Housing21

# Report and Financial Statements 2021/22

# Contents



# Board and Executive

| Board of Management | Appointed | |
|---|---|---|
| Stephen Hughes | 31.01.2014 | Chair |
| Mike McDonagh | 01.09.2017 | Deputy Chair<br>Chair Governance Transformation and Treasury Committee |
| Anne Turner | 01.09.2017 | Chair Audit and Assurance Committee |
| David Clark | 01.08.2019 | Chair Investment and Development Committee |
| Elaine Elkington | 01.10.2019 | Chair Extra Care Committee |
| Neil Revely | 01.09.2017 | Chair Retirement Living Committee |
| Suki Kalirai | 25.09.2020 | Board Member |
| Lara Oyedele | 25.09.2020 | Board Member |
| William Roberts | 25.09.2020 | Board Member |
| Catherine Dugmore | 01.09.2021 | Board Member |
| Ian Skipp | 01.02.2019 | Independent Audit Member |
| Christina Law | 01.02.2019 | Independent Audit Member |
| Shelagh Robinson | Resigned 31.03.2022 | Resident Board Member |
| Liz Potter | Retired 30.09.2021 | Board Member |

Registered under the Co-operative and Community Benefit Societies Act 2014.
Charitable Registered Society Registration Number: 16791R
Regulator of Social Housing Registration Number: L0055
Registered Office: Tricorn House, 51–53 Hagley Road, Edgbaston, Birmingham B16 8TP.

| Executive Directors and Company Secretary | |
|---|---|
| Bruce Moore | Chief Executive |
| Tony Tench | Deputy Chief Executive |
| Andy Howarth | Chief Financial Officer |
| Amina Graham | Executive Director — People and Systems |
| Kris Peach | Executive Director — Extra Care |
| Pam Mastrantonio | Executive Director — Retirement Living |
| Paul Hutton | Company Secretary |

**External Auditors**

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

**Principal Bankers**

Barclays Bank plc
Corporate Banking, Level 28, 1 Churchill Place, Canary Wharf, London E15 5HP

**Biographies**

Biographies of our Board and Executive can be found on our internet page: Housing 21 — Housing 21 — Our people

**Insurance of Directors and Officers**

Directors are covered by Directors and Officers liability insurance to an indemnity limit of £7.5m in respect of their duties as directors of the Group.

**Declarations**

A register of interests is maintained by the Company Secretary and Members actively declare any potential or actual conflicts of interest during meetings as and when they arise with declarations of interest found on our internet page Housing 21 — Board Declaration of Interests.

Stephen Hughes,
Chair

Bruce Moore,
Chief Executive

# Chair and Chief Executive Statements

**The last 12 months have shown us just how much we can achieve by staying focused on our purpose of providing high quality housing with care or support for older people of modest means to enable them to maintain their dignity and autonomy.**

Between April 2021 and March 2022 we completed and delivered 691 new much-needed Retirement Living and Extra Care properties for social rent and affordable shared ownership. Although still short of our ambitious target of 800 new properties per year, it is nevertheless a great achievement, particularly in view of the changing external environment, build cost inflation and supply chain challenges.

We are not only building great new properties, we have invested significantly to raise the standards and desirability of our existing properties. We met our property standards for kitchens and bathrooms to be no older than 20 years and for design-based reviews of communal areas every seven years. Perhaps most significantly for both the environment as well as ensuring that residents can afford to keep their properties warm, all of our properties achieved at least Energy Performance Certificate Level C, a target we have reached considerably ahead of the Government's target date of 2030 and much of the rest of the housing sector.

The quality of our services depends not only on the desirability of our properties but also the skills, dedication and engagement of our employees. We are proud that in July 2021 we achieved the prestigious Investors in People Platinum accreditation notwithstanding the stresses and strains placed on employees by the Covid-19 pandemic. However, we recognise that with increased turbulence and pressures in the employment market, we cannot afford to be complacent and so will continue to value and invest in our people and support them to provide excellent service to our residents.

Ultimately the satisfaction and service of residents is the most important consideration. To achieve this it is essential that we continue to listen and respond to the feedback residents give us and give them a say and stake in how they shape and direct the services they receive individually, locally and nationally. We also recognise the diversity of residents and want to ensure that we respect their individual characteristics and preferences so they can live as they choose in an inclusive environment where there is mutual respect. Unfortunately, in March 2022 Shelagh Robinson ceased to be a resident Board Member, but we remain committed to recruiting residents not only as members of our Board but also onto each of the key operational committees.

> We recognise that our prospects for future success and performance will be greatly enhanced by having the right systems and technology to support our people and processes and allow us to take better data-informed decisions. We have thus outlined an ambitious 'Transform 21' strategy that will seek to remove some of the frustrations and blockages of our current ways of working to unlock greater potential, provide efficiencies and create the foundations for further growth and development.

Ensuring we have effective governance is essential for us to provide quality services and we were delighted to regain our G1 / V1 status in March 2022 following an In-Depth Assessment by the Regulator of Social Housing. To address the previous mistakes we made in rent setting and to ensure that our rents and charges are both genuinely affordable and transparent, we moved all tenancies to lower social rents in April 2021 and we are making good progress with the major programme of remediation of rent that was overpaid. The Regulator noted that we had also significantly strengthened our internal controls, introduced a new assurance framework and enhanced oversight of key risks, all of which position us well to ensure that such mistakes do not reoccur.

The Board of Housing 21 plays a vital role in ensuring the effectiveness of our governance as well as ensuring we remain true to our values and culture and are not diverted from our purpose. In September 2021 Liz Potter stepped down as a Board Member having served in the role since 2014 and, as Deputy Chair, having played a significant role in supporting and guiding Housing 21 through some key challenges and decisions.

In September 2022 we will be losing two further key Board Members: Anne Turner who has served as Chair of the Audit and Assurance Committee and Neil Revely who has been a champion for Extra Care and links between housing, health and social care, and having most recently served as Chair of the Retirement Living Committee and our Oldham PFI subsidiary. Both Anne and Neil will be greatly missed for their insights, wisdom and dedication to see Housing 21 flourish. We are though pleased to welcome Catherine Dugmore who will take on the role of Chair of Audit and Assurance Committee and are currently recruiting further Board members to continue to refresh and renew the Board's mix of skills and diversity of perspectives.

We were pleased to see the importance of older people's housing being recognised as part of the Government's 'Levelling Up' agenda and Housing 21 has sought to be more active in engaging with Members of Parliament for each of the 302 constituencies where we have services or are actively developing. We are also continuing to support the activities of the All-Party Parliamentary Group (APPG) on housing and care for older people and its inquiry into shared ownership for older people.

We know the future is going to be challenging, particularly with a rapidly changing external environment. However, we have, as a Board and Executive Team, taken stock of our position and potential and renewed our Strategic Commitments putting residents at the heart of our drive for quality, great service and growth. We are confident that with our clear focus and with the support of our residents, employees, partners and other stakeholders, Housing 21 will continue to achieve its purpose and provide more homes and quality services for those who need them most.

# Strategic Report

The Group Board presents its report and the audited financial statements of Housing 21 ('the Association') and its subsidiary undertakings, together forming the Housing 21 Group ('the Group'), for the year ended 31 March 2022.

Our vision is to ensure that older people who most need it can access high quality housing with support or care, whilst being involved and empowered to ensure the services provided meet their individual needs and preferences now and in the future.

## Values and ambition

We want Housing 21 to be seen as the leading provider of safe, attractive and comfortable accommodation for older people of modest means.

> Our focus will always be ensuring services are directed to those most in need, those with fewer options and alternatives because of their modest means.

Strong values are crucial in achieving this and we will always be guided by our social purpose as well as putting quality, and our residents, at the heart of our actions and decisions.

## What we do: Housing with support and / or care

There are many different approaches to the provision of housing, support, and care. Services which have the same name or label may vary across providers as can the terminology used to describe them. We describe our core services as Retirement Living and Extra Care, which differentiates us from "general needs" providers of housing for families or young people. We have only one residential care home, managed under a long-term contract with Walsall Council.

# Retirement Living

**494** schemes including **44** leasehold

**14,742** properties including **1,429** managed properties in Oldham

Our vision for Retirement Living is to make it an exceptional place to live where we listen to residents, invest in their homes and provide consistently high standards of service to create a strong sense of safety and community, whilst still treating everyone as an individual.

Retirement Living offers residents the opportunity to live independently within their own properties with their own front door and their own private space. However outside of that door we offer an on-site Scheme Manager service and opportunities to be part of a wider community.

This is a unique housing service with residents' wellbeing at its heart. As well as providing high quality, comfortable and safe housing, residents are afforded the peace of mind that comes from a personal service relationship that offers support as and when needed.

Housing 21 is proud of our Scheme Manager service and sees this as the essence of our Retirement Living offer. Some providers rely on call centres or visiting support teams, but we have maintained dedicated Scheme Managers who not only provide key management services, but also offer support when needed. They facilitate opportunities for residents to be active and involved with each other, the wider community and of course with Housing 21 and shaping our decisions for the future.

We put the wellbeing of residents at the core of our decisions and encourage all schemes to facilitate activities to enhance the health, happiness, and skills of residents. We are committed to ensuring residents can live in their properties for as long as possible, and offer help, advice, and guidance on ways to maximise income, access benefits and other funding as well addressing wider issues or concerns.

# Extra Care

**145** schemes

**7,462** properties

Over **38,000** hours per week of social care

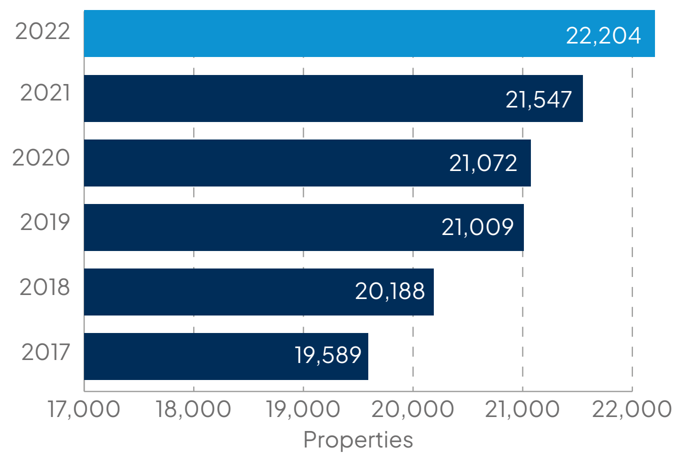
Extra Care seeks to provide an alternative to residential care that enables residents to maintain their independence and autonomy but still have access to high quality care, meals and social interaction on their own terms. We engage with each resident as an individual, respect their opinions and preferences and ensure they are listened to and able to have a say regarding the way services are delivered and developed.

Extra Care is a place where older people can live independently in their own property within a welcoming community setting with the added peace of mind that comes from knowing there is a professional care service on site and available 24/7 to meet any planned or emergency care and support needs. Extra Care schemes offer a range of on-site facilities which typically include a café / bistro, hair salon, communal lounge and communal gardens as well as a range of social activities available for people to take part in, if they wish. Many communal areas are open to the public, meaning residents can enjoy time with friends and family on their doorstep.

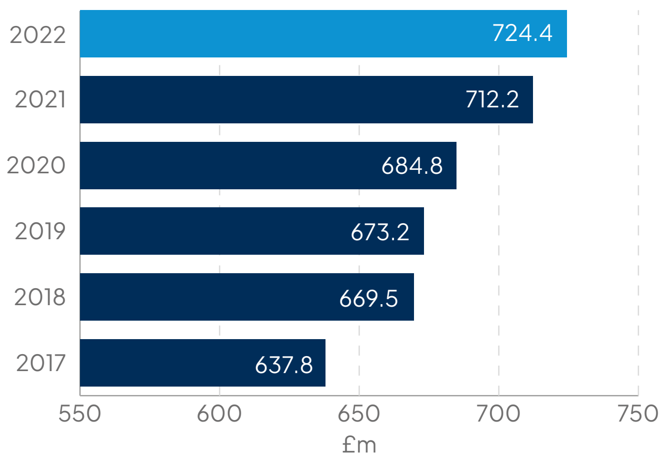
> Whenever possible Housing 21 will seek to be the care provider as well as the landlord and manager of Extra Care schemes. If this is not possible, we will work collaboratively and in partnership with third party care providers to ensure that residents receive the best possible care, support, and service.

# Financial highlights

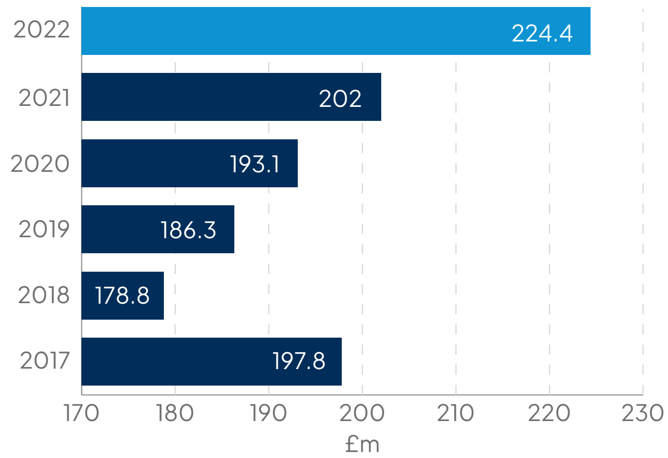
## Properties owned and managed



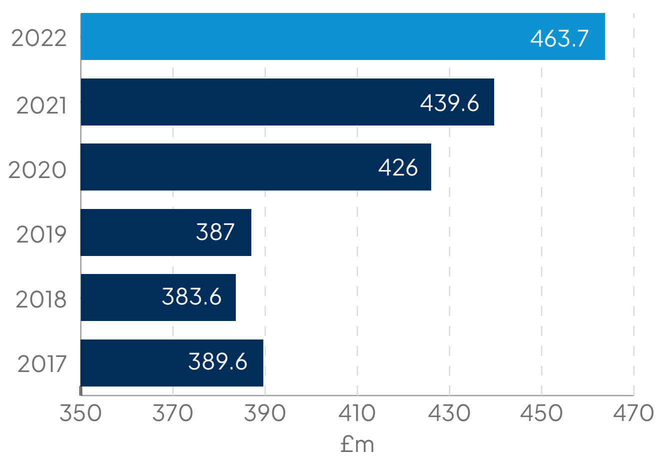

## Net assets £m



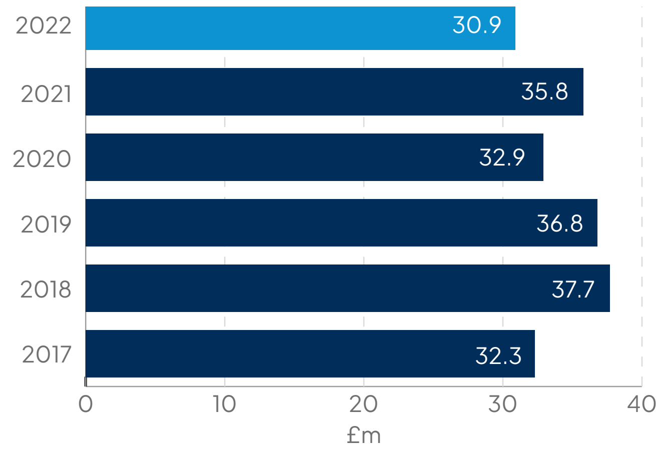

## Total revenue £m



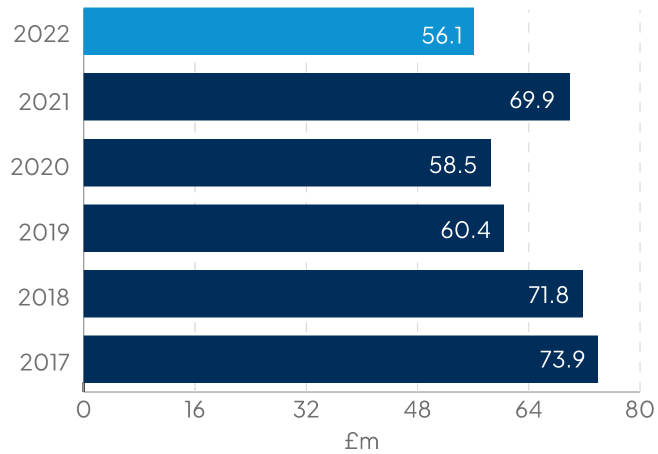

## Net debt (excluding derivatives) £m




## Operating surplus £m




## Cash flow from operations £m



# Strategic Priorities

Our Strategic Plan 2019–2022 set seven Strategic Priorities which we have continued to deliver against. During the year this plan has been refreshed to provide renewed focus and vision for the years ahead, but the core priorities of putting residents at the heart of delivering quality, service and growth whilst focusing on 'value for money' and 'doing the right thing' prevail.

The principles of '21', 'better' and 'experience' have always served as an important guide in our decision making and shaping how we operate and will continue to do so, alongside our desire to always 'do the right thing' and our aim to be better than just 'good enough'.

The commitments set out our updated Strategic Framework to provide a 'golden thread' that serves to connect and link all the roles and activities we perform back to the achievement of our core purpose; to provide high quality housing with support or care for older people of modest means, enabling them to live well with dignity and autonomy.

1. Investment in providing more homes
2. Quality of our existing properties
3. Quality and responsiveness of services
4. Our people and potential
5. Systems and technology
6. Provide value for money
7. Innovation and influence

Housing 21

**Investing In**

# 1. Investing in providing more homes

**Housing 21 remains committed to one of the largest development programmes for older people's housing in England. The year saw significant improvement on the prior year as the impact of Covid-19 diminished but we are still dealing with the consequent delays in programme timetables, and the knock-on effect on development completions and sales. Although we were behind where we would like to have been with new starts, we started 10 schemes in the year.**

At the end of the year we had five Extra Care and seven Retirement Living schemes on site which will provide another 537 homes. We have in excess of 1,500 properties in the development pipeline and will look to progress these in the coming year.

| | | Actual | Actual | Target | Target |
|---|---|---|---|---|---|
| | UoM* | 2020/21 | 2021/22 | 2021/22 | 2022/23 |
| Number of start on sites | # | 80 | 353 | 725 | 1,101 |
| Number of completions | # | 400 | 691 | 691 | 353 |
| Abortive costs | £'000 | 321 | 174 | 100 | 150 |
| Number of sales | # | 79 | 189 | 268 | 202 |
| First tranche equity | % | 62% | 55% | 60% | 60% |

*UoM — Unit of Measurement

## Looking ahead

- We will aim to develop up to 800 new properties per year of which a minimum of 20% will be Retirement Living and 80% will be Extra Care.
- We will focus at least 50% of our development in areas with higher demographic and socio / economic need.
- We will seek to develop 10 cohousing schemes in urban areas of high ethnicity with the first scheme set to open in Birmingham.
- We will also seek growth through acquisition of older persons' housing.
- Low carbon and sustainability approach to be implemented in design and delivery.

# 2. Investing in the quality of our existing properties

We have already invested significantly in our properties and will continue to do so to achieve the positive standards we have set for the renewal of kitchens and bathrooms, refresh communal areas and achieve Energy Performance Certificate Level C whilst working to transition to digital call systems by 2025.

| | | Actual | Actual | Target | Target |
|---|---|---|---|---|---|
| | UoM* | 2020/21 | 2021/22 | 2021/22 | 2022/23 |
| Decent homes | % | 100% | 100% | 100% | 100% |
| Schemes with fully digital call system | % | 46% | 60% | 60% | 75% |
| All kitchens < 20 years old | % | 94% | 98% | 100% | 100% |
| All bathrooms < 20 years old | % | 96% | 99% | 100% | 100% |
| All properties at EPC C | % | 91% | 99% | 100% | 100% |
| All scheme makeovers <7 years | % | 97% | 98% | 100% | 100% |

## Looking ahead

- We will continue to maintain properties at contemporary standards and will never compromise on the safety of our buildings or services.
- We will regularly assess the condition of properties and ensure we are investing sufficiently and appropriately to meet our property standards.
- We will seek to ensure all aspects of property safety will be fully compliant including gas, electrical, water, lifts, asbestos and fire risks.
- Average energy use per property should fall as further improvements are made to current stock and new developments achieve higher energy rating levels.
- We are aiming to ensure that no fossil fuel heating systems to be installed for new developments or refurbishments completed after 31 December 2022.

# 3. Investing in the quality and responsiveness of services

The delivery of high-quality services in Retirement Living and Extra Care is at the heart of our purpose and commitment and must never be compromised. This requires a culture of continuous improvement, striving to do better and never being satisfied with a service that is only 'good enough'.

| | | Actual | Actual | Target | Target |
|---|---|---|---|---|---|
| | UoM* | 2020/21 | 2021/22 | 2021/22 | 2022/23 |
| Overall satisfaction | % | 92% | 91% | 95% | 95% |
| Overall satisfaction with care | % | 97% | 94% | 95% | 95% |
| Repairs completed on time (< 28 days) | % | 88% | 92% | 90% | 90% |
| Complaints responded within time | % | 94% | 97% | 100% | 100% |
| % of monthly health and safety CM compliance checks complete | % | 97% | 99.6% | 100% | 100% |
| CQC compliance (% of EC services good or outstanding) | % | 90% | 90% | 100% | 100% |

## Looking ahead

- We will ensure residents have a voice and are able influence the services they receive both locally and nationally.
- We will develop tools and leadership capabilities to deliver outstanding services, measuring them against a range of quality indicators.
- We will compare performance and satisfaction across our services.
- We will work hard to replace any 'requires improvement' CQC grades with 'good' or 'outstanding'.

# 4. Investing in our people and potential

**The motivation, commitment and satisfaction of our employees is key to their engagement, performance and behaviour at work and is critical to our success in providing quality homes and services to residents.**

Every employee plays a vital part, and particularly those in operational roles who interact directly with residents. We continue to invest in our people, and we were delighted to achieve the highest Investors in People rating of Platinum in June 2021. But we will never be complacent.

We seek regular feedback from employees and use this feedback to guide and inform our approach to employee engagement.

| | | Actual | Actual | Target | Target |
|---|---|---|---|---|---|
| | UoM* | 2020/21 | 2021/22 | 2021/22 | 2022/23 |
| Employee satisfaction | % | 92% | 92% | 92% | >90% |
| I am treated with respect by my colleagues | % | 95% | 91% | - | - |
| My manager keeps me informed | % | 90% | 87% | - | - |
| My manager supports my wellbeing | % | 84% | 84% | - | - |
| I feel appreciated for the work I do | % | 85% | 77% | - | - |

## Looking ahead

- We will seek to establish a strong and clear employer brand.
- We will continue to adapt and modernise our approach to employee engagement, reward and wellbeing.
- We will develop our leaders and managers and encourage all employees to learn and develop to increase their skills and fulfil their potential.
- We will seek to create diverse teams where people feel comfortable being themselves, show respect to others and where different perspectives and approaches can lead to better outcomes.

**We will continue to place a high priority on ensuring we attract and retain the best people and build on our reputation as an excellent employer. We want to remain a great place to work with an inclusive culture and highly empowered people.**

We recognise the importance of having a compelling and competitive reward offer which is complementary to attractive rates of pay. However, whilst wider rewards and benefits are important, it is ultimately the base salary which is of most value to our employees, particularly for those in lower paid roles. As a result, we have chosen to differentiate ourselves from the pay levels offered by other providers.

Recognising that the National Living Wage is not sufficient to attract and retain skilled employees, particularly Care Workers with a professional outlook and strong care ethos, we have set pay at least 10% above this level.

| | | Actual | Actual | Target | Target |
|---|---|---|---|---|---|
| | UoM* | 2020/21 | 2021/22 | 2021/22 | 2022/23 |
| Turnover | % | 14% | 20% | 15% | 20% |
| Sickness — total direct sickness costs | £m | 2.4 | 2.3 | 2.3 | 2.2 |
| Sickness — average sickness occurrences per employee | # | 1.2 | 1.5 | 1.2 | 1.3 |

## Looking ahead

- We will seek to pay Care Workers and other professional customer-facing employees more than the statutory minimum or market median levels of pay to retain a diverse, skilled and stable workforce as this has a direct impact on the quality of service that residents receive.
- We will professionalise our operational services and support employees to gain qualifications or accreditations to demonstrate and recognise their skills and experience.
- We will invest in developing strong and capable local managers who inspire and lead people and teams to be the best they can be.

# 5. Investing in systems and technology

## Digital connectivity

We are committed to addressing the digital divide experienced by many older people, and those with limited means, by helping residents to become more digitally connected and aware of the potential this can provide. We want to provide access to Wi-Fi, devices, and assistance to build an understanding of the associated benefits and opportunities.

There are social, as well as financial, advantages that can come from being online and digital connectivity will become a pre-requisite for any home environment just as we expect connectivity to other core utility services.

### Looking ahead

- We will seek to close the digital divide by aiming to provide access to Wi-Fi, at least in communal areas, for all our schemes.
- We will upskill our employees to talk confidently and knowledgeably about the potential benefits of digital connectivity and to provide guidance and support to residents seeking to get connected.

## Transform 21

We are investing in our people, processes and systems as part of our ambitious Transform 21 Strategy, which will make Housing 21 more effective, productive and easier to engage with so residents and employees are better connected, informed and can fulfil their potential. We want to create great customer experiences, be locally responsive, reliable, and reassuring by being easy to do business with and by understanding the different needs and preferences of residents going beyond housing provision to enhance our residents' lives.

Transform 21 is seeking to bring about a change and evolution in ways of working to make Housing 21 more efficient, save costs, improve service quality and provide greater assurance and capacity to support future operations and development. We will take advantage of the latest systems and technology to support what must remain a personal service.

### Looking ahead

- We will seek to support and equip our employees with the technology, equipment and systems to effectively deliver a devolved and personal service to residents.
- We will ensure each element of the Transform 21 Strategy is backed up by a clear business case that sets out the improvements and benefits and recognises the resource requirements, dependencies and implications of the changes.

## Data

We recognise the importance of data for understanding our impact and as a basis for comparisons of performance, analysis and benchmarking, both internally and externally. It also enables us to identify scope for improvement, outliers and areas requiring attention, early warning signals, alerts of potential fraud or value for money concerns.

### Looking ahead

- We will ensure we collect, manage, and govern our data safely, and in doing so harness the power of data to make more informed decisions.
- We will develop our data and improve its accessibility and usability as a basis for assurance and advancement.
- We will make data and information about our performance and operations available and accessible for residents and other stakeholders so they can hold us to account and to demonstrate we are performing well and operating with integrity. We welcome challenge if we fail to perform to the standards expected.

# 6. Investing to provide value for money

**The drive to achieve value for money is a fundamental consideration in all we do. We aim to spend wisely, work productively, do what we say we will and do it with integrity. As a not-for-profit organisation any funds we generate are reinvested in our homes and services, helping to maintain our high-quality standards.**

Our Value for Money (VFM) Strategy was updated in November 2021 and it provides the Board with a framework that ensures that, in meeting the Strategic Priorities, VFM is delivered strategically across the organisation.

Despite a difficult operating year, the Group has generated a surplus before one-off items, continued to invest in existing and new homes, and maintain customer satisfaction with homes and services, demonstrating the efficiency and effectiveness of the business.

During the year a stronger and more methodical approach to performance management has been introduced with a range of performance measures included in a set of dashboards which are refreshed monthly. The KPIs reported throughout this section are all extracted from our performance dashboards.

Further VFM analysis is included on page 29.

## Looking ahead

- We will set out at least annually what we plan to achieve in the year ahead in terms of value for money targets and measures, including those specified by the Regulator of Social Housing.
- We will report on the historical levels of performance against previous targets and undertake comparisons with the performance of other providers to drive a process of continual improvement and ongoing commitment to progress.

# 7. Investing in innovation and influence

**We want Housing 21 to be seen as the leading organisation providing housing with support or care for older people. Strong values are crucial in achieving this and we will always be guided by our social purpose as well as putting quality, and our residents, at the heart of our actions and decisions.**

We are committed to playing a leading role in the provision of housing, care and support services for older people of modest means and will speak up for and advocate on issues that are of importance and concern to our residents. We will also continue to challenge ourselves and others to think about what current and future generations will want and expect and use these insights to help shape our service provision and offer.

Housing 21 supports the activities of the All-Party Parliamentary Group (APPG) on housing and care for older people and contributes to the research it undertakes, including the inquiry into housing and dementia published in 2021. The APPG is chaired by Lord Richard Best who was a keynote speaker at the 2021 Housing 21 Conference, which considered the diverse housing and care needs of older people.

## Looking ahead

- Our 2022 Conference will focus on affordability and inequality for older people, exploring older people's access to housing, care and technology.
- We will continue to seek to understand the requirements and aspirations of a more diverse population of older people.
- We will always be thinking about the services we provide to residents and ensuring they are fit for the future — not just the residents of today, but the residents of tomorrow.
- We will consider different models of older peoples housing such as our cohousing initiative.
- We will continue to trial developing using off-site manufacturing.
- We will develop our first zero carbon scheme in Doncaster.

# Environmental, Social and Governance Reporting

The Sustainability Reporting Standard for Social Housing was launched in November 2020 by the Environmental, Social and Governance (ESG) working group. The ESG reporting framework has been developed to establish a transparent, consistent and comparable set of ESG criteria across the housing sector. In 2021 we reported our performance against the 12 core themes within the standard and this will be repeated in 2022 with a separate ESG report, which will be available alongside these accounts on our website.

# Environmental Sustainability Strategy

Housing, and the residential sector, is responsible for about one-fifth of UK carbon emissions. If construction is included, it is significantly higher. We are at the beginning of our environmental journey and are working hard to raise our environmental standards. The Housing 21 Board has agreed that we should be ambitious in our commitment to sustainability, focusing on areas where we can make the biggest impact, reflected in our Sustainability Strategy.

Our commitment is that we will go beyond legal requirements, exceed minimum standards and strive to achieve a position of 'doing no harm'.

We have an Environment Steering Group, led by our Chief Executive, to monitor and drive progress towards our environmental objectives, challenge our approach and assumptions and seek to be ambitious in our sustainability commitments.

## Climate change resilience: scheme sustainability strategies

A sustainability plan and strategy has been produced for every scheme based on its current environmental position and potential to identify challenges, opportunities and guide future investment decisions.

# Energy and Carbon Reporting

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, when the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force. Housing 21 is outside the SECR qualification criteria in the UK, but will follow the same protocols in its carbon reporting.

We have opted to use the operational control boundary definition to define our carbon footprint boundary. The reporting period for this is 1 April 2021 to 31 March 2022. Included within that boundary are Scope 1 and 2 emissions from gas and electricity, as well as Scope 3 emissions from grey fleet, all in the UK. The Green House Gas (GHG) Protocol Corporate Accounting & Reporting Standard and UK Government's GHG Conversion Factors for Company Reporting have been used as part of our carbon emissions calculation.

For this calculation we have only opted to use energy consumed by Housing 21, as defined in the table below, and have made no estimate for gas and electricity used in residents' homes where they have their own supplies.

**Table 1 Greenhouse gas emissions**

| Source | kWh | tCO2e |
|---|---|---|
| Gas used in communal heating and hot water for communal areas and residents' flats, and includes gas also supplied by H21 to residents' flats. | 131,589,480 | 24,226 |
| Electricity (from certified renewable sources) for communal areas and some heating and hot water for communal areas and residents' flats, and includes supplies by H21 to residents' flats. | 33,661,391 | 9,806 |
| Electricity use in H21 offices | 696,209 | 203 |
| Business journeys | | 3,198 |
| **Total emissions** | | **37,432** |

Our intensity metric for the financial year 2021/22 was 1.69 tonnes of CO2 per property.

## Energy efficiency

We have started to generate electricity through solar PV panels at six schemes as well as solar thermal installations at a further six schemes. We have introduced air-source solutions at two schemes, and have a single site using a Biomass boiler. We will monitor the effectiveness of these solutions and include data for these in our next annual report.

## Activities in year to improve our carbon footprint

There has been significant investment in the year to improve the efficiency of our residents' homes and improve energy performance.

| Component | Number of properties completed |
|---|---|
| Windows and doors | 413 (over 9 Schemes) |
| LED lighting | 18 schemes (communal areas) |
| Biomass heating | 36 (1 scheme) |
| GSHP | 28 (1 scheme) |
| Thermal store | 36 (1 scheme) |
| Gas heating installation | 996 (21 schemes) |
| Electric storage heaters | 481 (14 schemes) |
| Roof replacement | 12 schemes |
| Cavity wall insulation | 2,100 (55 Schemes) |
| External wall insulation | 1 property |

## Carbon impact / energy consumption looking forward

- We will achieve EPC C across all properties during 2022. At 31 March there were only three schemes yet to reach this standard.
- 25% of our schemes are already at EPC B.
- We will continue to focus on sustainability, measure average carbon use for each scheme and track improvements to our overall carbon footprint.
- We will seek to find suitable alternative heating system options to avoid, if possible, the installation of fossil fuel heating systems for new developments or comprehensive renewals of existing systems due to be completed after 31 December 2022.
- Stretching environmental standards will be set for all new developments which will all achieve EPC B.
- We plan to have removed fossil fuel heating systems in all schemes by 31 December 2042 and will report annually on progress.
- A policy of only sourcing electricity from certified renewable sources took effect from beginning of 2020.

# Our Business Performance

## During the year we have generated an operating surplus of £30.9m (2021 : £35.8m) and turnover has grown to £224.5m (2021 : £201.3m)

### Summary of operating surplus

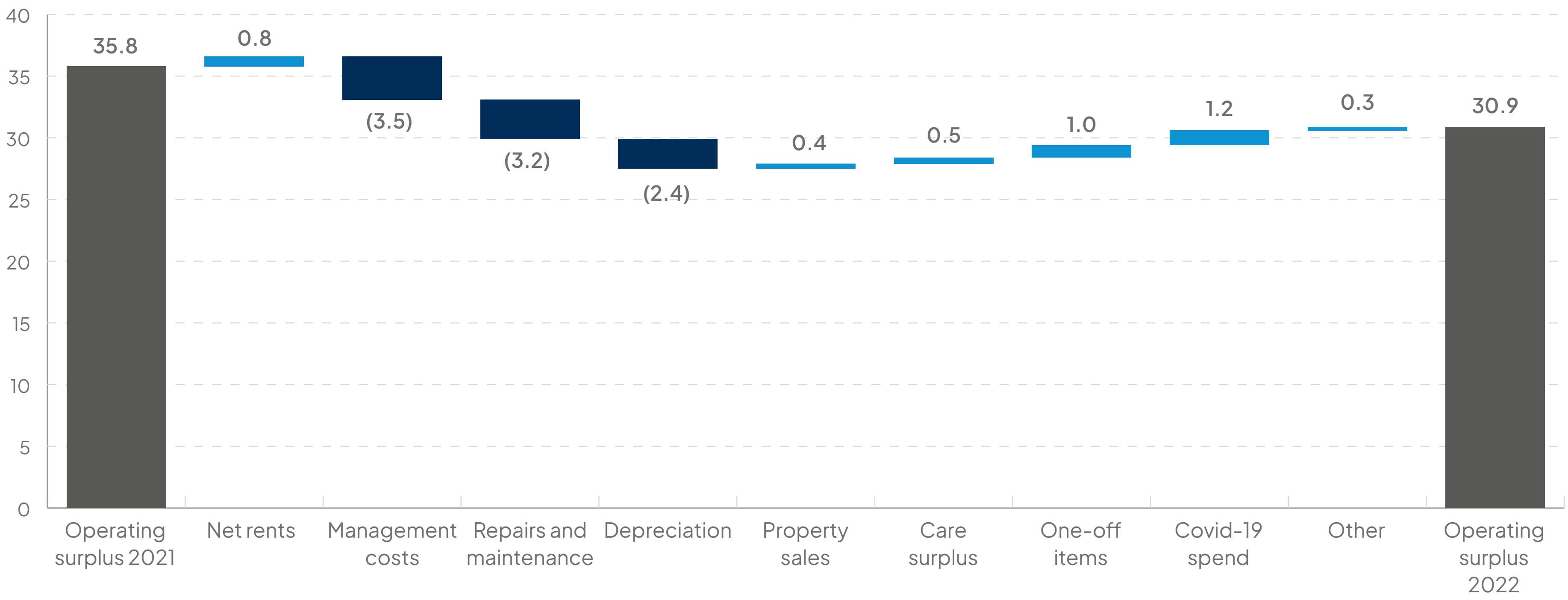
| | Turnover £'m | | Surplus / (deficit) £'m | | Margin % | |
|---|---|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* | **2022** | **2021** |
| **Social Housing** | **152.4** | ***146.2*** | **28.5** | ***36.8*** | **18.7%** | ***25.2%*** |
| Development sales | 22.4 | *10.4* | 2.5 | *2.1* | 11.1% | *20.4%* |
| Other activities and costs | 6.0 | *5.6* | (1.4) | *(1.4)* | (22.7%) | *(25.2%)* |
| One-off items | - | *(0.6)* | - | *(0.6)* | - | - |
| **Other social housing** | 28.4 | *15.4* | 1.1 | *0.1* | 4.0% | 0.6% |
| Care | 38.2 | *35.6* | 0.4 | *(0.1)* | 1.0% | *(0.2%)* |
| Other | 5.4 | *4.2* | 0.9 | *(1.0)* | 16.1% | *(23.0%)* |
| **Non-social housing** | **43.6** | ***39.8*** | **1.3** | ***(1.1)*** | **2.9%** | ***(2.7%)*** |
| **Total** | **224.4** | ***201.3*** | **30.9** | ***35.8*** | **13.8%** | ***17.8%*** |

Due to rounding, number may be marginally different to that disclosed in notes 2 and 3.

This year we have seen a return to normal levels of performance following the pandemic. We have on-boarded 691 properties across 11 schemes and have embarked on our biggest sales programme to date, selling an equity stake in 189 properties, with a further 195 sales expected in the coming year.

Despite this, operating surplus has fallen to £30.9m and is largely down to the conversion of our affordable rented properties to social rents at the beginning of the year which reduced rental income by circa £2.8m. There has also been increased repairs and maintenance activity following delayed work during the pandemic, increased management costs as we start to put in the infrastructure for our Transform 21 strategy and higher depreciation from the new properties on-boarded.

Care services have generated a surplus in year through negotiating rate increases with local authorities which has allowed us to continue to pay our employees above National Living Wage and offsets rising costs, an increase in hours and improved efficiencies in rostering plus reduction in Covid-19 related spend. Furthermore we have continued to benefit from funding from the Infection Control Fund and have received £1.7m in funding, which is fully offset by costs incurred.



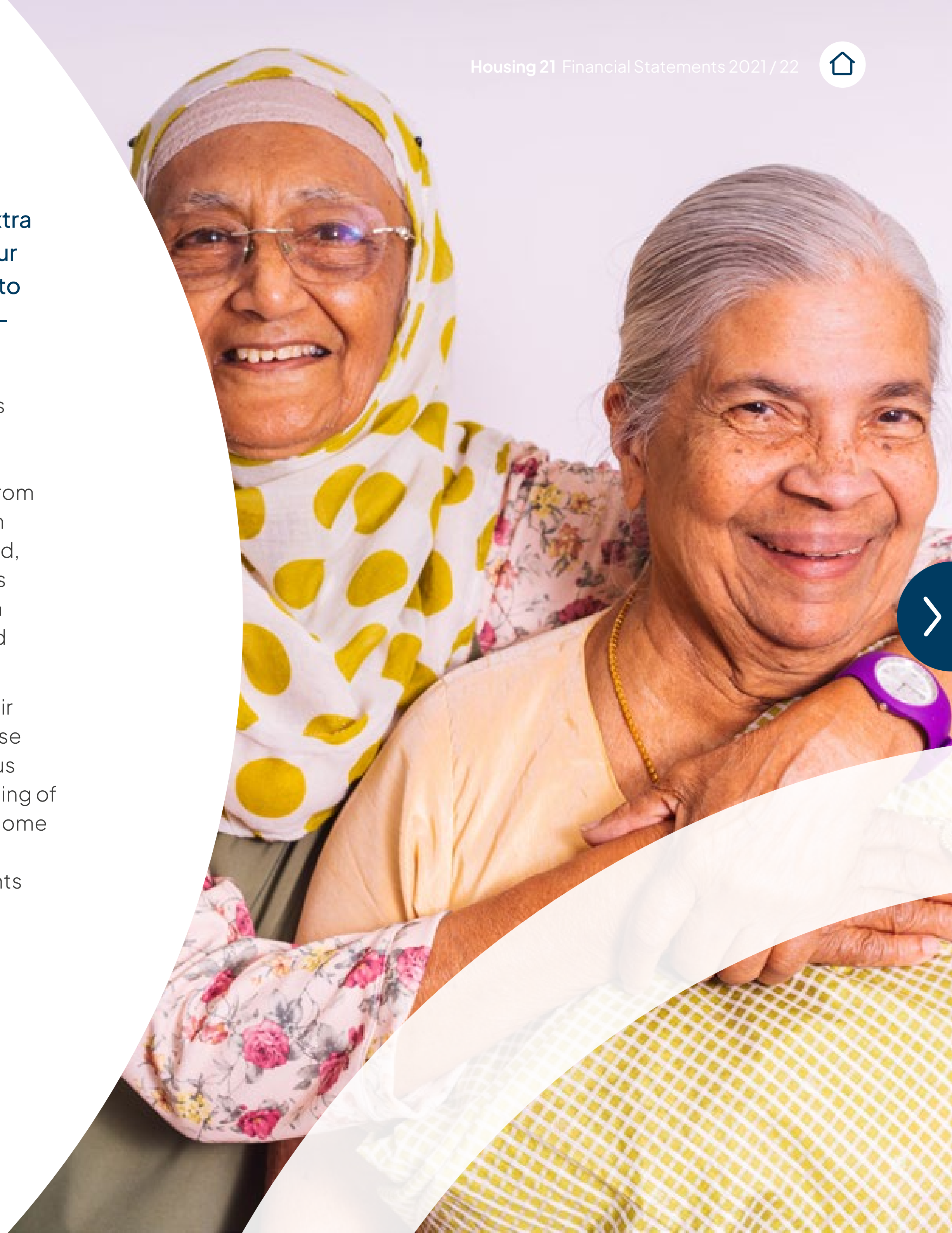

The next few pages provide further detail of our operational performance.

# a. Social housing lettings

**Our social housing lettings represent our Retirement Living and Extra Care services, including the housing services delivered through our three PFI / PPP contracts. The social care services that we deliver to our residents in our Extra Care properties are included within 'non-social housing activities' reported on the next page.**

Social housing revenues have increased by £6.2m year-on-year and this is largely due to an increase in service charges. Housing 21 operate a variable service charge, meaning that we only recover the costs that we incur in delivering communal services provided to residents and apart from the recovery of an administrative fee, we do not generate a surplus from providing these communal services. So, although turnover has increased, costs have increased in an equal measure. We consult with our residents prior to setting their service cost budgets and provide statements each year so we are transparent in the costs we have incurred and can be held accountable for any overspends.

Each year housing associations can apply an inflationary increase to their rents, as outlined in the Rent Standard. This year's regulatory rent increase was 1.5%. However, following the breach of the Rent Standard in previous years, we converted all our affordable rents to social rents at the beginning of the year, lowering annual rental income by around £2.8m. This loss of income has been mitigated by applying the inflationary increase across the rest of our estate, where applicable, and the benefit of the new developments coming on-board.



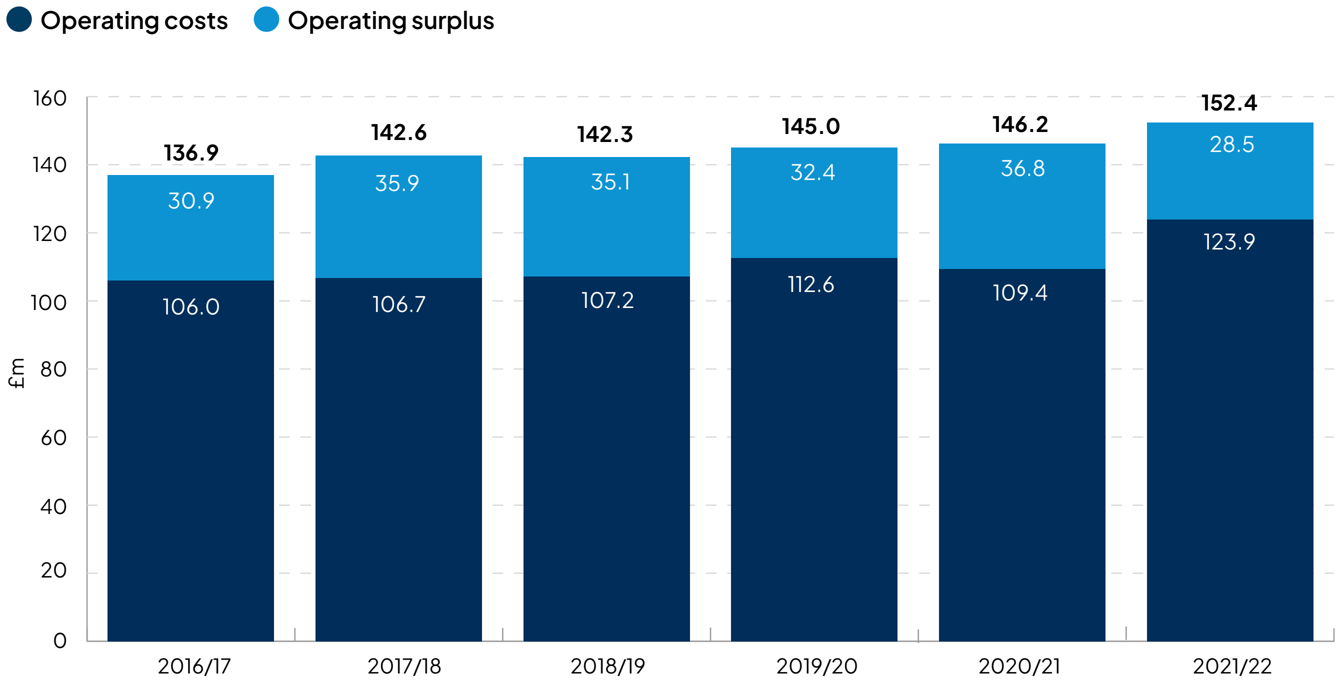
The pandemic had a significant impact on the number of voids but, in year, the number of empty properties has reduced and we are more in-line with our longer-term targets. At year end we had 284 properties available to let (excluding new developments), an improvement compared to 456 properties available to let from same period the year before. Despite this, rent and service charge income lost through void properties has increased to £4.4m (2021 : £4.0m). This is due to an increase in voids on new properties on-boarded in the last few years as, on average, these schemes take six months to let. In the current year 691 properties practically completed, in addition to the 400 properties in the prior year which has seen the rent and service charge loss of these new properties increase by £1.0m to £1.4m.

Despite the increase in revenues, operating surpluses have fallen by £8.3m. Significant amounts of routine and planned maintenance work that was put on hold during the previous financial year has been completed so we have seen increase spend (£2.7m increase).

Management costs have increased by £3.5m as we have invested in the infrastructure for our Transform 21 Strategy which will be delivered in next few years.

Depreciation on housing properties has also increased year-on-year (£1.8m), again from the new properties that have been on-boarded in recent times but as these developments are still in the initial commissioning phase, surpluses on these schemes have not fully materialised.

## Social housing lettings

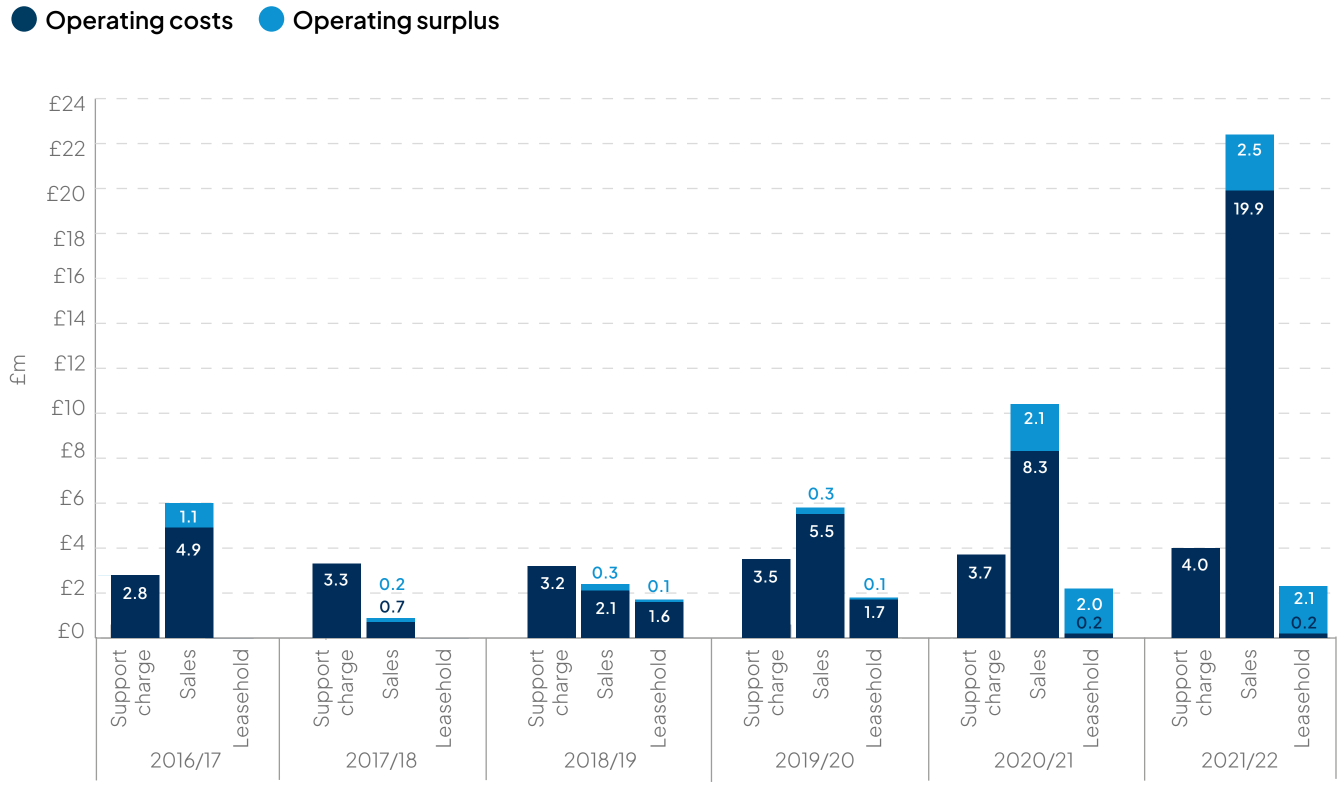


# b. Other social housing activities

Other social housing activities includes:

- the support charge and social leasehold services, both of which are relatively profit neutral, as all turnover received is used to fund delivery of communal services,
- the back-office costs to support our development and sales activities and
- the sale properties, primarily through first tranche low-cost home ownership.

## Other social housing activities




This year has seen Housing 21's largest sales programme for a number of years, with the sale of an equity stake in 189 properties (*2021: 79*) generating sale receipts of £22.4m (*2021: £10.4m*). We will continue to have a high sales programme over the next few years. However, with the Board's aspiration to develop more properties for social rent and in more deprived areas meaning a sales offering is not always appropriate, we expect to see the sales programme tail off.

We are not reliant on the proceeds from development sales to meet our obligations, in particular our lenders covenants, and we will only include shared ownership on a scheme where there is a clear demand to do so. We do not develop commercially to cross subsidise our social housing developments.

# c. Non-social housing activities

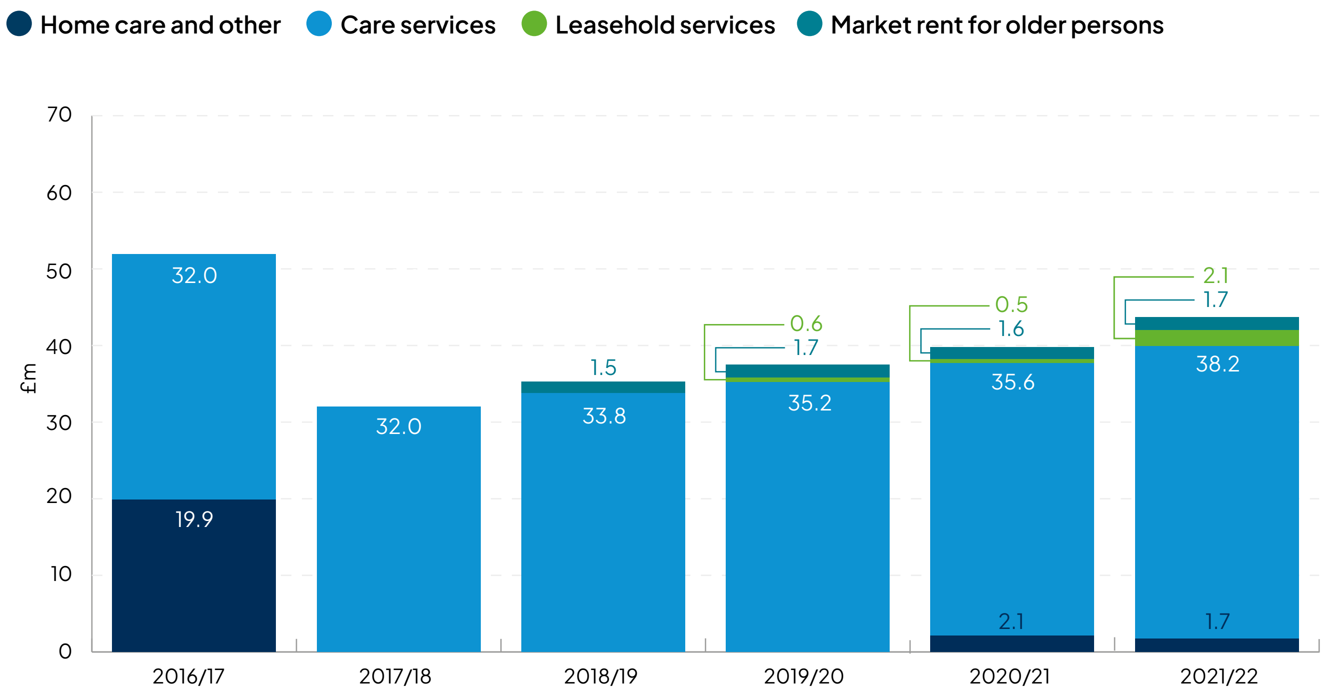
Most of our non-social housing activities is generated from our social care services provided to our residents in our Extra Care schemes. Care is commissioned from local authorities and allows our residents to maintain their independence with the reassurance of a dedicated Care Team available 24/7 providing social / domiciliary care.

Care hours delivered have increased over the past 12 months following a reduction in the number of void properties, winning new care contracts, and along with rate increases from local authorities, leading to an increase in care turnover of £2.6m.

Care services have returned to surplus in 2021/22, following a deficit in the prior year due to increased costs because of the pandemic. We are extremely proud we continue to pay our care employees above National Living Wage and have extended occupational sick pay to all care employees.

Housing 21 also holds a small portfolio of market rented properties for older people and 2021/22 represents the first full year of the integration of the leasehold properties into Housing 21 which were acquired from BUPA in 2019.

## Non-social housing turnover



# d. Cash flow and treasury

During the year we have taken the opportunity to restructure some of our legacy loans. We have repaid £49.2m of RPI-linked debt early and have terminated the associated RPI-linked swap as this could not be hedged against any other variable rate loans. Consequently, £14.0m of break costs were incurred and the cash flow hedge reserve (£6.0m) has been recycled through the Statement of Comprehensive Income, contributing to the deficit in year. We have agreements with our lenders to carve these costs out for covenant calculation purposes and as such, continue to meet all thresholds.

These transactions have been funded by tapping Housing 21's bond for an additional £130m in December 2021, £80m of which was sold in January 2022 at an all-in rate of 2.488%. The balance of £50m is fully secured and can be sold and drawn at relatively short notice. The interest rate agreed was at a more preferential rate compared to the original bond (3.288%), resulting in the receipt of a £12.3m loan premium. The total premium received to date on the two bond taps is £39.3m and will be amortised over the life of the bond.

Following this repayment, all the Group's loan book is fixed and at a time when interest rates are increasing, this provides a level of protection on rising finance costs. We do not anticipate any draw downs in the coming financial year and we will take this opportunity to engage with the market and look at alternative forms of financing with a view of having additional facilities by September 2023.

During the year we have generated £56.1m *(2021: £69.9)* of which £22.3m *(2021: £19.5m)* has been used to service debt (excluding refinancing costs) and £30.2m *(2021: £19.3m)* to invest in our properties.

Despite completing on 691 new properties in year, development cashflows are lower compared to prior year (£59.4m versus £80.1m) as most of these schemes completed early in the year and we have experienced delays in bringing new schemes forward.

At year end, the Group had £96.6m in short term investments which are deposits, maturing in the next three to 12 months.

| | | Actual | | Target | Budget |
|---|---|---|---|---|---|
| | UoM | 20/21 | 21/22 | 21/22 | 22/23 |
| Daily liquidity headroom | £m | 30.9 | 41.1 | 10.0 | 10.0 |
| Weighted average cost of borrowing | % | 4.0% | 3.7% | 4.0% | 4.5% |
| Short term liquidity headroom — 6 months | £m | 210 | 186 | 51 | 55 |
| Floating rate debt | % | 7% | 0% | 15% | 15% |
| Gearing ratio — covenant | % | 28% | 28% | 55% | 55% |
| Interest cover — covenant | % | 237% | 185% | 150% | 150% |
| EBITDA MRI interest cover | % | 185% | 126%* | 120% | 120% |
| EBITDA MRI interest cover SH | % | 189% | 119%* | 110% | 110% |
| Drawn debt maturities – One year | % | 6% | 6% | 15% | 15% |
| Drawn Debt Maturities – Three years | % | 7% | 8% | 20% | 20% |
| Funding availability | mths | 23 | 34 | 18 | 18 |

* Excluding £14.0m one off refinancing costs

## Creditor payment policy

We agree payment terms with our suppliers when we enter binding contracts. We seek to abide by these terms when we are satisfied that the supplier has provided the goods or services in accordance with agreed terms.

## Going concern

After making enquires, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. The Board obtains assurance of financial viability through the annual budgeting, re-forecasting, and long-term business planning exercises. As part of this, we assess and stress test the availability of funding, liquidity, and compliance with lenders' covenants alongside other key metrics considered by our external stakeholders such as our regulators and credit rating agencies. Together, this ensures the Board has a continual and rolling process of reviewing and assessing our financial strength and viability.

At year end we had £225.3m in cash holdings and a retained bond of £50m which is fully secured and could be drawn at short notice. All lenders' covenants have been met for the year with a healthy headroom.

The Board-approved business plan shows an improving performance year-on- year, with increasing covenant headroom and EBITDA MRI performance. There are sufficient cash holdings for all contractual commitments and we do not anticipate needing any additional facilities until September 2023 at the earliest. If we experience cost pressures from rising inflation, the Board has several mitigating strategies which they could put in place to manage the potential financial implications.

For this reason, the going concern basis has been adopted in these financial statements.

## Charitable and political gifts

We did not directly make any charitable or political donations in the year (2021: £nil). However, we do support the work undertaken by employees and residents in their various charitable initiatives.

# Value for Money

The overall approach to Value for Money (VFM) is based on what is required to deliver our strategic priorities and ensuring that we optimise the use of our resources in delivering value for our residents and our stakeholders.

Value for money connects the drive for the most economic, most efficient, and most effective way of doing things looking at costs, inputs, outputs and outcomes.

## Our strategic priority VFM targets

Our strategic approach is underpinned by careful financial management and good governance. It builds on a strong culture of performance management and continuous improvement. During the year we further developed performance management and reporting and produce a monthly Board Performance Dashboard. Progress against our strategic objectives has been reported above in the Strategic Report which also includes specific performance measures and targets.

Through our devolved operating model, our residents are encouraged to provide feedback and work with us to continually improve our services. This ensures we are providing value for money for the rent and service charges that our residents pay. Investing in the quality and responsiveness of our services is a strategic priority and we note a return on this investment in the customer satisfaction scores achieved.

## Effective governance

The Group Board recognises its responsibility for meeting the requirements of the Regulator of Social Housing Value for Money standard and to take a strategic approach in managing the performance of the Group's assets and the utilisation of the Group's resources.

All Board and Committee papers are required to consider the VFM impact of any decisions made. For example, each element of our transformation programme will need to express the benefits expected to be realised by the investment before approval.

## Our Performance on the Regulator's VFM metrics

The Regulator of Social Housing has defined seven value for money metrics for providers to report and compare. Our targets for these measures derive from our approved budget and business plan, and these metrics are always considered by the Board when these plans are approved.

The first table shows our performance against our own targets:

| | Value for money metrics | Actual | | Target | Budget |
|---|---|---|---|---|---|
| | | 20/21 | 21/22 | 21/22 | 22/23 |
| 1. | Reinvestment | 7.9% | 6.2% | 8.6% | 9.8% |
| 2a. | New supply social | 2.1% | 3.5% | 2.6% | 1.7% |
| 3. | Gearing | 34.8% | 42.6% | 35.1% | 35.3% |
| 4. | EBITDA MRI interest cover | 185.5% | 83.3% | 126.1% | 138.1% |
| 5. | Headline CPU | £5,415 | £6,591 | £6,513 | £7,127 |
| 6a. | Operating margin – social | 23.9% | 18.7% | 17.8% | 15.1% |
| 6b. | Operating margin – overall | 17.6% | 13.4% | 13.9% | 12.4% |
| 7. | Return on capital employed | 2.3% | 1.9% | 2.1% | 1.8% |

Our performance has been broadly as expected with the main exception being interest cover which was impacted by the inclusion of refinancing break costs, as explained later in this section.

We also make a comparison to data taken from the latest Global Accounts at sector and sub-sector level. The Housing for Older People (HOP) sub sector is defined as providers with at least 30% HOP homes, which is a small sample that includes:

- Anchor Hanover Group
- Housing 21
- Futures Housing Group
- Johnnie Johnson Housing
- Central and Cecil Housing
- The Abbeyfield Society
- Red Kite Community Housing

## The second table shows the sector comparison:

| Value for money metrics | Actual | | HOP | Sector |
|---|---|---|---|---|
| | 20/21 | 21/22 | 20/21 | 20/21 |
| 1. Reinvestment | 7.9% | 6.2% | 5.9% | 7.2% |
| 2a. New supply social | 2.1% | 3.5% | 1.1% | 1.5% |
| 3. Gearing | 34.8% | 42.6% | 34.8% | 44.0% |
| 4. EBITDA MRI interest cover | 185.5% | 83.3% | 133.0% | 170.0% |
| 5. Headline CPU | £5,415 | £6,591 | £5,550 | £3,830 |
| 6a. Operating margin — social | 23.9% | 18.7% | 18.1% | 25.7% |
| 6b. Operating margin — overall | 17.6% | 13.4% | 16.7% | 23.1% |
| 7. Return on capital employed | 2.3% | 1.9% | 3.2% | 3.4% |

In the detailed analysis on the following pages we focus on comparing our results to that of Anchor Hanover Group (provider A) and Johnnie Johnson Housing (provider B) who both have similar operational characteristics to Housing 21.

Financial information is taken from their published annual accounts and, where possible, we re-calculate the VFM metrics based solely on HOP, excluding amounts derived from other activities such as care homes or general needs housing, to enable a more meaningful benchmark, so these may differ from their published VFM metrics.

Our internal VFM targets for the 2022/23 financial year are included as grey in the graphs over the next few pages.

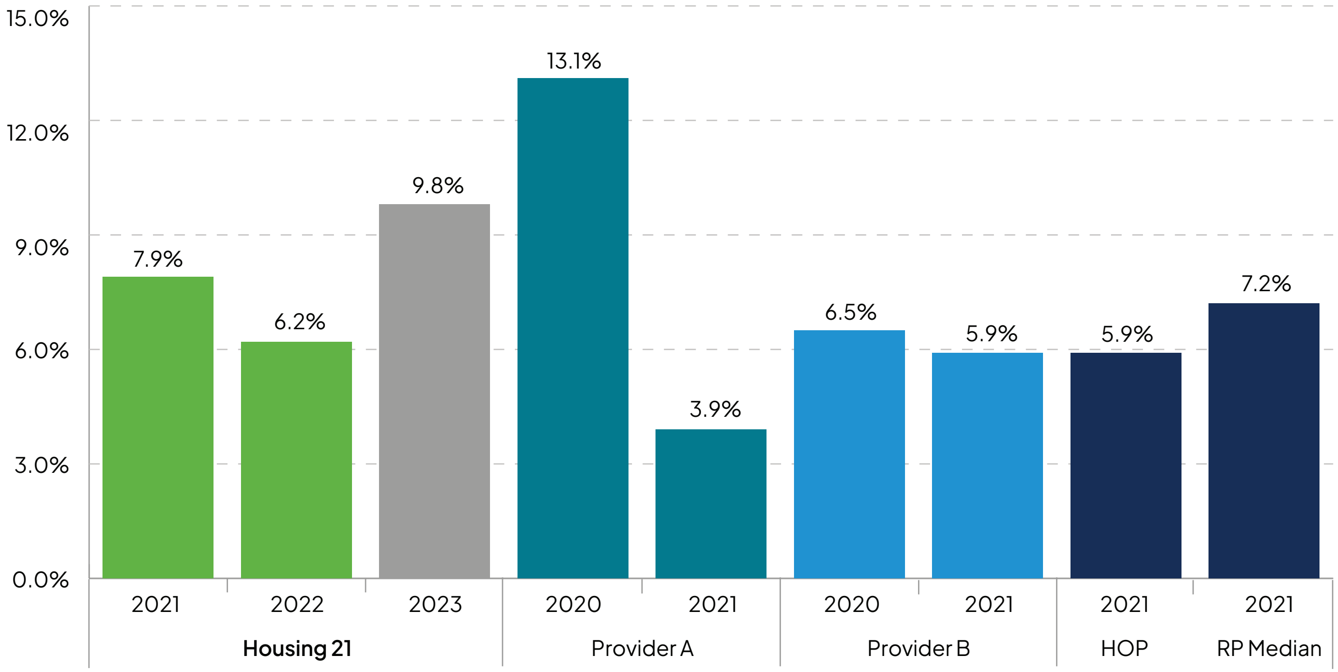
## Metric 1 — Reinvestment %

We continue to invest in the provision of new social housing for older persons and in the year, we spent £48.2m *(2021: £81.8m)* on new developments as well as £33.1m *(2021: £18.4m)* on our existing stock and a further £10.5m on properties developed for low-cost home ownership and outright sale which is excluded from the above metric.

Our investment in existing stock almost doubled year-on-year as we caught up with non-essential works that had been delayed due to the pandemic.

Despite most Covid-19 restrictions being lifted during the year, we are seeing prolonged build times due to supply chain issues and availability of key tradespeople. When coupled with delays in the planning process and challenges around financial viability, fewer schemes have come forward this year hence the drop in spend year-on-year, despite the increased completions reported in Metric 2A.

We have an extensive development pipeline and the Board has reconfirmed its commitment to increase capacity to develop up to 800 units per annum.




We spent
**£48.2m** (2021: £81.8m)
on new developments in 2022

## Metric 2A — New supply delivered % (social housing)

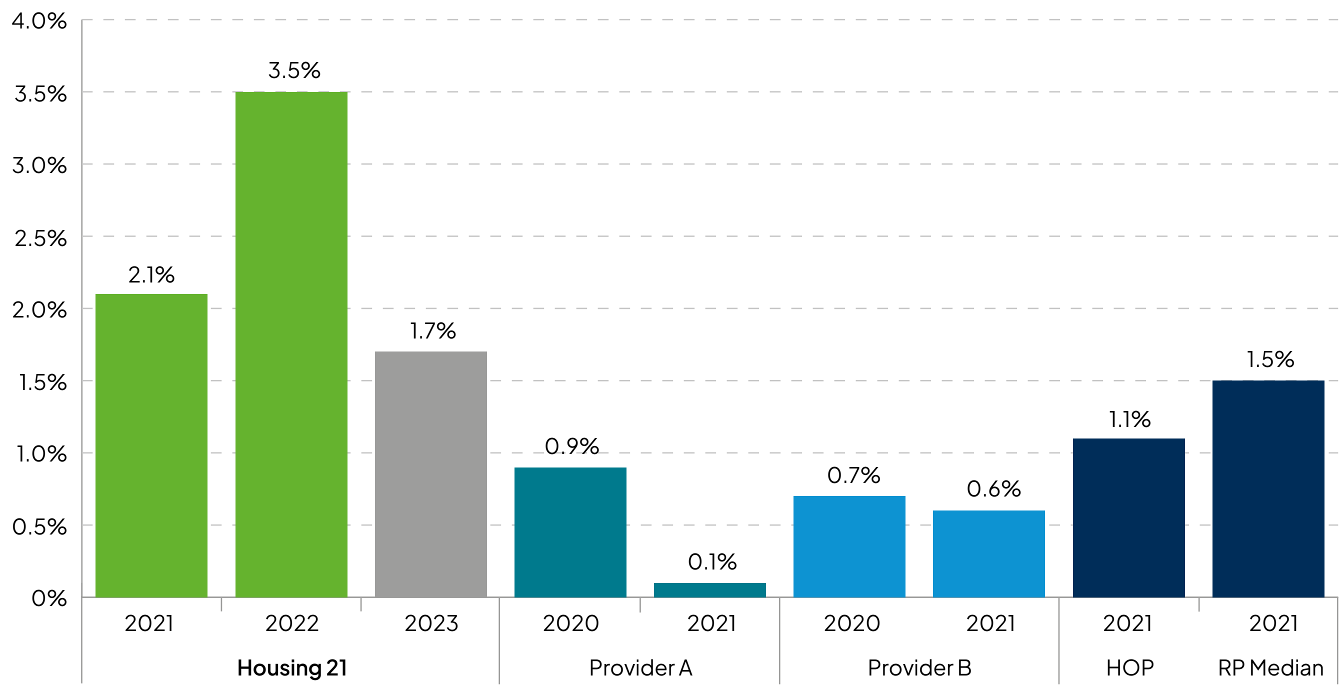
During the financial year we on-boarded 691 properties consisting of 442 properties for rent and 249 properties for shared ownership across 11 schemes.

Our higher ratio, compared to our peers and the sector medians, is consistent with previous years and reflects our continued commitment to providing more homes. Completions over the next few years however will be lower but will start to increase from 2024 onwards.

At the year end we had a further 537 properties on site across 12 schemes and, since the year end, Homes England funding has been confirmed on another 126 properties across two schemes from the 2021–26 Affordable Homes Programme.

### Metric 2B — New supply delivered % (non-social housing)

We have not developed any non-social housing in the year, nor do we have plans to develop such properties going forward.




During 2021–22 we added

**691 properties**

to our portfolio

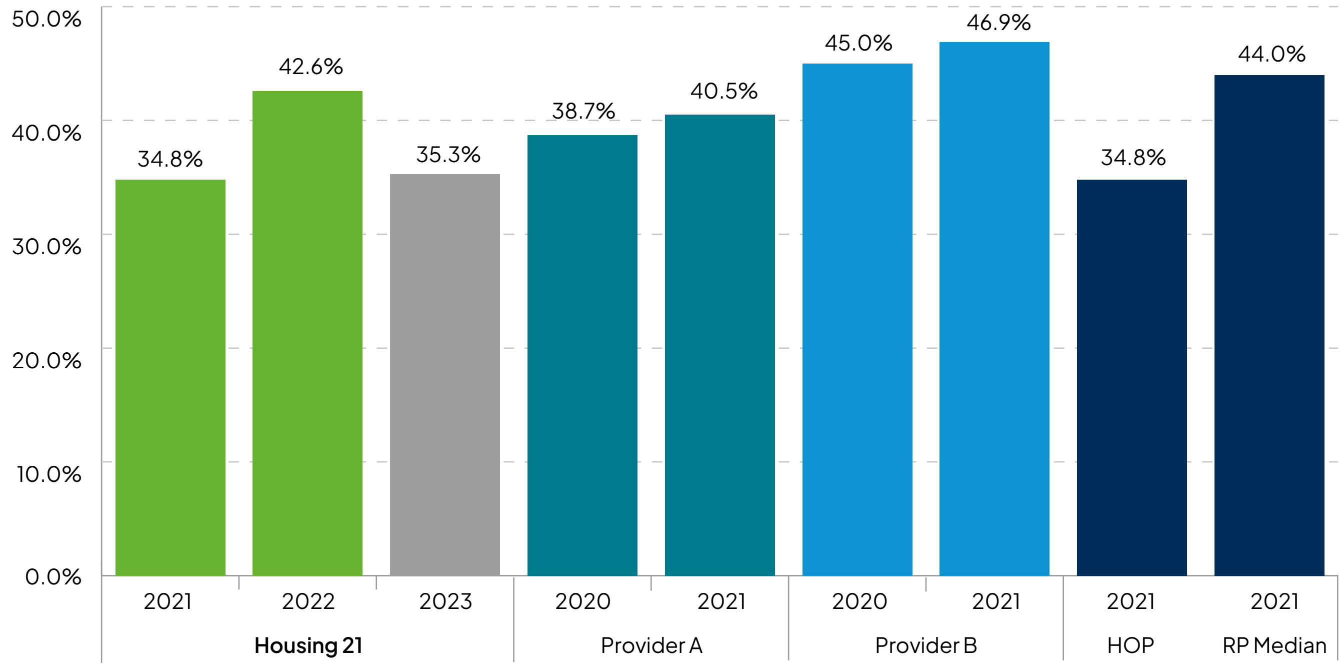
## Metric 3 — Gearing %

Gearing is higher than last year primarily because no cash was held in short term investments at the end of 2021 compared to the £97m held at the end of the current financial year and this is excluded from this metric. The true comparator to last year is 35.3%.

When cash held in short term investments is included, gearing continues to be in-line with our peers and the wider sector which demonstrates our business is self-sufficient and does not rely on external borrowing to fund day-to-day activities, including the investment in our existing stock. All new loan financing is used for the provision of new social housing or to manage our loan book.

Our gearing is also higher because of the way the Oldham PFI contract is held in our books. The Group holds the external loans for this contract (£50.2m), however as these assets (£101.6m) are not owned by the Group they are classified as a finance asset and fall outside of this metric. When this is removed but adding back our short term investments, our gearing decrease to 31.4% (*2021: 30.6%*)

Our gearing ratio is expected to increase in the long term as our development programme continues to grow.



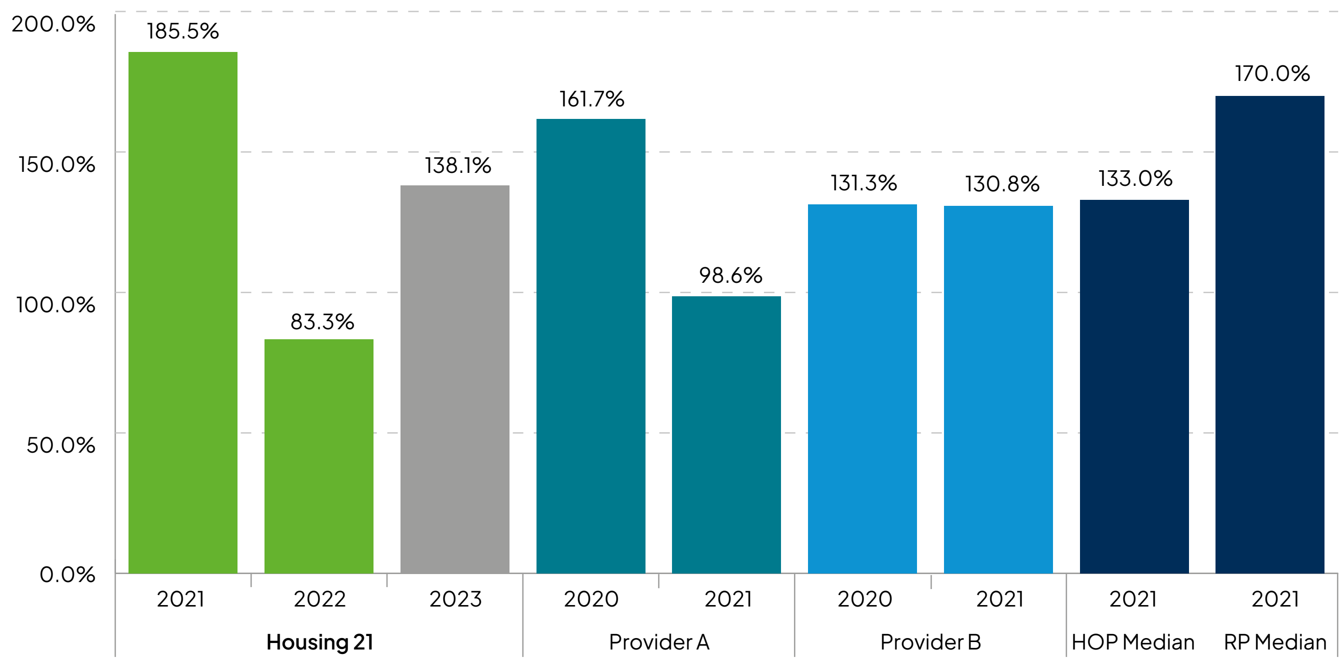
## Metric 4 — EBITDA MRI Interest Cover %

EBITDA MRI has fallen year-on-year and is below our internal threshold of 120%. However, this is due to the requirement to include the refinancing costs, £14.0m, in the calculation. When this is excluded, the revised metric is 126%.

This reduction was expected as we have seen investment in our existing stock almost double and when coupled with the switch to social rents, increase in day-to-day maintenance costs and investment in the Transform 21 Strategy, our operating surpluses have fallen.

Looking forward our forecasts show an improved performance in the next two to three years and increasing headrooms.

Although not a regulated VFM metric, we also monitor our EBITDA MRI generated from social housing lettings, ensuring this does not fall below 110%. The outturn for the year just gone, excluding the refinancing costs, was 119%.

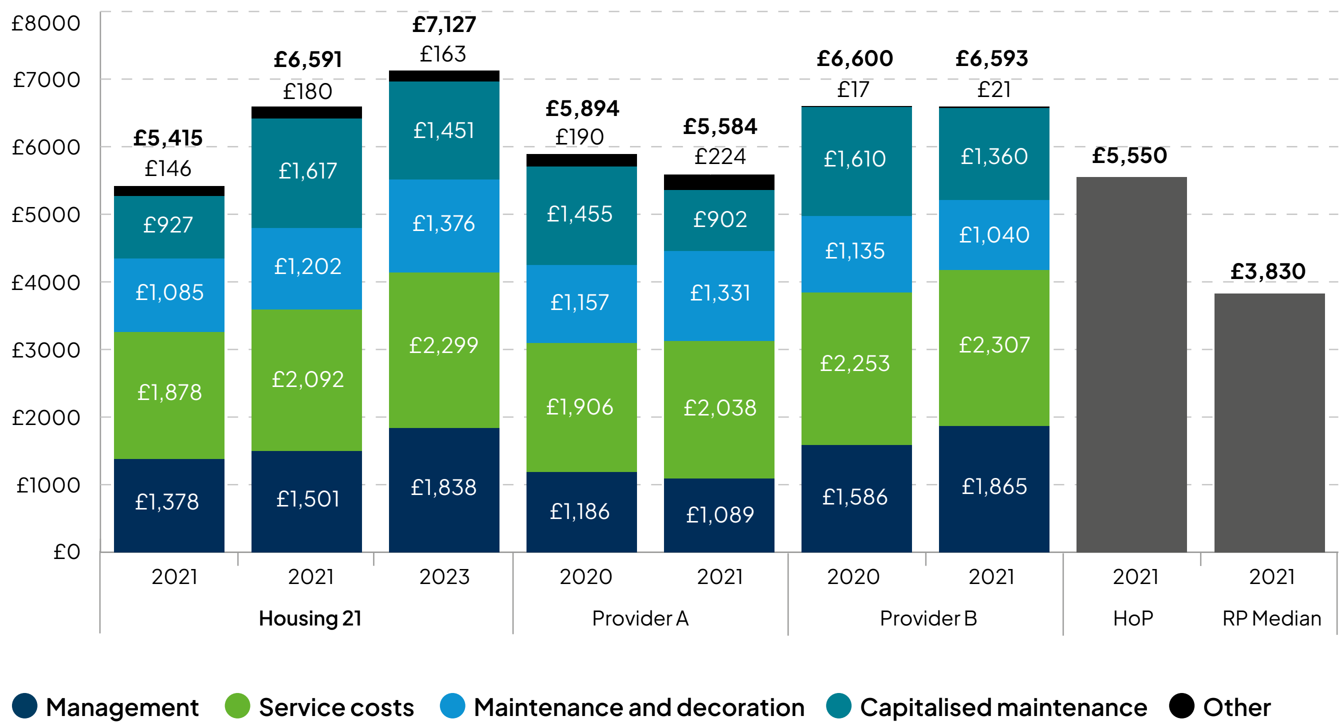


# Metric 5 — Headline social housing cost per property £

Our headline cost has increased in year but is only just above the pre-pandemic level of £6,055. This increase is largely due to the increase in investment in our existing stock which increased from £927 to £1,617 per property as well as a £117 increase on maintenance cost per property.

As a provider of housing for older people, our cost base is recognised as higher when compared to the rest of the overall sector due to the nature of the services we provide (noting that service costs are recovered through service charges).

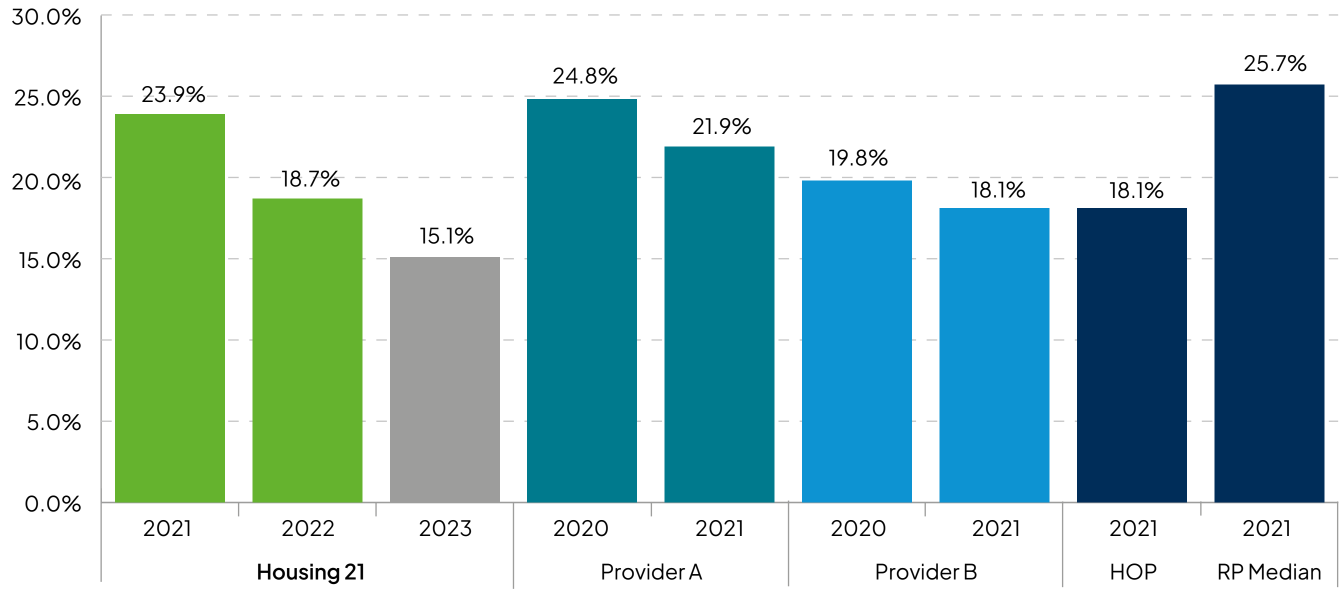
In addition, our three PFI and PPP contracts have a contractual impact on our management and maintenance cost per property. The nature of these contracts mean that we incur somewhat higher costs to satisfy the service standards, which are specified by the contract. The cost of delivering these service standards is recovered via the unitary charge income we receive.



## Metric 6A — Operating margin % (social housing lettings only)

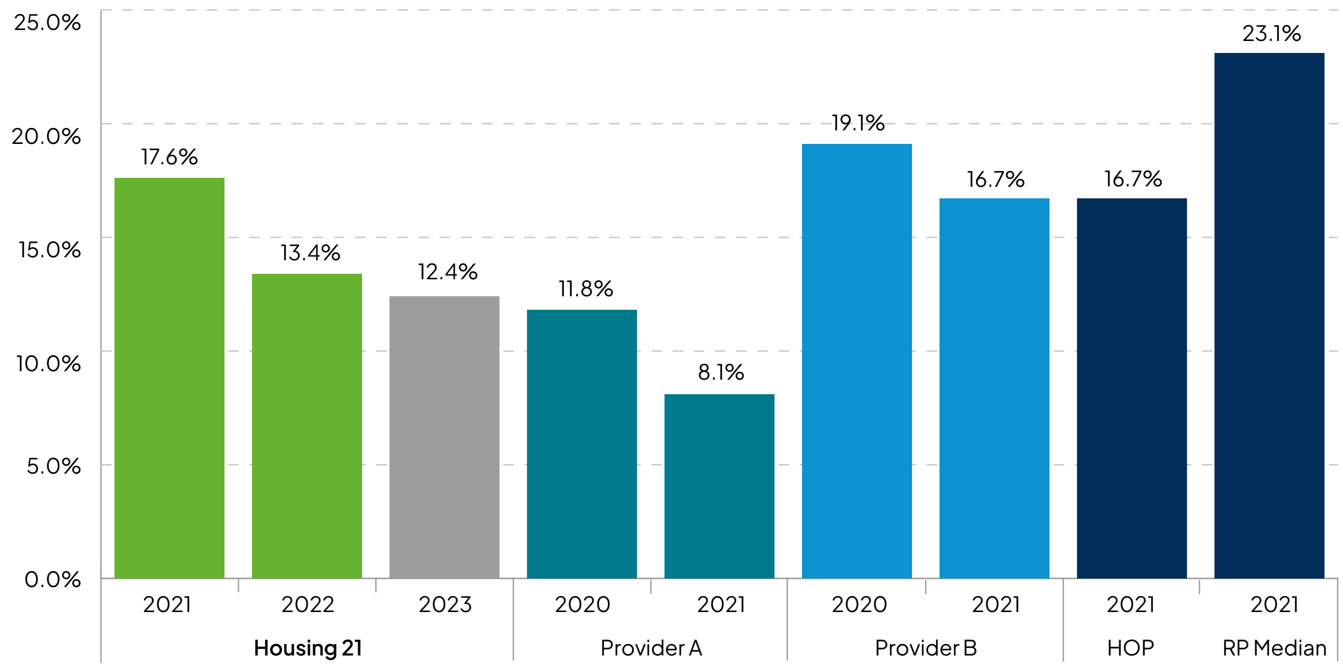
Our social housing lettings operating margin has reduced because of themes outlined on the preceding pages.

The lower margin when compared to general needs providers is because of the gross impact of our recoverable service charges. Although we generate £45.0m of service charge income, this is effectively cost neutral, so margins are negatively affected.




## Metric 6B — Operating margin % (overall)

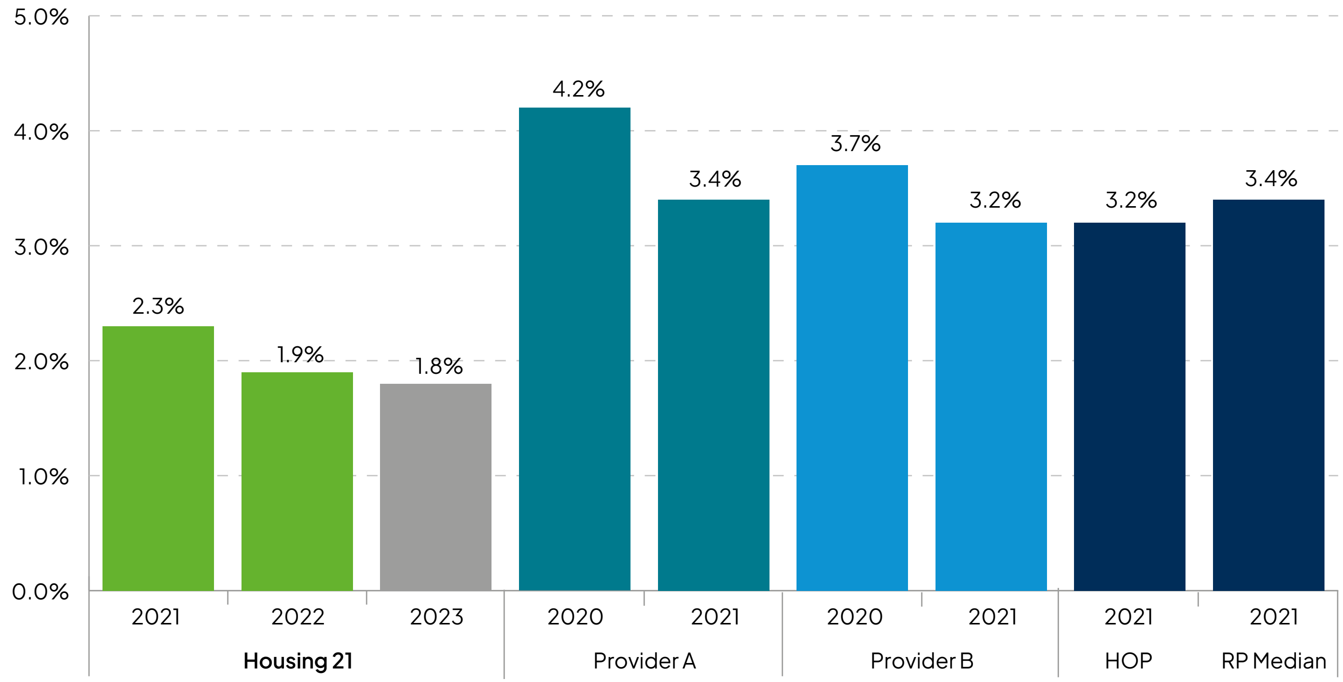
In addition to the themes we have already covered on our decreasing margins, our care business has a detrimental impact on our overall margin due to the low surplus this service provides (which is also the case for Provider A), however is integral to the service offering we provide. Those registered providers that only provide housing services generally generate higher margins.



## Metric 7 — Return on capital employed (ROCE) %

Despite an increase in net assets driven by £53m growth in our assets and £13m reduction in liabilities, our return on capital employed has marginally decreased this year due to increased operating costs and the conversion of our properties to social rent.

As new schemes start to come on-line, we would expect this ratio to improve. However, as we remain true to our core purpose with the development of a higher number of rented properties, all of which will be at social rents, our metric will continue to be below our peers and wider housing for older persons providers who continue to develop a higher number of market sales and affordable rent properties, which generate higher returns.



# Report of the Board

## Group structure and active companies as at 31 March 2022

Housing 21 is a Community Benefit Society with exempt charitable status. As a Registered Provider of Social Housing, it provides care and housing with associated amenities. It is registered with the Financial Conduct Authority (FCA), its housing activities are regulated by the Regulator of Social Housing and its care activities are regulated by the Care Quality Commission (CQC). Its constitution is contained in its Rule Book.

**Housing 21**
(Registered provider)
A co-operative and benefit society
22,204 owned and managed properties

**Housing 21 Guernsey LBG**
Private limited company by guarantee
86 owned properties

**Kent Community Partnership Limited (PFI)**
A co-operative and communities benefit society (special purpose vehicle)
340 owned properties

**Oldham Retirement Housing Partnership Limited (PFI)**
A co-operative and communities benefit society (special purpose vehicle)
1,429 owned properties

**The Group's active subsidiaries are:**

**Housing 21 Guernsey LBG (H21G)** is a private company limited by guarantee and incorporated under and subject to the law of the States of Guernsey. The purpose of this subsidiary is the ownership and management of an Extra Care scheme in Guernsey.

**Kent Community Partnerships Limited (KCP)** is a Community Benefit Society with exempt charitable status. It is a special purpose vehicle set up under the Private Finance Initiative (PFI) to build and manage Extra Care properties in Kent under a contract with Kent County Council.

**Oldham Retirement Housing Partnership Limited (ORHP)** is a Community Benefit Society with exempt charitable status. It is a special purpose vehicle set up under the PFI to refurbish and manage Retirement Living properties in Oldham under a contract with Oldham Metropolitan Borough Council.

# Group governance report

## Group Board — committed to maintaining high standards of organisational governance

The Board and Members play a significant role in ensuring Housing 21 achieves the highest standards of governance, and act both collectively and individually in the best interests of Housing 21 in the knowledge that they are the organisation's ambassadors and custodians.

The Board formulates strategy, both directly and through delegation to its committees and considers a wide range of matters which safeguard the organisation, whilst having a positive impact for current and future residents and employees.

The Board has adopted the National Housing Federation ('NHF') 2020 Code of Governance and has established the following guiding principles for governance with detailed roles and responsibilities, including those matters which cannot be delegated, documented within its Governance Handbook.

**Housing 21s governance guiding principles :**

### 1. Mission and Values

The Board sets and actively drives Housing 21's social purpose, mission, values and ambitions, and through these, embeds a positive culture  with high standards of probity and conduct, protecting the organisation's reputation while being accountable to residents and customers.

### 2. Strategy and Delivery

The Board sets ambitions, plans and strategies and monitoring mechnisms which enable the organisation to fulfil its social purpose, legal and regulatory responsibilities. It ensures plans are financially viable, with consideration of value for money and environmental and social sustainability.

### 3. Board Effectiveness

The Board and work of the Board is appropriatley structured with clear roles and responsibilities which enable good governance. The Board ensures that it is skilled and diverse, considering the impact of its decisions on the communities within which Housing 21 works.

### 4. Control and Assurance

The Board actively manages risks faced by the organisation, and obtains robust assurance that controls are effective. Opportunties are availble for concerns to be raised without fear of reprisal.

# Board and committee structure:

- **Housing 21 Board**
  - Audit and Assurance Committee
  - Governance and Transformation Committee
  - Investment and Development Committee
  - Extra Care Committee (including Walsall)
    - Kent Community Partnership Board
    - H21 Guernsey Board
  - Retirement Living Committee
    - Oldham Retirement Housing Board

## Effectiveness of Governance:

The Board has led on ensuring the continued effectiveness of its governance arrangements, challenging itself to ensure it adopts high standards of good governance. The Regulator of Social Housing concluded its In Depth Assessment of Housing 21 in the year confirming governance arrangements were compliant with standards providing a G1 outcome.

The Board has assessed itself as being materially compliant with its own Code of Governance, the NHF 2020 Code of Governance. As anticipated with the adoption of the NHF 2020 Code of Governance and reviewing the Housing White Paper, there has been significant progress within the year on two key areas, with further implementation of related strategies continuing into 2022/23:

**NHF Code of Governance Principle 1.6 Accountability Part 3** — Opportunities and information are provided for residents and customers to scrutinise the work of the organisation and hold it to account. The Board reviews these arrangements regularly.

**NHF Code of Governance Principle 3.4** — Board election, selection and appointment Part 4 — People with direct lived experience of (or particular insight into) the communities served by the organisation are meaningfully engaged in governance structures.

## Key activities of the Board in the year

Along with considering routine items which include reviewing organisational performance and risk mitigation, approving policies as per the policy framework, and reviewing decisions and recommendations from each committee, the Board also discussed the following key areas, validating and enhancing recommendations made by the Executive:

- **Performance oversight** — including refreshing of the performance dashboard and agreeing tiers of performance reporting across the Board and committee structure.
- **Annual Budget and Business Plan approval** — including consideration of the impact of, and mitigations around key risks associated with, development, property sales, voids, repairs, and care performance, ensuring the future financial viability of the organisation.
- **Resident Engagement Strategy** — approving the new strategy, placing residents at the heart of the organisation in response to the White Paper and NHF code requirements.
- **Respect and Inclusion Strategy** — approving the new strategy and related actions to ensure everyone is respected and has the ability to thrive.
- **Investment Strategy and approval of the Treasury Strategy** — including refinancing options.
- **Development Strategy approval** — which included agreeing targets for delivering new affordable homes for older people in both Extra Care and Retirement Living, overall tenure mix between rented and shared ownership, with a proportion of developments being in areas of deprivation and those where there are populations from Black, Asian, and Minority Ethnic backgrounds.
- **Asset Management Strategy** — including the review of compliance with current property standards as well as legal compliance with health and safety requirements.
- **Rent rectification and remediation** — including the review and approval of policies and external assurance on compliance with the Rent Standard.
- **Board Assurance Framework** — reviewing the level of controls and assurances across the organisation on key areas of significance.
- **Pay proposals including approval of occupational sick pay to care employees** — the Board continuing to commit to a pay structure that aligns both corporate and operational roles.
- **Insurance** — reviewing the adequacy of and approving organisational wide insurance cover.

The Board has agreed that Member remuneration provides compensation for the valuable support Members provide, and for their time and effort in discharging their duties with the Governance and Transformation Committee regularly reviewing remuneration levels.

## Our Board Members — an active and engaged Board

| Board / Committee | Board | AAC | GTTC | IDC | RL | EC |
|---|---|---|---|---|---|---|
| Number of meetings | 7 | 5 | 6 | 4 | 4 | 4 |
| Stephen Hughes | 7 / 7 | - | 3 / 6* | 1 / 4* | 2 / 4* | 1 / 4* |
| David Clark | 6 / 7 | - | - | 4 / 4 | 4 / 4 | - |
| Catherine Dugmore | 5 / 5 | 1 / 2 | - | - | - | 2 / 2 |
| Elaine Elkington | 6 / 7 | - | - | 2 / 4 | - | 4 / 4 |
| Suki Kalirai | 5 / 7 | 3 / 3 | 6 / 6 | 4 / 4 | - | - |
| Mike McDonagh | 7 / 7 | 5 / 5 | 6 / 6 | - | - | - |
| Lara Oyedele | 7 / 7 | - | 6 / 6 | - | 4 / 4 | - |
| Liz Potter | 2 / 2 | - | 3 / 3 | 1 / 2 | - | - |
| Neil Revely | 6 / 7 | - | 3 / 3 | 1 / 1 | 4 / 4 | - |
| William Roberts | 7 / 7 | - | - | 4 / 4 | - | 4 / 4 |
| Anne Turner | 6 / 7 | 5 / 5 | 5 / 6* | - | - | 2 / 2 |
| Shelagh Robinson | 2 / 5 | - | - | - | - | 2 / 4 |

*Attendance by invitation

## Key activities of Committees:

### The Audit and Assurance Committee (‘AAC’) — overseeing internal control and assurance

During the year, along with reviewing routine matters including approving plans and receiving reports from internal audit and external audit on the control environment and related recommendations, the committee also reviewed the following:

- The Internal Audit Strategy and Annual Plan, including approving the appointment of the co-sourced Internal Audit provider for 2022 onwards.
- The effectiveness of Internal Audit, concluding that it is effective.
- The effectiveness of risk management including reviewing strategic and operational risks including the sector risk profile, making recommendations to the Board on the content of the Risk Policy and Risk Management Strategy.
- Risk deep dives in a variety of areas including cyber, asset management, development, procurement, Retirement Living and Extra Care.
- Risks and incidents relating to fraud and data and related lessons learned, approving related policies and procedures.
- The appointment of the external auditors.
- Financial regulations and the financial authority matrix making recommendation to the Board for approval.
- Compliance with returns and reporting required by the Regulator of Social Housing including reviewing the Assets and Liabilities Register and assurances over compliance with relevant law.

The committee reviewed its effectiveness in the year, noting that areas for committee development include:

- balancing the nature and depth of challenge on assurance received
- maintaining oversight of effectiveness of strategic risks management and risk mitigations, and
- ongoing review of agendas and the volume and quality of papers to ensure matters continue to be reported clearly.

The committee concluded in the year that it is satisfied that the overall internal control framework is adequate with areas for improvement, where there have been areas reported by internal audit as providing partial assurance. The committee continues to recognise that the organisation cannot be complacent and continues to review the effectiveness of internal controls and risk mitigation, with systems and procedures being reviewed to ensure that they continue to be reflective of good practice.

### Governance and Transformation Committee ('GTTC') — maintaining an effective and competent Board, supporting the business transformation agenda

During the year the committee focused on the following areas :

- Oversaw the future succession requirements and related Board Member recruitment activity based upon a review of Board skills and experience.
- Reviewed the levels of Members remuneration in the year along with the Executive Team, seeking external assurance that levels established were reasonable.
- Completed a review of the Governance Framework and 2020 NHF Code of Governance to ensure compliance and adoption of good practice, including reviewing the registers of interest and gifts and hospitality.
- Completed a review of Board Member induction to ensure it remained fit for purpose.
- Considered the Annual Treasury Report and Investment Policy, making recommendation to the Board for approval.
- Reviewed compliance with covenant policies.
- Considered the People Strategy and Gender Pay Gap Report and related actions.
- Discussed transformation priorities, reviewing strategies related to Transform 21 and data including recommending the Board approve the Transform 21 Strategy towards the end of the year.

The committee also reviewed its effectiveness in the year reflecting on the wide range of responsibilities of the committee and removing duplication of key activities which reside with the Board.

### Investment and Development Committee ('IDC') — maintaining oversight of investments in new and existing properties

During the year the committee focused on the following areas:

- Development, asset management and property compliance, reviewing implementation of strategies and achievement of targets along with reviewing associated risks and their mitigation.
- Reviewing development design principles including progress with low carbon construction.
- Assessing and approving new schemes for development in line with appraisal assumptions.
- Reviewing post development appraisal assessments, ensuring lessons learned are captured for future design principles.
- Monitoring progress with property sales.
- Reviewing progress with the Cohousing Strategy.
- Reviewing progress with the delivery of property standards against the Asset Management Strategy and property compliance requirements.

### Retirement Living ('RL') Committee — maintaining oversight of operational performance

During the year the committee focused on monitoring the strategic and operational performance and potential of the Retirement Living and leasehold services including reviewing risks and their mitigation.

- As well as reviewing operational performance the committee has a specific focus on:
- Resident engagement — approving the strategy, reviewing complaints and regularly hearing from residents on services they have received.
- Resident wellbeing — approving sustainable tenancy strategies and support focused on financial wellbeing.
- Employee benefits — reviewing and developing the range of pay and non-pay benefits.

## Extra Care ('EC') Committee — maintaining oversight of operational performance

During the year the committee focused on monitoring the strategic and operational performance and potential of the Extra Care services including reviewing risks and their mitigation.

As well as reviewing operational performance the committee has a specific focus on:

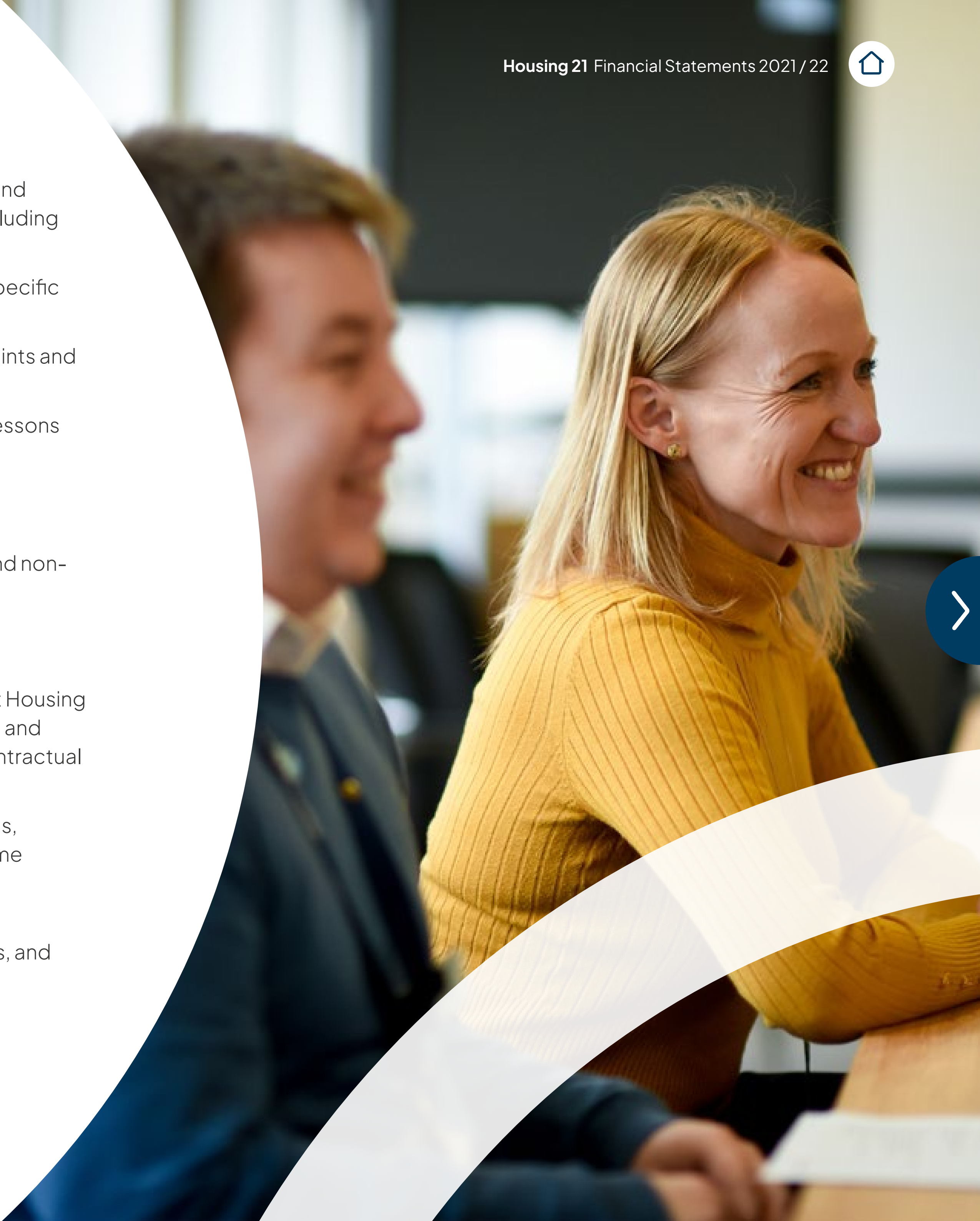
- Resident engagement – approving the strategy, reviewing complaints and regularly hearing from residents on services they have received.
- Safeguarding - approving relating policies and understanding of lessons learned for significant incidents.
- Care standards - reviewing compliance with care standards and understanding of lessons learned where standards have declined.
- Employee benefits – reviewing and developing the range of pay and non-pay benefits.

## Subsidiary Committees — ensuring continued viability and compliance with requirements

Kent Community Partnership, Guernsey LBG and Oldham Retirement Housing Partnership Subsidiary Boards have met in the year to review financial and operational performance and to ensure that we continue to meet contractual requirements of our Public Finance Initiatives.

Due to the alignment with Extra Care and Retirement Living operations, the meetings follow on from routine committee business with the same committee members in attendance.

General committee / Board business includes budget performance, operational performance and the risk relating to contract deductions, and approving the statutory financial statements.



# Group Internal Control and Assurance

## Internal Control Statement by the Board

**Purpose**: The statement of internal control provides an opinion to internal and external stakeholders on how effectively the organisation governs its business so as to manage the key risks which aid the successful delivery of strategic aims and objectives. The Board in making the following statement has drawn upon a variety of sources of assurance which supports the internal control framework. This assurance includes routine management oversight processes and independent assurance through internal audit and other third-party assurance providers.

**Board Statement:** The Board acknowledges that it has overall responsibility for establishing and maintaining the system of internal control and for reviewing its adequacy and effectiveness. The Board retaining ultimate responsibility for the organisation's compliance with all legal, statutory, regulatory and constitutional requirements. This applies in respect of all companies and subsidiaries within the Group. While the Board is responsible for overall strategy and policy of Housing 21, the day to day running of the Group is delegated to the Chief Executive and other Executives.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. However, the system of internal control adopted by the Board is designed to manage risk and to provide reasonable, but not absolute assurance that key business objectives and expected outcomes will be achieved. The Board has agreed that the adopted framework of internal control is appropriate for the size, nature and complexity of the Group and is overall adequate.

As a result of the activities of the Board and its committees, the Board is able to confirm to the best of its knowledge it has complied with its adopted code of governance (2020 NHF Code), and the regulatory requirements as established by the Regulator of Social Housing including the Governance and Viability standard and material compliance with all aspects of law.

**Core elements of Housing 21's Internal Control and Assurance framework:**

The Board has established a range of assurance processes which it relies upon. Key elements include processes around risk management, independent assurance provided through internal audit, oversight in routine areas as well as those with a higher degree of risk for example within health and safety and information governance, as well as through policies and procedures over fraud and whistleblowing and the reporting on significant incidents.

**Risk management — effective management of uncertainty, complexity and opportunity**

## Board Risk Appetite Statement — 2021

The Boards risk appetite establishes the boundaries within which the organisation operates.

The Board is ambitious in its outlook for Housing 21, in particular around growth through investing in new development along with progressing with its cohousing, technology and sustainability agenda. The Board is however clear that the objectives and ambitions need to be achieved while maintaining a focus on good governance and internal control, the ambitions of the organisation never jeopardising the fundamentals of sound operations, providing good quality services that listen and respond to the needs of our residents, and reputational and financial integrity.

As such the Board continues to expect a measured approach to risk, there being no complacency in the assessment of risks, with comprehensive understanding of risks and their mitigation at the outset of any decision making.

Although ambitious in its outlook, the Board maintains a wholly averse risk appetite in respect of non-compliance with regulation and law, including any failures of health and safety. The Board expects a 'compliance first' approach to be taken and evidenced by the organisation.

## Risk management

The Board as a whole, including the Audit and Assurance Committee, considers the nature and extent of the risk management framework and activities to be effective. Risks are reviewed at a department, committee and Board level ensuring there is oversight of both operational and strategic risks.

Strategic risks are grouped in to four key themes:

- **Personal safety** — covering resident and employee health and safety and safeguarding.
- **Strategic ambition** — covering areas linked to strategic direction
- **Reputational** — covering areas linked to governance and leadership as well as reputation within the sector.
- **Financial** — covering areas impacting financial viability and achievement of the business plan.

In the year the following were considered to be the top risks:

| Risk area | Mitigation |
|---|---|
| **Recruitment and retention of resources and talent** | Refreshed People Strategy and Action Plan, designed to ensure continual improvement in the employee experience and to build Housing 21's employer brand and appeal. Review of employee pay and benefits to ensure a modern and competitive offer that will allow Housing 21 to continue to stand out as an employer offering choice for all job families. |
| **Economic uncertainty** | In depth review of business planning and forecasting along with a wide variety of stress scenarios. Clear reporting to the Board on financial impact of decisions made. Refreshing of priorities and value for money targets. |
| **Diversity and inclusion** | A refreshed Respect and Inclusion Strategy and Action plan designed to ensure continual improvement in the employee and resident experience. Implementation of the EDI elements of Retirement Living and Extra Care Strategies. Learning from cohousing experience to shape future actions to increase resident, inclusion. |
| **Cyber security event** | Continued implementation and assessment of cyber controls. Review of external threats. Ongoing employee awareness activities — be careful, be cautious. |
| **Loss of personal / sensitive data** | Continued implementation and assessment of information governance framework. Ongoing employee awareness activities — be careful, be cautious. |
| **Cost of services and affordability** | Review of controllable costs and charging policies / choices (rent / service charges / utilities) along with ongoing reviews of value for money. Implementation of specific projects including Helping Hands and Tenancy Gurus to ensure residents have access to relevant support and benefits. |
| **Supply chain** | Continued assessment of contractor reliance and resilience with increased oversight of continuity planning where applicable. Splitting of local and national contractors for property compliance, repairs / improvements works. Variety of contractors, regional and national, supporting the development programme. Assigned stock provisions with call off orders for essential supplies such a personal protective equipment. |

In the year the following were considered to be the top risks:

| Personal safety |
|---|
| Fulfilment of statutory health and safety duties, keeping our people and residents safe. |
| Remaining compliant with safeguarding duties for older people. |
| Failure to manage the impact of the ongoing Covid-19 pandemic. |

| Strategic ambition |
|---|
| Failure to recruit, retain resources or talent due to skills shortages, greater competition, lack of engagement. |
| Current and future regulatory requirements / strategic commitment on sustainability not met. |
| Failures in improving diversity and inclusion adversely impact our people and residents. |
| Data used for business management and reporting may be inaccurate, incomplete, or not available timely. |
| Failure to engage and listen to resident voices and feedback leads to poor business decisions. |

| Reputation |
|---|
| Ineffective cyber security controls to prevent cyber crime. |
| Human error leads to loss of personal / sensitive data. |
| Ineffective leadership and governance oversight. |
| Non-compliance with Rent Standard and or delivery of remediation. |
| Fail to influence and / or be aware of the changing regulatory environment and related impacts of compliance. |
| The cost of our service offer becomes unaffordable for both current and future residents, adversely affecting future demand for properties or the health and wellbeing of residents. |

| Financial |
|---|
| Economic uncertainty / cost inflation impacts on viability of operations and / or strategic targets. |
| Financial performance weakens access to financing at competitive rates |
| Ineffective supply chain, supply chain challenges impacts financial performance / strategic objectives / critical services. |

### Internal audit — providing effective assurance over key risks and internal control

Housing 21's internal audit function is co-delivered with third party providers, whilst managed and supported by an in-house internal audit function. For 2021/22 third party assurance was provided by both Mazars and RSM. A range of additional subject matter experts were also used in specific areas.

The in-house function has operational responsibility for risk management, information governance, anti-fraud and whistleblowing, and business continuity. For these areas external third parties provide assurance over controls and the achievement of good practice.

An external review of the internal audit service was completed, the Audit and Assurance Committee confirmed the service overall as being effective.

## Internal audit annual opinion — 'Adequate' with improvements required

Based on the audit work performed and from reviewing the additional key aspects of risk management and governance, the opinion on Housing 21's governance, risk management, and control arrangements is 'Adequate'. Notwithstanding the improvements in risk management and governance arrangements, we have noted some areas in which the control environment could be further improved.

Areas for improvement have been reflected in the internal audit outcomes which have included several partial / limited assurance outcomes. In addition, the development of the Board Assurance Framework in the year has identified areas where both internal control and assurance could be strengthened. We have also found through our follow-up work, several recommendations which are overdue and have not yet been fully implemented. Where there have been significant deficiencies in the year, management have provided reassurance that improvements have been made. We are also aware of additional improvement plans to address other weaknesses identified in the control environment.

### Management oversight — embedding a control framework

A core element of the system of internal controls embedded within the organisation are a range of routine management oversight processes. These activities individually and collectively support Housing 21 in achieving robust operational governance.

- Financial / operational performance indicators
- Actual and forecast budgets and their review
- Longer term business planning and sensitivity analysis
- Treasury and covenant compliance reviews
- Resource planning and people management
- Routine trend analysis and exception reporting
- Information security measures
- Data quality measures
- Policy and procedure framework
- Compliance with law reviews
- Regulatory compliance reviews
- Annual management assurance statements

A Board Assurance Framework is also in place which documents internal controls and assurance mechanism for a range of processes. This process has been valuable in improving the awareness of the control framework.

The Board routinely receives reports on all the above areas approving key strategies and policies.

### Health and safety — committed to protecting residents, employees, and contractors

The health and safety of our residents, employees and contractors is a top priority and is an area where the Board has no tolerance for any non-compliance. Dedicated health and safety managers manage a devolved framework and review the policies and procedures, supervise and review risk assessments, and manage key actions arising. This includes a Property Compliance Team who review the governance and compliance arrangements for gas, fire, electrical, asbestos, legionella and lifts, as reported earlier.

A well-established Health and Safety Forum is in place chaired by the Deputy Chief Executive. The Board receives reports on all matters relating to health and safety (including reportable incidents and all aspects of property safety) and has approved detailed health and safety policies and procedures arising from the forum.

### Care quality and safeguarding — committed to the highest standards of quality

Ensuring we deliver quality care is fundamentally important to Housing 21. Our commitment to providing quality services is demonstrated in our target for 100% of services to be rated 'Good' or above and with our commitment to our care employees and the quality of our managers.

The Group has a dedicated Quality and Commissioning Team who establish and oversee the framework of policies and procedures for ensuring care quality, and for raising and reporting safeguarding incidents. Registered managers on our Extra Care schemes are fully accountable for ensuring care quality and the safeguarding of residents.

### Anti-fraud and corruption — creating an open and honest culture

The Group is committed to act at all times with honesty and integrity in safeguarding the resources for which it is responsible. It expects the same from its employees and contractors.

The Group maintains a separate fraud risk register, and holds a register of fraud, both are reported to the Audit and Assurance Committee. Top inherent fraud risks include cyber fraud, payment fraud, asset abuse, and financial abuse of residents.

Employees are required to complete mandatory fraud awareness training which promotes communicating concerns through to management or our confidential reporting line. This training has been supplemented by additional employee sessions which raise awareness of what types of concerns should be raised and how to raise them informally to management and formally through the organisation's whistle-blowing policy.

### Information governance — committed to protecting personal and sensitive information

The commitment to the privacy and security of personal and sensitive data is of significant importance to the organisation. The Group has a well-established Information Governance Steering Group which is responsible for the effectiveness of the organisation's information governance and security controls. The Deputy Chief Executive is the organisation's Senior Information Risk Owner.

Subject access requests and breaches / near misses are managed effectively by our Data Protection Officer and responded to within statutory timescale. No significant breaches have arisen in the year, and where minor breaches have been reported to the Information Commissioners Office, these have not resulted in any regulatory action. Breaches and near misses are reported to the Audit and Assurance Committee.

Our core risks relate to employees inadvertently sharing data to third parties. To protect our data subjects, we have invested in encryption software and specific campaigns to raise awareness of this risk. Our investment also includes robust information security defences, intrusion monitoring reporting, mandatory training, and regular employee phishing exercises.

By order of the Board

Paul Hutton
Secretary

29 July 2022

# Responsibilities in respect of the Report of the Board and the Financial Statements

Board Members are responsible for preparing the Report of the Board and the Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board Members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these Financial Statements, the Board Members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers (2018) have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the Financial Statements comply with 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.

They are 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.

Financial Statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board. Board Members' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

## Disclosure of Information to the Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

# Independent Auditor's Report to the Members of Housing 21

## Opinion

We have audited the financial statements of Housing 21 (the Association) and its subsidiaries (the Group) for the year ended 31 March 2022 which comprise the Group and Association Comprehensive Income Statements, Group and Association Balance Sheets, Group and Association Statements of Changes in Reserves, Group and Association Cash Flow Statements and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

## In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2022 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's or Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address these matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

### Housing properties — capitalisation of new build development costs — parent Association risk

The parent Association's additions to properties under construction total £48.2m as at 31 March 2022 (2021: £27.8m).

Refer to pages 69 (accounting policies) and page 84 (financial disclosures).

#### The risk — significant risk high value

Development is a key activity for the parent Association. Judgements as to whether expenditure is capital or revenue in nature is an area that has a key impact on our audit approach. Our overall assessment of misstatement is therefore that housing property additions is a significant risk within our audit approach.

#### Our response

Our procedures included:

- Test of detail: We agreed a sample of capital additions in the year to invoice or certificate.
- Review against accounting standards: We reviewed amounts capitalised in our sample testing against guidance in FRS 102 and the Statement of Recommended Practice 2018.
- Test of detail: We considered the assessment of whether there was any evidence of impairment, in particular; for schemes under development.
- Test of detail: We confirmed that accruals have been made for significant development expenditure incurred up to 31 March 2022 but not yet invoiced.
- Test of detail: We reviewed the policy on overhead capitalisation and that the costs capitalised are directly attributable to developments.

#### Our results

Based on the audit procedures performed, we found the capitalisation of development costs to be acceptable.

### Going concern — financial performance, treasury management, loan covenants and macro-economic climate

#### The risk — significant risk high value

The Group posted a full year deficit of £8.9m before actuarial gains on pension schemes (refer to notes 1.2 (accounting policies) and page 97 to 103 (financial disclosures)). At 31 March 2022 the Group had borrowings of £689m (refer to pages 72 (accounting policies) and page 91 (financial disclosures)).

The Group is operating in a current economic outlook that is volatile, uncertain and complex with rising inflation in the UK. There is a direct impact on the Group's activities and a growing cost of living crisis that directly affects the Group's tenants and residents. This implies a direct risk to the group's ability to maintain income collection rates and increases the risk of arrears and bad debts. Stress testing business plans can illustrate the level of financial resilience and the Group's ongoing capability to manage sequences of negative events.

The risk is that the Group might have insufficient liquidity to finance its development programme or might breach a funding covenant set out within the agreements in place with a range of funders.

### Our response

Our procedures included the following:

- Confirmation of value: We agreed loan balances to the accounting records and to external confirmation from the funders.
- Test of detail: We tested the detailed calculations for loan covenant compliance prepared by management, both for the year ended 31 March 2022 and projected future performance.
- Review of business plan: We have reviewed the Group's long term financial plans and covenant projections, and the underlying assumptions, to assess the Group's ability to service and repay the debt.
- Review of stress testing: We have reviewed the stress testing of the business plan and considered the potential impact on the financial statements, as well as on the Group's financial viability into the foreseeable future and its status as a going concern.

### Our results

Our audit work concluded that all loan covenants calculations, as prepared by management, were met at 31 March 2022 and are expected to be met in the longer term. Approval has been received from lenders to ignore loan breakage costs in the calculation of loan covenants this year.

The Group has forecasted to retain compliance with banking covenants now and for the foreseeable future with sufficient profitability and cash flows from operating activities. Across a range of stress testing scenarios, including those linked to macro-economic conditions, the Group remains comfortably within its funding covenants with adequate loan facilities.

We are therefore satisfied with management's assessment that the Group will remain a going concern.

## Defined benefit pension schemes

### The risk — significant risk high value

The Group participates in several defined benefit and defined contribution schemes. Of the defined benefit schemes, three are Local Government Pension schemes where the Group's liability in relation to its employees is capped and they are therefore accounted for as defined contribution schemes. Of the other two defined benefit schemes only the Social Housing Pension Scheme (SHPS) has material assets and liabilities.

The pension scheme assets and liabilities are valued for Section 28 FRS 102 purposes and the financial statements disclose the net liability and the assumptions used by the Group in completing the valuation of the pension deficit and the movements in the year. The scheme liability requires a calculation which uses a number of assumptions and variations in these assumptions could significantly affect the liability.

The effect of these matters is that we determined that the defined benefits pension scheme obligation has a high degree of estimation uncertainty.

Refer to page 75 (accounting policies) and pages 97 to 103 (financial disclosures).

### Our response

Our procedures included the following:

- Assessing the credentials of the schemes' actuaries: We reviewed the credentials of the scheme actuaries to assess that they are one of the small number of experienced, skilled advisors appointed to undertake the pension scheme valuations, as we place reliance on their valuation.
- Confirmation of value: We challenged, with the support of our own actuarial expert, the key assumptions and actuarial methodology applied to calculate the liability, including the discount rate, inflation rate and mortality / life expectancy to ensure they are consistent with wider sector expectations and that the sensitivity of the liability to changes in certain assumptions is adequately disclosed.

- Confirmation of methodology: We reviewed the central SHPS FRS 102 calculation methodology and the central assurance methodology;
- Assessment of asset values: We reviewed the split of assets held in the scheme and movements in the asset valuations.
- Confirmation of reporting: We agreed the relevant accounting entries and reviewed the disclosures and the notes to the accounts to ensure they comply with Section 28 of FRS 102.

### Our results

We confirmed that the assumptions used in the calculation of the balances in the financial statements are within reasonable parameters and are in line with the recommendations of the schemes' actuaries.

## Net realisable value of property held for sale

### The risk — significant risk medium value

The Group recorded turnover from properties developed for low cost home ownership properties of £22.4m (2021: £10.4m).

Properties developed for sale, including low cost home ownership sales and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in a balance of work in progress relating to completed unsold properties at 31 March 2022 of £20.1m (2021: £15.3m), with a further £12.9m (2021: £27.8.m) of work in progress relating to properties for sale under construction.

For completed properties at the balance sheet date, an assessment is needed of an anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete.

Due to the quantum of the carrying values at the year end and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

Refer to page 74 (accounting policies) and page 88 (financial disclosures).

### Our response

Our procedures included the following:

- Test of detail: We agreed the calculation of the surplus on sale for a sample of sales in the period.
- Assessment of recoverability: We reviewed the carrying value of the Group's work-in-progress at the year-end to ensure it is stated at its selling price less costs to complete and sell. This included an assessment of the profitability on the current schemes.
- Assessment of recoverability: For a sample of development schemes, we reviewed the carrying value of the Group's stock and work-in-progress at the year-end including the financial appraisals of each scheme. This included testing on a sample basis the expected profitability of the current schemes, and reviewing post-year end sales of properties held in stock at 31 March 2022.

### Our results

The Group has considered the recoverability of the balances and has taken into account that surpluses have been generated from properties sold in the year and anticipated margins on properties held for sale do not indicate any shortfalls.

We therefore found no evidence that the year end balance of stock and work in progress is overstated at the year end. Our review of schemes under development did not identify any indication of work in progress that required provision or impairment write down. Based on the evidence obtained we did not identify any indications that the assessments of the carrying amount made by management were inappropriate.

## Fair value of derivatives in subsidiaries

### The risk — significant risk medium value

Two subsidiaries in the group, Kent Community Partnerships Limited and Oldham Retirement Housing Partnership Limited, hold standalone interest rate swaps which are measured at fair value in accordance with the principles set out in FRS 102. The total year end liability attributed to these derivatives is £32.4m with gains in fair value through other comprehensive income of £14.2m and £0.5m through surplus for the year.

The valuations require calculations which use assumptions and variations in these assumptions could significantly affect the liability. The effect of this is that we determined that the valuation of the interest rate swaps has a high degree of estimation uncertainty.

Refer to page 72 (accounting policies) and pages 92 (financial disclosures).

### Our response

Our procedures included the following:

- Confirmation of value: We used independent specialist software to reperform the calculations of the valuations.
- Assessment of accounting: We have obtained the outputs from management's expert relating to the effectiveness of the hedging relationships and confirmed that this has been accounted for correctly.
- Reporting: We reviewed the accounting and disclosures included within the financial statements.

### Our results

We obtained sufficient audit evidence to form our opinion that the Group's valuation and accounting is appropriate and satisfactory. The group has included appropriate disclosures to reflect the sensitivity of the valuations to changes in assumptions.

## Refinancing

### The risk — significant risk medium value

In January 2022 the Group sold £80m of retained bonds at a premium, taking the total issuance on the bond up to £450m. The £80m tranche, together with a £50m retained portion, followed £130m issued and retained in December 2021.

As part of the exercise, a loan was repaid with break costs of £14.0m, together with the repayment of a standalone interest rate swap. Consequently, a further £6.8m cost was recognised in the surplus for the year in a reclassification of the cash flow hedge reserve.

Due to the materiality of the items involved combined with the level of management judgment, the accounting for the refinancing has been considered a key audit matter.

Refer to page 72 (accounting policies) as well as pages 81 and 90 (financial disclosures).

### Our response

Our procedures included the following:

- Test of detail: Agreeing the calculation of the accounting for the bond issue and premium.
- Accounting: We obtained management's assessment of the accounting implications of the loan breakage and treatment of the cancelled derivative and checked whether they are consistent with our understanding of the applicable accounting framework.
- Disclosures: We have considered the associated disclosures in the financial statements and ensure that they comply with the requirements as set out in FRS 102.

### Our results

We have considered management's approach to the accounting for these transactions and we are satisfied with the reporting and disclosures.

### Our application of materiality and an overview of the scope of the audit

Materiality for the Group financial statements as a whole was set at £2,273k, determined with reference to a benchmark of Group turnover (of which it represents 1%). We consider group turnover to be the most appropriate benchmark, and more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation that reinvests all surpluses generated from its activities within the Group and does not make any distributions of profit to external parties.

Materiality for the parent Association financial statements as a whole was set at £2,211k is, determined with reference to a benchmark of Association turnover (of which it represents 1%).

We agreed to report to the Audit and Assurance Committee any corrected or uncorrected identified misstatements exceeding £111k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's reporting components, we subjected all to full scope audits for group purposes. The work on all components including the audit of the parent Association, was performed by the Group team.

### Other information

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

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

We have nothing to report in this regard.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept adequate accounting records; or
- the Association's financial statements are not in agreement with 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 Responsibilities of the Board set out on page 51, 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 and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

## Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 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.

Statutory Auditor: Beever and Struthers

Beever and Struthers

Date: 19 August 2022

Address:

St George's House

215/219 Chester Road

Manchester

M15 4J

# Group Comprehensive Income Statement

| | | 2022 | | | *2021 (restated*)* | | |
|---|---|---|---|---|---|---|---|
| | **Note** | **Ongoing activities** | **One-off items** | **Total** | *Ongoing activities* | *One-off items* | *Total* |
| | | **£'000** | **£'000** | **£'000** | *£'000* | *£'000* | *£'000* |
| Turnover | 2 | 224,442 | - | **224,442** | *201,964* | *(635)* | *201,329* |
| Operating costs and cost of sales | 2 | (194,114) | - | **(194,114)** | *(165,405)* | *(376)* | *(165,781)* |
| Gains on disposal of housing properties | 2/4 | 576 | - | **576** | *257* | - | *257* |
| **Operating surplus** | 2 | **30,904** | **-** | **30,904** | *36,816* | *(1,011)* | *35,805* |
| Other interest receivable and similar income | 7 | 6,670 | - | **6,670** | *6,988* | - | *6,988* |
| Interest and financing costs | 8 | (25,773) | (14,033) | **(39,806)** | *(25,276)* | - | *(25,276)* |
| Movement in fair value of financial instruments | | 111 | - | **111** | *(350)* | - | *(350)* |
| Other finance costs | 18 | - | (6,773) | **(6,773)** | - | - | - |
| **Surplus / (deficit) before taxation** | | **11,912** | **(20,806)** | **(8,894)** | *18,178* | *(1,011)* | *17,167* |
| Tax on surplus | 10 | 2 | - | **2** | *(33)* | - | *(33)* |
| **Surplus / (deficit) for the financial year** | | **11,914** | **(20,806)** | **(8,892)** | *18,145* | *(1,011)* | *17,134* |
| Recycled capital grants | | 90 | - | **90** | *(130)* | - | *(130)* |
| Actuarial gains / (losses) in respect of pensions | 25 | 776 | - | **776** | *(6,303)* | - | *(6,303)* |
| Effective movement in fair value of hedged financial instrument | | 14,018 | - | **14,018** | *16,684* | - | *16,684* |
| Reclassified from cash flow hedge to interest and financing costs | | 252 | - | **252** | - | - | - |
| **Total comprehensive income for the financial year** | | **27,050** | **(20,806)** | **6,244** | *28,396* | *(1,011)* | *27,385* |

*Details of the restatement is explained in Note 2 on page 76. The restatement did not impact the overall outturn.
The notes on pages 66 to 105 form part of the Financial Statements.

# Association Comprehensive Income Statement

| | | 2022 | | | *2021 (restated*)* | | |
|---|---|---|---|---|---|---|---|
| | Note | Ongoing activities | One-off items | Total | *Ongoing activities* | *One-off items* | *Total* |
| | | £'000 | £'000 | £'000 | *£'000* | *£'000* | *£'000* |
| Turnover | 2 | 218,226 | - | **218,226** | *196,130* | *(635)* | *195,495* |
| Operating costs and cost of sales | 2 | (192,586) | - | **(192,586)** | *(163,933)* | *(2,331)* | *(166,264)* |
| Gains on disposal of housing properties | 2/4 | 576 | - | **576** | *257* | *-* | *257* |
| **Operating surplus** | 2 | **26,216** | **-** | **26,216** | *32,454* | *(2,966)* | *29,488* |
| Other interest receivable and similar income | 7 | 2,083 | - | **2,083** | *2,170* | *1,967* | *4,137* |
| Interest and financing costs | 8 | (19,142) | (14,033) | **(33,175)** | *(18,514)* | *-* | *(18,514)* |
| Movement in fair value of financial instruments | | (345) | - | **(345)** | *(574)* | *-* | *(574)* |
| Other finance costs | 18 | - | (6,773) | **(6,773)** | *-* | *-* | *-* |
| **Surplus / (deficit) before taxation** | | **8,812** | **(20,806)** | **(11,994)** | *15,536* | *(999)* | *14,537* |
| Tax on surplus | 10 | - | - | **-** | *-* | *-* | *-* |
| **Surplus / (deficit) for the financial year** | | **8,812** | **(20,806)** | **(11,994)** | *15,536* | *(999)* | *14,537* |
| Recycled capital grants | | 90 | - | **90** | *(130)* | *-* | *(130)* |
| Actuarial gains / (losses) in respect of pensions | 25 | 776 | - | **776** | *(6,303)* | *-* | *(6,303)* |
| Effective movement in fair value of hedged financial instrument | | (171) | - | **(171)** | *3,853* | *-* | *3,853* |
| Reclassified from cash flow hedge to interest and financing costs | | 252 | - | **252** | *-* | *-* | *-* |
| **Total comprehensive income / (loss) for the financial year** | | **9,759** | **(20,806)** | **(11,047)** | *12,956* | *(999)* | *11,957* |

*Details of the restatement is explained in Note 2 on page 77. The restatement did not impact the overall outturn.
The notes on pages 66 to 105 form part of the Financial Statements.

# Group Statement of Changes in Reserves

| | 2022 | | | | *2021* | | | |
|---|---|---|---|---|---|---|---|---|
| | **Income and expenditure reserve** | **Cash flow hedge reserve** | **Revaluation reserve** | **Total** | *Income and expenditure reserve* | *Cash flow hedge reserve* | *Revaluation reserve* | *Total* |
| | **£'000** | **£'000** | **£'000** | **£'000** | *£'000* | *£'000* | *£'000* | *£'000* |
| **Balance at 1 April** | **462,530** | **(51,566)** | **301,233** | **712,197** | *451,623* | *(68,250)* | *301,439* | *684,812* |
| **(Deficit) / surplus for the financial year** | (8,892) | - | - | **(8,892)** | *17,134* | *-* | *-* | *17,134* |
| **Termination of swap** | - | 5,969 | - | **5,969** | *-* | *-* | *-* | *-* |
| Recycled capital grants | 90 | - | - | **90** | *(130)* | *-* | *-* | *(130)* |
| Actuarial gains / (losses) on defined benefit schemes | 776 | - | - | **776** | *(6,303)* | *-* | *-* | *(6,303)* |
| Movement in the fair value of financial instruments | - | 14,018 | - | **14,018** | *-* | *16,684* | *-* | *16,684* |
| Reclassified to interest and financing costs | - | 252 | - | **252** | *-* | *-* | *-* | *-* |
| **Other comprehensive income / (cost) for the year** | **866** | **14,270** | - | **15,136** | *(6,433)* | *16,684* | *-* | *10,251* |
| Transfer from revaluation reserve to income and expenditure reserve | (23) | - | 23 | - | *206* | *-* | *(206)* | *-* |
| **Balance at 31 March** | **454,481** | **(31,327)** | **301,256** | **724,410** | *462,530* | *(51,566)* | *301,233* | *712,197* |

The notes on pages 66 to 105 form part of the Financial Statements.

# Associate Statement of Changes in Reserves

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Income and expenditure reserve** | **Cash flow hedge reserve** | **Revaluation reserve** | **Total** | *Income and expenditure reserve* | *Cash flow hedge reserve* | *Revaluation reserve* | *Total* |
| | **£'000** | **£'000** | **£'000** | **£'000** | *£'000* | *£'000* | *£'000* | *£'000* |
| **Balance at 1 April** | **441,930** | **(6,050)** | **283,659** | **719,539** | *433,620* | *(9,903)* | *283,865* | *707,582* |
| **(Deficit) / surplus for the financial year** | (11,994) | - | - | **(11,994)** | *14,537* | *-* | *-* | *14,537* |
| **Termination of swap** | - | 5,969 | - | **5,969** | *-* | *-* | *-* | *-* |
| Recycled capital grants | 90 | - | - | **90** | *(130)* | *-* | *-* | *(130)* |
| Actuarial gains / (losses) on defined benefit schemes | 776 | - | - | **776** | *(6,303)* | *-* | *-* | *(6,303)* |
| Movement in the fair value of financial instruments | - | (171) | - | **(171)** | *-* | *3,853* | *-* | *3,853* |
| Reclassified to interest and financing costs | - | 252 | - | **252** | *-* | *-* | *-* | *-* |
| **Other comprehensive income / (cost) for the year** | **866** | **81** | - | **947** | *(6,433)* | *3,853* | *-* | *(2,580)* |
| Transfer from revaluation reserve to income and expenditure reserve | (23) | - | 23 | - | *206* | *-* | *(206)* | *-* |
| **Balance at 31 March** | **430,779** | **-** | **283,682** | **714,461** | *441,930* | *(6,050)* | *283,659* | *719,539* |

The notes on pages 66 to 105 form part of the Financial Statements.

# Group and Association Balance Sheets Registered number 16791R

| | Note | Group | | Association | |
|---|---|---|---|---|---|
| | | **2022** | *2021* | **2022** | *2021* |
| | | **£'000** | *£'000* | **£'000** | *£'000* |
| **Tangible fixed assets** | | | | | |
| Housing properties | 11 | **1,315,191** | *1,261,867* | **1,235,022** | *1,180,549* |
| Other fixed assets | 13 | **3,524** | *4,293* | **3,524** | *4,293* |
| Investments | 26 | **-** | *-* | **-** | *6,739* |
| | | **1,318,715** | *1,266,160* | **1,238,546** | *1,191,327* |
| **Current assets** | | | | | |
| Housing properties and stock for sale | 14 | **33,029** | *43,096* | **33,029** | *43,096* |
| Debtors — receivable after one year | 15 | **101,598** | *105,544* | **41,554** | *42,397* |
| Debtors — receivable within one year | 15 | **28,174** | *26,571* | **19,663** | *19,026* |
| Short-term investments | 21 | **96,550** | *-* | **94,100** | *-* |
| Cash and cash equivalents | 21 | **128,760** | *232,858* | **102,422** | *206,349* |
| | | **388,111** | *408,069* | **290,768** | *310,868* |
| **Creditors: amounts falling due within one year** | 16 | **(116,340)** | *(128,969)* | **(81,585)** | *(100,534)* |
| **Net current assets** | | **271,771** | *279,100* | **209,183** | *210,334* |
| **Total assets less current liabilities** | | **1,590,486** | *1,545,260* | **1,447,729** | *1,401,661* |
| **Creditors: amounts falling due after more than one year** | 17 | **(858,069)** | *(822,952)* | **(725,261)** | *(672,011)* |
| **Provision for defined benefit pension liabilities** | 25 | **(8,007)** | *(10,111)* | **(8,007)** | *(10,111)* |
| **Net assets** | | **724,410** | *712,197* | **714,461** | *719,539* |
| **Capital and Reserves** | | | | | |
| Cash flow hedge reserve | | **(31,327)** | *(51,566)* | **-** | *(6,050)* |
| Revaluation reserve | | **301,256** | *301,233* | **283,682** | *283,659* |
| Income and expenditure reserve | | **454,481** | *462,530* | **430,779** | *441,930* |
| | | **724,410** | *712,197* | **714,461** | *719,539* |

These Financial Statements were approved and authorised for issue by the Board on 29 July 2022 and are signed on behalf of the Board by:

Stephen Hughes
(Chair)

Anne Turner
(Director)

Paul Hutton
(Secretary)

The notes on pages 66 to 105 form part of the Financial Statements.

# Group and Association Cash Flow Statements

| | Note | Group | | Association | |
|---|---|---|---|---|---|
| | | **2022** | *2021* | **2022** | *2021* |
| | | **£'000** | *£'000* | **£'000** | *£'000* |
| **Cash from operations** | 20 | **56,072** | *69,919* | **47,386** | *61,724* |
| **Taxation** | | **(32)** | *(33)* | **-** | *-* |
| **Net cash generated from operating activities** | | **56,040** | *69,886* | **47,386** | *61,724* |
| **Cash flow from investing activities** | | | | | |
| Net proceeds from the sale of housing properties | | **24,380** | *9,727* | **24,380** | *9,727* |
| Expenditure on housing properties | | **(90,655)** | *(102,988)* | **(90,395)** | *(102,678)* |
| Expenditure on other fixed assets | | **(1,950)** | *(1,380)* | **(1,950)** | *(1,380)* |
| Receipt of capital grants | | **25,378** | *2,446* | **25,378** | *2,446* |
| Interest received | | **6,671** | *7,279* | **2,083** | *2,460* |
| Net proceeds from sale of other assets | | **-** | *73* | **-** | *73* |
| Leasehold sinking funds recognised on Goldsborough hive up | | **-** | *1,133* | **-** | *1,133* |
| (Purchase) / maturity of short-term investments | | **(96,550)** | *60,000* | **(94,100)** | *60,000* |
| **Net cash used in investing activities** | | **(132,726)** | *(23,710)* | **(134,604)** | *(28,219)* |
| **Cash flow from financing activities** | | | | | |
| Repayment of bank borrowings | | **(63,508)** | *(17,683)* | **(59,367)** | *(13,646)* |
| Termination of swap | | **(13,260)** | *-* | **(13,260)** | *-* |
| Proceeds from new loans | | **80,000** | *120,000* | **80,000** | *120,000* |
| Loan premium | | **12,288** | *26,984* | **12,288** | *26,984* |
| Interest paid including refinancing costs | | **(42,932)** | *(26,772)* | **(36,370)** | *(20,193)* |
| **Net cash (used in) / from financing activities** | | **(27,412)** | *102,529* | **(16,709)** | *113,145* |
| **Net (decrease) / increase in cash and cash equivalents** | | **(104,098)** | *148,705* | **(103,927)** | *146,650* |
| Cash and cash equivalents at the beginning of the year | | **232,858** | *84,153* | **206,349** | *59,699* |
| Cash and cash equivalents at the end of the year | | **128,760** | *232,858* | **102,422** | *206,349* |

The notes on pages 66 to 105 form part of the Financial Statements.

# Notes to the Financial Statements

## 1a. Principal accounting policies

The Financial Statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Housing 21 includes the:

- Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations).
- Housing and Regeneration Act 2008.
- FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".
- Statement of Recommended Practice (SORP) for Registered Social Housing Providers, "Accounting by registered social housing providers" 2018.
- Accounting Direction for Private Registered Providers of Social Housing 2019.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The Group and Association are Public Benefit Entities (PBEs) for the purpose of the application of certain accounting policies.

### 1.1. Parent Association disclosure exemptions

In preparing the separate Financial Statements of the parent Association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent Association would be identical.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Association, because their remuneration is included in the totals for the Group as a whole.

### 1.2. Basis of preparation including going concern

The Financial Statements are prepared on a going concern basis and under the historic cost basis, as modified for (a) the valuation of derivative financial instruments; and (b) the deemed cost basis of valuation of housing properties upon transition to FRS 102 on 1 April 2014.

After making enquiries, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these accounts. The Board obtains further assurance of financial viability through the annual budgeting, quarterly re-forecasting and long term business planning exercises. Within all these exercises, the Board assess and stress test the availability of funding, liquidity and compliance with lenders' covenants over at least a three year period. These stresses typically include:

- Increase in inflation and interest rates.
- Sales prices are reduced or all properties for sale are converted to rent.
- Increase in construction costs and reduction in grant rates.
- Reduction in operating surpluses though either decrease in rents or increase in voids or bad debts.
- Combination of the above in a perfect storm or the most conceivable combination.

This ensures the Board has a continual and rolling process of reviewing and assessing our financial strength and viability. For this reason, the going concern basis has been adopted in these Financial Statements.

### 1.3. Basis of consolidation

The consolidated Financial Statements present the results of Housing 21 — registered provider of social housing and its subsidiary companies ("the Group") as if they formed a single entity. Transactions and balances between Group companies are therefore eliminated in full to show transactions and balances with third parties only.

The consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the identifiable assets, liabilities and contingent liabilities of the acquired entity are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Comprehensive Income Statement from the date on which control is obtained (usually also the acquisition date). They are de-consolidated from the date control ceases.

### 1.4. Turnover

Turnover is measured at the fair value of the cash consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from empty properties available for letting)
- Service charges receivable (see service charges — Note 1.7);
- First tranche sales of Low Cost Home Ownership housing properties developed for sale;
- Sales of outright sale housing properties;
- Invoiced amounts receivable from the delivery of care services; and
- Invoiced amounts receivable from the delivery of housing and care services under PFI and PPP contract arrangements (see Long term PFI and PPP contracts — Note 1.5).

Rental income is recognised from the point when properties under development reach practical completion and are let.

Income from first tranche sales and sales of properties built for sale is recognised in full at the point of legal completion of the sale.

Income from care is recognised at the point of delivery of the service to the service user. Income received from local authorities and / or the Infection Control Fund to help reduce the rate of transmission of Covid-19 is recognised in full once received, except for any amounts that may be repaid, which is recognised as a creditor on the Balance Sheet as deferred income.

### 1.5. Long term PFI and PPP contracts

Income and profit is recognised with reference to the stage of completion and / or delivery of services and milestones associated with the long-term contract. Income recognised from such contracts is stated at the total costs incurred in delivering the contract (including finance costs) plus any attributable profit assessed to have been earned to date, less amounts recognised in previous years.

Any excess of total income invoiced to date above the calculated stage of completion is recognised as a creditor on the Balance Sheet as deferred income. Any shortfall between the total income invoiced compared to the total costs incurred to date is accrued and recognised as a debtor on the Balance Sheet.

Where any losses over the life of the contract including future losses are identified which cannot be recovered from invoiced income, then appropriate provisions are made in full in the year that they are identified.

### 1.6. Supporting People

The Group receives Supporting People grants from several local authorities. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Comprehensive Income Statement. Any excess of cost over the grant received is borne by the residents through their support charge. Any excess of grant received over the cost incurred is recognised as a creditor on the Balance Sheet as deferred income until utilised.

### 1.7. Service charges

The Group adopts the variable method for calculating and charging service charges to its residents and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the amount of service charge receivable from residents, including sinking fund contributions from rental tenants for future capital works.

Any excess of service charge receivable over service costs is deferred to the Balance Sheet as deferred income and is used to offset future years charges. Any shortfall between service charge receivable and service costs is accrued and recognised as a debtor on the Balance Sheet and recovered from residents in future years' charges.

### 1.8. Taxation

The Group is exempt from Corporation Tax on income and gains to the extent that these are derived from the Group's charitable objectives. The tax expense in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for the parent Association.

### 1.9. Valued Added Tax (VAT)

The majority of services supplied by the Group are exempt from VAT. However, the Group does charge VAT on its management contracts and PFI unitary charge income. This enables the Group to recover part of the VAT it incurs on expenditure under a Partial Exemption Special Method (PESM) calculation agreed with HM Revenue and Customs (HMRC).

VAT incurred on the construction of new housing properties can be recovered at a ratio of the number of sale units, shared ownership and outright sales, in comparison to total units on individual schemes under a separate PESM calculation agreed with HMRC.

The Financial Statements include VAT to the extent that it is incurred by the Group and not recoverable from HMRC. All expenditure is shown inclusive of VAT and the recoverable VAT arising from partially exempt activities is netted off in the Comprehensive Income Statement against management costs.

### 1.10. Interest and financing costs

Finance costs are charged to the Comprehensive Income Statement based on the interest rate applicable on the debt in the year. Loan issue costs (including costs associated with arranging security charges on properties for new loans) are initially capitalised as an offset against the principal and then subsequently amortised to the Comprehensive Income Statement over the life of the new loan facility. Non-utilisation and other loan fees for existing debt are charged to the Comprehensive Income Statement.

Loan premiums received on the issue of new debt finance are deferred to the Balance Sheet and included in long-term creditors and initially recognised as the amount received. This amount is amortised using the effective interest rate method and charged to the Comprehensive Income Statement over the life of the loan.

### 1.11. Interest receivable on finance lease assets

The Group's finance lease assets represent the capital costs incurred on its PFI and PPP contracts — where the underlying properties and associated services are fundamentally controlled by another party. The debt is recovered via the unitary charge contract income over the remaining life of the contract. Until the debtor is fully recovered, an interest credit is released to the Comprehensive Income Statement which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

### 1.12. Pension costs

The Group participates in several defined contribution and closed defined benefit pension schemes. Of the defined benefit schemes, three are Local Government Pension Schemes where the Group's liability in relation to its employees is capped and are accounted for as defined as defined contribution schemes (see note 25 for further information). The other two defined benefit schemes are the Social Housing Pension Schemes (SHPS) and the London Borough of Lewisham Pension Scheme, which are both closed to further accruals. Interest on the scheme liabilities and expected return on scheme assets are included net in other finance costs / income. Actuarial gains and losses are reported in Other Comprehensive Income.

Contributions to the Group's defined contribution pension schemes are charged to the Comprehensive Income Statement in the year in which they become payable.

### 1.13. Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement for care employees which has accrued at the Balance Sheet date and carried forward to future periods. This is measured at the un-discounted salary cost of the future holiday entitlement at the Balance Sheet date.

### 1.14. Tangible fixed assets — housing properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable). The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for employee costs and other costs of developing the property.

Directly attributable costs of acquisition include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is ongoing and has not been interrupted or terminated.

Planned expenditure on major component replacements and refurbishments to properties is capitalised where the works:

- Increase the rental stream over the life of the property.
- Reduce the future maintenance costs of the property.
- Subsequently extend the life of the property.
- Constitute replacement of major components where the replaced component can be identified and written off (see also Depreciation of housing property — Note 1.15).

All other repair and replacement expenditure is charged to the Comprehensive Income Statement.

Mixed developments, excluding the estimated cost of the element of shared ownership properties held for sale (if any) as first tranche, are held within fixed asset housing properties and accounted for at cost less depreciation.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche (see Shared ownership properties and staircasing — Note 1.17), are included in fixed asset housing properties and held at cost less any impairment, and are transferred to completed properties when ready for letting.

### 1.15. Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life. The portion of shared ownership property retained or expected to be retained is depreciated over 100 years.

Assets in the course of construction are not depreciated until they are ready for letting to ensure that they are depreciated only in periods in which economic benefits are expected to be materially consumed.

The cost of housing property (net of accumulated depreciation to date and impairment, where applicable) and components are depreciated over the useful economic lives of the assets on the following basis:

| Component | Years |
|---|---|
| Land | Infinite |
| Structure | 100 |
| Roof | 50 |
| Windows and doors | 30 |
| Kitchens and bathrooms | 20 |
| Mechanical services | 20 |
| Heating and plumbing | 25 |
| Fit out costs | 25 |

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life. Where a major component is replaced before the end of its economic useful life and is not fully depreciated, an additional charge (accelerated depreciation), equivalent to the remaining net book value of the component, is recognised in the Comprehensive Income Statement.

### 1.16. Donated land and other assets

Land and other assets donated by local authorities and other Government sources are added to cost at the fair value of the asset at the time of the donation. The donation is treated as a non-monetary grant and recognised in the Balance Sheet as a liability.

Where the donation is from a non-public source the value of the donation is included as income.

### 1.17. Shared ownership properties and staircasing

All the Group's shared ownership properties are low-cost home ownership properties. Under low-cost home ownership arrangements, the Group disposes of a long lease on low-cost home ownership housing properties for a share ranging between 25% and 75% equity. The buyer has the right to purchase further proportions up to 75% based on the market valuation of the property at the time each purchase transaction is completed.

Low-cost home ownership properties are split proportionately between current and fixed asset housing properties based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, staircasing element, is classed as fixed asset housing properties and included in completed housing property at cost and any provision for impairment.

Costs are allocated to the appropriate tenure on a floor area or unit basis depending on the appropriateness for each scheme. When a sale occurs of a property, a proportionate amount is written off to the Comprehensive Income Statement as a cost of sale based on the number of properties and equity percentage sold. Low-cost home ownership properties are depreciated over 100 years. Any impairment in the value of such properties is charged to the Comprehensive Income Statement.

Sales and marketing costs incurred on low-cost home ownership properties under construction at the year end is deferred and included in debtors due within one year until the scheme reaches practical completion and sales commence. At this point the associated sales and marketing expenditure previously deferred is recognised in the Comprehensive Income Statement.

### 1.18. Tangible fixed assets — other

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

### 1.19. Depreciation of other tangible fixed assets

Depreciation on other assets is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

| Component | Years |
|---|---|
| Leasehold office | Over the remaining period of the lease |
| Office furniture and equipment | 10 |
| Motor vehicles | 4 |
| Computer software | 5 |
| Computer hardware | 3 |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Surpluses and losses on disposals are determined by comparing the proceeds with the carrying amount. The gain / loss on disposal of housing properties are shown separately on in Statement of Comprehensive Income.

### 1.20. Government grants

Grants received in relation to those properties that are presented at deemed cost at the date of transition (1 April 2014) have been accounted for using the performance model as required by Housing SORP 2018. In applying this model, the grant has been presented as if it were originally recognised as income within the Comprehensive Income Statement in the year the associated housing properties were completed and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or developed housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Balance Sheet and released to the Comprehensive Income Statement on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018, the useful economic life of the housing property structure has been selected (100 years).

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a Recycled Capital Grant Fund until it is reinvested in a replacement property (see Recycled Capital Grant Fund — Note 1.21). The accounting treatment depends on when the underlying grant was received:

- Any grant recycled that was received before 1 April 2014 is recognised as an expense in the Statement of Comprehensive Income and included within the gain / loss on the disposal of housing properties.
- Any grant received that was received post 1 April 2014 is transferred from deferred capital grants within long-term liabilities.

If there is no requirement to recycle or repay the grant on disposal of the assets, any unamortised grant remaining within creditors is released and recognised as income within the Comprehensive Income Statement.

Grants relating to revenue are recognised in the Comprehensive Income Statement over the same period as the expenditure to which they relate once performance related conditions have been met. Grants due from Government organisations or received in advance are included as current assets or liabilities respectively.

Where properties are acquired from other providers and social housing grants are transferred to Housing 21, no accounting adjustment is made for the grant. The acquired grant is disclosed as a contingent liability in Note 19.

### 1.21. Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of properties, Homes England can direct the Group to recycle capital grants, or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it may become repayable to Homes England with interest.

Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used or repaid within one year is disclosed in the Balance Sheet under creditors due after more than one year.

### 1.22. Impairments of fixed assets

The housing property portfolio for the Group is assessed for indicators of impairment at each Balance Sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of the assets to whichever is higher of the following:

- Net realisable value based on social housing market sale (if known).
- Value in use based on the net present value of future cash flows.
- Value in use based on the depreciated replacement cost of a similar asset (which reflects the social purpose of holding the asset).

Depreciated replacement cost is calculated based on the rebuild cost of a similar asset, adjusted for the same period of depreciation of the asset being assessed.

Where the carrying value is higher than all three of the assessment outcomes listed above, an impairment charge is recognised for the difference in the Comprehensive Income Statement and the carrying value of the asset adjusted on the Balance Sheet accordingly.

Impairment assessments are undertaken on 'cash generating units'. The Group defines cash generating units as individual schemes.

### 1.23. Housing properties and stock for sale

Housing properties and stock for sale represents work in progress and completed properties developed for outright sale and shared ownership. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

The stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

### 1.24. Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Comprehensive Income Statement.

### 1.25. Recoverable amount of rental and other trade debtors

The Group estimates the recoverable value of rental and other debtors and impairs the debtor by appropriate amounts. When assessing the amount to impair it also reviews the age profile of the debt, historical collection rates and the class of debt.

The Group has agreed repayment plans for certain residents and service users on their rent arrears and care services. These arrangements represent financing arrangements (in that they are credit terms outside the normal course of business, therefore representing interest free loans) that should be discounted using an equivalent market rate of interest for a similar loan.

However, no adjustments have been made in the Financial Statements. This is because discounting would result in the applicable debt being carried on the Balance Sheet at virtually nil, but debts where payment plans are in place would invariably be impaired through a bad debt provision resulting in a materially similar net balance.

### 1.26. Loans, investments and short term investments

All loans, investments and short-term deposits held by the Group are classified as 'basic' financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however, the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost.

Loans and investments that are payable or receivable on demand or within one year are not discounted.

### 1.27. Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet consist of cash at bank, in hand, deposits and short-term investments which can be accessed instantly. Cash that is held on deposit for more than three months is disclosed as a short-term investment in the Balance Sheet.

### 1.28. Derivative instruments and hedge accounting

The Group holds some floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swap instruments which fix the amount payable over a certain period of time. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group has designated each of the swaps against drawn floating rate debt.

To the extent to which the hedge is effective in mitigating interest rate risk, the movements in fair value (other than adjustments for own or counter party credit risk) are not recognised in the Comprehensive Income Statement but adjusted directly on the Balance Sheet via Other Comprehensive Income, and presented in a separate Cash Flow Hedge Reserve, which represents all effective cumulative movements in fair value. Any movements in fair value relating to ineffectiveness (and adjustments for our own or counter party credit risk) are recognised in the Comprehensive Income Statement.

### 1.29. Leases

Where assets are financed by leasing agreements that, to all intents and purposes, give rights of ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable (excluding the interest). Depreciation on the relevant assets is charged to the Comprehensive Income Statement over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Comprehensive Income Statement over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable on the Balance Sheet.

All other leases are treated as operating leases. Their annual rentals are charged to the Comprehensive Income Statement on a straight-line basis over the term of the lease.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered before the date of transition to the standard (1 April 2014) to continue to be charged over the period to the first break clause rather than the term of lease. For leases entered into on or after 1 April 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to the Comprehensive Income Statement over the term of the lease.

### 1.30. Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

### 1.31. Contingent liabilities

A contingent liability is disclosed for a possible obligation, for:

- When it is not yet confirmed that a present obligation exists that could lead to an outflow of resources
- Where a present obligation that does not meet the definitions of a provision as it is not probable that an outflow of resources will be required
- When a sufficiently reliable estimate of the amount cannot be made

Contingent liabilities exist on grants which are dependent on the disposal or cessation for the social letting of related properties.

### 1.32. Reserves

On transition to FRS 102 the Group took the option of freezing its valuation of housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group utilised its valuation as at 31 March 2014 which was undertaken by Deloitte Real Estate to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost less depreciation. The deemed cost approach has resulted in a Revaluation Reserve remaining on the Balance Sheet. On disposal of a property or scheme, a transfer is made from the Revaluation Reserve to the Income and Expenditure Reserve of an amount equal to the difference between the historical cost and the deemed cost.

The Cash Flow Hedge Reserve is created from the movements in the fair value of hedging derivatives that are assessed as effective (see Derivative instruments and hedge accounting – Note 1.28).

## 1b. Judgements in applying accounting policies and key sources of estimation

In preparing these Financial Statements, the key judgements and estimations have been made in respect of the following:

### Judgements

1. All housing properties are classified as property, plant and equipment, including the shared ownership properties — as opposed to investment properties. This is because all are judged to be held for their 'social benefit' which is a key criterion in FRS 102 for the classification as property, plant and equipment. The Group does not have any commercial or student accommodation.
2. Group housing property components have been identified and their associated useful economic lives set (as shown in Note 1.15) with reference to the National Housing Federation and Savills' 2011 publication on national property component matrix for sheltered flats.
3. An impairment assessment is undertaken when an indicator of impairment is identified in the year. There were no such indicators in the year ended 31 March 2022.
4. The sales of first tranche shared ownership, outright sale and sale of other properties (including staircasing) are reported in the Comprehensive Income Statement as part of Operating Surplus in accordance with the SORP. However, the associated cash flows are judged to meet the FRS 102 criteria of cash flow from Investing Activities, as opposed to Cash from Operations, because of their association and relationship with the wider development-related capital cash flows. Therefore, they are reported in the Cash Flow Statement as Investing Activities. The surpluses on sale are shown as an adjustment when reconciling the Operating Surplus to Cash from Operations (Note 20). Furthermore, these properties should be accounted for at the lower of the cost or their net realisable value. If the associated net realisable value falls below the cost, this could be an indicator for impairment. No such indicators of impairment existing at 31 March 2022.
5. As part of the PFI contracts the parent Association has provided loan funding to the special purpose vehicles holding the PFI contracts. These are judged to meet the FRS 102 criteria of concessionary loans to public benefit entities and have therefore been accounted as the amount receivable to the Association.
6. The FRS 102 transitional exemption has been adopted for the accounting for service concession arrangements (the PFI and PPP contracts). These are reported the same under these FRS 102 accounts as they were historically. This is to ensure the ease of comparability with previous years and to ensure continual integration with the original operating and financial models.
7. It is considered that Housing 21's investment of £6,485k in Claimar Care Limited is no longer supported by the underlying net assets of the company, leading to the impairment of investment of £6,485k (2021: £nil). See note 26 for further information.

### Estimates

8. For mixed tenure housing properties, an estimate is made to allocate the appropriate element of cost between the following categories:
   - Fixed asset housing properties — rented accommodation
   - Fixed asset housing properties — shared ownership accommodation
   - Current asset housing properties held for sale — shared ownership and outright sale accommodation

   This is because the construction costs are for the scheme as a whole and are not split between the different tenures. The apportionment is based on the property sizes for each tenure type and the expected first tranche sales equity — both with reference to the final completed tenure mix or the latest development appraisal (if under construction).
9. Any associated Homes England (HE) grant is assigned to individual properties in the HE's Investment Management System (IMS), therefore this is split based on actual allocations. Any grants from non-HE sources are all allocated to the rented portion. No grant is assumed to be associated with first tranche sales.

10. The defined benefit accounting liability for the Social Housing Pension Scheme (SHPS) has been provided by the scheme administrator, The Pensions Trust (TPT). The accounting liability has been formulated based on a series of assumptions which are set out in Note 25 to the financial statements. TPT provide a standard set of assumptions which it deems are appropriate, however, these are adjustable by individual providers to meet their own circumstances. The standard assumptions have been adopted by the Group as they are judged to be appropriate and reasonable. Details of the estimates used are included in the pensions note. Sensitivity analysis for these key estimates is included in Note 25.

    We have been notified by the Trustee of the scheme that it has performed a review of the changes made to the scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the court on these items. This process is ongoing, and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

11. Hedge accounting effectiveness is determined by use of the 'critical terms method'. It is deemed effective where the terms of the underlying loan match the swap instrument exactly. Where it is not possible, all hedging instruments are judged to be in accordance with the risk management strategies of the Group regarding interest rate cash flow risk, and therefore, the 'hypothetical derivative method' is used to assess effectiveness.

    The hypothetical value is assessed against the actual fair value of the instrument. Where the fair value is favourable to the hypothetical value, the hedge is deemed to be effective. Where the fair value is adverse to the hypothetical value, the cumulative difference between the two is taken to be ineffective, and this portion taken through the Comprehensive Income Statement.

    Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate forward curves. The forward and discount curves are derived from various raw yield curves. Movements in these forward curves will impact the fair value and to shoe the sensitivity to these movements, analysis is shown in note 18.

12. The level of income (and surpluses) recognised on the PFI and PPP contracts is based on the estimated stage of completion, which is based on the total expenditure incurred to date compared to the total amount of expenditure expected to be incurred over the life of the contract, and the probability of any losses being incurred on the contract. The total expected contract costs on the Kent PFI and Walsall PPP are currently expected to be in line with the original models. The total expected contract costs for Oldham PFI have been amended to include the rectification expenditure with the associated knock-on effect on income recognition appropriately reflected in the accounts.

# 2. Turnover, cost of sales, operating costs and operating surplus

| Group | 2022 | | | | 2021 (restated) | | | |
|---|---|---|---|---|---|---|---|---|
| | Turnover | Operating costs and cost of sales | Other income | Operating surplus | Turnover | Operating costs and cost of sales | Other Income | Operating surplus |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings (Note 3)** | **152,370** | **(123,855)** | **-** | **28,515** | 146,164 | (109,402) | - | 36,762 |
| **Other social housing activities** | | | | | | | | |
| Support charge | 3,905 | (4,039) | - | (134) | 3,605 | (3,698) | - | (93) |
| Leasehold services | 1,908 | (2,122) | - | (214) | 1,795 | (1,997) | - | (202) |
| First tranche low cost home ownership sales | 22,402 | (19,920) | - | 2,482 | 10,432 | (8,306) | - | 2,126 |
| Development services | 167 | (1,700) | - | (1,533) | 156 | (1,496) | - | (1,340) |
| Gain on disposal of housing properties (see note 4) | - | - | 522 | 522 | - | - | 238 | 238 |
| One-off rent and service charge adjustment | - | - | - | - | (635) | - | - | (635) |
| | **28,382** | **(27,781)** | **522** | **1,123** | 15,353 | (15,497) | 238 | 94 |
| **Total social housing activities** | **180,752** | **(151,636)** | **522** | **29,638** | 161,517 | (124,899) | 238 | 36,856 |
| **Non-social housing activities** | | | | | | | | |
| Care services | 38,150 | (37,756) | - | 394 | 35,587 | (35,674) | - | (87) |
| Market rent | 1,717 | (1,133) | - | 584 | 1,640 | (1,126) | - | 514 |
| Gain on disposal of housing properties (see note 4) | - | - | 54 | 54 | - | - | 19 | 19 |
| Leasehold services | 2,110 | (2,148) | - | (38) | 514 | (713) | - | (199) |
| One-off impairment | - | - | - | - | - | (376) | - | (376) |
| Other | 1,713 | (1,441) | - | 272 | 2,071 | (2,993) | - | (922) |
| | **43,690** | **(42,478)** | **54** | **1,266** | 39,812 | (40,882) | 19 | (1,051) |
| **Total** | **224,442** | **(194,114)** | **576** | **30,904** | 201,329 | (165,781) | 257 | 35,805 |

- In 2021, corporate overheads were disclosed in note 3 as a separate heading. These costs have now been allocated between the relevant areas of activity between notes 2 and 3 based on various factors including headcount, turnover and type of spend. 2021 results have been restated but the overall surplus remains unchanged. Surplus from social housing lettings in 2021 has increased by £1,967k.
- The one-off item in other social housing activities in 2021 of £635k related to rent and service charge income which was above levels permitted by Welfare Reform and Work Act. The one-off item included in the non-social housing activities in 2021 of £376k related to the goodwill write-off associated with Goldsborough Estates Limited. No such costs have been incurred in 2022.
- Included within other in non-social housing is additional income of £1,713k (*2021: £2,071k*) and additional costs of £1,713k (*2021: £3,089k*) incurred in the delivery of care services as result of Covid-19.
- Total development administration costs capitalised were £1,271k (*2021: £1,074k*) for the Group.

# 2. Turnover, cost of sales, operating costs and operating surplus (cont)

| Association | 2022 | | | | *2021 (restated)* | | | |
|---|---|---|---|---|---|---|---|---|
| | **Turnover** | **Operating costs and cost of sales** | **Other Income** | **Operating surplus** | *Turnover* | *Operating costs and cost of sales* | *Other Income* | *Operating surplus* |
| | **£'000** | **£'000** | **£'000** | **£'000** | *£'000* | *£'000* | *£'000* | *£'000* |
| **Social housing lettings (Note 3)** | **146,154** | **(122,327)** | **-** | **23,827** | *140,416* | *(108,066)* | *-* | *32,350* |
| **Other social housing activities** | | | | | | | | |
| Support charge | 3,905 | (4,039) | - | (134) | *3,606* | *(3,698)* | *-* | *(92)* |
| Leasehold services | 1,908 | (2,122) | - | (214) | *1,795* | *(1,997)* | *-* | *(202)* |
| First tranche low cost home ownership sales | 22,402 | (19,920) | - | 2,482 | *10,432* | *(8,306)* | *-* | *2,126* |
| Development services | 167 | (1,700) | - | (1,533) | *156* | *(1,496)* | *-* | *(1,340)* |
| Gain on disposal of housing properties (see note 4) | - | - | 522 | 522 | *-* | *-* | *238* | *238* |
| One-off rent and service charge adjustment | - | - | - | - | *(635)* | *-* | *-* | *(635)* |
| | **28,382** | **(27,781)** | **522** | **1,123** | *15,354* | *(15,497)* | *238* | *95* |
| **Total social housing activities** | **174,536** | **(150,108)** | **522** | **24,950** | *155,770* | *(123,563)* | *238* | *32,445* |
| **Non-social housing activities** | | | | | | | | |
| Care services | 38,150 | (37,756) | - | 394 | *35,587* | *(35,674)* | *-* | *(87)* |
| Market rent | 1,717 | (1,133) | - | 584 | *1,640* | *(1,126)* | *-* | *514* |
| Gain on disposal of housing properties (see note 4) | - | - | 54 | 54 | *-* | *-* | *19* | *19* |
| Leasehold services | 2,110 | (2,148) | - | (38) | *427* | *(577)* | *-* | *(150)* |
| One-off impairment | - | - | - | - | *-* | *(2,331)* | *-* | *(2,331)* |
| Other | 1,713 | (1,441) | - | 272 | *2,071* | *(2,993)* | *-* | *(922)* |
| | **43,690** | **(42,478)** | **54** | **1,266** | *39,725* | *(42,701)* | *19* | *(2,957)* |
| **Total** | **218,226** | **(192,586)** | **576** | **26,216** | *195,495* | *(166,264)* | *257* | *29,488* |

- In 2021, corporate overheads were disclosed in note 3 as a separate heading. These costs have now been allocated between the relevant areas of activity between notes 2 and 3 based on various factors including headcount, turnover and type of spend. 2021 results have been restated but the overall surplus remains unchanged. Surplus from social housing lettings in 2021 has increased by £1,967k.
- The one-off item in other social housing activities of £635k in 2021 related to an adjustment to rent and service charge income which was above levels permitted by Welfare Reform and Work Act. The one-off item included in the non-social housing activities in 2021 of £2,331k related to the goodwill and investment write-off associated with Goldsborough Estates Limited. No such costs have been incurred in 2022.
- Included within other in non-social housing is additional income of £1,713k (*2021: £2,071k*) and additional costs of £1,713k (*2021: £3,089k*) incurred in the delivery of care services as result of Covid-19.
- Total development administration costs capitalised were £1,271k (*2021: £1,074k*) for the Group.

# 3. Turnover, operating costs and operating surplus from social housing lettings

| | Group | | | | Association | | | |
|---|---|---|---|---|---|---|---|---|
| | **Retirement Living** | **Extra Care** | **2022 Total** | *2021 (restated) Total* | **Retirement Living** | **Extra Care** | **2022 Total** | *2021 (restated) Total* |
| | **£'000** | **£'000** | **£'000** | *£'000* | **£'000** | **£'000** | **£'000** | *£'000* |
| **Turnover on social housing lettings** | | | | | | | | |
| Rents net of identifiable service charges | 56,660 | 35,867 | **92,527** | *91,680* | 56,660 | 35,493 | **92,153** | *91,321* |
| Service and utility charges | 23,454 | 21,306 | **44,760** | *39,660* | 23,454 | 21,059 | **44,513** | *39,413* |
| Amortisation of Government grants | 10 | 250 | **260** | *419* | 10 | 250 | **260** | *419* |
| Other income | 5,235 | 9,588 | **14,823** | *14,405* | 4,816 | 4,412 | **9,228** | *9,263* |
| | **85,359** | **67,011** | **152,370** | *146,164* | **84,940** | **61,214** | **146,154** | *140,416* |
| **Expenditure on social housing lettings** | | | | | | | | |
| Management | (14,290) | (16,476) | **(30,766)** | *(27,279)* | (14,316) | (18,012) | **(32,328)** | *(28,826)* |
| Service and utility costs | (19,388) | (19,453) | **(38,841)** | *(33,476)* | (19,388) | (19,210) | **(38,598)** | *(33,245)* |
| Routine maintenance | (9,685) | (4,889) | **(14,574)** | *(13,289)* | (9,685) | (4,049) | **(13,734)** | *(12,455)* |
| Planned maintenance | (5,220) | (2,986) | **(8,206)** | *(6,805)* | (5,220) | (2,243) | **(7,463)** | *(6,221)* |
| Major repairs | (1,265) | (588) | **(1,853)** | *(1,380)* | (1,165) | (588) | **(1,753)** | *(1,306)* |
| Bad debts | (249) | (275) | **(524)** | *(478)* | (249) | (275) | **(524)** | *(478)* |
| Depreciation of housing properties | (14,796) | (12,837) | **(27,633)** | *(25,788)* | (14,796) | (11,673) | **(26,469)** | *(24,628)* |
| Other depreciation | (685) | (773) | **(1,458)** | *(907)* | (685) | (773) | **(1,458)** | *(907)* |
| | **(65,578)** | **(58,277)** | **(123,855)** | *(109,402)* | **(65,504)** | **(56,823)** | **(122,327)** | *(108,066)* |
| **Operating surplus on social housing lettings** | **19,781** | **8,734** | **28,515** | *36,762* | **19,436** | **4,391** | **23,827** | *32,350* |
| Void losses | (1,496) | (2,950) | **(4,446)** | *(4,030)* | (1,496) | (2,947) | **(4,443)** | *(4,022)* |

- Retirement Living and Extra Care represent 'supported housing and housing for older people'.
- Along with the re-allocation of corporate costs mentioned on the previous page, void losses were previously allocated against rents net of identifiable service charges. These have now been split out between rents, service and utility charges and support charges in note 2. Prior year comparatives have been updated accordingly.
- Included within void losses are first-let voids on new properties of £1,412k (*2021: £405k*).

# 4. Gain on disposal of housing properties

| Group and Association | 2022 | | | *2021* |
|---|---|---|---|---|
| | Staircasing £'000 | Other £'000 | Total £'000 | *£'000* |
| Disposal proceeds | **2,002** | 600 | **2,602** | *656* |
| Cost of sale | **(1,550)** | (219) | **(1,769)** | *(399)* |
| **Surplus excl. recycled grant** | **452** | **381** | **833** | ***257*** |
| Recycled grant | (12) | (245) | (257) | *-* |
| **Surplus** | **440** | **136** | **576** | ***257*** |

The gain on disposal of housing properties, excluding first tranche and outright sale, is split between £522k (*2021: £238k*) generated from staircasing sales and the disposal of a Retirement Living scheme and £54k (*2021: £19k*) from the sale of a non-social housing property.

# 5. Directors and Executive Team remuneration

The directors of Housing 21 are defined as Members of the Board and the Executive Team. The Board consists of 11 non-executive members (*2021: 11*). In addition, there are two (*2021: two*) independent audit members. The non-executive Board members received emoluments totalling £170k (*2021: £136k*). The emoluments were:

| | | **2022** | *2021* |
|---|---|---|---|
| | | **£'000** | *£'000* |
| S Hughes (Chair) | | **25** | *22* |
| M McDonagh | | **14** | *13* |
| A Turner | | **14** | *14* |
| N Revely | | **14** | *12* |
| D Clark | | **14** | *12* |
| E Elkington | | **14** | *12* |
| S Kalirai | | **13** | *6* |
| W Roberts | | **13** | *6* |
| L Oyedele | | **13** | *6* |
| S Robinson | (Resigned 31 March 2022) | **13** | *2* |
| C Dugmore | (Appointed 1 Sep 2021) | **8** | *-* |
| C Law | (Independent audit member) | **4** | *4* |
| I Skipp | (Independent audit member) | **4** | *4* |
| E Potter | (Resigned 30 Sep 2021) | **7** | *13* |
| K Boyle | (Resigned 25 Sep 2020) | **-** | *5* |
| M Knott | (Resigned 25 Sep 2020) | **-** | *5* |
| **Total** | | **136** | *117* |

# 5. Directors and Executive Team remuneration (cont)

The Executive Team received the following emoluments during the financial year:

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Emoluments | 1,013 | 881 |
| Pension contributions | 67 | 70 |
| **Total** | 1,080 | 951 |

The team membership was increased from three to six in late 2020/21 and 2021/22 was the first full year with the new full complement in place. Further details of our Executive Team are outlined on page three. The highest paid director in the year was the Chief Executive. His emoluments were as follows:

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Emoluments | 245 | 245 |
| Pension contributions | 30 | 29 |
| **Total** | 275 | 274 |

The Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 25. Employer's contribution in respect of the Chief Executive's pension in the year was £30k (*2021: £29k*), of which £20k (2021: £19k) was taken as cash. The above remuneration excludes any employer's social security costs.

# 6. Employee information

The average number of people employed (including the Executive Team) expressed as full-time equivalents (calculated on a standard working week of 35 hours) during the year was as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | 2022 No. | 2021 No. (restated) | 2022 No. | 2021 No. (restated) |
| Management, scheme managers and administration | 1,219 | 1,174 | 1,218 | 1,162 |
| Care and ancillary | 1,634 | 1,583 | 1,633 | 1,582 |
| | 2,853 | 2,757 | 2,851 | 2,744 |

Employee costs (including the Board and the Executive Team) consist of:

| | Group | | Association | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | 68,847 | 66,215 | 68,741 | 65,899 |
| Redundancy and other costs | (50) | 234 | (50) | 234 |
| Social security costs | 5,411 | 5,075 | 5,404 | 5,046 |
| Pension costs | 3,078 | 2,982 | 3,078 | 2,970 |
| | 77,286 | 74,506 | 77,173 | 74,149 |

# 6. Employee information (cont)

Detailed below is the number of employees whose remuneration payable in relation to the period was more than £60,000:

| | Group and Association | |
|---|---|---|
| | **2022 No.** | *2021 No.* |
| £270,000 – £279,000 | **1** | *1* |
| £210,000 – £219,999 | **-** | *1* |
| £180,000 – £189,999 | **1** | *1* |
| £150,000 - £159,999 | **4** | *-* |
| £130,000 – £139,999 | **-** | *1* |
| £110,000 – £119,999 | **2** | *4* |
| £100,000 – £109,999 | **2** | *2* |
| £90,000 – £99,999 | **8** | *1* |
| £80,000 – £89,999 | **4** | *4* |
| £70,000 – £79,999 | **11** | *14* |
| £60,000 – £69,999 | **32** | *20* |
| | **65** | *49* |

# 7. Interest receivable and similar income

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| | **£'000** | **£'000** | *£'000* | *£'000* |
| Interest received on cash deposits and short-term investments | **409** | *497* | **397** | *458* |
| Finance asset interest | **6,261** | *6,491* | **330** | *342* |
| Interest receivable from group undertakings | **-** | *-* | **1,356** | *1,370* |
| Gift aid | **-** | *-* | **-** | *1,967* |
| | **6,670** | *6,988* | **2,083** | *4,137* |

Finance asset interest of £6,261k (*2021: £6,491k*) for the Group and £330k (*2021: £342k*) for the Association is generated from the finance asset associated with the Walsall PPP contract (Group and Association) and Oldham Retirement Housing Partnership PFI project (Group only). Until the finance asset receivable is fully settled, an interest receivable is generated on the outstanding balance. This is recovered via the Unitary Charge.

# 8. Interest and financing costs

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021 (restated)* | **2022** | *2021 (restated)* |
| | **£'000** | *£'000* | **£'000** | *£'000* |
| Bank loans and overdrafts | **(14,429)** | *(16,440)* | **(7,914)** | *(9,794)* |
| All other loans | **(12,655)** | *(10,702)* | **(12,655)** | *(10,702)* |
| Other financing fees and charges | **(586)** | *(541)* | **(470)** | *(425)* |
| Amortisation of loan premium | **818** | *467* | **818** | *467* |
| Net interest on pension liabilities | **(200)** | *(105)* | **(200)** | *(105)* |
| | **(27,052)** | *(27,321)* | **(20,421)** | *(20,559)* |
| Interest capitalised on construction of housing properties | **1,279** | *2,045* | **1,279** | *2,045* |
| | **(25,773)** | *(25,276)* | **(19,142)** | *(18,514)* |
| Refinancing costs | **(14,033)** | *-* | **(14,033)** | *-* |
| | **(39,806)** | *(25,276)* | **(33,175)** | *(18,514)* |

In 2021, £10,676k of bond interest was disclosed within 'bank loans and overdrafts'. This has been re-classified to 'all other loans' and the 2021 results have been restated. In November 2021, outstanding loans of £49,177k were repaid to Dexia early incurring break costs of £14,033k (see note 17 for more information).

# 9. Operating surplus before tax

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| | **£'000** | *£'000* | **£'000** | *£'000* |
| **This is arrived at after (charging) / crediting** | | | | |
| Depreciation of housing properties | **(27,743)** | *(25,924)* | **(26,579)** | *(24,765)* |
| Impairment of investment | **-** | *-* | **(6,485)** | *(631)* |
| Impairment of goodwill | **-** | *(376)* | **-** | *(1,700)* |
| Impairment of other assets | **300** | *100* | **300** | *100* |
| Depreciation on other fixed assets | **(1,600)** | *(987)* | **(1,600)** | *(987)* |
| Amortisation of grants | **260** | *419* | **260** | *419* |
| **Payments under operating leases** | | | | |
| Land and buildings | **(567)** | *(518)* | **(567)** | *(516)* |
| Other | **(112)** | *(91)* | **(112)** | *(90)* |
| **Auditors' remuneration (excluding VAT)** | | | | |
| In their capacity as financial statement auditors | **(94)** | *(111)* | **(74)** | *(92)* |
| Covenants compliance audit | **(3)** | *(3)* | **(3)** | *(3)* |
| Leasehold audit | **(32)** | *(12)* | **(32)** | *(12)* |

# 10. Taxation

Housing 21, Kent Community Partnership Limited and Oldham Retirement Housing Partnership Limited have charitable status and therefore are exempt from Corporation Tax on their income and gains to the extent that these are derived from their charitable objectives.

Housing 21 Guernsey Limited by Guarantee — the Administrator of Income Tax in Guernsey has agreed that the company's surpluses are exempt from Guernsey tax due to the company's charitable activities. The company is managed in such a way that it is treated as being a UK tax resident and therefore it will be subject to UK tax. However, as a wholly owned subsidiary of a charitable parent and a change in Housing 21 Guernsey articles of association, from 1 April 2021 Housing 21 Guernsey can make gift aid payments that enable it to reduce its corporation tax liability to £nil.

The tax expense in the previous year relates to Housing 21 Guernsey that are subject to UK taxation. In year, the tax credit relates to the difference between estimated corporation tax liability and amount paid, resulting in a small tax credit being applied.

# 11. Housing properties

| Group | Retirement Living | | Extra Care | | Assets under construction | | Total |
|---|---|---|---|---|---|---|---|
| | Rented | Shared ownership | Rented | Shared ownership | Rented | Shared ownership | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | | |
| 1 April 2021 | 828,322 | 510 | 595,400 | 38,329 | 65,356 | 14,062 | **1,541,979** |
| Acquisitions and construction costs | - | - | 863 | - | 43,220 | 4,130 | **48,213** |
| Works to existing properties | 24,603 | - | 8,531 | - | - | - | **33,134** |
| Transfers from / (to) current assets | - | 15 | 21 | 733 | 34 | 682 | **1,485** |
| Re-classifications | - | - | - | - | (9,361) | 9,361 | **-** |
| Completed property transfers | 2,347 | 962 | 68,081 | 17,632 | (70,428) | (18,594) | **-** |
| Disposals | (11,004) | - | (3,055) | (1,546) | - | - | **(15,605)** |
| **31 March 2022** | **844,268** | **1,487** | **669,841** | **55,148** | **28,821** | **9,641** | **1,609,206** |
| | | | | | | | |
| 1 April 2021 | (174,274) | (9) | (104,112) | (1,717) | - | - | **(280,112)** |
| Charge in the year | (14,899) | (7) | (12,461) | (376) | - | - | **(27,743)** |
| Eliminated on disposals | 10,785 | - | 3,055 | - | - | - | **13,840** |
| **31 March 2022** | **(178,388)** | **(16)** | **(113,518)** | **(2,093)** | **-** | **-** | **(294,015)** |
| **Net book value** | | | | | | | |
| **31 March 2022** | **665,880** | **1,471** | **556,323** | **53,055** | **28,821** | **9,641** | **1,315,191** |
| *31 March 2021* | *654,048* | *501* | *491,288* | *36,612* | *65,356* | *14,062* | *1,261,867* |
| **Land tenure** | | | | | | | |
| Freehold | 611,608 | 1,471 | 312,403 | 46,278 | 23,667 | 7,588 | **1,003,015** |
| Long leasehold | 54,272 | - | 243,920 | 6,777 | 5,154 | 2,053 | **312,176** |
| **31 March 2022** | **665,880** | **1,471** | **556,323** | **53,055** | **28,821** | **9,641** | **1,315,191** |

Depreciation charge in the year of £27,743k includes £3,635k of accelerated depreciation on replaced components (*2021: £3,527k*).

During the year, the Group and Association have spent £863k on buying back 15 properties from leaseholders / shared owners. These have subsequently been rented out.

# 11. Housing properties (cont)

| Association | Retirement Living | | Extra Care | | Assets under construction | | Total |
|---|---|---|---|---|---|---|---|
| | Rented | Shared ownership | Rented | Shared ownership | Rented | Shared ownership | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | | |
| 1 April 2021 | 828,321 | 510 | 500,044 | 38,329 | 65,356 | 14,062 | **1,446,622** |
| Acquisitions and construction costs | - | - | 863 | - | 43,220 | 4,130 | **48,213** |
| Works to existing properties | 24,603 | - | 8,515 | - | - | - | **33,118** |
| Transfers from / (to) current assets | - | 15 | 21 | 733 | 34 | 682 | **1,485** |
| Re-classifications | - | - | - | - | (9,361) | 9,363 | **2** |
| Completed property transfers | 2,347 | 962 | 68,081 | 17,632 | (70,428) | (18,594) | **-** |
| Disposals | (11,004) | - | (3,055) | (1,546) | - | - | **(15,605)** |
| **31 March 2022** | **844,267** | **1,487** | **574,469** | **55,148** | **28,821** | **9,643** | **1,513,835** |
| | | | | | | | |
| 1 April 2021 | (174,274) | (9) | (90,073) | (1,717) | - | - | **(266,073)** |
| Charge in the year | (14,899) | (7) | (11,296) | (377) | - | - | **(26,579)** |
| Eliminated on disposals | 10,785 | - | 3,054 | - | - | - | **13,839** |
| **31 March 2022** | **(178,388)** | **(16)** | **(98,315)** | **(2,094)** | **-** | **-** | **(278,813)** |
| **Net book value** | | | | | | | |
| **31 March 2022** | **665,879** | **1,471** | **476,154** | **53,054** | **28,821** | **9,643** | **1,235,022** |
| *31 March 2021* | *654,047* | *501* | *409,971* | *36,612* | *65,356* | *14,062* | *1,180,549* |
| **Land tenure** | | | | | | | |
| Freehold | 611,608 | 1,471 | 308,177 | 46,277 | 23,666 | 7,589 | **998,788** |
| Long leasehold | 54,271 | - | 167,977 | 6,777 | 5,155 | 2,054 | **236,234** |
| **31 March 2022** | **665,879** | **1,471** | **476,154** | **53,054** | **28,821** | **9,643** | **1,235,022** |

Depreciation charge in the year of £26,579k includes £3,635k of accelerated depreciation on replaced components *(2021: £3,527k)*.

# 11. Housing properties

## Works to existing properties

Expenditure on existing properties, other than on routine and planned maintenance, was as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| New components capitalised | 20,976 | 9,703 | 20,966 | 9,703 |
| Capitalised enhancements | 12,158 | 8,652 | 12,152 | 8,694 |
| | 33,134 | 18,355 | 33,118 | 18,397 |
| Major repairs expensed (see note 3) | 1,853 | 1,380 | 1,753 | 1,306 |
| | 34,987 | 19,735 | 34,871 | 19,703 |

The total amount of interest capitalised in the year was £1,279k (2021: £2,045k) and interest was capitalised at a rate of 4% (2021: 4% - 4.5%). The cumulative value of capitalised interest included in the net book value in Note 11 and properties held for sale in Note 14 is not separately recorded.

## Historic cost (including assets under the course of construction)

If housing property had been accounted for under historic cost accounting rules, the properties would have been measured as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Historic cost | 1,466,053 | 1,398,912 | 1,387,646 | 1,320,520 |
| Accumulated depreciation | (290,021) | (276,117) | (274,817) | (262,077) |
| | 1,176,032 | 1,122,795 | 1,112,829 | 1,058,443 |

# 12. Housing accommodation

| | Group | | Association | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | No. | No. | No. | No. |
| **Retirement Living** | | | | |
| Rented | 11,621 | 11,597 | 11,621 | 11,597 |
| General needs / family | 61 | 62 | 61 | 62 |
| Market rent | 210 | 211 | 210 | 211 |
| Shared ownership | 40 | 24 | 40 | 24 |
| Leasehold: Social | 732 | 739 | 732 | 739 |
| Leasehold: Non-social | 546 | 578 | 546 | 578 |
| Employee accommodation | 74 | 83 | 74 | 83 |
| Managed for others | 1,458 | 1,458 | 1,458 | 1,458 |
| | 14,742 | 14,752 | 14,742 | 14,752 |
| **Extra Care** | | | | |
| Rented | 5,949 | 5,504 | 5,559 | 5,114 |
| Shared ownership | 1,353 | 1,131 | 1,353 | 1,131 |
| Leasehold | 114 | 114 | 79 | 79 |
| Employee accommodation | 2 | 2 | 1 | 1 |
| Managed for others | 44 | 44 | 470 | 470 |
| | 7,462 | 6,795 | 7,462 | 6,795 |
| **Total** | 22,204 | 21,547 | 22,204 | 21,547 |
| **Properties in development** | | | | |
| For rent | 410 | 536 | 410 | 536 |
| For shared ownership | 103 | 315 | 103 | 315 |
| For outright sale | 24 | 24 | 24 | 24 |
| **Total** | 537 | 875 | 537 | 875 |

# 12. Housing accommodation (cont)

| | Group | | | | | | Association | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 April 2021 | New developments | Remodelled | Awaiting disposal / disposed | Transfers between tenures | 31 March 2022 | 1 April 2021 | New developments | Remodelled | Awaiting disposal / disposed | Transfers between tenures | 31 March 2022 |
| **Retirement Living** | | | | | | | | | | | | |
| Rented | 11,597 | 14 | 6 | (9) | 13 | **11,621** | 11,597 | 14 | 6 | (9) | 13 | **11,621** |
| General needs / family | 62 | - | - | - | (1) | **61** | 62 | - | - | - | (1) | **61** |
| Market rents | 211 | - | - | (1) | | **210** | 211 | - | - | (1) | - | **210** |
| Shared ownership | 24 | 12 | - | - | 4 | **40** | 24 | 12 | - | - | 4 | **40** |
| Leasehold: Social | 739 | - | - | - | (7) | **732** | 739 | - | - | - | (7) | **732** |
| Leasehold: Non-social | 578 | - | - | (32) | - | **546** | 578 | - | - | (32) | - | **546** |
| Employee accommodation | 83 | - | - | - | (9) | **74** | 83 | - | - | - | (9) | **74** |
| Managed for others | 1,458 | - | - | - | - | **1,458** | 1,458 | - | - | - | - | **1,458** |
| | **14,752** | **26** | **6** | **(42)** | **–** | **14,742** | **14,752** | **26** | **6** | **(42)** | **–** | **14,742** |
| **Extra Care** | | | | | | | | | | | | |
| Rented | 5,504 | 428 | 2 | - | 15 | **5,949** | 5,114 | 428 | 2 | - | 15 | **5,559** |
| Shared ownership | 1,131 | 237 | - | - | (15) | **1,353** | 1,131 | 237 | - | - | (15) | **1,353** |
| Leasehold | 114 | - | - | - | - | **114** | 79 | - | - | - | - | **79** |
| Employee accommodation | 2 | - | - | - | - | **2** | 1 | - | - | - | - | **1** |
| Managed for Others | 44 | - | - | - | - | **44** | 470 | - | - | - | - | **470** |
| | **6,795** | **665** | **2** | **–** | **–** | **7,462** | **6,795** | **665** | **2** | **–** | **–** | **7,462** |
| **Total** | **21,547** | **691** | **8** | **(42)** | **–** | **22,204** | **21,547** | **691** | **8** | **(42)** | **–** | **22,204** |

# 13. Other fixed assets

| Group and Association | Leasehold offices and improvements | IT and other equipment | Total |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **Cost** | | | |
| At 1 April 2021 | 1,127 | 7,420 | **8,547** |
| Additions | 35 | 957 | **992** |
| Disposals | - | (609) | **(609)** |
| **At 31 March 2022** | **1,162** | **7,768** | **8,930** |
| **Accumulated depreciation** | | | |
| At 1 April 2021 | (806) | (3,448) | **(4,254)** |
| Charge for the year | (92) | (1,508) | **(1,600)** |
| Disposals | - | 448 | **448** |
| **At 31 March 2022** | **(898)** | **(4,508)** | **(5,406)** |
| **Net book value** | | | |
| **At 31 March 2022** | **264** | **3,260** | **3,524** |
| *At 31 March 2021* | *321* | *3,972* | *4,293* |

# 14. Housing properties and stock for sale

| Group and Association | 2022 | *2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Low-cost home ownership and outright sale properties available for sale | **20,115** | *15,296* |
| Low-cost home ownership and outright sale properties under construction | **12,914** | *27,800* |
| | **33,029** | *43,096* |

# 15. Debtors

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| | **£'000** | *£'000* | **£'000** | *£'000* |
| **Greater than one year** | | | | |
| Finance asset receivable | **101,598** | *105,544* | **5,386** | *5,546* |
| Amounts owed by group undertakings | **-** | *-* | **2,129** | *2,129* |
| Amounts owed by group undertakings — concessionary loans | **-** | *-* | **34,039** | *34,722* |
| | **101,598** | *105,544* | **41,554** | *42,397* |
| **Within one year** | | | | |
| Rent and service charge arrears | **3,289** | *3,034* | **3,287** | *3,030* |
| Less provision for bad debts | **(2,460)** | *(2,195)* | **(2,458)** | *(2,194)* |
| | **829** | *839* | **829** | *836* |
| Trade debtors | **2,951** | *3,203* | **2,951** | *3,203* |
| Amounts owed by group undertakings | **-** | *-* | **1,046** | *1,268* |
| Prepayments, accrued income and other debtors | **21,544** | *18,067* | **11,987** | *9,257* |
| Social housing grant and other capital grants receivable | **2,850** | *4,462* | **2,850** | *4,462* |
| | **27,345** | *25,732* | **18,834** | *18,190* |
| **Total** | **28,174** | *26,571* | **19,663** | *19,026* |

Housing 21 provides concessionary loan funding to the following subsidiaries:

| | Rate of interest | 1 April 2021 | Movement | 31 March 2022 |
|---|---|---|---|---|
| | | *£'000* | £'000 | **£'000** |
| Kent Community Partnership | **11%** | *6,976* | - | **6,976** |
| Oldham Retirement Housing Partnership | **2%** | *27,746* | (683) | **27,063** |
| | | *34,722* | (683) | **34,039** |

# 16. Creditors: amounts falling due within one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| | **£'000** | *£'000* | **£'000** | *£'000* |
| Loans and borrowings (Note 17) | **(10,889)** | *(18,799)* | **(5,736)** | *(14,658)* |
| Loans premium | **(1,109)** | *(745)* | **(1,109)** | *(745)* |
| | **(11,998)** | *(19,544)* | **(6,845)** | *(15,403)* |
| Trade creditors | **(6,557)** | *(2,437)* | **(6,540)** | *(2,437)* |
| Amount owed to Group undertakings | **-** | *-* | **(983)** | *(7,470)* |
| Other creditors | **(9,976)** | *(10,552)* | **(9,161)** | *(9,743)* |
| Interest rate swaps | **(2,740)** | *(5,186)* | **-** | *(956)* |
| Accruals and deferred income | **(85,069)** | *(91,250)* | **(58,056)** | *(64,525)* |
| | **(116,340)** | *(128,969)* | **(81,585)** | *(100,534)* |

# 17. Creditors: amounts falling due after more than one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| | **£'000** | *£'000* | **£'000** | *£'000* |
| Loans and borrowings | **(678,108)** | *(653,706)* | **(574,286)** | *(544,731)* |
| Loans premium | **(36,879)** | *(25,773)* | **(36,879)** | *(25,773)* |
| | **(714,987)** | *(679,479)* | **(611,165)** | *(570,504)* |
| Less: funding costs to be amortised | **3,392** | *3,080* | **2,353** | *1,967* |
| Interest rate swaps | **(29,688)** | *(54,972)* | **-** | *(12,214)* |
| Deferred capital grants (Note 19) | **(101,967)** | *(77,950)* | **(101,967)** | *(77,950)* |
| Recycled capital grants fund | **(1,151)** | *(1,787)* | **(1,151)** | *(1,787)* |
| Leasehold sinking fund balances | **(13,668)** | *(11,844)* | **(13,331)** | *(11,523)* |
| | **(858,069)** | *(822,952)* | **(725,261)** | *(672,011)* |

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties. Repayment of loans within the PFI special purpose vehicles are secured through charges on the income of the underlying PFI contract over their lifetime. Kent Community Partnership loans are also secured by charges on the assets of the company.

The weighted average interest rate is shown in the table below:

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| Weighted average interest rate | **3.68%** | *3.97%* | **3.30%** | *3.62%* |

At the 31 March 2022, the Group and Association had undrawn loan facilities of £50,000k (2021: £25,000k).

### The Recycled Capital Grant Fund balance consists of:

| Group and Association | 2022 | *2021* |
|---|---|---|
| | **£'000** | *£'000* |
| At 1 April | **(1,787)** | *(2,076)* |
| Grants recycled | **(589)** | *(208)* |
| Transferred to deferred capital grants | **1,148** | *500* |
| Reclassification | **90** | *-* |
| Interest accrued | **(13)** | *(3)* |
| **At 31 March** | **(1,151)** | *(1,787)* |
| Amounts three years old or older where repayment may be required | **-** | *(263)* |

Withdrawals from the Recycled Capital Grant Fund has been used to part fund, along with additional funding from Homes England and local authorities, the development of 35 properties across two schemes. Both schemes were under development at year end.

# 17. Creditors: amounts falling due after more than one year (cont)

### The loans repayments are due as follows:

| Group | | | 2022 | 2021 |
|---|---|---|---|---|
| | Bank loans | Other loans | Total | *Total* |
| | £'000 | £'000 | **£'000** | *£'000* |
| In one year or less, or on demand (see Note 16) | (10,886) | (3) | **(10,889)** | *(18,799)* |
| In more than one year and less than two years | (11,400) | (5) | **(11,405)** | *(19,827)* |
| In more than two years and less than five years | (49,801) | (17) | **(49,818)** | *(61,600)* |
| More than five years | (166,754) | (450,131) | **(616,885)** | *(572,279)* |
| **Total** | **(238,841)** | **(450,156)** | **(688,997)** | *(672,505)* |

| Association | | | 2022 | 2021 |
|---|---|---|---|---|
| | Bank loans | Other loans | Total | *Total* |
| | £'000 | £'000 | **£'000** | *£'000* |
| In one year or less, or on demand (see Note 16) | (5,732) | (4) | **(5,736)** | *(14,658)* |
| In more than one year and less than two years | (5,748) | (4) | **(5,752)** | *(14,673)* |
| In more than two years and less than five years | (39,059) | (17) | **(39,076)** | *(47,414)* |
| More than five years | (79,327) | (450,131) | **(529,458)** | *(482,644)* |
| **Total** | **(129,866)** | **(450,156)** | **(580,022)** | *(559,389)* |

In November 2021, loans with Dexia totalling £49,177k were repaid early incurring break costs of £14,033k. These break costs are included within interest payable in note 7 and are treated as a one-off item in the Statement of Comprehensive Income. Following the repayment of these variable RPI linked loans, all the Group's loan book is fixed.

In December 2021, an additional £130,000k of bond financing was issued through tapping the 2047 bond that was originally agreed in 2018. In January 2022, £80,000k was sold at an all-in rate of 2.488%. The interest rate agreed in year was at a preferential rate compared to the original bond (3.288%) resulting in the receipt of a £12,288k loan premium. This loan premium, along with the loan premium received in 2021, will be amortised on a straight-line basis to the Comprehensive Income Statement over the life of the bond and is included in both note 16 and note 17.

The remaining £50,000k of the bond remains unsold but is secured and could be accessed in a relatively short time scale. Furthermore, a £25,000k revolving credit facility with RBS was cancelled early during the year as it was no longer required.

# 18. Financial instruments

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| | **£'000** | *£'000* | **£'000** | *£'000* |
| **Financial assets** | | | | |
| Financial assets measured at historical cost | | | | |
| - Rental and service charge debtors | **829** | *839* | **829** | *836* |
| - Trade debtors | **2,951** | *3,203* | **2,951** | *3,203* |
| - Other debtors | **22,583** | *20,898* | **13,339** | *12,323* |
| - Cash and cash equivalents | **128,760** | *232,858* | **102,422** | *206,349* |
| - Short term investments | **96,550** | *-* | **94,100** | *-* |
| - Amounts owed from group undertakings | **-** | *-* | **2,129** | *2,129* |
| - Amounts owed from group undertakings — concessionary loans | **-** | *-* | **34,038** | *34,722* |
| **Total financial assets** | **251,673** | *257,798* | **249,808** | *259,562* |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost | | | | |
| - Loans payable within one year | **(10,889)** | *(18,799)* | **(5,736)** | *(14,658)* |
| - Loans payable after one year | **(678,108)** | *(653,706)* | **(574,286)** | *(544,731)* |
| Financial liabilities measured at historic cost | | | | |
| - Trade creditors | **(6,557)** | *(2,438)* | **(6,540)** | *(2,438)* |
| - Other creditors | **(36,725)** | *(45,333)* | **(33,372)** | *(42,100)* |
| - Amounts owed to group undertakings | **-** | *-* | **(983)** | *(7,470)* |
| - Loan premium due within one year | **(1,109)** | *(745)* | **(1,109)** | *(745)* |
| - Loan premium due after one year | **(36,879)** | *(25,773)* | **(36,879)** | *(25,773)* |
| Derivative financial instruments designated as hedges of varia-ble interest rate risk | | | | |
| - Interest rate swaps due within one year | **(2,740)** | *(5,186)* | **-** | *(956)* |
| - Interest rate swaps due after one year | **(29,688)** | *(54,972)* | **-** | *(12,214)* |
| **Total financial liabilities** | **(802,695)** | *(806,952)* | **(658,905)** | *(651,085)* |

## Hedges

To hedge the potential volatility in future interest cash flows arising from movements in the Sterling Overnight Index Average (SONIA), the Group has the following floating to fixed interest rate swaps. The Group's hedging instruments qualify for hedge accounting as they are in accordance with the objectives of managing interest rate cash flow risk. As a result, while the derivatives are recognised on the Balance Sheet, movements are taken straight to reserves through Other Comprehensive Income to the extent they are effective. The element that is not effective is taken through the Comprehensive Income Statement. The method of assessing hedge effectiveness is disclosed within the accounting policies.

| Entity | Notional value | Underlying loan | Fair value of swap | Underlying interest rate | Interest rate swap | Maturity of swap |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | | | |
| Oldham Retirement Housing Partnership | (50,957) | (50,166) | (9,735) | SONIA | Receive SONIA, pay a fixed 4.8% | October 2034 |
| Kent Community Partnership | (26,202) | (26,202) | (7,268) | SONIA | Receive SONIA, pay a fixed 5.3% | September 2037 |
| Kent Community Partnership | (32,607) | (32,607) | (15,425) | SONIA | Receive SONIA, pay a fixed 5.0% | March 2039 |
| **Total** | **(109,766)** | **(108,975)** | **(32,428)** | | | |

# 18. Financial instruments (cont)

On 1 April 2021, the swap agreements were transitioned from the London Interbank Offered Rate (LIBOR) to SONIA, and the interest benchmark has changed to SONIA. This is because LIBOR ceased to be published as a reference rate on 31 December 2021. This has no cost implications on the PFI contracts.

The fair value of the swaps is subjective and is reliant on making certain assumptions about the future interest rates. The below provides an indication of the impact to the fair value from movement in interest rates. However, it is worth noting that due to the hedging relationship, most of the fair value movement would be recognised directly in the cash-flow hedge reserve, with only a small proportion, the ineffective element, being recognised in the Statement of Comprehensive Income.

| Entity | Fair value of swap | + 5 basis points | - 5 basis points |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Oldham Retirement Housing Partnership | (9,735) | (7,829) | (11,734) |
| Kent Community Partnership | (7,268) | (6,018) | (8,593) |
| Kent Community Partnership | (15,425) | (12,523) | (18,566) |
| **Total** | **(32,428)** | **(26,370)** | **(38,893)** |

Due to the early repayment of the Dexia Loans, it was decided to terminate the RPI linked swap in Housing 21 as this could no longer be hedged against any other loans. The fair value at the date of termination was £13,260k. The hedging relationship was terminated on the 31 October 2021 which resulted in the cash-flow hedge reserve of £5,969k in the Association being recycled through the Statement of Comprehensive Income. The mark-to-market movements post 31 October and up to the point of settlement on the 2 December 2022 of £804k have also been recognised as an additional charge in the Statement of Comprehensive Income. These adjustments total £6,773k and have been disclosed within other finance costs.

# 19. Deferred capital grants

| Group and Association | Retirement Living | Extra Care | Assets under construction | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Grants** | | | | |
| 1 April 2021 | (831) | (54,253) | (24,964) | **(80,048)** |
| Grants received | - | - | (23,459) | **(23,459)** |
| Transfer to / (from) RCGF | - | 293 | (1,148) | **(855)** |
| Completions | (550) | (27,732) | 28,282 | **-** |
| **31 March 2022** | **(1,381)** | **(81,692)** | **(21,289)** | **(104,362)** |
| **Accumulated amortisation** | | | | |
| 1 April 2021 | 8 | 2,090 | - | **2,098** |
| Credit for the year | 10 | 529 | - | **539** |
| Adjustment | - | (242) | - | **(242)** |
| **31 March 2022** | **18** | **2,377** | **-** | **2,395** |
| **Net book value** | | | | |
| **31 March 2022** | **(1,363)** | **(79,315)** | **(21,289)** | **(101,967)** |
| *31 March 2021* | *(823)* | *(52,163)* | *(24,964)* | *(77,950)* |

The Group receives grant from Homes England, Greater London Authority and local authorities, which is used to fund the development of housing properties and their components. As outlined in the accounting policies, upon transition to FRS 102 and the adoption of deemed cost accounting for housing properties, grants received in relation to properties developed before 1 April 2014 (£455,720k) were transferred to the income and expenditure reserve.

The Group may have future obligations to recycle such grant once the properties are disposed of. At 31 March 2022, the total value of grant recycled is £1,151k (2021: £1,787k). See note 17 for more information.

## 19. Deferred capital grants (cont)

The Group also has £36,368k of grants *(2021: £36,368k)* associated with properties that it has acquired from other providers that are not shown in the analysis above. The grant associated with these acquisitions is disclosed as a contingency liability. The liability would crystallise if the associated property was disposed of, and the grant was not transferred to the new provider, at which point the grant would be transferred to the Recycled Capital Grant Fund.

The adjustment of £242k relates to staircasing sales in prior years. Whilst the correct amount of grant was reflected in the Recycled Capital Grant Fund, the corresponding grant amortisation was not written back to the Statement of Comprehensive Income. This has been corrected in year resulting in an additional charge.

## 20. Reconciliation of operating surplus to cash from operations

| | Group | | Association | |
|---|---|---|---|---|
| | **2022** | *2021* | **2022** | *2021* |
| | **£'000** | *£'000* | **£'000** | *£'000* |
| **Operating surplus** | **30,904** | *35,805* | **26,216** | *29,488* |
| Depreciation of housing properties | **27,743** | *25,925* | **26,579** | *24,765* |
| Depreciation of other fixed assets | **1,600** | *987* | **1,598** | *987* |
| Pension adjustment | **-** | *4* | **-** | *4* |
| One-off impairment adjustment | **-** | *376* | **-** | *-* |
| Abortive costs | **651** | *-* | **651** | *-* |
| Grant amortisation | **(259)** | *(419)* | **(259)** | *(419)* |
| Property sales included in operating surplus | **(3,162)** | *(2,462)* | **(3,162)** | *(2,462)* |
| SHPS deficit contributions paid | **(1,535)** | *(1,501)* | **(1,535)** | *(1,501)* |
| Gift aid | **-** | *-* | **-** | *59* |
| Decrease / (increase) in debtors | **1,747** | *5,255* | **(859)** | *2,800* |
| (Decrease) / increase in creditors | **(1,617)** | *5,949* | **(1,843)** | *5,672* |
| **Cash from operations** | **56,072** | *69,919* | **47,386** | *61,724* |

# 21. Analysis of the changes in net debt

| Group | At 1 April 2021 | Cash Flows | Non-cash movement | At 31 March 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | **£'000** |
| Cash | 232,858 | (104,098) | – | **128,760** |
| Short-term investments | - | 96,550 | – | **96,550** |
| Bank loans and bonds (excl. capitalised debt issue costs) | (672,505) | (16,492) | – | **(688,997)** |
| **Net debt (excluding derivatives)** | **(439,647)** | **(24,040)** | **-** | **(463,687)** |
| Interest rate swaps | (60,158) | 13,506 | 14,224 | **(32,428)** |
| **Net debt** | **(499,805)** | **(10,534)** | **14,224** | **(496,115)** |

| Association | At 1 April 2021 | Cash Flows | Non-cash movement | At 31 March 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | **£'000** |
| Cash | 206,349 | (103,927) | – | **102,422** |
| Short-term investments | - | 94,100 | – | **94,100** |
| Bank loans and bonds (excl. capitalised debt issue costs) | (559,389) | (20,633) | – | **(580,022)** |
| **Net debt (excluding derivatives)** | **(353,040)** | **(30,460)** | **-** | **(383,500)** |
| Interest rate swaps | (13,170) | 13,506 | (336) | **-** |
| **Net debt** | **(366,210)** | **(16,954)** | **(336)** | **(383,500)** |

Further analysis of the movement of bank loans and bonds (excluding capitalised debt issue costs) for the year are shown below:

| | At 1 April 2021 | Contractual repayments | Early repayments | New loans / bonds | At 31 March 2022 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | **£'000** |
| Housing 21 | (559,389) | 10,190 | 49,177 | (80,000) | **(580,022)** |
| Kent Community Partnership | (59,340) | 531 | - | – | **(58,809)** |
| Oldham Retirement Housing Partnership | (53,776) | 3,610 | - | – | **(50,166)** |
| **Group** | **(672,505)** | **14,331** | **49,177** | **(80,000)** | **(688,997)** |

# 22. Share capital

| | 2022 | 2021 |
|---|---|---|
| | **£** | £ |
| Allotted, issued and fully paid | **16** | 16 |

Each member of the Association holds a non-equity share of £1 in the Association. The shares carry no right to dividends. The shares are cancelled on the resignation of members from the Association. The shares carry the right to vote at meetings of the Association based on one share one vote. No rights to participate in the net assets of the Association in the event of a winding up are conferred by the shares.

# 23. Capital commitments

| | Group and Association | |
|---|---|---|
| | **2022** | *2021* |
| | **£'000** | *£'000* |
| Capital expenditure contracted but not provided for | **48,366** | *51,339* |
| Capital expenditure approved but not contracted for | **33,659** | *28,243* |
| **Total** | **82,025** | *79,582* |

Capital expenditure contracted but not provided for represents the amount committed to development sites for which the Group has a contractual obligation.

Capital expenditure approved but not contracted represents potential commitments to develop schemes which have been approved by Housing 21's Development Steering Group and Investment and Development Committee. Where a scheme is at lockdown investment stage, the tender spend is included or where at initial feasibility stage, the budget to progress the scheme to lockdown is included. A formal investment appraisal is conducted on each development scheme before the Group enters a contractual obligation.

The capital commitments at 31 March 2022 will be funded by:

| | Group and Association | |
|---|---|---|
| | **2022** | *2021* |
| | **£'000** | *£'000* |
| Grants | **16,386** | *18,044* |
| Existing cash and short-term investment reserves | **65,639** | *61,538* |
| **Total** | **82,025** | *79,582* |

# 24. Commitments under operating leases

| Amounts payable as lessee | Group and Association | |
|---|---|---|
| | **2022** | *2021* |
| | **£'000** | *£'000* |
| **On land and buildings** | | |
| Not later than one year | **412** | *412* |
| Later than one year and not later than five years | **1,605** | *1,648* |
| Later than five years | **705** | *1,073* |
| | **2,722** | *3,133* |
| **On other assets** | | |
| Not later than one year | **153** | *155* |
| Later than one year and not later than five years | **60** | *81* |
| Later than five years | **-** | *-* |
| | **213** | *236* |

# 25. Pensions

The Provision for defined benefit pension liabilities consists of:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **SHPS £'000** | **Lewisham £'000** | **Total £'000** | *SHPS £'000* | *Lewisham £'000* | *Total £'000* |
| At 1 April | (9,967) | (144) | (10,111) | *(5,089)* | *(115)* | *(5,204)* |
| Actuarial gains / (losses) recognised within OCI | 727 | 49 | 776 | *(6,278)* | *(25)* | *(6,303)* |
| Interest and other charges | (197) | (3) | (200) | *(103)* | *(2)* | *(105)* |
| Pension deficit contributions paid | 1,577 | 4 | 1,581 | *1,547* | *-* | *1,547* |
| Current service costs | (44) | (9) | (53) | *(44)* | *(2)* | *(46)* |
| **At 31 March** | **(7,904)** | **(103)** | **(8,007)** | *(9,967)* | *(144)* | *(10,111)* |

Housing 21 participates in several defined benefit and defined contribution schemes. At the balance sheet date, 2,827 *(2021: 2,881)* employees contributed to a defined contribution scheme with most employees being a member of the National Employment Savings Trust (NEST). At the Balance Sheet date 62 *(2021: 72)* employees were members of a defined benefit scheme. All schemes' assets are held in separate funds administered by the Trustees of each scheme. All defined benefit schemes are closed to existing and new employees. Housing 21 participates in three defined benefit schemes where the Association's liability in relation to its employees is capped. Therefore, these schemes are accounted for as a defined contribution schemes in accordance with Section 28 of FRS 102.

### Social Housing Pension Scheme – Defined Benefit (administered by The Pensions Trust)

The Board decided to close the scheme to new employees at 30 June 2002 and to existing employees at 31 December 2002. From those dates employees have been offered the opportunity to join the group stakeholder pension plan, which is now closed to new members, the SHPS Defined Contribution plan or the NEST defined contribution scheme. The Board also decided to close the scheme to active members from 1 April 2015. This means that Housing 21 is no longer accruing benefits in this scheme but retain responsibility for deferred and pensioner benefits earned up to 31 March 2015. Accordingly, Housing 21 is still responsible for meeting deficit payments and expenses for its proportion of SHPS liabilities relating to past membership up to this date (see following table).

Housing 21 accounts for less than 1% of the SHPS total membership.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore, Housing 21 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.

# 25. Pensions (cont)

## Present values of defined benefit obligation, fair value assets and defined benefit liability

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Fair value of plan assets | **48,641** | *49,463* |
| Present value of defined benefit obligation | **(56,545)** | *(59,430)* |
| Deficit in plan | **(7,904)** | *(9,967)* |

## Reconciliation of opening and closing balances of the defined benefit obligation

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Defined benefit obligation at start of period | **59,430** | *49,814* |
| Expenses | **44** | *44* |
| Interest expense | **1,245** | *1,171* |
| Actuarial losses / (gains) due to scheme experience | **2,913** | *(644)* |
| Actuarial (gains) / losses due to changes in demographic assumptions | **(952)** | *229* |
| Actuarial (gains) / losses due to changes in financial assumptions | **(3,632)** | *10,406* |
| Benefits paid and expenses | **(2,503)** | *(1,590)* |
| **Defined benefit obligation at end of period** | **56,545** | *59,430* |

## Reconciliation of opening and closing balances of the fair values of plan assets

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Fair value of plan assets at start of period | **49,463** | *44,725* |
| Interest income | **1,048** | *1,068* |
| Experience on plan assets (excluding amounts included in interest income) — (loss) / gain | **(944)** | *3,713* |
| Contributions by the employer | **1,577** | *1,547* |
| Benefits paid and expenses | **(2,503)** | *(1,590)* |
| **Fair value of plan assets at end of period** | **48,641** | *49,463* |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £104k (*2021: £4,781k*).

## Defined benefit costs recognised in the Comprehensive Income Statement

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Expenses | **44** | *44* |
| Net interest expense | **197** | *103* |
| **Defined benefit costs recognised in the Comprehensive Income Statement** | **241** | *147* |

# 25. Pensions (cont)

## Defined benefit costs recognised in Other Comprehensive Income

| | 31 March 2022 | 31 March 2021 |
|---|---|---|
| | £'000 | £'000 |
| Experience on plan assets (excluding amounts included in net interest cost) — (loss) / gain | (944) | 3,713 |
| Experience gains and losses arising on the plan liabilities — (loss) / gain | (2,913) | 644 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation — gain / (loss) | 952 | (229) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation — gain / (loss) | 3,632 | (10,406) |
| **Total amount recognised in Other Comprehensive Income — gain / (loss)** | **727** | (6,278) |

## Assets

| | 31 March 2022 | 31 March 2021 |
|---|---|---|
| | £'000 | £'000 |
| Global equity | 9,334 | 7,883 |
| Absolute return | 1,951 | 2,730 |
| Distressed opportunities | 1,741 | 1,428 |
| Credit relative value | 1,617 | 1,556 |
| Alternative risk premia | 1,604 | 1,863 |
| Fund of hedge funds | - | 6 |
| Emerging markets debt | 1,415 | 1,997 |
| Risk sharing | 1,602 | 1,801 |
| Insurance-linked securities | 1,134 | 1,188 |
| Property | 1,313 | 1,027 |
| Infrastructure | 3,465 | 3,298 |
| Private debt | 1,247 | 1,180 |
| Opportunistic illiquid credit | 1,634 | 1,258 |
| High yield | 419 | 1,481 |
| Opportunistic credit | 173 | 1,356 |
| Cash | 165 | 1 |
| Corporate bond fund | 3,245 | 2,922 |
| Liquid credit | - | 590 |
| Long lease property | 1,252 | 969 |
| Secured income | 1,812 | 2,057 |
| Liability driven investment | 13,573 | 12,571 |
| Currency hedging | (190) | - |
| Net current assets | 135 | 301 |
| Total assets | 48,641 | 49,463 |

None of the fair values of the assets shown above include any direct investments in the Housing 21's own financial instruments or any property occupied by, or other assets used by Housing 21.

# 25. Pensions (cont)

## Key assumptions

| | **31 March 2022 % per annum** | *31 March 2021 % per annum* |
|---|---|---|
| Discount Rate | **2.79%** | *2.14%* |
| Inflation (RPI) | **3.66%** | *3.30%* |
| Inflation (CPI) | **3.23%** | *2.85%* |
| Salary Growth | **4.23%** | *3.85%* |
| Allowance for commutation of pension for cash at retirement | **75% of maximum allowance** | *75% of maximum allowance* |

The mortality assumptions adopted imply the following life expectancies at age 65 years:

| | **31 March 2022 (Years)** | *31 March 2021 (Years)* |
|---|---|---|
| Male retiring in 2021 | **21.1** | *21.6* |
| Female retiring in 2021 | **23.7** | *23.5* |
| Male retiring in 2040 | **22.4** | *22.9* |
| Female retiring in 2040 | **25.2** | *25.1* |

## Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure the scheme liability is set out below:

| | **Approx. % increase to employer liability** | *Approx. monetary increase to employer liability £'000* |
|---|---|---|
| 0.1% decrease in real discount rate | **1.7%** | *967* |
| One year increase in member life expectancy | **3.4%** | *1,919* |
| 0.1% increase in salary growth rate | **0.0%** | *17* |

## Social Housing Pension Scheme — Defined Contribution (administered by The Pensions Trust)

Following the closure of the SHPS defined benefit structure to new members, employees can join the SHPS defined contribution scheme. The pension cost of this scheme for the Association in the year was £1,431k (*2021: £1,370k*) with 624 employee members at the year-end (*2021: 623*). This includes £196k (*2021: £193k*) outstanding contributions at the Balance Sheet date.

## Group Stakeholder Plan with Aviva

Following the closure of the SHPS defined benefit scheme to new members, employees were offered the opportunity to join the Group Stakeholder Plan. This is closed to new members. The pension cost of this scheme for the Association was £163k (*2021: £166k*) with 53 employee members at the year end (*2021: 60*). This includes £21k (*2021: £22k*) outstanding contributions at the Balance Sheet date.

# 25. Pensions (cont)

### National Employment Savings Trust (NEST)

To meet the new requirements of auto-enrolment in October 2013 all employees not part of one of the existing schemes were enrolled into the NEST. This is a defined contribution scheme. The pension cost of this scheme for the Association was £1,269k (*2021: £1,244k*) with 2,088 employee members at the yearend (*2021: 2,126*). This includes £157k (*2021: £151k*) outstanding contributions at the Balance Sheet date.

### Local authority pension schemes

Due to the TUPE transfer of employees, the Association participates in the following multi-employer defined benefit pension schemes:

#### Oldham Metropolitan Borough Council Pension Scheme

Oldham Metropolitan Borough Council's Pension Scheme is a defined benefit scheme. However, Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing 21 paid contributions at 20.6% (*2021: 20.6%*) totalling £28k (*2021: £30k*). This includes £3k (*2021: £3k*) outstanding contributions at the Balance Sheet date. There were four employee members at the year end (2021: six). Employee contributions were between 5.8% and 6.5% (*2021: 5.8% - 6.5%*).

The 0.6% difference between Housing 21's capped employer contributions (20%) and actual employer contributions (20.6%) is reclaimed from Oldham Metropolitan Borough Council.

#### Walsall Metropolitan Borough Council Pension Scheme

Walsall Metropolitan Borough Council's Pension Scheme is a defined benefit scheme. However, Housing 21's liability in relation to its employees is capped at 14.7%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing 21 paid contributions at 11.6% (*2021: 11.6%*) totalling £132k (*2021: £144k*). There were 54 employee members at the year end (*2021: 61*). This includes £16k (*2021: £17k*) outstanding contributions at the Balance Sheet date.

The 3.1% difference between Housing 21's capped employer contributions (14.7%) and actual employer contributions (11.6%) is payable to Walsall Metropolitan Borough Council. Employee contributions were between 5.5% and 6.5% (*2021: 5.5% - 6.8%*).

#### Suffolk County Council Pension Scheme

The Association is an admitted body to the Suffolk County Council Pension Scheme which is administered by Suffolk County Council. Suffolk County Council's pension scheme is a defined benefit scheme. However, Housing 21's liability in relation to its employees is capped at 20.8%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing 21 paid contributions at 20.8% *(2021: 20.8%)* totalling £8k (*2021: £9k*). This includes £1k (*2021: £1k*) outstanding contributions at the Balance Sheet date. There were three (*2021: four*) employee members at the year end. Employee contributions were 5.5% (*2021: between 5.5% and 5.8%*).

# 25. Pensions (cont)

## London Borough of Lewisham Pension Scheme

The Association is an admitted body to Lewisham Pension Schemes (the Fund) which is administered by the London Borough of Lewisham under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The last formal valuation of the funds was at 31 March 2019. Actuarial valuations have been prepared as at 31 March 2022. For this purpose, to calculate Housing 21's asset share at the 31 March 2022, the actuary has rolled forward Housing 21's assets calculated at the latest funding valuation allowing for investment returns, employer and employee contributions paid in, and estimated benefits paid out by the fund. Likewise for Housing 21's liability share, the actuary has rolled forward the value of Housing 21's obligations calculated at the latest funding valuation allowing for the financial assumptions required under the Accounting Standard. Included in this is estimated benefit accrual for current employees and estimated benefits paid out to Housing 21's former employees.

## Reconciliation of defined benefit contributions

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Opening defined benefit obligation | **485** | *412* |
| Current service costs | **9** | *6* |
| Interest cost on defined benefit obligation | **9** | *9* |
| Contributions by members | **1** | *1* |
| Actuarial (gains) / losses | **(24)** | *72* |
| Benefits paid | **(21)** | *(15)* |
| **Closing defined benefit obligation** | **459** | *485* |

## Reconciliation of fair value of assets employed

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Opening fair value of assets employed | **341** | *297* |
| Interest income on plan assets | **6** | *7* |
| Contributions by members | **1** | *1* |
| Contributions by employers | **4** | *4* |
| Actuarial (losses) / gains | **25** | *47* |
| Benefits paid | **(21)** | *(15)* |
| **Closing fair value of assets employed** | **356** | *341* |

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Fair value of plan assets | **356** | *341* |
| Present value of plan liabilities | **(459)** | *(485)* |
| Net pension scheme liability | **(103)** | *(144)* |

## Analysis of actuarial loss recognised in Other Comprehensive Income

| | **31 March 2022** | *31 March 2021* |
|---|---|---|
| | **£'000** | *£'000* |
| Changes in financial assumptions | **18** | *(67)* |
| Changes in demographic assumptions | **6** | *(9)* |
| Other experience | **(1)** | *4* |
| Return on assets excluding amounts included in net interest | **25** | *47* |
| | **48** | *(25)* |

# 25. Pensions (cont)

### Composition of plan assets

| | 31 March 2022 | *31 March 2021* |
|---|---|---|
| Equities | **64%** | *62%* |
| Bonds | **22%** | *24%* |
| Property | **9%** | *7%* |
| Cash | **5%** | *7%* |

### Principal actuarial assumptions used at the balance sheet date

| | 31 March 2022 | *31 March 2021* |
|---|---|---|
| Pension increase rate | **3.3%** | *2.9%* |
| Salary increase rate | **4.0%** | *3.6%* |
| Discount rate | **2.7%** | *2.0%* |

### Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model, standard smoothing, initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for males and females.

| | 31 March 2022 | | *31 March 2021* | |
|---|---|---|---|---|
| | Males | Females | *Males* | *Females* |
| Current pensioners | **21.2 years** | **23.8 years** | *21.4 years* | *24.0 years* |
| Future pensioners* | **22.5 years** | **25.5 years** | *22.8 years* | *25.8 years* |

* Figures assume members aged 45 as at the last formal valuation date.

The pension cost of this scheme to the Association for the year was £4k (*2021: £4k*). This includes £1k (*2021: £1k*) outstanding contributions at the Balance Sheet date. There was one employee member at the end of the year (*2021: one*). The average contribution rate of the Association for the year ended 31 March 2022 was 22.9% (*2021: 22.9%*) and for employees 5.8% (*2021: 5.8%*).

### Closed schemes

There are no closed schemes in the year.

# 26. Investments and subsidiary undertakings

| | Association £'000 |
|---|---|
| **Cost** | |
| At 1 April 2021 and 31 March 2022 | 29,379 |
| **Accumulated impairments** | |
| At 1 April 2021 | (22,894) |
| Charge for the year | (6,485) |
| **31 March 2022** | **(29,379)** |
| **Net book value** | |
| **31 March 2022** | **-** |
| *31 March 2021* | *6,485* |

Housing 21 held an investment in its wholly owned subsidiary Claimar Care Limited ('CCL'), which was supported by the net assets of the company and was represented by an inter-company balance of £6,485k between Housing 21 and CCL. During the year, CCL have agreed to forgo this inter-company debtor and have written the balance off, reducing the net assets of the company to £nil.

# 26. Investments and subsidiary undertakings (cont)

As Housing 21's investment can no longer be supported by CCL's net assets, an impairment charge of £6,485k has been recognised in the Statement of Comprehensive Income. This is offset by the release of the inter-company creditor in Housing 21 of £6,485k, reducing the overall impact to £nil. Both balances are shown within 'other' in note 2.

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the Group in accordance with the Co-operative and Community Benefit Society and Financial Reporting Standards.

## Active trading subsidiary companies

| Name and principal activity | Country of registration | Status | Basis of control |
|---|---|---|---|
| **Housing 21 Guernsey LBG**<br>Development and management of Extra Care properties in Guernsey | Guernsey | Private company limited by guarantee | Housing 21 is a member and controls the composition of the Board |
| **Kent Community Partnership Limited**<br>Building and managing Extra Care properties in Kent | England and Wales | Co-operative and Community Benefit Society | Housing 21 is a member and controls the composition of the Board |
| **Oldham Retirement Housing Partnership Limited**<br>Management of Retirement Living properties in Oldham | England and Wales | Co-operative and Community Benefit Society | Housing 21 is a member and controls the composition of the Board |

## Dormant subsidiary companies

| Name | Country of registration | Status | Basis of control |
|---|---|---|---|
| **Claimar Care Limited** | England and Wales | Private limited company | Ownership of 4,000,000 £1 shares being 100% of the issued share capital |
| **Claimar Care Group Limited** | England and Wales | Private limited company | Ownership of 4,999,514 £1 shares being 100% of the issued share capital |
| **Housing 21 Development Services Limited** | England and Wales | Private limited company | Ownership of one £1 shares being 100% of the issued share capital |
| **Housing 21 Property Services Limited** | England and Wales | Private limited company | Ownership of two £1 shares being 100% of the issued share capital |
| **Goldsborough Estates Limited** | England and Wales | Private limited company | Ownership of 1,000 £1 shares being 100% of the issued share capital. Following the hive up of activity in January 2021 to Housing 21, this company was dissolved on 10 May 2022. |

# 26. Investments and subsidiary undertakings (cont)

### Transactions with non-regulated entities

Housing 21 provides several services to its subsidiaries. The services are recharged based on the actual or estimated use of Housing 21's resources. These services are apportioned as follows:

| | 2022 | | | | *2021* |
|---|---|---|---|---|---|
| | Turnover | Operating costs | Interest payable | Total | *Total* |
| | £'000 | £'000 | £'000 | £'000 | *£'000* |
| Kent Community Partnership | 2,445 | (591) | (765) | **1,089** | *1,033* |
| Housing 21 Guernsey LBG | - | (155) | - | **(155)** | *(151)* |
| Oldham Retirement Housing Partnership | - | (4,521) | (591) | **(5,112)** | *(4,934)* |
| **Total** | **2,445** | **(5,267)** | **(1,356)** | **(4,178)** | *(4,052)* |

- **Kent Community Partnership** — rent associated with the properties owned by Kent Community Partnership are set, managed and collected by Housing 21 and is recorded in Housing 21's income accordingly. As part of the contract, Housing 21 pays Kent Community Partnership an agreed level of rent each year. Any difference between rent collected by Housing 21 and paid over to Kent Community Partnership creates a gain or loss in Housing 21. In addition, housing management services have been sub-contracted to Housing 21 and Kent Community Partnership has outstanding concessionary loans of £6,976k (*2021: £6,976k*), in which interest is charged at 11% (*2021: 11%*).
- **Housing 21 Guernsey LBG** — back-office management functions have been sub-contracted to Housing 21 under a management contract.
- **Oldham Retirement Housing Partnership** — Maintenance, lifecycle works and housing management are sub-contracted to Housing 21 under an operating contract. In addition, Oldham Retirement Housing Partnership has outstanding concessionary loans of £27,063k (*2021: £27,746k*), in which interest is charged at 2% (*2021: 2%*).

# 27. Related party transactions

S Robinson was a resident Board Member and was a resident of the Association until 31 March 2022. Her tenancy was on the same terms and conditions as other residents. She was unable to use her position as a Board Member to any advantage in her relationship with the Association as a resident. The rent and service charged for the year was £3,485 (*2021: £3,460*) and she had a balance of £nil at 31 March 2022 (*2021: £nil*). There are no other related party transactions have been entered into during the year, other than those disclosed in note 26, which might reasonably affect any decision made by the users of these Consolidated Financial Statements.

# 28. Guarantees

The Association is a party to a guarantee of £551k (*2021: £551k*) in favour of Warwickshire County Council within their banking facility and £50k (*2021: £50k*) with London Borough of Merton.

# 29. Post-balance sheet events

There are no post balance sheet events.

Housing 21

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Community Benefit Society FCA Reg. No. 16791R