1,821	974	1,821	974
		<u>74,104</u>	<u>73,171</u>	<u>74,065</u>	<u>73,122</u>
Capital and reserves					
Share capital	21	-	-	-	-
Revenue reserves		23,675	22,471	23,289	22,034
		<u>97,779</u>	<u>95,642</u>	<u>97,354</u>	<u>95,156</u>

The financial statements on pages 19 to 48 were approved by the Pioneer Group Board on 18 July 2019 and were signed on its behalf by:

Alison Fisher

Chair

Sue Spicer

Board Member

Hannah Pryce

Secretary

A. Fisher
Susan Spicer
H. Pryce

The Pioneer Housing and Community Group Limited and its subsidiaries

STATEMENT OF CHANGES IN RESERVES

As at 31 March 2019

	GROUP 2019 Income & Expenditure reserve £'000	GROUP 2018 Income & Expenditure reserve £'000	ASSOCIATION 2019 Income & Expenditure reserve £'000	ASSOCIATION 2018 Income & Expenditure reserve £'000
At 1 April 2018	22,471	20,495	22,034	20,118
Surplus for the year	2,069	1,904	2,120	1,844
Actuarial loss in respect of pension schemes	(865)	72	(865)	72
As 31 March 2019	23,675	22,471	23,289	22,034

The Pioneer Housing and Community Group Limited and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Net cash generated from operating activities	22		4,985		6,878
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,976)		(1,520)	
Purchase of property		(3,552)		(4,028)	
Land bank		-		(1,639)	
Proceeds from sale of property, plant and equipment		429		481	
Interest received		20		20	
Net cash flows from investing activities			(5,079)		(6,686)
Cash flows from financing activities					
Interest paid		(1,756)		(1,764)	
Repayments of borrowings		(945)		(1,332)	
New loan		-		-	
Grants		1,522		-	
Fees paid		-		-	
Net cash flows from financing activities			(1,179)		(3,096)
Net decrease in cash and cash equivalents			(1,273)		(2,904)
Cash and cash equivalents at the beginning of year			5,991		8,895
Cash and cash equivalents at end of year	22		4,718		5,991

The Pioneer Housing and Community Group Limited and its subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1 LEGAL STATUS

The Pioneer Housing and Community Group Limited (Association) is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. The Association is a public benefit entity, as defined in FRS102 and applies the relevant paragraphs prefixed "PBE" in FRS102.

The Association has three subsidiaries. Compass Support Services Limited is a company limited by guarantee and a registered Charity, it is not registered with the Regulator of Social Housing. Stockland Green Housing Opportunity & Training Limited is a company limited by guarantee, it is not registered with the Regulator of Social Housing. Merlin Venture Limited is a company limited by guarantee, it is not registered with the Regulator of Social Housing.

2 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with March 2018 Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), 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 Group has elected to adopt the 2018 SORP and 2019 Accounting Direction early. The March 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard. There is no material effect on the amounts recognised in these financial statements as a result of early adopting these amendments.

The Pioneer Housing and Community Group is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed "PBE" in FRS 102.

Statement of cash flows

The Pioneer Housing and Community Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to the following:

- A statement of Cash Flows has not been presented for the parent company.

Basis of consolidation

The group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31 March each year.

The Pioneer Housing and Community Group Limited and its subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

Acquisitions

Business combinations which are considered to be acquisitions are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), management fees, revenue grants and other income. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Value Added Tax

A large proportion of the Association's income is exempt from Value Added Tax (VAT), giving rise to a partial exemption calculation. This significantly restricts recovery of VAT incurred on expenditure, which is, therefore, shown VAT inclusive.

Property, plant and equipment - housing properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Remaining structure - General needs houses	150 years
Remaining structure - General needs flats	150 years
Roofs	60 years
Kitchens	15 years
Bathrooms	30 years
Bathroom component replacements	20 years
Windows and doors	30 years
Bollers	15 years
Remaining central heating system	30 years
Electrics	30 years

The Pioneer Housing and Community Group Limited and its subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income.

The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Investment properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

The Pioneer Housing and Community Group Limited and its subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office furniture, fixtures and fittings	4 years
Office plant & machinery	4 years
Motor vehicle	6 years
Computer equipment	4 years
Freehold offices	50 years
CCTV Infrastructure	50 years
Commercial Units	150 years

Scheme fixed assets are depreciated over their expected useful economic lives, specific to each category of asset.

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	4 years
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Housing grant and other government grants

Where grants are received from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

The Pioneer Housing and Community Group Limited and its subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

Grants received from non-government sources are recognised as revenue using the performance model. Grants that do not impose specific future performance related conditions are recognised as revenue when received or receivable. Grants that impose specific future performance related conditions are recognised as revenue only when the performance related conditions are met. Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

The Pioneer Housing and Community Group Limited and its subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

Pensions

The Association participates in the Social Housing Pension Scheme (SHPS) and the London Pension Fund Authority (LPFA).

Multi-employer defined benefit pension schemes

- Social Housing Pension Scheme
- Local Government Pension Scheme – London Pension Fund Authority

The Group participates in two multi-employer schemes where it is possible for individual employers as admitted bodies to identify their share of the scheme's assets and liabilities.

For these schemes amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within interest and financing costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

Until 31 March 2018, the Social Housing Pension Scheme was accounted for as a defined contribution scheme, as sufficient information was not previously available to account for it as a defined benefit scheme. In accounting for this transition, the Group has followed the draft proposals outlined in Financial Reporting Exposure Draft (FRED) 71. The difference between the deficit funding liability reported last year and the restated defined benefit liability as at 31 March 2018 has been charged to the Statement of Comprehensive Income under other comprehensive income.

Defined contribution scheme – Social Housing Pension Scheme

The Group participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

The Pioneer Housing and Community Group Limited and its subsidiaries
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the Instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in interest costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Business combinations

Combinations carried out at nil consideration are accounted for so that any excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain within the Statement of Comprehensive Income.

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Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties: the Group has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

Capitalisation of property development costs: the Group capitalises development expenditure in accordance with the accounting policies on housing properties and investment properties. Capitalisation requires a range of judgements, such as establishing which associated development costs should be capitalised and which costs should be written off and the likelihood that projects will continue.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Investment property - fair value measurement: management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the property. Management base the assumptions on current open market prices as far as possible. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

Defined benefit pension scheme: the Group has obligations to pay pension benefits to certain current and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, using information provided by scheme actuaries.

Components of housing properties and useful lives: major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

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3. I) TURNOVER, OPERATING COSTS AND OPERATING SURPLUS – GROUP

	2019			2018		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings	11,845	(6,902)	4,943	11,984	(6,480)	5,504
Other social housing activities;						
Other Income	41	(2)	39	27	-	27
	11,886	(6,904)	4,982	12,011	(6,480)	5,531
Other non-social housing activity;						
Leasehold property	142	(104)	38	107	(67)	40
Community regeneration	1,304	(2,523)	(1,219)	1,643	(2,671)	(1,028)
Commercial lettings	29	(8)	21	29	(13)	16
Home ownership	-	(20)	(20)	-	(20)	(20)
CCTV	-	(155)	(155)	-	(155)	(155)
Stadium	172	(209)	(37)	875	(105)	770
Nursery	532	(537)	(5)	286	(276)	10
Market rent	745	(409)	336	641	(567)	74
Development	-	(155)	(155)	-	-	-
	2,924	(4,120)	(1,196)	3,581	(3,874)	(293)
Total	14,810	(11,024)	3,786	15,592	(10,354)	5,238

3. II) TURNOVER, OPERATING COSTS AND OPERATING SURPLUS – ASSOCIATION

	2019			2018		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings	11,845	(6,902)	4,943	11,984	(6,480)	5,504
Other social housing activities;						
Other Income	41	(2)	39	27	-	27
	11,886	(6,904)	4,982	12,011	(6,480)	5,531
Other non-social housing activity;						
Leasehold property	142	(104)	38	107	(67)	40
Community regeneration	132	(1,304)	(1,172)	318	(1,275)	(957)
Commercial lettings	29	(8)	21	29	(12)	17
Home ownership	-	(20)	(20)	-	(20)	(20)
CCTV	-	(155)	(155)	-	(155)	(155)
Stadium	171	(208)	(37)	876	(105)	771
Market rent	745	(410)	335	641	(568)	73
Development	-	(155)	(155)	-	-	-
	1,219	(2,364)	(1,145)	1,971	(2,202)	(231)
Total	13,105	(9,268)	3,837	13,982	(8,682)	5,300

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3. III) INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP AND ASSOCIATION

	2019 General Needs £'000	2019 Housing for Older People £'000	2019 Total £'000	2018 Total £'000
Income from lettings				
Rent receivable	10,634	506	11,140	11,292
Service charges receivable	308	142	450	437
Amortised government grant	236	-	236	236
Net rents receivable	11,178	648	11,826	11,965
Other Income	-	19	19	19
Turnover from social housing lettings	11,178	667	11,845	11,984
Expenditure on letting activities				
Management	(1,439)	(72)	(1,511)	(1,534)
Services	(568)	(162)	(730)	(752)
Routine maintenance	(1,593)	(82)	(1,675)	(1,576)
Planned maintenance	(938)	(7)	(945)	(837)
Major repairs expenditure	(518)	(11)	(529)	(457)
Rent losses from bad debts	(144)	(2)	(146)	(42)
Depreciation and impairment of housing properties	(1,353)	(13)	(1,366)	(1,282)
Total expenditure on lettings	(6,553)	(349)	(6,902)	(6,480)
Operating surplus on social housing lettings	4,625	318	4,943	5,504

Notes:-

a) Void losses	24	1	25	24
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4. UNITS IN MANAGEMENT – GROUP AND ASSOCIATION

	2019 Units	2018 Units
Owned and managed		
General needs – social rent	2,222	2,228
General needs – affordable rent	7	7
Housing for older people – social rent	128	128
Intermediate rent	2	2
Total social housing owned and managed	2,359	2,365
Market rent	100	94
Leasehold properties	228	227
Commercial properties	4	4
Total owned and managed at 31 March	2,691	2,690
Under development at 31 March	59	6
Total units	2,750	2,696

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5. SURPLUS FOR THE YEAR

Surplus for the year is stated after charging:

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bad debts	156	42	149	42
Depreciation of property, plant and equipment	1,604	1,555	1,579	1,538
Government grants	236	236	236	236
Auditor's remuneration excluding VAT in their capacity as auditors	17	17	15	16

Note:

Taxation

The Association operates under charitable rules and there is no liability for corporation tax for the year. The Merlin Venture Limited is subject to corporation tax but a taxation note is not included within the Group accounts due to the materiality of the values involved.

6. SURPLUS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT – GROUP AND ASSOCIATION

	2019	2019	2019	2018	2018
	Proceeds	Cost of Sales	Surplus	Proceeds	Surplus
	£'000	£'000	£'000	£'000	£'000
Right to buy sales and other disposals	493	(149)	344	485	411

7. INTEREST RECEIVABLE

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest receivable on bank deposits	20	19	20	18

8. INTEREST AND FINANCING COSTS

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
On building society and bank loans	(1,765)	(1,889)	(1,765)	(1,889)
Net interest on defined benefit liability (note 10)	(41)	(21)	(41)	(21)
	<u>(1,806)</u>	<u>(1,910)</u>	<u>(1,806)</u>	<u>(1,910)</u>

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9. STAFF COSTS – GROUP

	2019 Number	2018 Number
The average weekly number of persons employed during the year (expressed as full time equivalents based on 37 hours per week)	<u>142</u>	<u>146</u>
Staff costs for the above	£'000	£'000
Wages and salaries	3,656	3,613
Social security costs	332	343
Other pension costs	110	90
Redundancy payments	27	56
	<u>4,125</u>	<u>4,102</u>

10. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to Statement of Comprehensive Income in the period ended 31 March 2019 was £29,000 (2018: £22,000).

Defined benefit schemes

Social Housing Pension Scheme

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m across all employers. As a result of this funding valuation, the Group will pay deficit contributions from 1 April 2019 until 30 September 2026. The payment will be £143,000 a year in 2019/20, rising by 2% a year each April thereafter.

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

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

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the scheme as a defined benefit scheme. The £660,000 difference between the

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deficit funding liability reported last year and the restated defined benefit liability as at 31 March 2018 is charged to the Statement of Comprehensive Income.

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

Amounts recognised in the Statement of Comprehensive Income in respect of this scheme:

	2019
	£'000
Service cost	99
Administrative expenses	5
Net interest cost	33
Recognised loss in other comprehensive income	270
Total cost/(income) relating to this defined benefit scheme	<u>407</u>

Amounts included in the Statement of Financial Position arising from the Group's obligations in respect of this defined benefit scheme:

	2019	2018
	£'000	£'000
Present value of defined benefit obligations	(5,728)	(5,291)
Fair value of scheme assets	4,199	3,995
Deficit	<u>(1,529)</u>	<u>(1,296)</u>

Movements in the present value of defined benefit obligations:

	2019
	£'000
At 1 April	5,291
Service cost	99
Interest cost	139
Administrative expenses	5
Actuarial losses – change in financial assumptions	428
Actuarial losses – change in demographic assumptions	15
Actuarial gains – due to scheme experience	(235)
Benefits paid and expenses	(80)
Contributions from scheme participants	66
At 31 March	<u>5,728</u>

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Movements in the fair value of scheme assets:

	2019
	£'000
At 1 April	3,995
Interest on assets	106
Return on assets	(62)
Contributions by the employer	174
Contributions by scheme participants	66
Benefits paid	(80)
At 31 March	<u>4,199</u>

Breakdown of the scheme assets:

	2019	2018
	£'000	£'000
Global equity	707	789
Absolute return	363	488
Distressed opportunities	76	39
Credit relative value	77	-
Alternative risk premia	242	151
Fund of hedge funds	19	132
Emerging markets debt	145	161
Risk sharing	127	37
Insurance-linked securities	120	105
Property	95	184
Infrastructure	220	102
Private debt	56	36
Corporate bond fund	196	164
Long lease property	62	-
Secured income	150	148
Over 15 year gilts	-	-
Liability driven investment	1,536	1,455
Net current assets	8	4
Total scheme assets at 31 March	<u>4,199</u>	<u>3,995</u>

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

Key assumptions used:

	2019	2018
Salary increases	3.23%	3.11%
Inflation (RPI)	3.23%	3.11%
Inflation (CPI)	2.23%	2.11%
Discount rate	2.38%	2.60%

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Assumed life expectations on retirement at age 65:

	2019 years
Retiring today	
Males	21.8
Females	23.5
Retiring in 20 years	
Males	23.2
Females	24.7

London Pension Fund Authority Pension Fund

This scheme is not open to new employees.

The scheme is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. The administering authority for the Fund is the London Pensions Fund Authority.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The most recent actuarial valuation of scheme assets and liabilities was carried out as at 31 March 2016 by Barnett Waddingham. To assess the accounting value of liabilities as at 31 March 2019, the actuary has rolled forward the values of the 2016 liabilities using financial assumptions that comply with FRS 102. To calculate the asset share, the actuary has rolled forward the 2016 assets, allowing for actual and estimated investment returns, contributions paid in and estimated benefits paid from the scheme.

Amounts recognised in the Statement of Comprehensive Income in respect of this scheme:

	2019 £'000	2018 £'000
Service cost	16	16
Net interest cost	8	11
Administrative expenses	1	1
Recognised gain in other comprehensive income	(65)	(72)
Total cost/(income) relating to this defined benefit scheme	<u>(40)</u>	<u>(44)</u>

Amounts included in the Statement of Financial Position arising from the Group's obligations in respect of this defined benefit scheme:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(1,434)	(1,396)
Fair value of scheme assets	1,142	1,058
Deficit	<u>(292)</u>	<u>(338)</u>

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Movements in the present value of defined benefit obligations:

	2019	2018
	£'000	£'000
At 1 April	1,396	1,400
Service cost	16	16
Interest cost	35	39
Change in financial assumptions	72	(43)
Change in demographic assumptions	(69)	-
Benefits paid	(19)	(19)
Contributions from scheme participants	3	3
At 31 March	<u>1,434</u>	<u>1,396</u>

Movements in the fair value of scheme assets:

	2019	2018
	£'000	£'000
At 1 April	1,058	1,013
Interest on assets	27	28
Return on assets	68	29
Administrative expenses	(1)	(1)
Contributions by the employer	6	5
Contributions by scheme participants	3	3
Benefits paid	(19)	(19)
At 31 March	<u>1,142</u>	<u>1,058</u>

Breakdown of the scheme assets:

	2019	2018
	£'000	£'000
Equities	621	647
Target return portfolio	305	237
Infrastructure	69	46
Property	107	76
Cash	40	52
Total scheme assets at 31 March	<u>1,142</u>	<u>1,058</u>

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

Key assumptions used:

	2019	2018
Salary increases	3.90%	3.80%
Pension Increases	2.40%	2.30%
Discount rate	2.40%	2.55%

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Assumed life expectations on retirement at age 65:

	2019 years	2018 years
Retiring today		
Males	19.8	20.8
Females	23.5	24.5
Retiring in 20 years		
Males	21.7	23.2
Females	25.4	26.7

Combined sums charged to Other Comprehensive Income

	£'000
SHPS Defined Benefit liability at 31 March 2018	(1,296)
SHPS Deficit funding liability at 31 March 2018	636
Initial recognition of multi employer defined benefit scheme	<u>(660)</u>
Recognised loss in Other Comprehensive Income – SHPS	(270)
Recognised gain in Other Comprehensive Income – LPFA	65
Actuarial loss in respect of defined pension schemes	<u>(205)</u>

Combined Pension Liability

	2019 £'000	2018 £'000
Social Housing Pension Scheme – deficit funding liability	-	636
Social Housing Pension Scheme – defined benefit liability	1,529	-
London Pension Fund Authority – defined benefit liability	292	338
At 31 March	<u>1,821</u>	<u>974</u>

Sensitivity analysis

The assumptions used are based on data from the scheme actuaries. Overall, bringing the SHPS assumptions into line with the LPFA assumptions would reduce the SHPS liability, giving a less prudent view.

The sensitivity analysis below shows the approximate increase in The Pioneer Group's liabilities for the SHPS scheme as at 31 March 2019 under the following circumstances:

	£,000	%
0.1% decrease in real discount rate	141	9%
0.1% increase in the salary increase rate	2	0%
0.1% increase in CPI and RPI	118	8%
0.1 year increase in life expectancy	15	1%

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11. DIRECTORS' EMOLUMENTS – GROUP AND ASSOCIATION

The directors are defined as the members of the Pioneer Group Board, the Chief Executive and Senior Executive Staff. None of the members received any emoluments.

	2019 £'000	2018 £'000
Aggregate emoluments payable to directors (including benefits in kind)	386	411
Pension contribution	27	32
	<u>413</u>	<u>443</u>
Total expenses reimbursed to the directors not chargeable to United Kingdom income tax	7	4
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	<u>98</u>	<u>99</u>

As an ordinary member of the SHPS defined benefit pension scheme, the pension entitlements of the Chief Executive are identical to those of all other members. There are no enhanced or special terms.

The full-time equivalent number of staff whose remuneration payable in relation to the period of account fell within each band of £10,000 from £60,000 upwards

	2019	2018
£70,000 - £80,000	-	-
£80,000 - £90,000	1	-
£90,000 - £100,000	-	3
£100,000 - £110,000	1	1

12. INTANGIBLE ASSETS – GROUP AND ASSOCIATION

	Computer Software £'000
Cost	
At 1 April 2018	455
Additions	72
Disposals	-
At 31 March 2019	<u>527</u>
Amortisation	
At 1 April 2018	(398)
Charge for the year	(41)
Disposals	-
At 31 March 2019	<u>(439)</u>
Net book value at 31 March 2019	<u>88</u>
Net book value at 31 March 2018	<u>57</u>

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13. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES – GROUP AND ASSOCIATION

	Social housing properties held for letting £'000	Properties in Development £'000	Total Social Housing Properties £'000
Cost			
At 1 April 2018	89,618	-	89,618
Reclassification of costs	-	1,684	1,684
Replacement of components	1,625	-	1,625
Additions	-	2,006	2,006
Disposals	(497)	-	(497)
At 31 March 2019	90,746	3,690	94,436
Depreciation			
At 1 April 2018	(15,315)	-	(15,315)
Charge for year	(1,328)	-	(1,328)
Disposals	313	-	313
At 31 March 2019	(16,330)	-	(16,330)
Net book value at 31 March 2019	74,416	3,690	78,106
Net book value at 31 March 2018	74,303	-	74,303
Housing Properties Comprise		2019	2018
		£'000	£'000
Freehold		78,106	74,303

14. INVESTMENT PROPERTIES – GROUP AND ASSOCIATION

	Market Rents £'000	Commercial £'000	Stadium £'000	Development £'000	Total Investment Properties £'000
At 1 April 2018	12,342	349	556	2,317	15,564
Reclassification to Tangible Fixed Assets	-	-	-	(1,684)	(1,684)
Reclassification to Stock	-	-	-	(633)	(633)
Additions	158	-	151	-	309
Revaluation surplus	432	-	(707)	-	(275)
At 31 March 2019	12,932	349	-	-	13,281
Net book value at 31 March 2019	12,932	349	-	-	13,281
Net book value at 31 March 2018	12,342	349	556	2,317	15,564

The historic cost of market rent investment properties, which is used for calculating the gearing covenant for the Santander loans, is £11,886k (2018: £11,729k). The cumulative revaluation surplus included in the balance at 31 March 2019 is £41k (2018: £234k).

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15.i) OTHER PROPERTY, PLANT AND EQUIPMENT – GROUP

	Fixtures and fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Computers £'000	Freehold Premises £'000	Total £'000
Cost						
At 1 April 2018	1,379	222	53	741	2,385	4,780
Acquisition						
Additions	8	-	30	69	-	107
Disposals						
At 31 March 2019	1,387	222	83	810	2,385	4,887
Depreciation						
At 1 April 2018	(570)	(162)	(53)	(671)	(546)	(2,002)
Acquisition						
Charge for the year	(132)	(13)	-	(48)	(47)	(240)
Disposals						
At 31 March 2019	(702)	(175)	(53)	(719)	(593)	(2,242)
Net book value at 31 March 2019	685	47	30	91	1,792	2,645
Net book value at 31 March 2018	809	60	-	70	1,839	2,778

15.ii) OTHER PROPERTY, PLANT AND EQUIPMENT – ASSOCIATION

	Fixtures and fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Computers £'000	Freehold Premises £'000	Total £'000
Cost						
At 1 April 2018	1,325	209	53	739	2,151	4,477
Additions	6	-	30	69	-	105
Disposal	-	-	-	-	-	-
At 31 March 2019	1,331	209	83	808	2,151	4,582
Depreciation						
At 1 April 2018	(551)	(149)	(53)	(670)	(383)	(1,806)
Charge for the year	(120)	(13)	-	(48)	(33)	(214)
Disposal	-	-	-	-	-	-
At 31 March 2019	(671)	(162)	(53)	(718)	(416)	(2,020)
Net book value at 31 March 2019	660	47	30	90	1,735	2,562
Net book value at 31 March 2018	774	60	-	69	1,768	2,671

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16. STOCKS – work In progress

	Shared ownership first tranche sale £'000	Outright sales £'000	Total £'000
Opening position	-	-	-
Reclassification	283	350	633
New	557	680	1,237
Sold	-	-	-
Carried forward	<u>840</u>	<u>1,030</u>	<u>1,870</u>

17. DEBTORS: Amounts falling due within one year

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Gross rental debtors	385	275	385	275
Provision for doubtful debts	<u>(266)</u>	<u>(198)</u>	<u>(266)</u>	<u>(198)</u>
	119	77	119	77
Prepayments and accrued income	373	312	335	293
Other debtors	285	664	229	615
Intercompany debtors	-	-	5	-
	<u>777</u>	<u>1,053</u>	<u>688</u>	<u>985</u>

Note: the present value adjustment of rental debtors where a repayment schedule is in place is not shown as it is not material.

18. CREDITORS: Amounts due within one year

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	1,019	754	1,019	754
Other taxation	95	186	95	186
Bank loans	1,262	945	1,262	945
Intercompany creditors	-	-	220	258
Other creditors and accruals	1,094	1,983	933	1,853
Government grants	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>
	<u>3,706</u>	<u>4,104</u>	<u>3,765</u>	<u>4,232</u>

19. OTHER CREDITORS: Amounts due after more than one year

	GROUP	ASSOCIATION	GROUP AND ASSOCIATION
	2019 £'000	2019 £'000	2018 £'000
Housing loans	40,030	40,030	41,292
Deferred loan arrangement fees	<u>(250)</u>	<u>(250)</u>	<u>(301)</u>
Leaseholder sinking fund	369	369	313
Stadium sinking fund	24	24	-
Government grants	32,071	32,071	30,844
Deferred Capital Grant	<u>39</u>	<u>-</u>	<u>49</u>
	<u>72,283</u>	<u>72,244</u>	<u>72,197</u>

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19. OTHER CREDITORS: Amounts due after more than one year (continued)

HOUSING LOANS – GROUP AND ASSOCIATION

Conventional loans from The Nationwide Building Society and Santander are secured by specific charges on the Association's housing properties.

Interest on fixed loan elements range from 0.8% to 5.6% and variable loan elements bear interest rates based on LIBOR.

Nationwide loans are repayable by a mixture of annual installments and bullet repayments with final repayment in 2034. Santander loans are repayable by a mixture of annual installments and bullet repayments with final repayment in 2025. Installments are due as follows:

	2019	2018
	£'000	£'000
Between one and two years	1,352	1,262
Between two and five years	7,342	7,206
In five years or more	31,336	32,824
	<u>40,030</u>	<u>41,292</u>
Within one year	1,262	945
	<u>41,292</u>	<u>42,237</u>

GOVERNMENT GRANT: The total accumulated amount of capital grant received or receivable at the balance sheet date is £36,905,000 (2018: £35,452,000)

	2019	2018
Deferred income – Government grants		
Social Housing Grant		
At 1 April 2018	35,452	35,453
Grants receivable	1,523	-
Disposals	(70)	-
At 31 March 2019	<u>36,905</u>	<u>35,452</u>
Amortisation		
At 1 April 2019		
Amortisation to Statement of Comprehensive Income	4,372	4,136
	236	236
Disposals	(10)	-
At 31 March 2019	<u>4,598</u>	<u>4,372</u>
Net Deferred income – Government Grants		
Due within one year	236	236
Due after one year	<u>32,071</u>	<u>30,844</u>
At 31 March 2019	<u>32,307</u>	<u>31,080</u>

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20. FINANCIAL INSTRUMENTS

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Financial assets				
Measured at undiscounted amount receivable				
• Rent arrears and other debtors	<u>770</u>	<u>1,053</u>	<u>688</u>	<u>985</u>
Financial liabilities				
Measured at amortised cost				
• Loans payable (see note 18, 19)	41,042	41,936	41,042	41,936
Measured at undiscounted amount payable				
• Trade and other creditors	2,065	2,715	1,904	2,587
• Amounts owed to related undertakings (see note 18)	-	-	220	258
	<u>43,107</u>	<u>44,651</u>	<u>43,166</u>	<u>44,781</u>

The income, expense, gains and losses in respect of financial instruments are summarised below:

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest income and expense				
Total interest income for financial assets at amortised cost	-	-	-	-
Total interest expense for financial liabilities at amortised cost	1,806	1,918	1,806	1,918
	<u>1,806</u>	<u>1,918</u>	<u>1,806</u>	<u>1,918</u>

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21. SHARE CAPITAL – ASSOCIATION

Ordinary Shares of £1 each:	2019 Number	2018 Number
Allotted, Issued and fully paid at 1 April 2018	29	25
Shares issued during year for cash at par	1	4
Cancelled during the year	(2)	0
At 31 March 2019	28	29
Comprising:		
Resident Shareholders	10	10
Independent Shareholders	18	19
	28	29

The share capital is raised by the issue of shares with a nominal value of £1 each. The Association's Co-operative and Community Benefit Societies Act status means that the maximum shareholding permitted per member is 1 share. There is no Authorised Share Capital and the Pioneer Group Board operates a restricted shareholding policy with all shares currently held by serving members only. The Association's shares carry no right to Interest, dividend or bonus. Shares are not capable of being withdrawn or transferred and cannot be held jointly. Shareholders have the right to attend or to vote by proxy at any general, special general or extraordinary meeting of the Association.

22. STATEMENT OF CASH FLOWS– GROUP

	2019 £'000	2018 £'000
Cash flow from operating activities		
Surplus for the year	1,204	1,904
Adjustment for non-cash items:		
Merlin Ventures non cash gift on acquisition	-	(121)
Depreciation of property, plant and equipment	1,647	610
Decrease in debtors	535	(215)
(Decrease)/increase in creditors	(790)	1,365
Increase in provisions	71	20
Pension costs less contributions payable	837	(72)
Decrease in fair value of Investment property	275	1,975
Adjustments for investing or financing activities:		
Surplus on sale of property, plant & equipment	(344)	(411)
Government grants utilised in the year	(236)	(236)
Interest payable	1,806	1,910
Interest receivable	(20)	(18)
Cash received on acquisition of The Merlin Venture Limited	-	167
Cash generated by operations	4,985	6,878
Cash and cash equivalents		
Cash at bank and in hand	4,718	5,991
Cash and cash equivalents	4,718	5,991

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23. FINANCIAL COMMITMENTS

	2019 £'000	2018 £'000
Capital commitments are as follows:		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	6,258	10,631
Capital expenditure authorised by the Pioneer Group Board but not yet contracted for	3,426	3,481

Funding of Commitments

Total future minimum lease payments under non-cancellable operating leases are:

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Payments due:				
Within one year	29	32	15	20
Between one and five years	30	54	3	18
After 5 years	384	388	-	-
	443	474	18	38

24. CONTINGENT ASSETS/LIABILITIES

There are no contingent assets or liabilities at the 31 March other than those reported within the financial statements relating to pension fund valuations.

25. INVESTMENTS IN SUBSIDIARIES

The ultimate controlling party of Compass Support Services Limited is The Pioneer Housing and Community Group Limited. Compass Support Services Limited is not registered with the Regulatory of Social Housing.

The ultimate controlling party of Stockland Green Housing Opportunity & Training Limited is The Pioneer Housing and Community Group Limited. Stockland Green Housing Opportunity & Training Limited is not registered with the Regulatory of Social Housing. Stockland Green Housing Opportunity & Training Limited is currently dormant.

The ultimate controlling party of The Merlin Venture Limited is The Pioneer Housing and Community Group Limited. The Merlin Venture Limited is not registered with the Regulatory of Social Housing.

The ultimate controlling party of The Pioneer Housing and Community Group Limited is the Association's Pioneer Group Board of Management.

The Pioneer Housing and Community Group Limited provides financial support to its subsidiaries, to meet the costs of specific projects, designed to sustain the assets and tenancies of the parent in the long term.

The Pioneer Housing and Community Group Limited and its subsidiaries
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26. RELATED PARTIES – GROUP AND ASSOCIATION

During the year the Association had one Pioneer Group Board Member who is a tenant of the Association. She received services on exactly the same basis as any other tenant of the Association.

27. INTRA GROUP TRANSACTIONS

Amounts are agreed annually by the Pioneer Group Board and represent specific contributions to the wider regeneration and sustainability of the Castle Vale estate. Extensive work is undertaken around health, education, family support and employment initiatives and the contributions supplement funds raised through external grant applications by the subsidiary company.

	2019 £'000	2018 £'000
NET INTRA GROUP REVENUES AND COSTS		
Payments by the Association to Compass Support Services to support regeneration and sustainability initiatives	<u>315</u>	<u>209</u>
NET INTRA GROUP ASSETS AND LIABILITIES		
Amount owed to Compass Support Services – grants received in advance invested by parent, and Amounts owed to SGOHT	<u>224</u>	<u>258</u>