Housing 21

Report and Financial Statements

2022/23

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Board and Executive

Board of Management	Appointed	Comment
Stephen Hughes	31.01.2014	Chair
Michael McDonagh	01.09.2017	Deputy Chair and Chair Governance Transformation and Treasury Committee
David Clark	01.08.2019	Chair Investment and Development Committee
Elaine Elkington	01.10.2019	Chair Extra Care Committee
Sukhjinder Kalirai	25.09.2020	Chair Retirement Living Committee
Catherine Dugmore	01.09.2021	Chair Audit and Assurance Committee
Lara Oyedele	25.09.2020	Board Member
William Roberts	25.09.2020	Board Member
Sandra Stark	16.09.2022	Board Member
John Ayton	16.09.2022	Board Member (Resident)
Ian Skipp	01.02.2019	Independent Audit Member
Christina Law	01.02.2019	Independent Audit Member
Ian Devereux	11.11.2022	Independent Extra Care Member (Resident)
Anne Turner	Resigned 30.09.2022	Chair Audit and Assurance Committee
Neil Revely	Resigned 30.09.2022	Chair Retirement Living Committee

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 Shaw	Chief Financial Officer
Amina Graham	Executive Director — People and Systems
Kris Peach	Executive Director — Extra Care
Pam Mastrantonio	Executive Director — Retirement Living
Paul Hutton	Head of Legal and Company Secretary

External Auditors

Beever and Struthers
One Express, 1 George Leigh Street, Ancoats, Manchester, M4 5DL

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**.

Chair and Chief Executive Statements

Stephen Hughes,
Chair

Bruce Moore,
Chief Executive

It is thanks to the hard work and commitment of our people that Housing 21 finished the last financial year providing quality services to more older people, notwithstanding the challenges we've faced. We continue to be driven by our core purpose of providing high quality housing with support or care for older people of modest means, enabling them to live longer and better with dignity and autonomy.

We continue to operate in a difficult financial and political environment, often impacted by factors outside of our control. But with an established Board and strong Executive Team, underpinned by a robust committee structure providing effective governance, we are in a good position to meet the ongoing challenges, guided by our purpose and Strategic Commitments.

Building on the Strategic Plan 2018 to 2022, we launched our Strategic Commitments in spring 2022. They provide a 'golden thread' upon which we can build a sustainable, inclusive and innovative organisation, committed to growth and providing quality homes and services for our residents whilst continuing to invest in our people to ensure they too can grow and develop.

The commitments reaffirm our principles of **21, Better and Experience**, as we continue to provide a contemporary forward-thinking 21st century service, focused on continuous improvement and innovation to achieve excellent services and value for money, whilst achieving high levels of resident and employee satisfaction and a positive experience for the people we serve.

Our principles have always served as an important guide in our decision making, alongside our desire to always 'do the right thing' and our aim to be better than 'just good enough'. Fundamental to this is ensuring that all our properties are safe, warm and affordable.

Housing 21 is able to assure residents it has no tolerance for anything other than 100 percent compliance in respect of the safety standards and requirements for gas, electrical, fire, asbestos, water and lifts. However, these are not the only hazards that need to be addressed. We were shocked and saddened to hear of the death of Awaab Ishak because of living in a damp and mould-infested housing association property. We want to ensure that none of our residents live in sub-standard conditions, and we remain committed to responding proactively and promptly to any cases of mould, damp or other defects within our properties.

> We have continued to invest in our properties, so they remain desirable as well as safe. We also recognise that our properties need to be energy efficient and affordable to heat so our older residents can remain comfortable and warm.

Achieving at least Energy Performance Certificate (EPC) level C for all our properties at the end of the last financial year was a major achievement. Over 25 percent of our properties are also at EPC level B or better, but we recognise this is just a first step towards achieving environmental sustainability. We are trialling a number of fossil fuel-free alternative heating solutions and are just completing construction on our first zero-carbon development. We remain confident we can achieve a net-zero position across our portfolio. We will also ensure that any new solution is right for residents, as well as the environment.

Despite improving the energy efficiency of our buildings, managing increasing energy costs over the last year has been a challenge. We saw dramatic increases in energy prices in August and September just as our fixed price contract was coming to an end. We were determined to minimise the impact on residents, ensuring they did not pay more for their energy than any other domestic consumer. Despite Government protection through the Energy Price Guarantee and the Energy Bill Relief Scheme, costs still represented a significant increase on the service charges. We are hopeful that future procurement savings will offset any service charge deficits.

We engaged local MPs and are grateful for their support in putting pressure on Government to ensure that over 2,000 residents whose electricity was supplied via Housing 21 were able to receive the £400 payment via the Energy Bill Relief Scheme.

Decisions around rent increases were also particularly challenging, together with discussions on how best to support residents through this difficult time. We recognise the challenges of affordability and the impact of the cost-of-living crisis on our residents and are doing all we can to help residents retain their homes and get the support they need. We established the Helping Hands Fund in April 2022 to support residents in times of crisis and provided targeted support of £184k during the last year to those who needed it most. As well as helping with one-off payments, we ensure that all our residents receive the benefits and funds to which they are entitled. In 2022/23 we helped support over 1,100 of our residents to receive over £5 million of extra payments and support.

As well as doing the right thing to make sure our residents are supported and our properties are safe, warm and affordable, we still have ambitions to do more and increase our provision.

In 2022/23 we delivered 289 new properties. This is fewer than the 691 delivered in the previous financial year and less than our target of at least 400 new properties per annum. This was not due to a lack of desire or availability of funding, of which we had ample, but because of prior delays in schemes getting grant approval and other construction challenges. We have a very healthy programme of prospects and hope that in future we will be able to meet our development goals, despite the continuing challenges of planning approvals and other pressures.

We have however seen an increase in acquisition opportunities. In February 2023 we were delighted to welcome both residents and employees from Notting Hill Genesis in London when we acquired 487 Extra Care properties together with the care contracts, of which 60 properties completed in May 2023. We have negotiated to acquire a further 42 Extra Care properties in Redditch from Rooftop Housing Association and 445 Extra Care properties in the south east from Clarion Housing Association. We believe there is potential for us to acquire more Extra Care and Retirement Living properties from other providers as they look at their services and choose to focus on their core areas of expertise.

Housing 21 is also focusing on its core activities and we are actively considering selling our small portfolio of 209 non-social rent properties and assessing the future of our portfolio of 1,240 leasehold management properties which sit outside our focus on provision for older people of modest means.

We announced on 28 March 2023 that it was contemplating a different type of merger with The Extra Care Charitable Trust (ECCT). ECCT is a leader in the provision of Extra Care villages, and these would complement the Retirement Living properties and Extra Care schemes provided by Housing 21. However, following detailed discussions, both parties have agreed that the two organisations can best serve their residents by remaining as separate entities and are therefore no longer intending to merge. Housing 21 and ECCT will each continue to develop and operate their own distinct models and services to enable older people to live better lives.

September 2023 will mark nine years since Stephen Hughes joined the Board of Housing 21, having served as a Board Member since 2014, and as Chair since 2018. When Stephen leaves Housing 21 the organisation will be in a bigger, better, more assured position than when he started his tenure. It will also be an organisation more committed to its social purpose, supporting older people from disadvantaged and minority communities and focused on innovation to ensure that we continue to lead the way in quality service provision. We would like to thank Stephen for his contribution to Housing 21 and know he will be a hard act to follow.

Effective governance continues to be a key focus for us, and we continue to strengthen our committee structure. In the last financial year, we have appointed John Ayton as a Resident Board Member, Ian Devereux as a resident member of the Extra Care Committee and Michael Rose as a resident member of the Retirement Living Committee, who started with us on 1 April 2023.

Housing 21 is still pushing and challenging ourselves to be as effective as we can be in delivering our core purpose and we look forward to continuing to do so in the years ahead.

They bring particular insights and challenges and make a valuable contribution to the decisions and deliberations of these committees and the Board by ensuring that decisions are always seen through a resident perspective.

All the above indicates that Housing 21 is still pushing and challenging ourselves to be as effective as we can be in delivering our core purpose and we look forward to continuing to do so in the years ahead.

Strategic Report

The Group Board presents its report and the audited Financial Statements of Housing 21 ('the Association') and its subsidiaries undertakings, together forming the Housing 21 Group ('the Group') for the year ended 31 March 2023.

Our Strategic Commitments

We launched our Strategic Commitments in April 2022 to provide a 'golden thread' that serves to connect and link all the roles and activities we undertake back to the achievement of our core purpose of providing high quality housing with support or care for older people of modest means, enabling them to live well with dignity and autonomy.

Building on the Strategic Plan 2018 — 2022, the Strategic Commitments expand upon our previous priorities and capture the commitments we are making across the organisation, with additional details and targets included within individual strategies and plans for each service or area of focus. Together, they provide the foundations for us to build a sustainable, inclusive and innovative organisation, committed to growth whilst continuing to provide quality homes and services for our residents.

Our Vision

> 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.

Our core principles

Housing 21 continues to be guided by the three simple principles of '21', 'Better' and 'Experience'.

21

We want to be modern, progressive, and forward-looking contemporary 21st Century organisation.

In the post Covid era, we have adapted and adopted more flexible working patterns including the introduction of a 'nine-day fortnight' as standard for most roles whilst still ensuring we have positive engagement and a competitive offer for our employees. We have established 'academies' and career pathways that help people progress into management positions as we seek to continue to grow our own pool of talent.

As well as looking forward and thinking about what older people will want and expect from services in the future, we are also proud of our origins and roots as The Royal British Legion Housing Association. As such, we felt it was important for Housing 21 to formally sign up to uphold the Armed Forces Covenant.

Better

We were proud to be recognised as the Best Older People's Landlord again in 2022 at the UK Housing Awards but recognise there is always scope to improve and make things 'Better'.

As part of our desire to utilise the right systems to support people to provide the best possible service, we are pleased that our Transform 21 programme is now under way. We have appointed Civica to provide a new Housing Management and Customer Relationship Management (CRM) system which is being configured to provide an improved service. There are more system improvements on the way in respect of care management and rostering, asset management, finance as well as a refresh of our intranet and website and new recruitment and training systems.

Having learnt from the mistakes we previously made in rent setting, we have now put in place a comprehensive assurance framework through which we test, check and challenge ourselves to be better. This ensures the compliance and quality of all core processes including the need for regular external third-party scrutiny and validation.

Experience

Understanding the 'experience' of residents and their satisfaction with our properties and each aspect of our services is crucial for the success of Housing 21.

We seek to engage with residents both locally at each scheme or court but also regionally and nationally through forums and engagement events. We gain valuable insights into the priorities and preferences of residents as well as highlighting any concerns about our own performance by welcoming and listening to the voice of residents, particularly when this comes through as a complaint.

We have not had any at-fault determinations from the Housing Ombudsman in the last two years and intend to sustain this position, by recognising where we have made mistakes and seeking to put matters right and to provide redress ourselves, without waiting to be compelled to do so.

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. We do not provide general needs housing for families or young people and have only one care home, The Watermill in Walsall, which provides an 'Outstanding' service.

Retirement Living

14,784 properties across **493** schemes including **1,429** managed properties in Oldham

The 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 Local Housing 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 Local Housing 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 on-site managers who not only provide key management services, but also offer support when needed.

Extra Care

8,101 properties
across **154 schemes**

The vision for Extra Care is for older people to aspire to live in one of our properties and where residents can expect to receive a high-quality housing and care service and feel valued and listened to. At the same time we want to ensure employees feel appreciated and inspired and are seen as sector leaders in the housing and care market for older people.

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.

48,000 of social care hours delivered each week

Extra Care is a place where older people can live independently in their own apartment 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.

Providing a Quality Service and Achieving High Satisfaction

The priorities for our two core services for the year ahead will be to focus on these key themes:

1. High quality housing and care

We want consistently high standards whilst maintaining the personal touch that makes our front-facing service so popular. Every resident should have a high-quality experience regardless of their location. We will continuously improve our services, maintain our focus on excellent performance and look to enhance what we offer in line with what residents want.

Our highest priority is that residents consistently receive high-quality housing and care services. We will focus on continually improving standards of compliance, enhance and improve performance in the services we deliver to residents, and standardise our operating procedures to ensure consistency whilst maintaining the personal touch that makes our front-facing service so popular.

2. Affordability

In the current economic climate and with the pressures our residents are facing, it is more important than ever for us to continue to offer support to our residents and ensure the great services we offer remain affordable. We will take steps to better manage the costs our residents have to pay and will actively assist those in need to access additional financial advice, support and benefits, thus helping to prevent financial hardship. We will work hard to reach all residents that need our support.

3. The future needs of residents

Research and experience tell us that our future residents will have different requirements including more complex needs. We will seek to better understand the changing needs of our residents and make plans to ensure that our offering is sustainably fit for the future, as well as for those who already live with us, focusing on equipping our people and services with the skills and knowledge to support our residents.

4. Wellbeing

We know that over recent years both our residents and teams have felt the mental and emotional strain of the pandemic, the cost-of-living crisis and other negative events which are happening around us. We know that mental health is every bit as important as physical health, and we want to support our residents and employees to access the services they need to aid their wellbeing.

5.Growth

The last year has seen significant growth for Housing 21, primarily through new acquisition opportunities and also through new developments. In doing so we have had new residents and employees joining Housing 21. It will be imperative that we create additional capacity to ensure the safe and effective transition or commissioning of new schemes, optimising the experience for both new residents and employees, while not disrupting the performance of existing operations.

6. Investing in our people and systems

Our people make such a difference, and we know the importance of investing in them to ensure that our services are consistently right. We embrace respect and inclusion across all of our services, and we want all of our leaders to feel empowered to lead teams who always strive to do the right thing.

Alongside this, we recognise that to support our people, we need to invest in our systems. There is much change ongoing across the organisation which will have a big impact on the services, most notably the implementation of a new Housing Management and CRM system and Care Rostering systems, with the replacement of other key systems in the coming year.

Doing the Right Thing

Doing the right thing is a principle we have adopted since 2019 and underpins our developed operating model. It emphasises the importance of being true to our purpose of providing more affordable homes for older people of modest means and maintaining a strong and inclusive culture.

Resident Engagement

Resident engagement has always been of fundamental importance to Housing 21. The Resident Engagement Strategy sets out eight objectives across the organisation. The need and desire to work closely with residents is integral to all Housing 21 strategies.

The vision for resident engagement at Housing 21 includes developing a multitude of ways in which residents can become involved and have an impact, providing a holistic picture of this involvement and being able to demonstrate and report on what impact and influence this has on the services which we offer. Involving residents in decision making processes means we can gain valuable insight into the needs of residents and tailor services accordingly.

When the needs of residents are considered and acted upon, this is likely to translate into higher levels of resident satisfaction. Our overall satisfaction score is relatively high at 91 percent but there are areas we can seek to improve, including listening to residents (84 percent) and acting on their views (79 percent).

Further light has been shone on resident engagement through the Social Housing (Regulation) Bill, including the sector-wide Tenant Satisfaction Measures (TSMs). The Social Housing (Regulation) Bill will provide the legal basis for a more proactive regulatory regime including the mandatory collection of TSMs.

The TSMs will be collected from the annual resident survey which is undertaken in June and will give residents an opportunity to scrutinise and report on their experiences and hold landlords to account. The TSMs will also be used by the regulator in its assessment of landlord performance. TSM reporting starts officially in 2024 but we have already started looking at how best to engage and involve residents in our reporting, including ensuring the information is easy for them to access via our channels.

The Regulator for Social Housing has made it clear it will be looking for evidence of meaningful resident engagement. It will also seek assurance that there are a number of different ways for residents to become involved in influencing the work of housing providers. This includes an emphasis on reaching those residents who are easy to ignore or hard to reach.

Although there are many examples of resident engagement happening throughout Housing 21, if the data isn't captured in a formal way, or it is captured but not collated, there is a risk that the lessons that it can teach us will not be learnt as effectively. More systematic capturing and analysing of data will give a more comprehensive way of evidencing influence and impact for resident voices, ensuring that it is heard throughout the organisation, including up to Board level.

Digital inclusion and equipping residents with a good level of digital skills provides a wealth of benefits from discounted bills through to keeping in touch with friends and family. Connect 21 is a pilot project, installing Wi-Fi, Smart TVs, and Microsoft Teams equipment into 53 schemes. Residents are supported with using the IT and opportunities to access mobile devices and data are being looked into. Installation of the equipment is nearly complete, and an evaluation report will soon be published.

Housing 21 strives for residents to be at the heart of all we do and wants to hear the voices of all residents and ensure this insight and knowledge is effectively used to improve services.

Responsive to Feedback and Complaints

Housing 21 has a commitment to welcome complaints and use them to improve the experience of our residents. We continue to assess ourselves against the Housing Ombudsman Complaint Handling Code and make improvements to our Complaints Policy and processes. Key changes we have undertaken this year have included:

- We have had no "at fault" determinations from the Housing Ombudsman service over the last year.
- We have strengthened our stage two process, meaning that complainants who are not satisfied with our stage one response can escalate their complaint to one of our Executive Directors for review.
- We have reviewed our resident complaints panel so that it is much more proactive, learning lessons from complaints but also spotting trends and discussing early resolution.
- We have had a much more focused approach to informal complaints and equipping our employees to find a resolution to an issue before it becomes a formal complaint.
- We have had a focus on complaints regarding condition of property or outstanding repairs, ensuring an early resolution to this type of issue.

Further information on our approach to complaints can be found on our webiste, Housing 21 — Housing 21: Making a complaint.

Our Rents

In April 2021 Housing 21 moved all our rents to social/ formula rent levels rather than the higher affordable rents. This was because we wanted to ensure our rents were genuinely affordable. But with inflation at exceptionally high levels in September 2022 we were faced with a dilemma about whether to apply the 11.1 percent rent increase permitted for supported housing or voluntarily apply the lower rent increase set for general needs (non-supported) housing which was capped at seven percent.

As over 75 percent of Housing 21's residents are believed to be in receipt of benefits to help pay their rent, most residents would not recognise the impact of a lower rent increase. Limiting rent increases for existing residents while applying higher rents for new residents could also lead to confusion and resentment within a scheme-based community.

Rather than limit the rent increase to a figure lower than 11.1 percent, it was decided to reduce the impact of the rent increases by providing all Housing 21 tenants and shared owners with a one-off charitable payment of £200 that would help with the cost-of-living pressures they were facing, regardless of whether or not they were in receipt of benefits. This felt like the right thing to do and will cost Housing 21 approximately £4.1 million whereas applying a seven percent rent increase cap would have reduced the rental income for 2023/24 by approximately £3.9 million.

Helping Hands Fund

We recognise that unexpected things happen which can put pressure on finances, which is particularly relevant during the current cost-of-living crisis. To help support such situations we launched our Helping Hands Fund in which we offered payments of up to £250 to cover food, utility bills, replace white goods or other essential costs. Over the last year we have awarded £184k to over 1,100 residents for items such as white goods, food vouchers and other emergency expenses. Alongside this we have:

- **Tenancy Guru service:** Our gurus are there to support with benefit entitlement checks and also provide training and support to our local teams so we can make sure our residents are receiving everything they are entitled to. As well as helping with one-off payments we ensure that all our residents receive the benefits and funds to which they are entitled. In 2022/22 we helped support over 1,100 of our residents to receive over £5 million of extra payments and support.
- **Operation Lightbulb:** Over the winter our Operation Lightbulb focused on how we could all save energy and stay warm and happy as communities.
- **Community Fund:** Also over the winter we ran a series of pilots to beat social isolation by setting up local breakfast, dinner and supper clubs, as well as other events which were not only for our residents but also involved the local community. The community fund was so successful that we will be rolling it out across all of our schemes this year.
- **Connect 21:** We are currently running a digital pilot looking at how our residents interact with technology, what they use it for and how we can enhance our own services by using it.

We have been recognised for the great work we have done to alleviate financial hardship and were named the winner for the Most Innovative Financial Support Scheme for our Helping Hands Fund at the Housing Digital Awards 2023. We were also named a finalist for Most Innovative Award for Culture and Wellbeing.

The Board has recognised the success of the Helping Hands Fund and has increased the budget for the forthcoming year to £450k.

Dementia-Friendly

We ensure that employees, residents and stakeholders are dementia aware to help break down the prejudices and misinformation about dementia. All new recruits are offered the opportunity to become a Dementia Friend; this is through an awareness and information session from the Alzheimer's Society, delivered by an in-house Dementia Friends Champion. The overall purpose is to commit to the aim of creating dementia-friendly communities, helping employees to understand what it might be like to live with the condition.

The design of new builds and refurbishment of schemes is carried out in accordance with dementia design principles.

The Dementia and Housing Working Group will be relaunched in May 2023 and promotes and influences the contribution of the housing sector in improving the health, wellbeing and quality of life for people living with dementia.

Influence

In January 2023, we supported the All Party Parliamentary Group (APPG) on Housing and Care for Older People in publishing an inquiry into 'Making retirement living affordable: the role of shared ownership housing'.

The demand for older people's housing already vastly outstrips supply and the gap is widening across all regions. There is a particular and growing concern around less affluent older homeowners — the 'squeezed middle' — who can't afford to downsize or don't qualify for rented sheltered housing. The inquiry examined whether shared ownership is a viable option for this group, and if so, what changes are needed to increase affordable provision and make shared ownership a suitable, and popular option for later life.

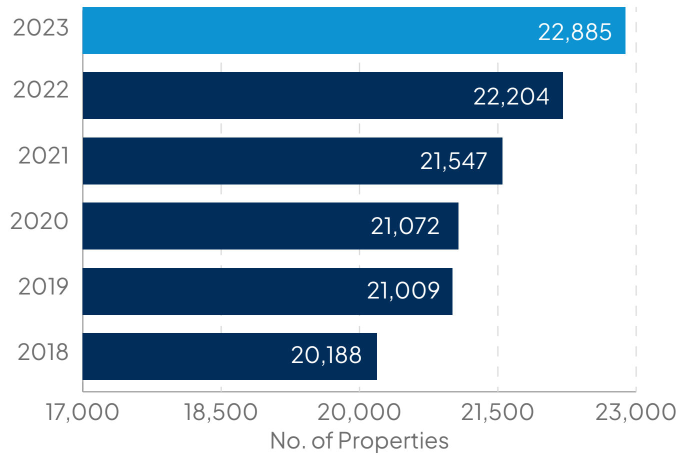
The Armed Forces Covenant

In honour of our military roots as the Royal British Legion Housing Association, Housing 21 signed the Armed Forces Covenant pledge in March 2023. This shows our support for the Armed Forces Community and reflects our commitment to being an Armed Forces-friendly organisation for those looking to live in our properties or work with us.

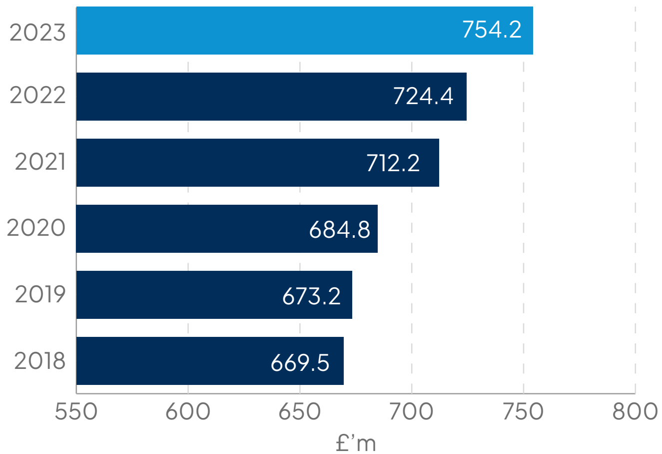
The covenant recognises the value serving personnel, veterans and military families contribute to businesses and the country by ensuring no member of the of the Armed Forces community faces any disadvantage in public or commercial services.

Financial Highlights

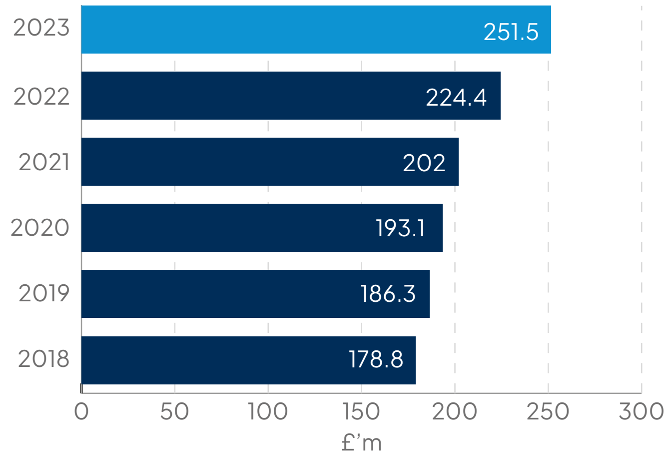
Properties owned and managed



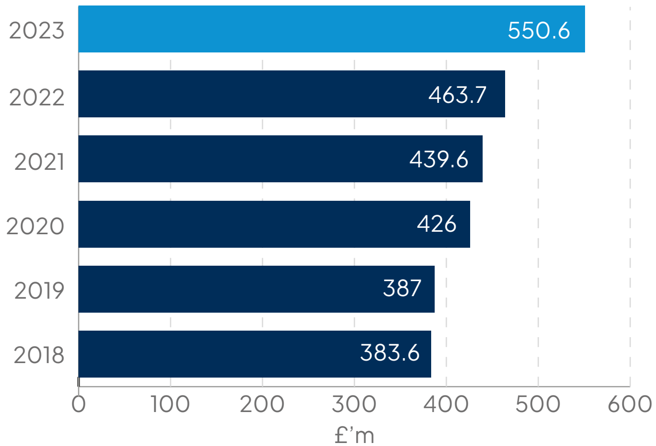
Net assets



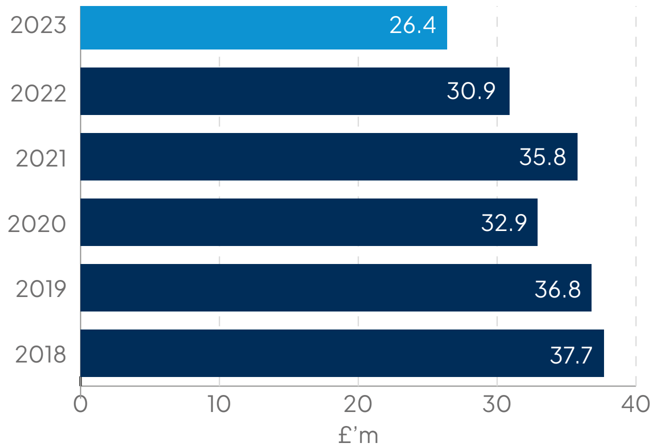
Total revenue



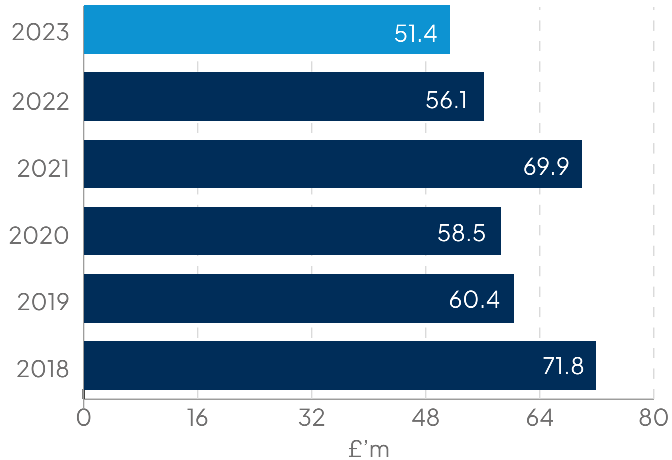
Net debt (excluding derivatives) £m



Operating surplus £m



Cash flow from operations £m



Doing More

Below is summary of our achievements this year and our targets for the coming year:

	UoM*	Actual 2021/22	Actual 2022/23	Target 2022/23	Target 2023/24
Number of starts on site	No.	353	231	1,101	491
Number of completions	No.	691	289	353	169
Abortive costs	£'000	174	158	150	150
Number of sales	No.	189	136	202	72
Number of acquisitions	No.	–	427	200	547

*UoM – Unit of Measurement

New Developments

Housing 21 continues to have one of the largest development programmes for older people's housing in England and continues to ensure that those who need access to our quality services can easily access housing with support or care. However, there are significant market pressures resulting in delays to development and cost pressures. A few development partners have gone into administration during the year, resulting in schemes being pushed out and increased costs to complete.

Despite these challenges, we delivered 289 new homes in 2022/23, of which 85 (or 29 percent), were Retirement Living properties, which was slightly behind the target we set ourselves last year as one scheme has slipped in the new financial year and we expect to deliver 169 homes in 2023/24.

We want to be realistic in what we can deliver and whilst having the financial capacity to deliver 800 affordable properties per annum, with the expansion of our Acquisition Strategy and the difficulties we have faced with both planning delays and cost increases, we have adjusted our annum target to at least 400 homes per annum. Although we are currently behind this target, we have a strong pipeline with a further 295 homes with planning permission and 429 homes submitted for planning.

Acquisitions

Over the last 12 months we have seen an increase in the number of acquisition opportunities as other providers consider what services they provide and look to rationalise their portfolio. Whilst we have a successful track record of acquiring schemes from other providers, 2022/23 was the first year of our new Acquisitions Strategy and following the appointment of a Head of Acquisitions, we are building up a pipeline of future acquisitions.

In February 2023, Housing 21 increased its presence in London following the acquisition of 427 Extra Care properties from Notting Hill Genesis. Located across eight different schemes, the successful transfer included the TUPE of nearly 300 employees. The acquisition represents Housing 21's commitment to growth by focusing on what we do best and transferring the management of older people's properties from other registered providers who are keen to focus on other priorities.

Looking ahead, we expect to complete on a further 547 properties during the 2023/2024 financial year and will continue to explore other opportunities over the year ahead.

Cohousing

Our Strategic Commitments set an ambitious target to develop 10 cohousing schemes in urban areas of high ethnicity. We continue to work in partnership with Birmingham City Council and Legacy West Midlands to develop cohousing in Lozells, a very deprived and diverse location in inner city Birmingham. Working with local people from Lozells at the very early stages of creating a cohousing community has provided us with a group of people who are interested in being part of the new cohousing community.

We initially engaged with women from the Bangladeshi community, but the group has now expanded to include local people from the African Caribbean community. Potential residents have reinforced our view of the benefits of cohousing including opportunities for shared activities, reducing social isolation and loneliness. Our consultations in communities across Birmingham have identified an interest and enthusiasm in addition to the need of quality housing. Preconstruction work is expected to commence with Deeley Construction in 2023.

Merger

Housing 21 annouced on 28 March 2023 that it was contemplating a merger with the Extra Care Charitable Trust. They are a leader in the provision of Extra Care villages, and these would complement the Retirement Living properties and Extra Care schemes provided by Housing 21.

However, following detailed discussions, both parties have agreed that the two organisations can best serve their residetns by remaining as seperate entities and are therefore no longer intending to merge. Housing 21 and the ECCT will each continue to develop and operate their own distinct models and services to enable older people to live better lives.

Quality Properties

Property Standards

In 2022 we were proud to accomplish the key priorities we had set in our property standards including obtaining Energy Performance Certificate (EPC) C across all dwellings. Maintaining safe and high-quality properties through a sustainable investment programme remains a core objective.

Implementing our property standards made a significant impact on the desirability of our properties and we understand these standards directly supported and ensured our properties were desirable to live in. With rising inflation, high build costs and labour shortages it has been a challenging period for the sector, however, we have continued to deliver a diverse, high-quality investment programme.

	UoM*	Actual 2021/22	Actual 2022/23	Target 2022/23	Target 2023/24
Decent homes	%	100%	100%	100%	100%
Schemes with fully digital call system	%	60%	76%	75%	85%
All kitchens < 20 years old	%	98%	99%	100%	100%
All bathrooms < 20 years old	%	99%	99%	100%	100%
All properties at EPC C	%	99%	99%	100%	100%
All scheme makeovers <7 years	%	98%	99%	100%	100%

*UoM — Unit of Measurement

We are committed to maintaining quality properties but also need to ensure that in the interest of value for money, we do not renew components which are still in a desirable and functioning condition. We are however committed to ensuring that any units we acquire from other landlords will be refurbished to meet our property standards and are of equivalent quality to the rest of our stock.

In 2021, we commissioned an independent review of our property compliance and to ensure we are meeting all the requirements of the Building Safety Bill and this complements the work we do alongside Cambridgeshire Fire and Rescue Service as our assured assessors for fire safety matters. The recommendations identified as part of this review have all been implemented, further strengthening our framework for compliance.

We continue to invest across our portfolio to maintain our high standards whilst also meeting all regulatory and legal building safety requirements. We are responsive to the sector and customer expectations and strive to incorporate innovation in our schemes.

Achieving EPC C well ahead of Government target

The attainment of EPC level C for all our properties (apart from 110 where works are onsite, or residents had declined to have the works to achieve this carried out) in April 2022 was a major achievement. Over 25 percent of our properties are also at EPC level B or better, but we recognise this is still just a first step towards achieving environmental sustainability.

Any new solution must also be right for residents as well as for the environment, hence why we are also assessing new solutions, including exploring options for new heating systems, based on the cost savings and any other benefits they will provide for residents compared with the current systems.

Damp and Mould

Last year we identified four cases of damp, due to roof damage or defects, and four cases of mould due to lack of adequate ventilation. Although these situations were all immediately addressed, they are eight cases too many and show that we can never afford to become complacent.

We believe that the low incidence of mould and damp at Housing 21 is a consequence of several factors:

- We have Local Housing Managers on hand at every site who can identify and order repairs works from local contractors as well as a national network of property surveyors that they can call upon for any more technical support or assistance.
- Almost all our schemes have a communal laundry facility, with dryers as well as washing machines, so residents do not need to dry their washing in their properties.

Quality People

Our employees are essential to our success. Every employee plays a vital part, but particularly those in frontline roles who interact directly with residents. We achieved Investors in People Platinum in 2021 but will never be complacent, and will continue to invest, develop, and motivate our employees so we are continually striving to be better. We want to attract and retain the best people and remain a great place to work.

	UoM*	Actual	Actual	Target	Target
		2021/22	2022/23	2022/23	2023/24
Employee satisfaction	%	92%	89%	92%	>90%
Voluntary turnover	%	20%	18%	20%	20%
Proportion of new employees who are non-white	%	11%	14%	15%	15%
Sickness — total direct sickness costs	£'m	2.3	2.2	2.2	2.2
Sickness — average sickness occurrences per employee	No.	1.5	*Not recorded	1.3%	1.3%

*Not recorded sickness relates to Covid

Investing in People

Our employees are essential to our success, and we continue to invest in developing our people and ensuring that Housing 21 remains a great place to work. We're proud to be in the top two percent of employers who have achieved Investors in People Platinum status and we continue to push ourselves to create an environment where our people can thrive and have a meaningful career with us, as we know engaged employees make a difference and help to ensure we deliver excellent services to residents.

We achieved 89 percent overall employee satisfaction in our 2022 annual survey, which is a decrease from the previous year but are pleased that 95 percent of our employees share our values and 93 percent feel committed to work for Housing 21. These are strong results, but we are not complacent as we recognise we remain on a journey to be an excellent employer, anticipating change and continually striving to do more and better.

Respect and Inclusion Charter

In recognition of our desire to be an inclusive organisation, we launched our Respect and Inclusion Charter to all employees at the beginning of 2023 and are now in the process of rolling out to our residents. We are committed to creating and sustaining an inclusive environment for all including our residents, our employees, and our partners. We aim to champion inclusivity and nurture a culture of belonging, where everyone feels valued and respected. The charter explains what we expect and covers four distinct themes:

- We treat everyone with dignity and respect.
- We create a safe and respectful environment where people can be themselves.
- We seek out diverse perspectives and hear all voices.
- We seek to understand other cultures, practices, and experiences.

Supporting our People

Over the past 12 months the cost-of-living crisis has had a big impact on our employees and residents and so as an employer we have taken action to support our people through these difficult times. We pulled forward our annual pay award for Care Workers to January 2022 (usually paid from April onwards); we introduced a pay enhancement for qualified Care Workers and Assistant Care Managers, and we extended our non-contributory Health Cash Plan to all employees who want to join the scheme.

In October 2022 we gave a second pay award of four percent (following a 3.1 percent increase in April 2022) to our lower paid employees, and in doing so we have ensured our Care Workers continue to be paid significantly above the National Living Wage. This has had a positive impact on our retention levels, and we have seen month-on-month reductions in turnover across all areas of our workforce, particularly Care Workers, where our turnover is now lower than the rest of the care sector.

We have also made considerable progress in modernising our working practices, with a shift from annual appraisals to more meaningful quarterly conversations between employees and their managers to review performance and agree priorities and development needs for the upcoming quarter.

Nine-Day Fortnight

In September, in recognition of the importance of our employee wellbeing, the fact the Covid pandemic has changed many people's perspective of work and in line with our desire to maintain a healthy and productive workplace, we moved to a nine-day fortnight for full time employees. This has been very well received by our existing employees and is a major attraction for new, talented employees in coming to work for us.

Employer Brand

During the year we have also refreshed our employer brand to ensure our adverts stand out and better demonstrate our employer brand. This has been particularly noticeable on LinkedIn where our roles are presented in a memorable way to encourage talented people to apply for a role with us. We have also enhanced our presence on Glassdoor with a current rating of 4.5 out of five. It is early days, although we can see from our number of applications that having a stronger employer brand is making a real difference.

Our Academy Approach

In September 2022 we launched our industry-first Extra Care Academy to demonstrate our commitment to care as a professional career. Our first cohort of 10 students is progressing well through the two-year career pathway curriculum which will enable them to fast track into a management position.

We continue to invest in developing all our employees and are in the process of rolling out a new Housing Academy, an 18–month programme aimed at operational employees looking to progress their careers as Operations Managers or Regional Extra Care Managers. The Housing Academy will provide students with specific housing knowledge, leadership skills and training and expertise from a range of mentors from across the organisation.

Investing in Systems and Technology

Transform 21

Over the next few years, we will be investing in our people, processes and systems as part of our ambitious Transform 21 Strategy with a simple ambition of making it easy for our employees, residents, and partners to do business with us in an increasingly digital world.

Over the past 12 months we have made good progress and are working with Civica to deliver our new cloud-based Housing Management and CRM system (Civica CX) which is on track to go live next year. We are in the process of procuring a new Extra Care Rostering and Care Management (ECRM) system and work to develop this new system will commence in the summer of 2023.

We are also part-way through developing a new data platform to collect, store, manage and govern our data safely and securely. The new data platform will enable us to improve data accessibility and usability at the point of need and ensure data flows seamlessly between systems, enabling us to harness the power of our data to make better, more informed decisions. We are also looking to automate reporting and ensure we can more easily report on performance and operations to our residents and other stakeholders so they can hold us to account and to demonstrate we are performing well and operating with integrity.

In April 2023, we launched a new recruitment system to provide a better experience for applicants, hiring managers and our central Recruitment Team. Although this is still early days, since going live we have seen a reduction in our time to hire, enabled by a one-stop-shop for managing vacancies, shortlisting, interviewing and offering a role to the successful applicant as well as better data collection of applicants through to appointment. This data and insight will help us to ensure we are targeting a diverse range of applicants and take early action where this is not the case.

To ensure we have better data collection from our fire risk assessments and stock investment programme, we have developed new online forms to capture and report the information in a more user-friendly way. We are currently working on a new form for our surveyors to undertake stock condition surveys, and this will be ready to use in early July 2023.

We have also been working hard to upgrade many of our internal systems, such as the move to a cloud-based soft phones enabled through Microsoft Teams enabling us to reduce the number of handsets we have by over 50 percent. We are in the process of updating our intranet to enable our employees to access information more quickly and easily than they can today, and we are working to re-platform our learning program to provide a better user experience for all our learners.

As we move more of our systems to cloud-based products, we are ensuring that our data remains safe and secure and have introduced new cyber safety protections as well as a new partnership with Quorum to deliver 24–hour cyber watching to detect any problems early and put the necessary protection protocols in place.

Bridging the Digital Divide

We have taken a market-leading role in developing digital emergency call technology with Appello, to replace our outdated analogue call systems. The system reduces connection times to emergency monitoring response services whilst offering a range of wellbeing services including video/ voice calling between residents and employees as well as video door entry for added security. To date, 75 percent of our properties have had new digital alarm system installed, with the aim to complete this project by 2026.

In line with our aim to close the digital divide, we aim to provide access to Wi-Fi in communal areas for all schemes. In November we commenced the Smart TV and Wi-Fi pilot, rolling out professional infrastructure services, communal Wi-Fi, and Smart TVs across 53 schemes. The Smart TVs will include a wired connection to the internet, bringing people together, creating a community feel and allowing for more activities such as video conferencing, allowing for regular meetings with regional teams.

We have also partnered with Barclays Bank to roll out their Digital Eagles sessions to colleagues and during the financial year, 1,208 employees attended. The bespoke workshops were introduced to help colleagues increase their skills and confidence when using digital platforms so that in turn, we can share knowledge and support in helping residents get online — if they want to.

Embracing New Ways of Working

We have a culture of continuous improvement across Housing 21. We know that our working practices must be modern, efficient and effective in meeting residents' needs and we have plans to improve our ways of working in the year ahead. As we implement changes, we want our employees to feel involved, supported and empowered in the process. We will ensure that our Extra Care Teams are ready and willing to contribute to the design and implementation of new ways of working, including the implementation and use of new systems and technology, that will make their lives easier.

We aim to provide access to Wi-Fi in communal areas for all schemes. In November we commenced the Smart TV and Wi-Fi pilot, rolling out professional infrastructure services, communal Wi-Fi, and Smart TVs across 53 schemes

Environmental Social and Governance Reporting

We are committed to acting ethically and openly in all that we do, striving to 'do the right thing' and being ready to acknowledge and learn from mistakes.

The Sustainability Reporting Standard for Social Housing ('SRS') was launched in November 2020 by the Environmental, Social and Governance ('ESG') Working Group. The SRS reporting framework has been developed to establish a transparent, consistent and comparable set of ESG criteria across the housing sector. In 2023 we became official adopters of the standard and have reported against the 12 core themes within the standard in a separate ESG report, which will be available alongside these accounts on our website.

The ESG report details our performance against Environment, Social and Governance, highlighting the positive work we do and showing our commitment towards sustainability and the environment. We are committed to going beyond legal requirements, exceeding minimum standards and striving to achieve a position of 'doing no harm'.

Our commitment:

- Report against the ESG standard annually.
- Work with residents, employees, and other stakeholders to increase environmental understanding and awareness throughout Housing 21 and beyond.
- Make environmental impacts and commitments a key part of local agreements and plans and ensure this is central to national strategies.
- Bring together the various data sets and automate the analysis process to provide consistent reporting and improve transparency and accountability not only for directly produced carbon, but also the (scope 3) carbon produced by others linked to us.

Energy and Carbon Reporting

Housing and the residential sectors are responsible for about one-fifth of UK carbon emissions and if construction is included, it is significantly higher. Housing 21 is still at the beginning of our environmental journey and is 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.

We have made a great start by investing in our stock and achieving EPC C or above in over 99 percent of our properties, with over 32 percent of our rented and shared ownership properties achieving EPC B or above. However, further work is required to decarbonise our stock and achieve net zero and we are seeking to achieve the sector carbon reduction targets four years ahead of the Government target date of 2050.

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

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 2022 to 31 March 2023. Included within that boundary are Scope 1 and 2 emissions from gas and electricity, as well as emissions from grey fleet, all in the UK.

The Greenhouse Gas ('GHG') Protocol Corporate Accounting and 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 opted to use energy consumed by Housing 21 and have made no estimates for gas and electricity used in residents' homes where they have their own supplies.

In most of our blocks, communal supply is for non-residential only and residential is separately metred and billed directly to residents based on their choice of supplier. However, on a few of our housing schemes, the communal supply provides energy for both non-residential and residential areas.

To provide a comparable energy consumption across non-residential (which is the element Housing 21 is directly responsible for), we have estimated the residential use based on the formula used to recharge residents and excluded this element of consumption in the 2023 reporting (note: these were included in 2022 figures).

	2023	2022
Total electricity use	29,240,545 kWh	35,424,846 kWh
Total gas use	38,771,982 kWh	130,795,502 kWh
Total transport fuel	4,464,908 kWh	3,902,203 kWh
Total energy from other fuels	388,019 kWh	499,429 kWh
Total energy use (all sources)	**72,865,454 kWh**	**170,621,981 kWh**
Total carbon emissions (electricity)	8,518 tCO2e	10,319 tCO2e
Total carbon emissions (gas)	8,317 tCO2e	28,057 tCO2e
Total carbon missions (transport fuel)	1,442 tCO2e	1,261 tCO2e
Total carbon emissions (other sources)	94 tCO2e	25 tCO2e
Total carbon emissions	**18,371 tCO2e**	**39,661 tCO2e**

Activities 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 as well as wider sustainability projects.

Component	Number of schemes
Upgrade lighting to LEDs	31
Heating and water improvements	34
Electrical vehicle charging points	7
Installation of solar panels	1
Electrical upgrade and improvements works	8
Roofing upgrade	26
External doors and windows	46

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

Our Business Performance

During the year we have generated an operating surplus of **£26.4m (2022: £30.9m)** and turnover has grown to **£251.5m (2022: £224.4m)**

Summary of Operating Surplus

	Turnover £'m		Surplus/ (deficit) £'m		Margin %	
	2023	2022	2023	2022	2023	2022
Social housing	**178.6**	**152.4**	**26.4**	**28.5**	**14.8**	**18.7**
Development sales	20.0	22.4	3.6	2.5	18.0	11.2
Other activities and costs	6.8	6.0	(1.9)	(1.4)	(27.9)	(23.3)
Other social housing	**26.8**	**28.4**	**1.7**	**1.1**	**8.2**	**3.9**
Care	42.5	38.2	(1.5)	0.4	(3.5)	1.0
Other	3.6	5.4	(0.2)	0.9	(5.6)	16.7
Non-social housing	**46.1**	**43.6**	**(1.7)**	**1.3**	**(3.7)**	**3.0**
Total	**251.5**	**224.4**	**26.4**	**30.9**	**10.5**	**13.8**

Social Housing Lettings

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

Social housing revenues have increased by £26.2m year-on-year and there are three main contributing factors:

- **Rents:** We can increase our rents each year by an inflationary measure as outlined in the Rent Standard; last year's rent increase was 4.1 percent. In addition, we have the full year's benefit of the 691 properties on-boarded in the last financial year and the properties acquired from Notting Hill in February 2023.
- **Service charge income:** We operate a variable service charge, meaning that we only recover the costs of the communal services we provide to our residents, and, except for an administration fee, we do not make a surplus from the provision of these services. In addition, we procure energy for our communal areas as well as acting as a supplier of domestic energy for many of our residents. Over the last 12 months energy prices have increased dramatically, along with other inflationary pressures, meaning the cost of provision has increased, leading to increased income.
- **Other income:** This mainly consists of unitary charge income recognised on our PFI/ PPP contracts which is recognised based on the stage of completion. While most costs largely remain consistent year-on-year, lifecycle works have increased as the profile of works will vary year-on-year. Despite these costs increasing, the amount of income recognised has been impacted by higher inflation forecasts increasing future costs, thus impacting the level of income recognised. We have booked a £1.2m reduction in unitary charge income, which is a cumulative adjustment from the start of the projects because of the higher costs to complete. However, the PFI/ PPP contracts remain profitable.

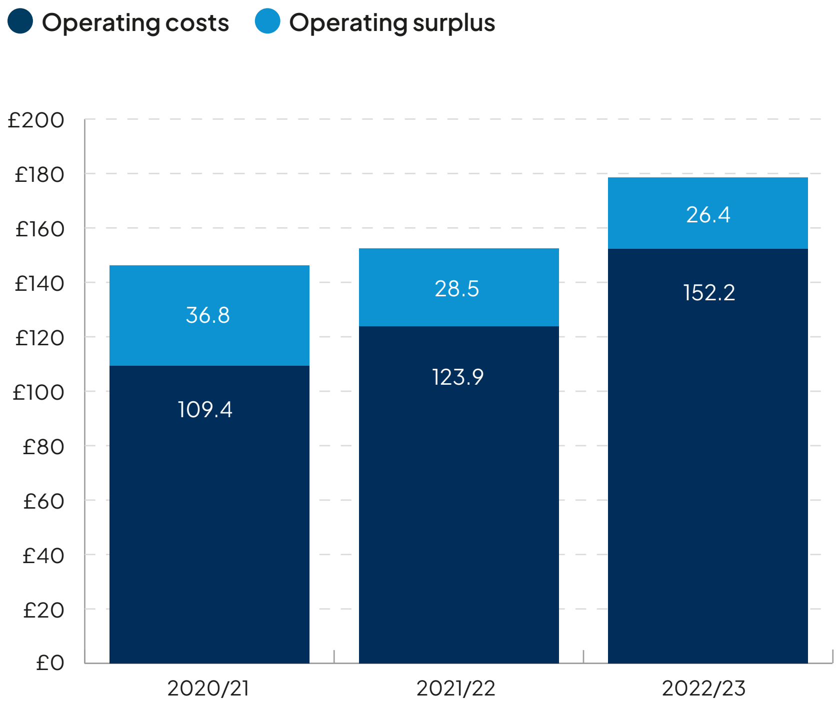
We have seen a year-on-year improvement on voids, and the percentage of rent and service charge income lost through day-to-day voids was 1.2 percent, down from 1.5 percent the year before and 2.0 percent during the pandemic.

Despite the increase in turnover, operating surpluses have fallen by £2.1m; however excluding the income adjustment on the PFI/ PPP projects and an impairment of £0.2m, our operating surplus would have largely been consistent with the year ending 31 March 2022.

We have seen our cost base increase, originating from both the impact of inflation but also the strategic decisions our Board has taken. The main contributing factors are:

- **Management costs** have increased year-on-year as our portfolio has continued to grow, both through new developments and acquisitions; the Board has approved two pay awards to help our employees with the cost-of-living crisis and a general upward costs' pressure from inflation.
- **Maintenance costs** have increased by £4.8m, with £3.0m attributable to planned maintenance. The property standards set by our Board ensures our properties remain attractive and desirable to live in, including undertaking a makeover of the communal area at least every 10 years. More schemes have fallen within scope during the financial year, hence the increase in spend. The remaining increase is accountable to day-to day repairs which have increased based on the growth of our estate, inflationary increases and the lifecycle works on our PFI projects.
- **Impairment.** Our development partners are continuing to experience cost pressures and unfortunately a few have gone into administration and contracts have had to be retendered. Where this occurs, contract prices generally increase, and remedial work may be required. The impairment recognised this year relates to a development in Cornwall where this has occurred.

Social Housing Activities



Other Social Housing Activities

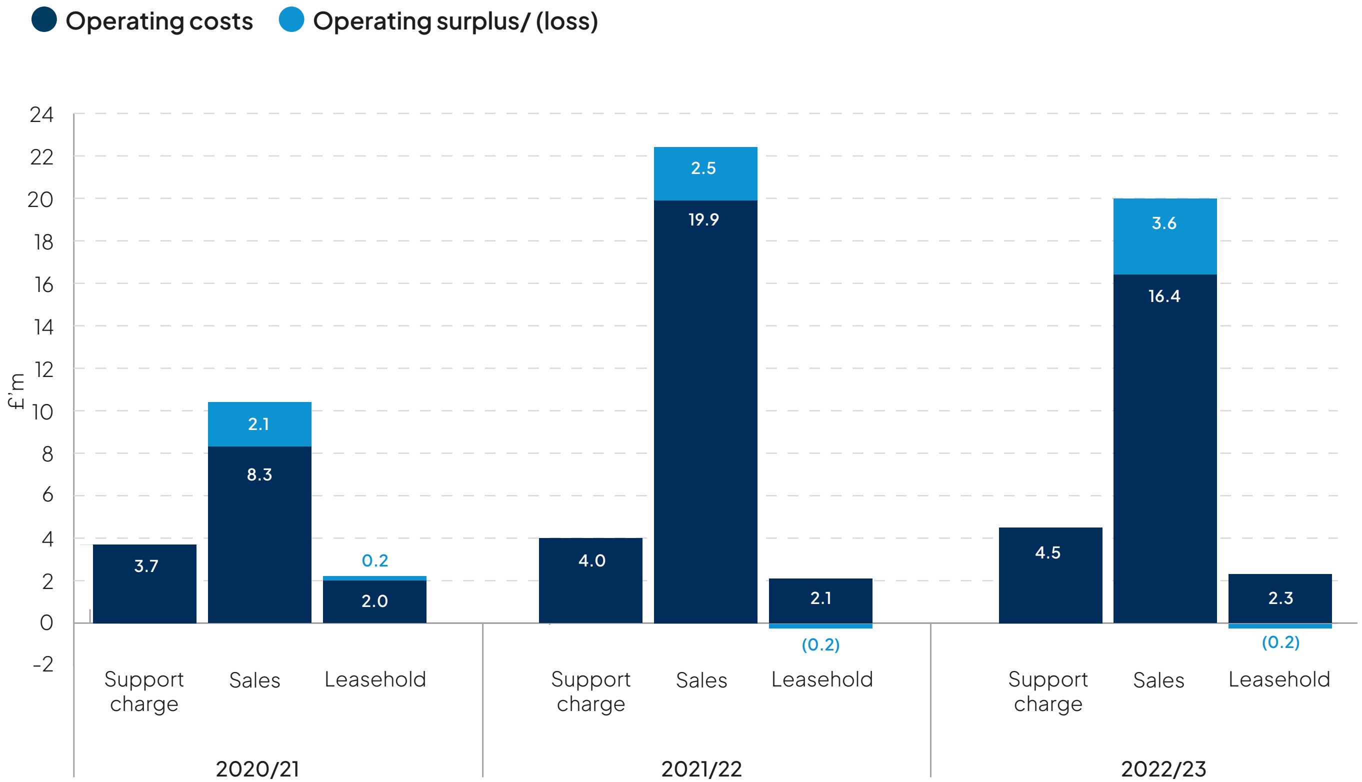
Other social housing activities include:

- 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.
- Sale properties, primarily through first tranche low-cost home ownership.

Despite a challenging sales market, we have sold an equity stake in 136 properties (2022: 189) and have generated sales receipts of £20.0m. We have experienced pockets of low demand, including transferring a small number of sales properties to social rents and, despite our residents largely being cash buyers, because of higher mortgage rates, an increasing number of sales chains are collapsing, impacting future residents selling their property. We have been able to offer temporary licences to allow people to move in while they sell their property to access our housing and care services.

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

Other Social Housing Activities



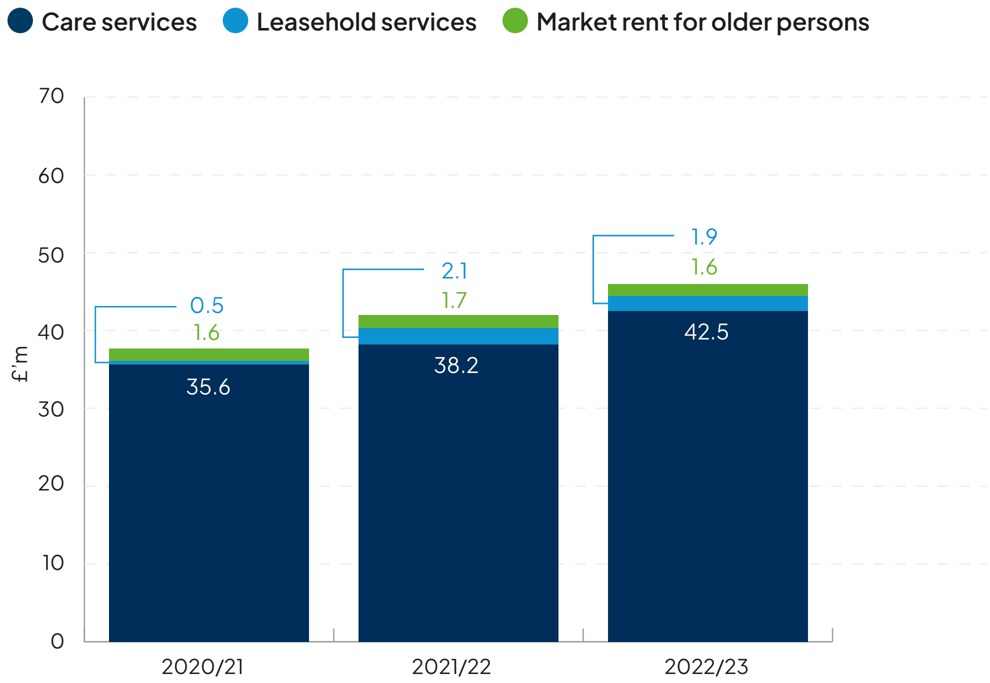
Non-Social Housing Activities

Our non-social housing activities primarily relate to the delivery of social care to our residents in our Extra Care schemes. Care is commissioned from local authorities, typically on a three-to-five-year contract, and allows our residents to maintain their independence with the reassurance of a dedicated Care Team available 24/7 to provide social care.

We pride ourselves on ensuring we pay our Care Workers 10 percent above the National Minimum Wage to recognise the quality services they deliver, with further enhancements offered to Care Workers with relevant qualifications. Recruitment has been challenging however, and we have had to utilise a higher proportion of agency employees, which has increased our cost base. To offset this, we managed to negotiate rate increases in the year with our local authority partners who recognise the value of our service provision, with the average rate increase awarded of 7.3 percent.

We also have a small portfolio of properties of older person housing let at non-social rents; however we are the process of selling this stock and expect to complete the sale early in the next financial year. The sales price agreed is lower than the current net book value as such we have recognised an impairment of £0.9m. In addition, we have been intentional holding back properties that become void before the portfolio is sold, resulting in lost income of £0.4m.

Non-Social Turnover



Cash Flow and Treasury

During the year we have generated £51.4m (2022: £56.1m) from our operations and £8.5m of interest has been received (2022: £6.7m) of which £27.4m (2022: £22.3m) has been used to service our debts and £32.4m (2022: £30.2m) has been invested in our existing properties.

We have continued to develop new properties and this year has seen our largest acquisition to date. In total we have spent £157.6m (2022: £90.6m) on housing properties which includes the investment in our existing properties. This has been funded through receipt of social housing grants of £18.1m (2022: £25.4m), proceeds from sales properties of £21.2m (2022: £24.4m) with the remaining drawn from our cash reserves. Consequently, our cash holdings have reduced, however we always ensure we remain compliant with our golden rules and maintain at least 18 months' liquidity and do not commit to any new development or acquisitions where we do not already have the funding in place.

Our loan book and financing arrangements are relatively simple. This means we are not subject to onerous financing terms, and we have been protected from increases in the interest rates this year as, following the repayment of our variable rate debt last year, all our loan book is fixed. We have three derivative swap instruments, all of which are embedded within the PFI contract terms, and we have no complex loans to be held at market value. No new funding has been agreed this year, but net debt has increased due to the reduction in cash.

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 review 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 £129.5m in cash holdings, including short term investment and a retained bond of £50m which is fully secured and could be sold at short notice. Furthermore, in May 2023 we have agreed a new £50m revolving credit facility with Barclays and have approval to agree a further £30m later in the year. We have sufficient security available to obtain further funding if required. All lenders' covenants have been met for the year with a healthy headroom.

The Board- approved Business Plan shows continued compliance with our golden rules, healthy headroom with our banking covenants and maintaining a minimum EBITDA MRI of 120 percent. There are sufficient cash holdings for all contractual commitments and excluding aspirational growth, we have sufficient liquidity for at least three years. However, with the Board's continued ambition for growth, new funding is expected to be raised over the next 12 months. 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 (2022: £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. Progress against our Strategic Commitments 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 recognise 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 VFM 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
		21/22	22/23	22/23	23/24
1.	Reinvestment	6.2%	6.3%	9.8%	7.8%
2a.	New supply social housing	3.5%	1.4%	1.7%	0.8%
3.	Gearing	42.6%	40.7%	35.3%	39.2%
4.	EBITDA MRI interest cover	83.3%	130.9%	138.1%	140.2%
5.	Headline cost per unit	£6,591	£7,555	£7,127	£8,717
6a.	Operating margin — social housing	18.7%	14.8%	15.1%	13.8%
6b.	Operating margin — overall	13.4%	10.4%	12.4%	10.9%
7.	Return on capital employed	1.9%	1.7%	1.8%	2.1%

Our performance has been broadly as expected, with the main exceptions:

- We have reinvested less money in the development of new housing properties as fewer schemes have come forward due to prolonged planning processes and cost inflation in the construction sector.
- Lower overall operating margin because of the impairment booked against our non-social rent portfolio. There have also been recruitment challenges within the care sector resulting in higher use of more expensive agency employees making our care services loss making overall.

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 percent HOP homes, which is a small sample that includes:

- Anchor
- Future Housing Group Limited
- Johnnie Johnson Housing Trust Limited
- Red Kite Community Housing Limited
- The Abbeyfield Society

The second table shows the sector comparison:

Value for money metrics		Actual		HOP	Sector
		21/22	22/23	21/22	21/22
1.	Reinvestment	6.2%	6.3%	4.5%	6.5%
2a.	New supply social housing	3.5%	1.4%	1.0%	1.4%
3.	Gearing	42.6%	40.7%	43.2%	44.1%
4.	EBITDA MRI interest cover	83.3%	130.9%	146.0%	146.0%
5.	Headline cost per unit	£6,591	£7,555	£5,770	£4,150
6a.	Operating margin — social housing	18.7%	14.8%	16.1%	23.3%
6b.	Operating margin — overall	13.4%	10.4%	13.4%	20.5%
7.	Return on capital employed	1.9%	1.7%	2.6%	3.2%

In the detailed analysis on the following pages, we focus on comparing our results to that of Anchor and Johnnie Johnson Housing 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 2023/24 financial year are included as grey in the graphs over the next few pages.

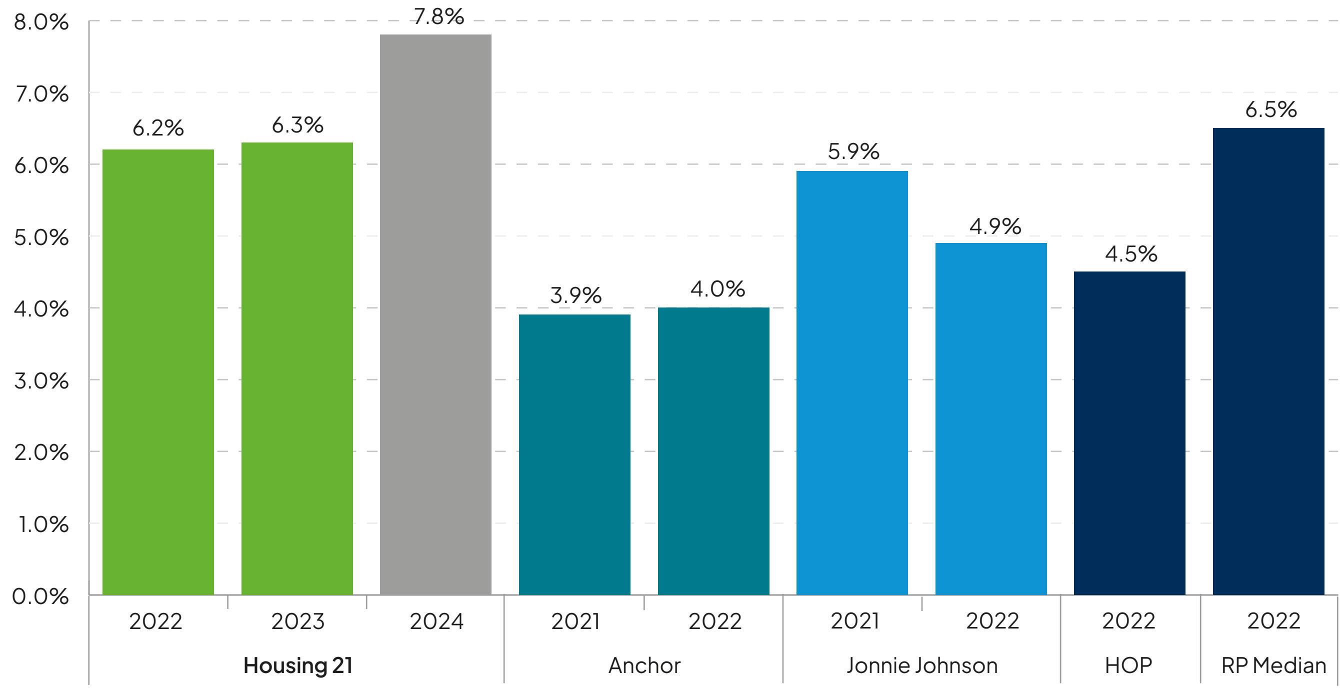
Investing in the quality and responsiveness of our services is a strategic priority and we note a return on this investment in the customer satisfaction scores achieved

Metric 1: Reinvestment Percentage

In year we have completed on 289 new properties across six schemes, we have started on site across on three schemes (177 properties) and we will be acquiring a new development in White City, London called Minterne as part of the acquisition from Notting Hill Genesis. We have invested £59.8m in new properties as well as £30.3m in our existing portfolio.

The construction industry has continued to struggle this year; double digit inflation and supply chain issues have seen prices increase. While we are largely protected as we enter fixed price agreements, costs of new developments coming forward are significantly higher and a few of our construction partners have unfortunately gone into administration resulting in developments being paused and contracts having to be retendered. This often results in costs to complete increasing and is the reason why our reinvestment was not as high as we originally intended for the year.

We continue to explore several opportunities, with 24 schemes being worked up (consisting of over 1,000 properties) and the Board has re-confirmed their commitment to develop up to at least 400 properties per annum.



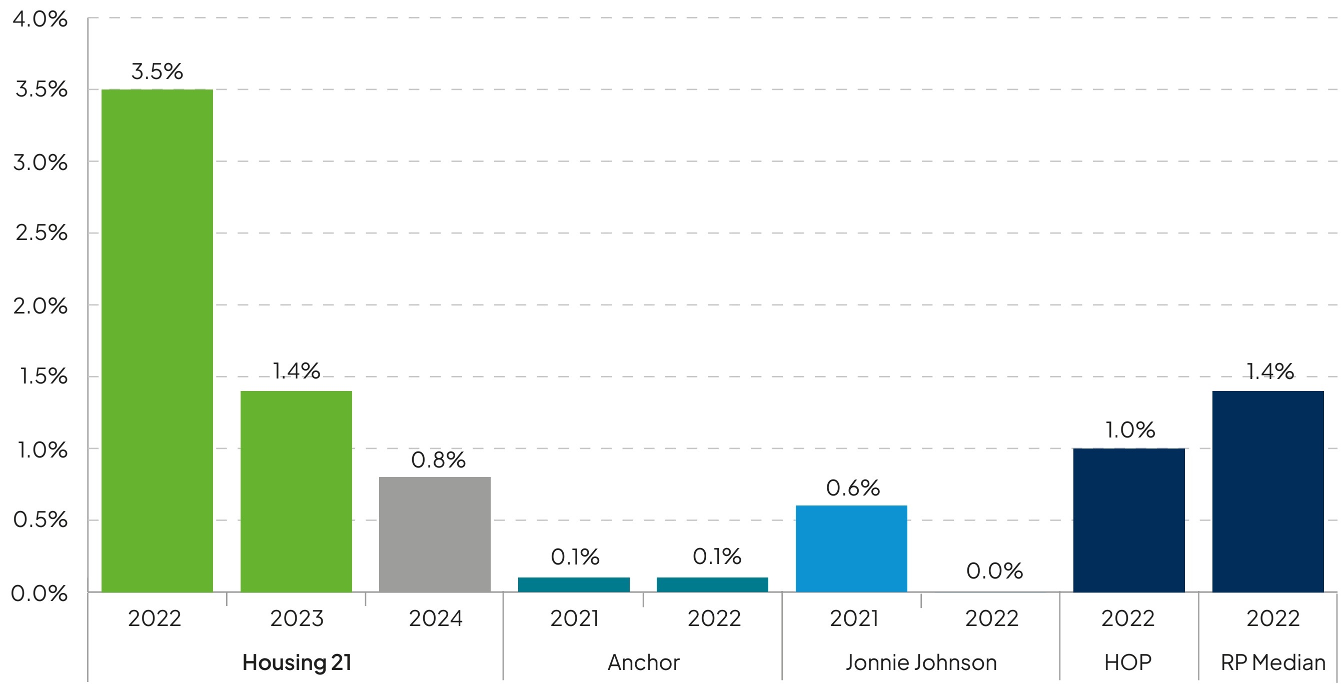
We invested **£59.8m** in new developements in 2023 as well as **£30.3m** in our existing portfolio

Metric 2a: New Supply Delivered Percent (Social Housing)

We continue to be the leading developer of older persons' housing, contributing more new homes to the sector than our peers and the median housing for older people sub-sector. Our portfolio is sector leading and with 99.4 percent of our properties already at EPC C, we perhaps don't have similar challenges on investment between new and existing stock as other providers.

We fell short of our target of 1.7 percent for the year and delivered 289 units compared to 353. One scheme partially completed, and one scheme slipped into the next financial year. Looking forward, we are on site across 11 schemes consisting of 519 properties and expect to complete 132 in 2023 /24.

Alongside, this we have acquired 427 properties from Notting Hill Genesis, but this is excluded from this metric as it is not considered new supply of social housing. However, we have a commitment to invest into these properties and improve the service offering to residents.



Metric 2b: New Supply Delivered Percentage (Non-Social Housing)

We have not developed any non-social housing in the year; our development focus continues to be on those of modest means.

During 2022–23 we added

289 properties

to our portfolio and are on site across 11 schemes consisting of 519 properties.

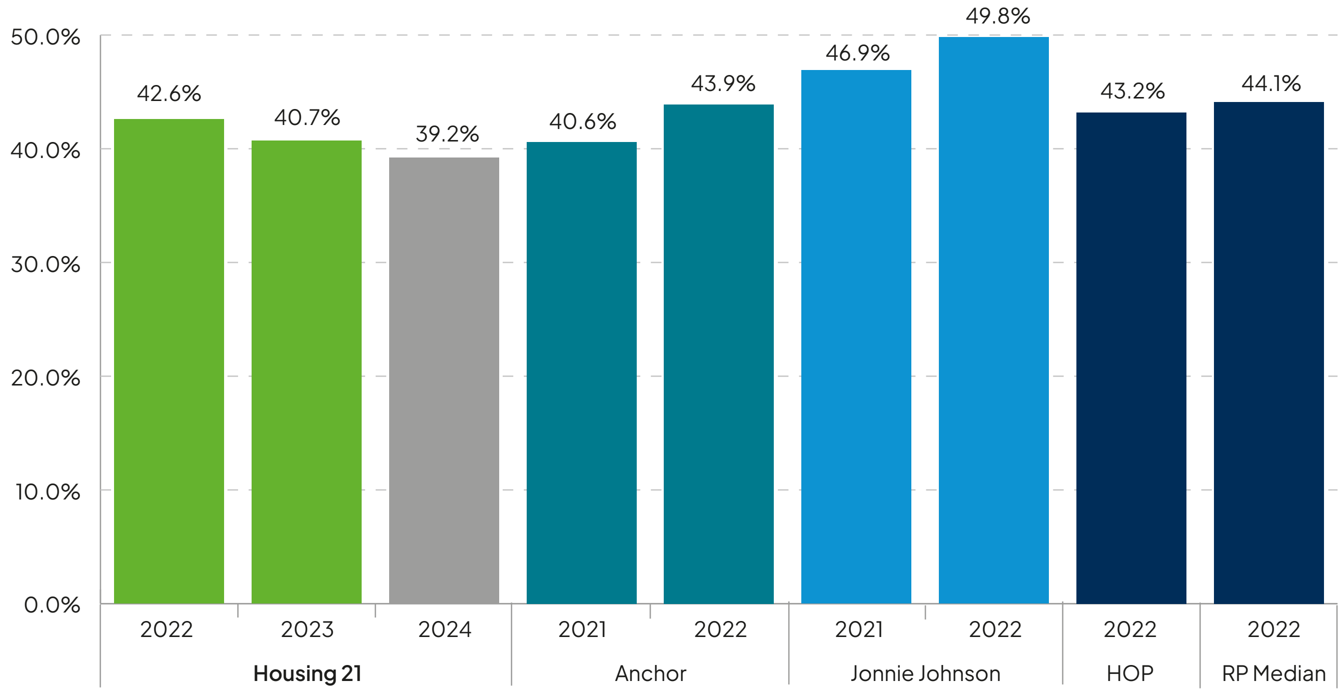
Metric 3: Gearing Percentage

Gearing is lower than last year primarily as the value we hold in short term investment has fallen. A like-for-like comparion is 35.3 percent in 2022 and 38.4 percent in 2023; however this is still lower than our peers and the wider sector as a whole and provides significant capacity to agree new funding going forward.

Despite no drawing of additional funds this year, net debt has increased as we continue to utilise the proceeds from the bond tap in recent years to fund contractual loan repayments and investment in our portfolio.

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 (£47.7m), however as these assets (£97.4m) 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 will decrease to 35.1 percent (2022: 31.4 percent).

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

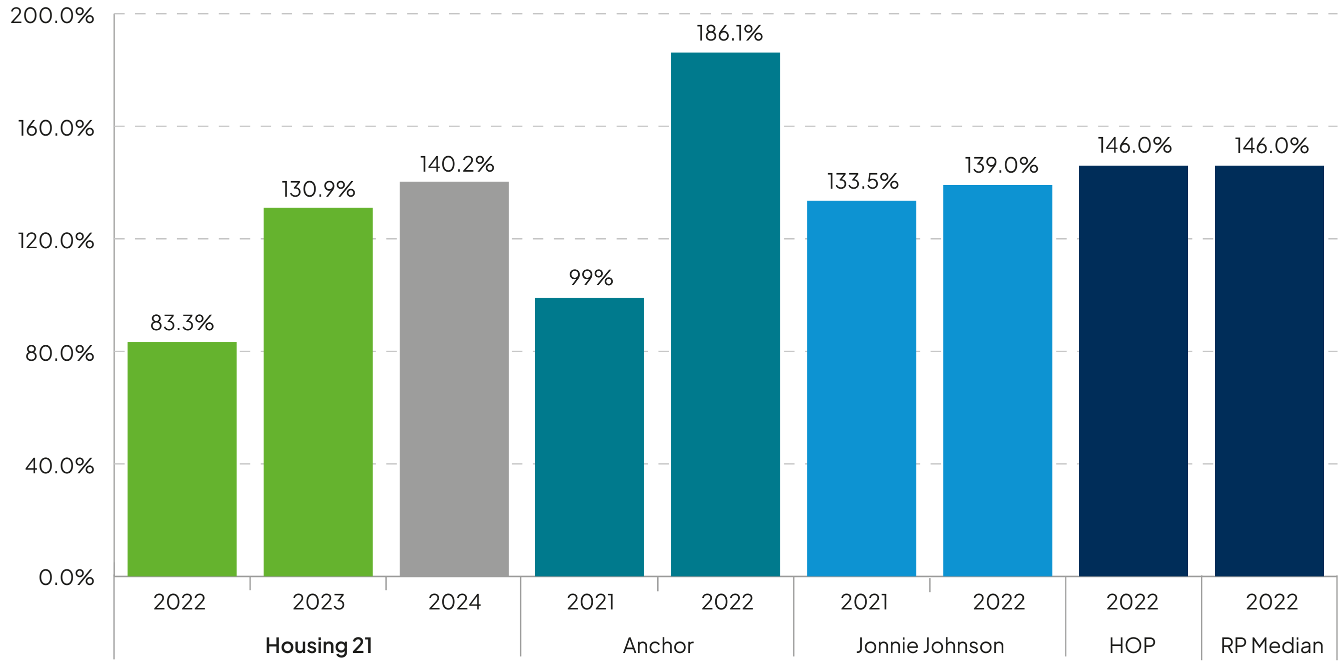


Metric 4: EBITDA MRI Interest Cover Percent

We recognise the importance of maintaining a strong EBITDA MRI metric and the Board has set a minimum target of 120 percent as part of our golden rules.

Our metric in 2022 was lower due to the inclusion of refinancing costs; excluding this our metric would have been 126 percent. So, year-on-year we have seen our margin increase and is only marginally lower than our budget for the year. If the impairments recognised in year were excluded, we would have exceeded our budget.

Although not a regulated VFM metric, we also monitor our EBITDA MRI generated from social housing lettings, ensuring this does not fall below 110 percent. The outturn for the 2023 financial year was 131 percent.

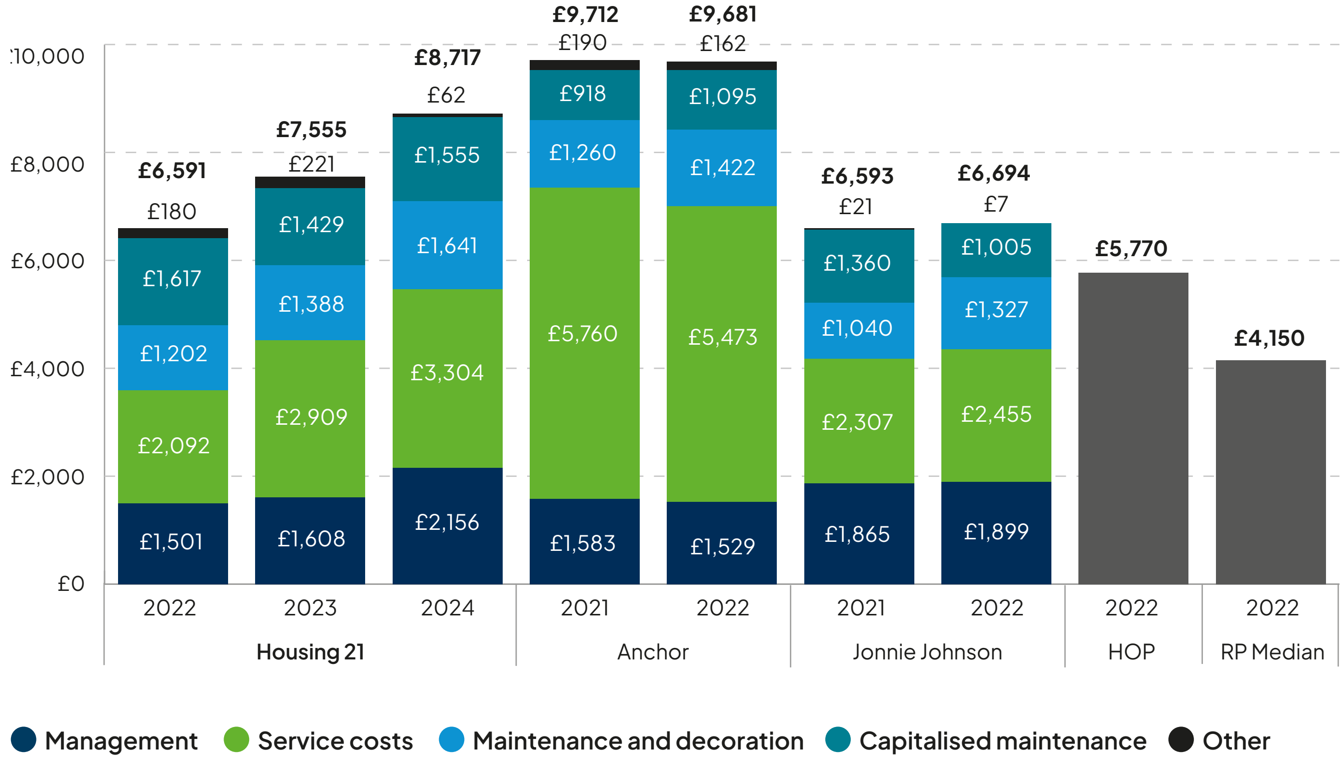


Metric 5: Headline Social Housing Cost Per Property £

Our headline social housing cost per unit has increased year-on-year by £964 to £7,555. With the main increase attributable to service charges.

The war in Ukraine has seen an unprecedented increase in utility costs, which we incur on residents' behalf and is passed onto them through their service charge. As we charge a variable service charge, our turnover has increased to compensate for the higher cost base. There has also been a shift between revenue and capital-related maintenance spend, which was in-line with expectations, and spend on planned maintenance has increased by £3.0m.

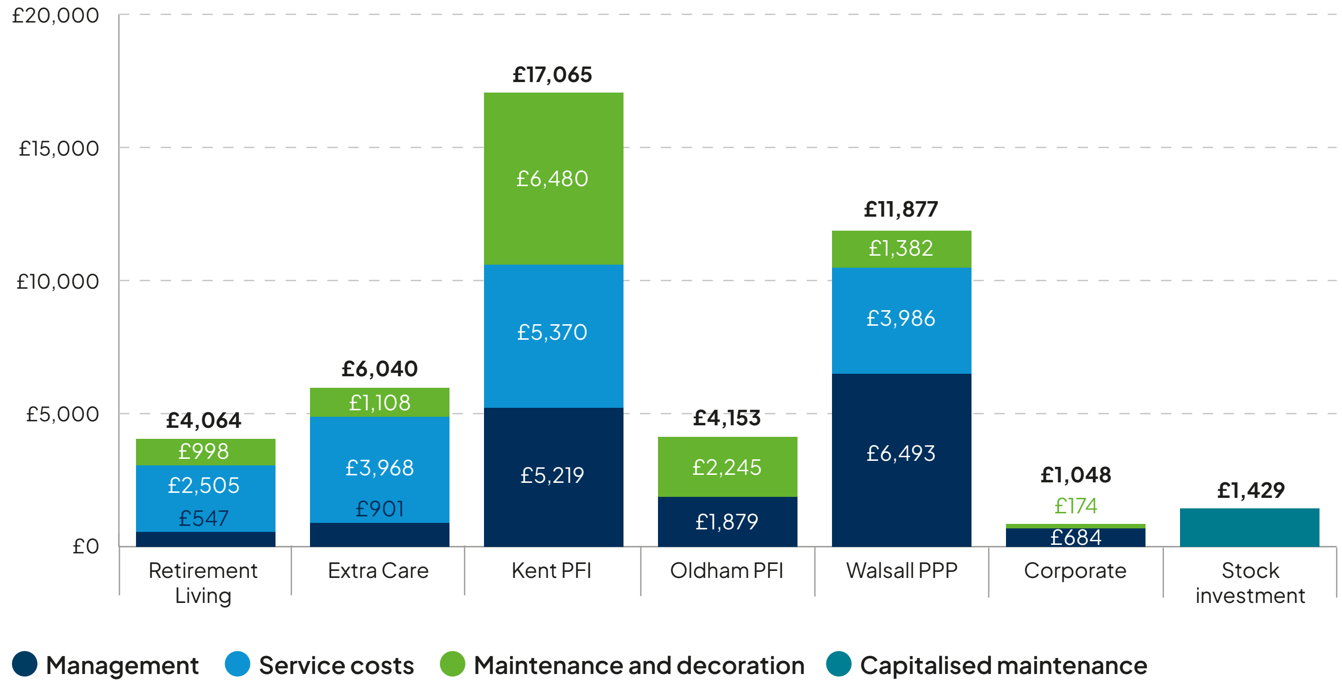
As a provider of housing for older people, our cost base is recognised as being higher when compared to the rest of the overall sector due to the nature of the services we provide (noting that service costs are recovered through service charges).



Metric 5: Headline Social Housing Cost Per Property £ (cont.)

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.

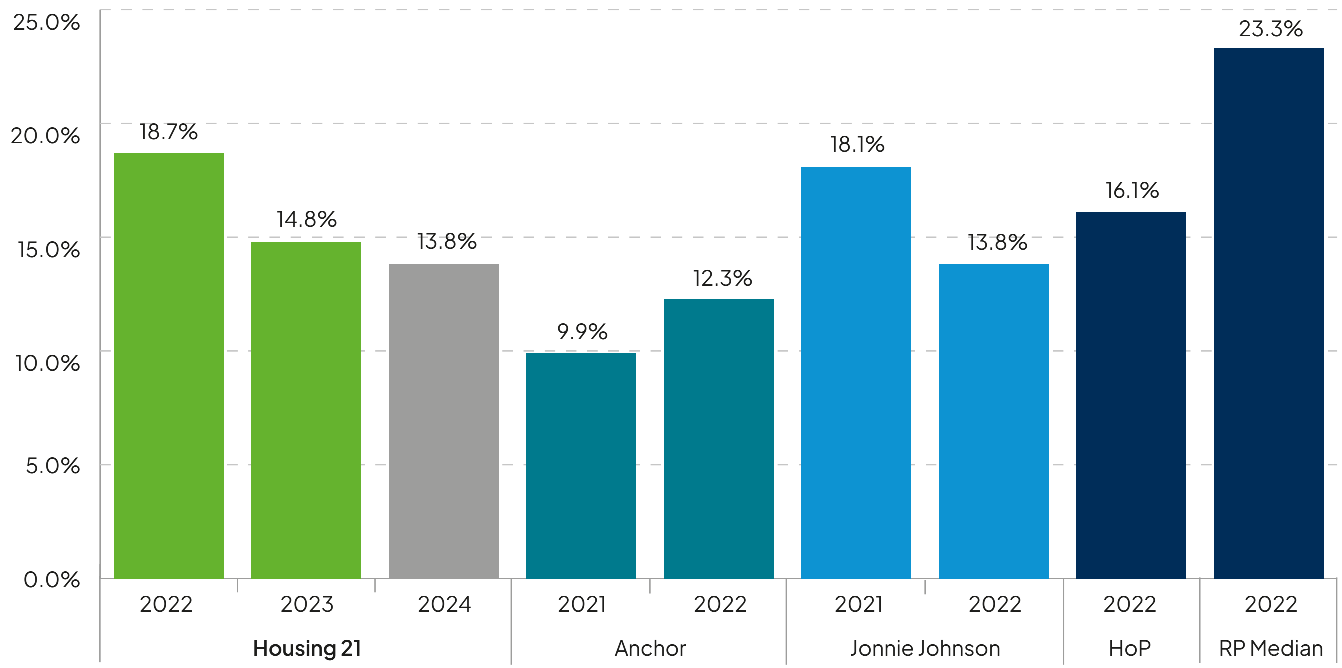
This table splits out our per unit cost between the different business divisions, demonstrating the higher per unit cost for our PFI/ PPP contracts.



Metric 6a: Operating Margin Percentage (Social Housing Lettings Only)

Our social housing lettings operating margin has reduced largely due to increases in service charges, which despite making up a large proportion of our turnover, is profit neutral and an increase in maintenance costs. We have also awarded additional pay awards in year to recognise the impact of the current economic climate is having on our employees and to recognise the brilliant service they deliver.

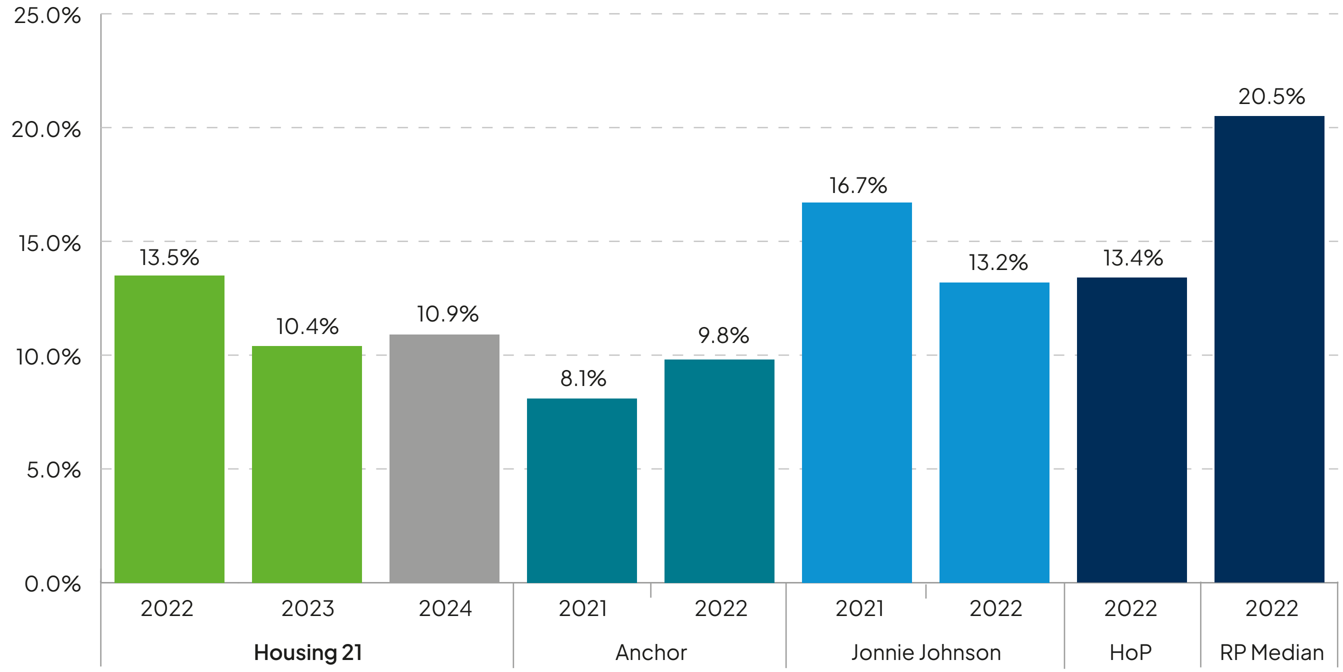
The lower margin when compared to general needs providers is because of the gross impact of our recoverable service charges and higher cost base due to the additional costs in delivering the supported services to our residents.



Metric 6b: Operating Margin Percent (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 — or deficit in 2023 — this service provides (which is also the case for Anchor). However, it is integral to the service offering we provide. Our cost base for care services has increased in year due to having to utilise more expensive agency workers as recruitment has been problematic.

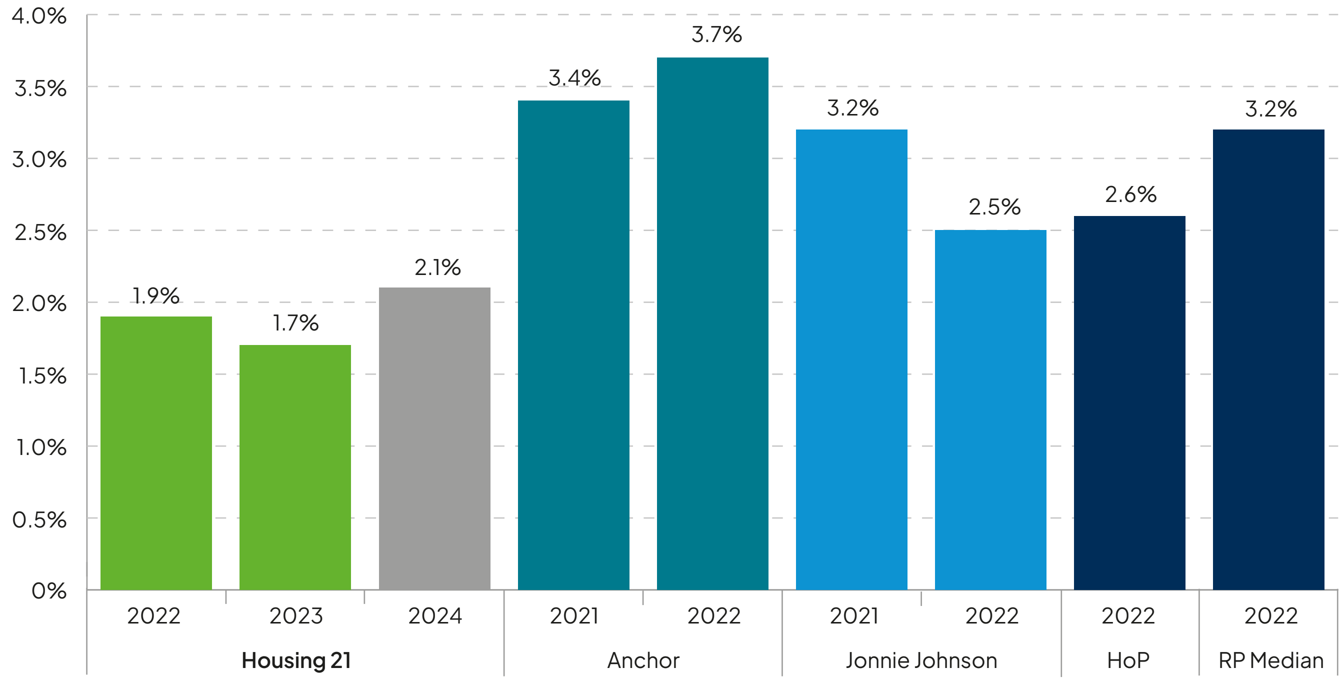
Those registered providers that only provide housing services generally generate higher margins.



Metric 7: Return on Capital Employed (ROCE) Percent

Despite an increase in net assets driven by £19.7m growth in our assets offset by a £5.1m increase in liabilities, our return on capital employed has marginally decreased this year due to increased operating costs.

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 2023

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
22,885 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 managed properties

The Group's active subsidiaries are:

Housing 21 Guernsey LBG (H21G) 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 of 30 years 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 of 30 years with Oldham Metropolitan Borough Council.

Group Governance Report

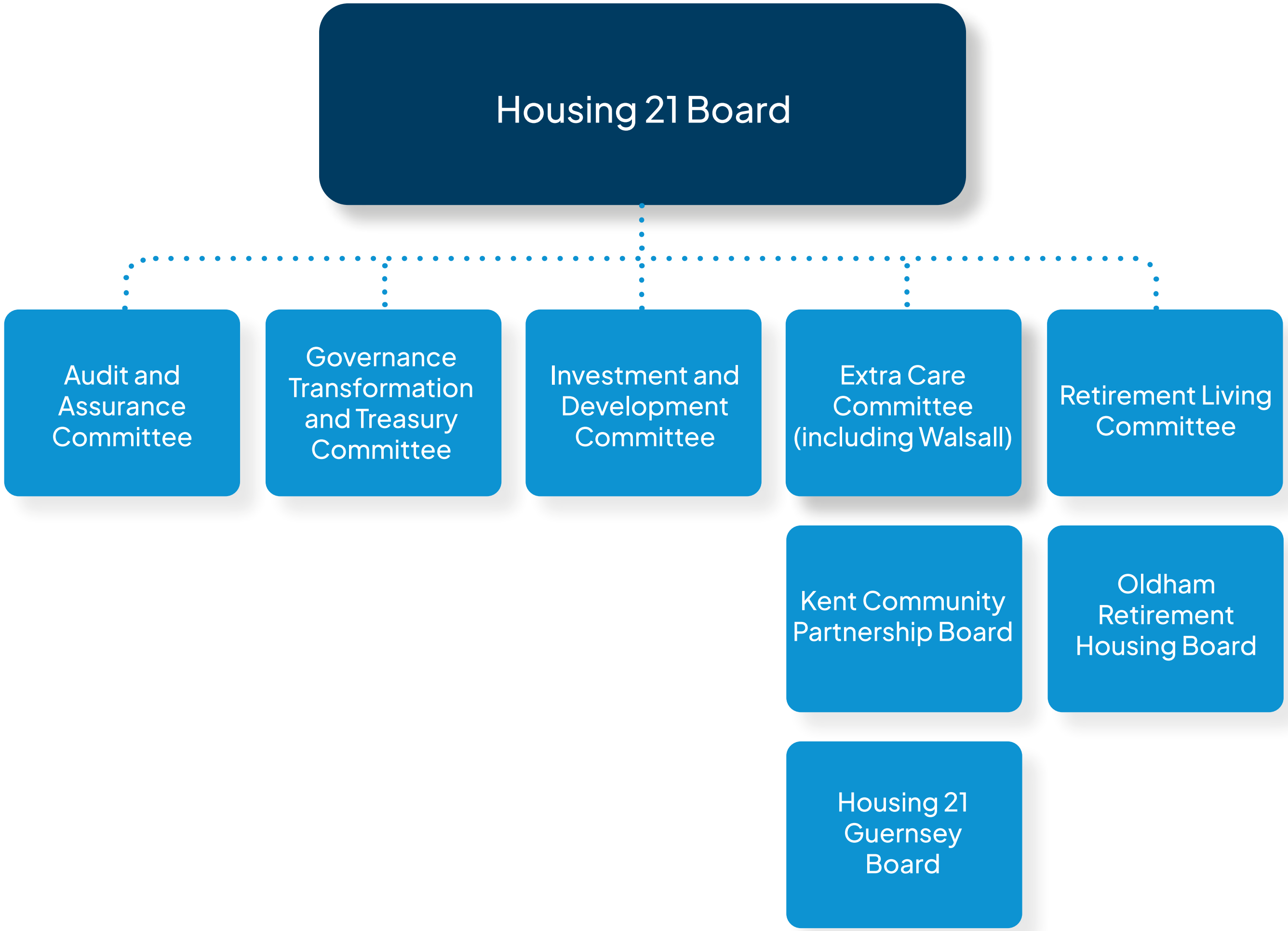
Group Board: committed to maintaining high standards of organisational governance

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.

Board and Committee Structure:



Housing 21's 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 appropriately 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.

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. There has been no change in the Regulator of Social Housing's assessment having concluded its in depth assessment of Housing 21 in March 2021, which confirmed governance arrangements were compliant with standards providing a G1 outcome.

The Board has continued to assess itself as being materially compliant with its own Code of Governance, the NHF 2020 Code of Governance. There has been significant progress within the year with resident engagement and further development of Board membership with the appointment of a Resident Board Member and further independent Board Members with direct lived experience of the organisation's services. Further implementation of related resident influence and engagement strategies will be continuing into 2023 /24 along with the implementation of the requirements of the Social Housing Bill.

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 acquisitions, development, property sales, voids, repairs, and care performance, ensuring the future financial viability of the organisation.
- **Resident Engagement Strategy** reviewing progress with the adopted strategy placing residents at the heart of the organisation.
- **Respect and Inclusion Strategy** reviewing progress with the adopted strategy and updated resident data to ensure everyone is respected and can thrive.
- **Investment Strategy and approval of the Treasury Strategy** including future funding options.
- **Development Strategy approval** which included agreeing targets for delivering new affordable homes for older people in both Extra Care and Retirement Living and overall tenure mix between rented and shared ownership.
- **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 rent policy for the year and reviewing progress with the previous year's remediation plans.
- **Helping Hands Fund** including the approval of the grant fund and related resources which support residents during times of financial hardship because of the economic situation.
- **Board Assurance Framework** reviewing the level of controls and assurances across the organisation on key areas of significance.
- **Pay proposals** including consideration of financial hardship because of the economic situation, approving additional payments to those on lower pay levels to care employees. The Board continuing to commit to a pay structure that aligns both corporate and operational roles.
- **Insurance** including a review of the adequacy, and approving, of 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	8	6	6	5	4	4
Stephen Hughes	7/8	3/6*	4/6*	0/5*	2/4*	1/4*
David Clark	8/8	–	–	5/5	4/4	–
Catherine Dugmore	6/8	6/6	–	–	–	4/4
Elaine Elkington	6/8	–	–	4/5	–	4/4
Suki Kalirai	8/8	–	6/6	2/2	3/3	–
Michael McDonagh	8/8	5/6	6/6	2/3*	–	–
Lara Oyedele	7/8	–	3/3	3/3	4/4	–
Neil Revely	3/5	–	–	1/2	1/1	–
William Roberts	7/8	–	3/3	2/2	–	4/4
Anne Turner	5/5	3/3	3/3	–	–	–
Sandra Stark	3/3	–	–	3/3	–	2/2
John Ayton	3/3	–	3/3	–	2/2	–

*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, approving the plan for the year.
- The effectiveness of internal audit, concluding that it is effective overall.
- The effectiveness of risk management including reviewing strategic and operational risks including the sector risk profile, sector risk benchmarking, making recommendation to the Board on the content of the risk policy and Risk Management Strategy.
- Risk deep dives in a variety of areas including information security, data accuracy, cyber and resident engagement.
- Risks and incidents relating to fraud and data and related lessons learned, approving related policies and procedures along with a Counter Fraud Programme.
- The re-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 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, Transformation and Treasury 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.
- Reviewed overarching governance risks and related mitigations.
- Completed a review of the Rules of the Association, making recommendations for Board approval.
- Completed a review of the Governance Framework and 2020 NHF Code of Governance to ensure compliance and adoption of good practice.
- Considered the annual Treasury Report and Investment Policy, making recommendation to the Board for approval.
- Reviewed compliance with covenant policies, related treasury risk controls and mitigations.
- Considered the People Strategy, related policies, the Gender Pay Gap Report and related actions.
- Reviewed arrangements for senior management succession and critical person mapping.
- Considered pension arrangements including policy approvals.
- Discussed transformation priorities, reviewing progress with the strategies related to Transform 21 and data including progress with the Housing Management System and cyber risk mitigations.

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.
- Reviewing compliance with new Fire Safety Legislation.
- Assessing and approving acquisition opportunities in line with the Acquisition Strategy.

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. In addition, the committee focused on:

- Resident engagement: reviewing progress with the prior approved 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 including the development of the Helping Hands Fund.
- Regulatory requirements: reviewing requirements for the Housing White Paper and adoption of the Social Housing Bill.
- Employee benefits: reviewing and developing the range of pay and non-pay benefits.
- Sales/ decommissioning: reviewing progress with, and resident engagement for, a small number of specific schemes.

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 had a specific focus on:

- Resident engagement: reviewing progress with the prior approved strategy, reviewing complaints and regularly hearing from residents on services they have received.
- Regulatory requirements: reviewing requirements for the Housing White Paper and adoption of the Social Housing Bill.
- Safeguarding: approving related policies and understanding of lessons learned for significant incidents.
- Care standards: reviewing compliance with care standards and understanding lessons learned where standards have declined.
- Employee benefits: reviewing and developing the range of pay and non-pay benefits, conducting a deep dive into Care Worker recruitment activities and outcomes.
- Financial performance: conducting a deep dive into overall performance and risk mitigation.

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 the 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 support 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 the 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

In putting residents at the heart of quality, service and growth, the Board is ambitious in its outlook for the organisation, customers and employees. It has agreed that it will:

- Provide a contemporary forward thinking 21st century service.
- Be focused on continuous improvement and innovation to achieve excellent services and value for money.
- Achieve high levels of satisfaction and positive experience for the people we serve.

These principles guide decision making alongside the desire to do the right thing and be better than 'just good enough'.

With the exception of those areas agreed where there is a wholly averse appetite for risk taking (compliance with law and regulation, and achievement of good governance, internal control, financial viability), the Board has agreed that it will take a measured approach to risk.

The measured approach balances the need to be innovative in pursuit of the organisation's overall aims for our customers and employees, whilst overall maintaining the financial viability and reputation of the organisation, through robust decision making based on sound information, options appraisals and assumptions.

Risk Management

The Board as a whole, including the AAC, 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.

Due to the dynamic and complex external and internal risk environment experienced in 2022/23, the prior four strategic risks (personal safety, strategic ambition, reputation, financial) were amended to three:

- **Capacity:** relating to the here and now brought on by the focus on growth as part of our agreed strategic direction and the current opportunities being presented.
- **Reputation:** relating to our operating environment and day-to-day business as usual activities which are linked to our duty of care to residents and employees and our regulatory environment, which impact both Housing 21's and the sector's reputation.
- **Change:** risks which are being considered and managed, that arise from the delivery of objectives in the future, and are derived from what we know now as well as the uncertainty of the future.

In the year, the following were considered to be the top risks, influenced by the challenging economic environment:

Risk area	Mitigation
Financial performance and delivery	Revisit of business planning assumptions to determine future targets. Close budget and performance review and monitoring, action plans developed for areas of adverse performance.
Resident 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 the Helping Hands Fund and Tenancy Gurus to ensure residents have access to relevant support and benefits.
Inflation	In-depth review of business planning and forecasting along with a wide variety of stress scenarios. Clear reporting to the Board on the financial impact of decisions made. Refreshing of priorities and value for money targets.
Weakening margins	Revisit of business planning assumptions to determine future targets/ flexibility in targets to create better margins/ reviewing ambitions and budgets. Increased engagement with finance bodies.
Prioritisation	Ongoing review of plans, priorities, and timetabling, maintaining awareness of resources constraints and seeking alternative approaches, additional resources and/ or reprioritisation of activities and projects.

The following is the full list of strategic risks reported upon during the year:

Capacity
Focus on too many targets and opportunities leading to not achieving overall objectives
Adverse financial performance/ targets impacting strategic objectives
Weaker financial margins weakening access to financing at competitive rates
Failure to recruit, retain resources and talent
Employee health and wellbeing
Increasing volume of acquisitions' opportunities

Reputation
Cost of our service offer becomes unaffordable for both current and future residents
Ineffective cyber security controls to prevent cyber crime
Ineffective assurance mechanisms to demonstrate robust internal control
Implementation of New Consumer Standards
Fulfilment of statutory H&S duties, keeping our people and residents safe
Remaining compliant with safeguarding duties for older people
Ineffective leadership and governance oversight

Change
Failure to influence or be aware of the changing regulatory/ political environment
Economic uncertainty, continued cost inflation
Failure to understand and plan for future residents' needs
Slow to adapt to technological change, and/ or implement Transform 21 effectively
Failure to be aware of, or implement, sustainability requirements
Failure to understand and plan for changes in legislation

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 2022 /23 third party assurance was provided by both Mazars and a range of additional subject matter experts in specific areas.

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

A self-assessment review of the internal audit service was completed partially based upon stakeholder feedback. 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.

We have noted some areas in which the control environment could be improved, these being reflected in the internal audit outcomes which have included several partial/ limited assurance outcomes.

The Board Assurance Framework continues to identify the control framework for areas in scope; while there has been improvement overall, there are a number of areas where management oversight as part of the second line of defence could be strengthened. Where there is good oversight, some inconsistency of outcome has been identified, this being down to the size and devolved nature of operations; the inconsistency is not considered systemic.

We have found through our follow-up work, improvements in the control environment in areas graded as limited assurance in the prior year, and while there are a small number of in-year recommendations which are overdue, many of these have been implemented in part.

Management oversight: embedding a control framework

A core element of the system of internal controls embedded within the organisation is 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 percent 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 of 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 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 Whistleblowing 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 email monitoring tools, 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.

This Strategic Report and Report of the Board was approved by order of the Board on 31 July 2023 and signed on its behalf by

Paul Hutton
Secretary

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. Financial Statements 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:

- 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 2022.

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 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

Opinion

We have audited the financial statements of Housing 21 (the Association) and its subsidiaries (the Group) for the year ended 31 March 2023 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 2023 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 2022.

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.

Independence

We were first appointed as auditor of Housing 21 by the Board for the period ending 31 March 2022. The period of total uninterrupted engagement for the Group is for two financial years ending 31 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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 12 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 £59,748k as at 31 March 2023 (2022: £38,464k).

Refer to pages 73 (accounting policies) and page 89 (financial disclosures).

The risk: significant risk high value

Development is a key activity for the parent Association. Judgements include the allocation of costs to mixed tenure schemes along with capitalisation of overhead costs. Our overall assessment of misstatement is therefore that new build development cost 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 tested a sample of amounts capitalised in our sample testing against requirements in FRS 102 and guidance in the Statement of Recommended Practice 2018.
- **Test of detail**: We evaluated the assessment of whether there was any evidence of impairment of schemes under development.
- **Test of detail**: We evaluated whether accruals have been made for significant development expenditure incurred up to 31 March 2023 but not yet invoiced.
- **Test of detail**: We reviewed the policy on overhead capitalisation and assessed whether overhead costs capitalised were directly attributable to developments.

Our results

We noted no material exceptions through performing these procedures.

Housing Properties: Net realisable value of property held for sale — parent Association risk

The total stock value as at 31 March 2023 was £21,378k (2022: £33,029k). The Group recorded turnover from properties developed for low cost home ownership of £20,045k (2022: £22,402k) and impairment of £522k relating to a scheme in development during the year.

Refer to pages 76 (accounting policies) and page 93 (financial disclosures).

The risk: significant risk medium value

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. 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, the macro-economic conditions and potential impact on the property market, the impairment experienced on a scheme during the year and the level of judgement involved in estimating both selling price and costs to complete, we considered there to be a significant risk of misstatement.

Our response

Our procedures included the following:

- **Test of detail:** We recalculated the surplus on sale for a sample of sales in the year by agreeing the proceeds and cost of sales to completion statements, bank statements and fixed asset workings.
- **Assessment of recoverability:** We assessed 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 evaluated 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 2023.

Our results

We noted no material exceptions through performing these procedures.

Accounting treatment and disclosure of long term PFI/ PPP contracts

The group subsidiary entities, Kent Community Partnership Limited and Oldham Retirement Housing Partnership Limited were set up in order to facilitate a private finance initiative (PFI) with the relevant local authority. The parent Association also has a Public-Private Partnership (PPP).

Housing 21 has taken the exemption permitted by FRS102 to continue to account for these service concession finance arrangements using the same accounting policies as were applied at the date of transition to FRS102 as they were entered into before the date of transition to FRS 102.

Refer to pages 71 (accounting policies) and page 94 (financial disclosures).

The risk: complex accounting treatments

In determining the transactions and balances to be recognised in the Financial Statements a number of considerations of the contractual arrangements of the PFI/ PPP contracts are necessary. This includes the assessment of risk and reward as to whether a fixed asset or finance debtor is recognised in the Financial Statements.

In addition, the financial models which calculate the assets and liabilities for the contractual arrangements and the level of income and profit to be recognised at the reporting date, involve a number of assumptions and a level of judgement in estimating costs to complete. Variations to these assumptions could significantly affect the calculated results. The effect of these matters is that we determined there to be a significant risk of misstatement.

Our response

Our procedures included the following:

- **Assessing the accounting treatment:** We reviewed the contractual arrangements and assessed whether the accounting treatment, including the recognition of assets and liabilities and recognition of income and profit was appropriate.
- **Test of detail:** We agreed the transactions and balances to the financial models held by management and agreed the balances and movements in year. We sample tested Unitary Charge income invoices and expenditure invoices.
- **Review of assumptions:** We used an independent auditor expert to assess and challenge whether the assumptions used in the financial models were reasonable. We also reviewed the bank's certification of the assumptions used within the financial models.
- **Review of disclosures:** We reviewed the disclosures within the financial statements of the subsidiaries and the Group financial statements.

Our results

Our audit work concluded that the PFI/ PPP accounting treatment is appropriately recognised within the Financial Statements.

We noted no material exceptions through performing these procedures.

Fair value of derivatives in subsidiaries

The group subsidiary entities, 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 £11,066k (2022: £32,428k) with gains in fair value through other comprehensive income of £21,146k (2022: £14,018k) and £62k (2022: £111k) through surplus for the year

Refer to pages 76 (accounting policies) and page 97 (financial disclosures).

The risk: significant risk medium value

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.

Our response

Our procedures included the following:

- Confirmation of value: We used independent specialist software to reperform the year-end value of the valuations.
- Assessment of accounting: We obtained the outputs from management's expert relating to the effectiveness of the hedging relationships.
- Reporting: We evaluated the accounting and disclosures included within the Financial Statements.
- Tests of detail: we agreed the rate used back to details included on the term sheets.

Our results

We noted no material exceptions through performing these procedures.

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 £3,773k, determined with reference to a benchmark of Group turnover (of which it represents 1.5 percent). 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 £3,696k, determined with reference to a benchmark of Association turnover (of which it represents 1.5 percent).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £189k, 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 audit team.

Other information

The other information comprises the information included in the Report of the Board 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 57, 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 http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the Audit was Considered Capable of Detecting Irregularities, including Fraud

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

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

- We obtained an understanding of laws and regulations that affect the 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, the National Housing Federation 2020 Code of Governance, 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.

Beever and Struthers

Statutory Auditor:	**Beever and Struthers**	Date: 10 August 2023
Address:	One Express	
	1 George Leigh Street	
	Ancoats	
	Manchester	
	M4 5DL	

Group Comprehensive Income Statement

		2023			2022		
	Note	Ongoing activities	One-off items	Total	Ongoing activities	One-off items	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2	252,763	(1,223)	251,540	224,442	-	224,442
Operating costs and cost of sales	2	(225,378)	–	(225,378)	(194,114)	-	(194,114)
Gains on disposal of housing properties	2/4	278	–	278	576	-	576
Operating surplus	2	27,663	(1,223)	26,440	30,904	-	30,904
Other interest receivable and similar income	7	9,206	–	9,206	6,670	-	6,670
Interest and financing costs	8	(26,011)	–	(26,011)	(25,773)	(14,033)	(39,806)
Movement in fair value of financial instruments		62	–	62	111	-	111
Other finance costs	18	–	–	–	-	(6,773)	(6,773)
Surplus/ (deficit) before taxation		10,920	(1,223)	9,697	11,912	(20,806)	(8,894)
Tax on surplus	10	16	–	16	2	-	2
Surplus/ (deficit) for the financial year		10,936	(1,223)	9,713	11,914	(20,806)	(8,892)
Recycled Capital Grants		–	–	–	90	-	90
Actuarial gains/ (losses) in respect of pensions	25	(1,025)	–	(1,025)	776	-	776
Effective movement in fair value of hedged financial instrument		21,146	–	21,146	14,018	-	14,018
Reclassified from cash flow hedge to interest and financing costs		–	–	–	252	-	252
Total comprehensive income for the financial year		31,057	(1,223)	29,834	27,050	(20,806)	6,244

The notes on pages 70 to 109 form part of the Financial Statements. All items relate to continuing activities.

These Financial Statements were approved and authorised for issue by the Board on 31 July 2023 and are signed on behalf of the Board by:

Stephen Hughes
(Chair)

Catherine Dugmore
(Director)

Paul Hutton
(Secretary)

Association Comprehensive Income Statement

		2023			2022		
	Note	Ongoing activities	One-off items	Total	Ongoing activities	One-off items	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2	**246,415**	–	**246,415**	218,226	-	218,226
Operating costs and cost of sales	2	**(223,376)**	–	**(223,376)**	(192,586)	-	(192,586)
Gains on disposal of housing properties	2/4	**278**	–	**278**	576	-	576
Operating surplus	2	**23,317**	–	**23,317**	26,216	-	26,216
Other interest receivable and similar income	7	**4,526**	–	**4,526**	2,083	-	2,083
Interest and financing costs	8	**(19,878)**	–	**(19,878)**	(19,142)	(14,033)	(33,175)
Movement in fair value of financial instruments		–	–	–	(345)	-	(345)
Other finance costs	18	–	–	–	-	(6,773)	(6,773)
Surplus/ (deficit) before taxation		**7,965**	–	**7,965**	8,812	(20,806)	(11,994)
Tax on surplus	10	–	–	–	-	-	-
Surplus/ (deficit) for the financial year		**7,965**	–	**7,965**	8,812	(20,806)	(11,994)
Recycled Capital Grants		–	–	–	90	-	90
Actuarial gains / (losses) in respect of pensions	25	**(1,030)**	–	**(1,030)**	776	-	776
Effective movement in fair value of hedged financial instrument		–	–	–	(171)	-	(171)
Reclassified from cash flow hedge to interest and financing costs		–	–	–	252	-	252
Total comprehensive income/ (loss) for the financial year		**6,935**	–	**6,935**	9,759	(20,806)	(11,047)

The notes on pages 70 to 109 form part of the Financial Statements. All items relate to continuing activities.

These financial statements were approved and authorised for issue by the Board on 31 July 2023 and are signed on behalf of the Board by:

....

Stephen Hughes
(Chair)

....

Catherine Dugmore
(Director)

....

Paul Hutton
(Secretary)

Group Statement of Changes in Reserves

	2023				2022			
	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	**454,481**	**(31,327)**	**301,256**	**724,410**	462,530	(51,566)	301,233	712,197
Surplus/ (deficit) for the financial year	**9,713**	**–**	**–**	**9,713**	(8,892)	–	–	(8,892)
Termination of swap	**–**	**–**	**–**	**–**	–	5,969	–	5,969
Recycled Capital Grants	**–**	**–**	**–**	**–**	90	–	–	90
Actuarial (losses)/ gains on defined benefit schemes	**(1,025)**	**–**	**–**	**(1,025)**	776	–	–	776
Movement in the fair value of financial instruments	**–**	**21,146**	**–**	**21,146**	–	14,018	–	14,018
Reclassified to interest and financing costs	**–**	**–**	**–**	**–**	–	252	–	252
Other comprehensive (cost)/ income for the year	**(1,025)**	**21,146**	**–**	**20,121**	866	14,270	–	15,136
Transfer from revaluation reserve to income and expenditure reserve	**(64)**	**–**	**64**	**–**	(23)	–	23	–
Balance at 31 March	**463,105**	**(10,181)**	**301,320**	**754,244**	454,481	(31,327)	301,256	724,410

The notes on pages 70 to 109 form part of the Financial Statements.

Association Statement of Changes in Reserves

	2023				2022			
	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	**430,779**	**-**	**283,682**	**714,461**	441,930	(6,050)	283,659	719,539
Surplus/ (deficit) for the financial year	**7,965**	**-**	**-**	**7,965**	(11,994)	-	-	(11,994)
Termination of swap	**-**	**-**	**-**	**-**	-	5,969	-	5,969
Recycled Capital Grants	**-**	**-**	**-**	**-**	90	-	-	90
Actuarial (losses) / gains on defined benefit schemes	**(1,030)**	**-**	**-**	**(1,030)**	776	-	-	776
Movement in the fair value of financial instruments	**-**	**-**	**-**	**-**	-	(171)	-	(171)
Reclassified to interest and financing costs	**-**	**-**	**-**	**-**	-	252	-	252
Other comprehensive (cost)/ income for the year	**(1,030)**	**-**	**-**	**(1,030)**	866	81	-	947
Transfer from revaluation reserve to income and expenditure reserve	**(64)**	**-**	**64**	**-**	(23)	-	23	-
Balance at 31 March	**437,650**	**-**	**283,746**	**721,396**	430,779	-	283,682	714,461

The notes on pages 70 to 109 form part of the Financial Statements.

Group and Association Balance Sheets

Registered number 16791R	Note	Group		Association	
		2023	2022 (Restated)	**2023**	2022
		£'000	£'000	**£'000**	£'000
Tangible fixed assets					
Housing properties	11	**1,433,933**	1,315,191	**1,354,863**	1,235,022
Other fixed assets	13	**2,652**	3,524	**2,652**	3,524
		1,436,585	1,318,715	**1,357,515**	1,238,546
Current assets					
Housing properties and stock for sale	14	**21,378**	33,029	**21,378**	33,029
Debtors: receivable after one year	15	**105,092**	109,547	**40,540**	41,554
Debtors: receivable within one year	15	**33,927**	20,225	**33,528**	19,663
Short-term investments	21	**33,300**	96,550	**13,850**	94,100
Cash and cash equivalents	21	**96,195**	128,760	**83,200**	102,422
		289,892	388,111	**192,496**	290,768
Creditors: amounts falling due within one year	16	**(121,474)**	(116,340)	**(86,539)**	(81,585)
Net current assets		**168,418**	271,771	**105,957**	209,183
Total assets less current liabilities		**1,605,003**	1,590,486	**1,463,472**	1,447,729
Creditors: amounts falling due after more than one year	17	**(843,121)**	(858,069)	**(734,438)**	(725,261)
Provision for defined benefit pension liabilities	25	**(7,638)**	(8,007)	**(7,638)**	(8,007)
Net assets		**754,244**	724,410	**721,396**	714,461
Capital and Reserves					
Cash flow hedge reserve		**(10,181)**	(31,327)	**-**	-
Revaluation reserve		**301,320**	301,256	**283,746**	283,682
Income and expenditure reserve		**463,105**	454,481	**437,650**	430,779
		754,244	724,410	**721,396**	714,461

These financial statements were approved and authorised for issue by the Board on 31 July 2023 and are signed on behalf of the Board by:

....

Stephen Hughes
(Chair)

....

Catherine Dugmore
(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	
		2023	2022	**2023**	2022
		£'000	£'000	**£'000**	£'000
Cash from operations	20	**51,353**	56,072	**42,794**	47,386
Taxation		**16**	(32)	**-**	-
Net cash generated from operating activities		**51,369**	56,040	**42,794**	47,386
Cash flow from investing activities					
Net proceeds from the sale of housing properties		**21,225**	24,380	**21,225**	24,380
Expenditure on housing properties		**(157,563)**	(90,655)	**(157,216)**	(90,395)
Expenditure on other fixed assets		**(1,037)**	(1,950)	**(1,037)**	(1,950)
Receipt of capital grants		**18,056**	25,378	**18,056**	25,378
Interest received		**8,462**	6,671	**3,789**	2,083
(Purchase)/ maturity of short-term investments		**63,250**	(96,550)	**80,250**	(94,100)
Net cash used in investing activities		**(47,607)**	(132,726)	**(34,933)**	(134,604)
Cash flow from financing activities					
Repayment of bank borrowings		**(8,899)**	(63,508)	**(5,736)**	(59,367)
Termination of swap		**-**	(13,260)	**-**	(13,260)
Proceeds from new loans		**-**	80,000	**-**	80,000
Loan premium		**-**	12,288	**-**	12,288
Interest paid including refinancing costs		**(27,428)**	(42,932)	**(21,347)**	(36,370)
Net cash (used in)/ from financing activities		**(36,327)**	(27,412)	**(27,083)**	(16,709)
Net (decrease)/ increase in cash and cash equivalents		**(32,565)**	(104,098)	**(19,222)**	(103,927)
Cash and cash equivalents at the beginning of the year		**128,760**	232,858	**102,422**	206,349
Cash and cash equivalents at the end of the year		**96,195**	128,760	**83,200**	102,422

The notes on pages 70 to 109 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 the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.
- 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 2022.

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 tests 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 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 & 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 contribution schemes (see note 25 for further information). The other two defined benefit schemes are the Social Housing Pension Schemes 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 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; and
- Subsequently extend the life of the property.

Planned expenditure on major component is capitalised where the component is expected to provide incremental future benefits to the Group, or 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 percent and 75 percent equity. The buyer has the right to purchase further proportions up to 75 percent 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 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 is 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. Instead they are 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. An impairment assessment is undertaken when an indicator of impairment is identified in the year. When undertaking impairment assessments on housing properties, it is judged that an active market does not exist for the sale of housing properties between registered social providers. Therefore, value in use on the a) net present value of future cash flows or b) depreciated replacement cost, is used.

   The net present value of future cash flows is based on the current rentals and cost base of the scheme. These are uplifted by the same inflationary assumptions used in new development appraisals. The cash flows are discounted using the Group's current weighted average cost of capital of its debt. The period over which the cash flows are projected and discounted is based on the estimated remaining useful economic life determined on a case-by-case basis. The depreciated replacement cost is ascertained by the latest average build cost determined by the Group's development team for a similar property.

   We did not identify any indicators of impairment in the year ended 31 March 2023 on our housing properties except for a development under construction where the contractor went into administration resulting in the contract having to be retendered, with significant cost increases to complete rectification works also required. The rental properties on the scheme were assessed for impairment using the depreciated replacement cost methodology resulting in an impairment of £230k, which is included in note 3. The sale properties were assessed for impairment by comparing the cost of the development versus the net realisable value resulting in an impairment of £522k, included within development services costs in note 2.

3. Where an asset is held for sale, FRS 102 requires that it is recognised at the lower of book value and net realisable value. We have reviewed our properties for sale and are content that the net realise value is higher than the book value except for the market rent portfolio that is being sold. The sale price agreed for the sale is lower than the current net book value, resulting in an impairment of £899k. This impairment is recognised in note 2.

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. This is 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. Except for the development under construction mentioned above, there have been no such indicators of impairment existing at 31 March 2023.

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. Housing 21 acquired properties from another registered provider in the financial year. As Housing 21 will provide all central administration, operational infrastructure such as IT equipment and equip the schemes with other significant resources required for the schemes to continue to operate, management have determined that this transaction is a purchase of assets.

Estimates

7. Group housing property components have been identified and their associated useful economic lives set (as shown in Note 1.16) with reference to the National Housing Federation and Savills' 2011 publication on national property component matrix for sheltered flats.

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 SHPS pension scheme 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 show 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.

The underlying models are updated by inflation forecasts, which during the current financial year, have materially changed due to the economic outlook, thus increasing the forecast costs for the remainder of the contract. Based on the stage of completion approach, this has impacted the income recognition for the Kent PFI project as the unitary charge does not increase with inflation, resulting in a £1.2m cumulative adjustment to income which has been recognised in the year. The overall contract remains profitable.

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus

Group	2023				2022			
	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)	178,613	(152,175)	-	26,438	152,370	(123,855)	-	28,515
Other social housing activities								
Support charge	4,420	(4,546)	-	(126)	3,905	(4,039)	-	(134)
Leasehold services	2,068	(2,290)	-	(222)	1,908	(2,122)	-	(214)
First tranche low-cost home ownership sales	20,045	(16,418)	-	3,627	22,402	(19,920)	-	2,482
Development services	253	(1,934)	-	(1,681)	167	(1,700)	-	(1,533)
Gain on disposal of housing properties (see note 4)	-	-	137	137	-	-	522	522
	26,786	(25,188)	137	1,735	28,382	(27,781)	522	1,123
Total social housing activities	205,399	(177,363)	137	28,173	180,752	(151,636)	522	29,638
Non-social housing activities								
Care services	42,462	(43,957)	-	(1,495)	38,150	(37,756)	-	394
Non-social rent	1,569	(1,935)	-	(366)	1,717	(1,133)	-	584
Gain on disposal of housing properties (see note 4)	-	-	141	141	-	-	54	54
Leasehold services	1,925	(2,032)	-	(107)	2,110	(2,148)	-	(38)
Other	185	(91)	-	94	1,713	(1,441)	-	272
	46,141	(48,015)	141	(1,733)	43,690	(42,478)	54	1,266
Total	251,540	(225,378)	278	26,440	224,442	(194,114)	576	30,904

- Included within 'other' in non-social housing is additional income of £185k (2022: £1,713k) and additional costs of £91k (2022: £1,441k) incurred in the delivery of care services as result of Covid.
- Total development administration costs capitalised were £1,631k (2022: £1,271k) for the Group.
- Development services costs include £522k (2022: £nil) related to impairment of shared ownership properties held for sale as explained in Note 1b.

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus (cont)

Association	2023				2022			
	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)	173,488	(150,180)	-	23,308	146,154	(122,327)	-	23,827
Other social housing activities								
Support charge	4,420	(4,539)	-	(119)	3,905	(4,039)	-	(134)
Leasehold services	2,068	(2,290)	-	(222)	1,908	(2,122)	-	(214)
First tranche low-cost home ownership sales	20,045	(16,418)	-	3,627	22,402	(19,920)	-	2,482
Development services	253	(1,934)	-	(1,681)	167	(1,700)	-	(1,533)
Gain on disposal of housing properties (see note 4)	-	-	137	137	-	-	522	522
	26,786	(25,181)	137	1,742	28,382	(27,781)	522	1,123
Total social housing activities	200,274	(175,361)	137	25,050	174,536	(150,108)	522	24,950
Non-social housing activities								
Care services	42,462	(43,957)	-	(1,495)	38,150	(37,756)	-	394
Non-social rent	1,569	(1,935)	-	(366)	1,717	(1,133)	-	584
Gain on disposal of housing properties (see note 4)	-	-	141	141	-	-	54	54
Leasehold services	1,925	(2,032)	-	(107)	2,110	(2,148)	-	(38)
Other	185	(91)	-	94	1,713	(1,441)	-	272
	46,141	(48,015)	141	(1,733)	43,690	(42,478)	54	1,266
Total	246,415	(223,376)	278	23,317	218,226	(192,586)	576	26,216

- Included within other in non-social housing is additional income of £185k (2022: £1,713k) and additional costs of £91k (2022: £1,713k) incurred in the delivery of care services as result of Covid.
- Total development administration costs capitalised were £1,631k (2022: £1,271k) for the Group.
- Development services costs include £522k (2022: £nil) related to impairment of shared ownership properties held for sale as explained in Note 1b.

3. Turnover, Operating Costs and Operating Surplus From Social Housing Lettings

	Group				Association			
	Retirement Living	**Extra Care**	**2023 Total**	2022 Total	**Retirement Living**	**Extra Care**	**2023 Total**	2022 Total
	£'000	**£'000**	**£'000**	£'000	**£'000**	**£'000**	**£'000**	£'000
Turnover on social housing lettings								
Rents net of identifiable service charges	**59,602**	**40,112**	**99,714**	92,527	**59,603**	**39,728**	**99,331**	92,153
Service and utility charges	**31,435**	**32,139**	**63,574**	44,760	**31,435**	**31,898**	**63,333**	44,513
Amortisation of Government grants	**14**	**767**	**781**	260	**14**	**767**	**781**	260
Other income	**5,708**	**8,836**	**14,544**	14,823	**5,573**	**4,470**	**10,043**	9,228
	96,759	**81,854**	**178,613**	152,370	**96,625**	**76,863**	**173,488**	146,154
Expenditure on social housing lettings								
Management	**(20,052)**	**(14,051)**	**(34,103)**	(30,766)	**(19,603)**	**(16,106)**	**(35,709)**	(32,328)
Service and utility costs	**(27,057)**	**(30,078)**	**(57,135)**	(38,841)	**(27,057)**	**(29,853)**	**(56,910)**	(38,598)
Routine maintenance	**(9,820)**	**(5,931)**	**(15,751)**	(14,574)	**(9,820)**	**(5,005)**	**(14,825)**	(13,734)
Planned maintenance	**(4,273)**	**(6,969)**	**(11,242)**	(8,206)	**(4,273)**	**(5,687)**	**(9,960)**	(7,463)
Major repairs	**(1,625)**	**(818)**	**(2,443)**	(1,853)	**(1,625)**	**(818)**	**(2,443)**	(1,753)
Bad debts	**(135)**	**(441)**	**(576)**	(524)	**(135)**	**(440)**	**(575)**	(524)
Depreciation of housing properties	**(15,162)**	**(13,357)**	**(28,519)**	(27,633)	**(15,162)**	**(12,190)**	**(27,352)**	(26,469)
Impairments of housing properties	**(230)**	**-**	**(230)**	-	**(230)**	**-**	**(230)**	-
Lease costs	**(361)**	**(140)**	**(501)**	-	**(361)**	**(140)**	**(501)**	-
Other depreciation	**(781)**	**(894)**	**(1,675)**	(1,458)	**(781)**	**(894)**	**(1,675)**	(1,458)
	(79,496)	**(72,679)**	**(152,175)**	(123,855)	**(79,047)**	**(71,133)**	**(150,180)**	(122,327)
Operating surplus on social housing lettings	**17,263**	**9,175**	**26,438**	28,515	**17,578**	**5,730**	**23,308**	23,827
Void losses	**(982)**	**(3,379)**	**(4,361)**	(4,446)	**(982)**	**(3,374)**	**(4,356)**	(4,443)

- Retirement Living and Extra Care represent 'supported housing and housing for older people'.
- Included within void losses are first let voids on new properties of £1,474k (2022: £1,412k).
- Included in 'other income' in Group is a one-off item of £1,223k (2022: £nil) relating to a deferral of unitary charge income for the Kent Community Partnership Limited. Due to higher inflation forecasts, which are higher than previously estimated, a cumulative adjustment to income has been made to reflect the revised stage of completion of the project.

4. Gain on Disposal of Housing Properties

Group and Association	2023			2022
	Staircasing £'000	Other £'000	Total £'000	£'000
Disposal proceeds	1,397	228	1,625	2,602
Cost of sale	(1,194)	(87)	(1,281)	(1,769)
Surplus excl. recycled grant	203	141	344	833
Recycled grant	(66)	–	(66)	(257)
Surplus	137	141	278	576

The gain on disposal of housing properties, excluding first tranche and outright sale, is split between £137k (2022: £522k) generated from staircasing sales and the disposal of a Retirement Living scheme and £141k (2022: £54k) from the sale of a non-social housing property.

5. Executive Team and Directors' Remuneration

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

	2023	2022
	£'000	£'000
Emoluments	1,025	1,013
Pension contributions	73	67
Total	1,098	1,080

During the year, the aggregate compensation for loss of office of key management personnel was £45k (2022: £nil).

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:

	2023	2022
	£'000	£'000
Emoluments	253	245
Pension contributions	30	30
Total	283	275

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 (2022: £30k), of which £20k (2022: £20k) was taken as cash. The above remuneration excludes any employer's social security costs.

The Directors of Housing 21 are defined as Members of the Board and the Executive Team. The Board consists of 10 Non-Executive Members (2022: 11). In addition, there are two (2022: two) independent audit members.

5. Directors and Executive Team Remuneration (cont)

The Non-Executive Board Members received emoluments totalling £155k (2022: £166k). The emoluments were:

		2023	2022
		£'000	£'000
Stephen Hughes (Chair)		**25**	25
Michael McDonagh		**14**	14
David Clark		**14**	14
Elaine Elkington		**14**	14
Sukhjinder Kalirai		**14**	13
William Roberts		**14**	13
Lara Oyedele		**14**	13
Catherine Dugmore	(Appointed 1 September 2022)	**14**	8
John Ayton	(Appointed 16 September 2022)	**6**	-
Sandra Stark	(Appointed 16 September 2022)	**6**	-
Christina Law	(Independent audit member)	**4**	4
Ian Skipp	(Independent audit member)	**4**	4
Shelagh Robinson	(Resigned 31 March 2022)	**-**	13
Anne Turner	(Resigned 30 September 2022)	**7**	14
Neil Revely	(Resigned 30 September 2022)	**7**	14
Elizabeth Potter	(Resigned 30 September 2021)	**-**	7
Total		**157**	170

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	
	2023 No.	2022 No.	**2023 No.**	2022 No.
Management, scheme managers and administration	**1,270**	1,219	**1,267**	1,218
Care and ancillary	**1,639**	1,634	**1,638**	1,633
	2,909	2,853	**2,905**	2,851

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

	Group		Association	
	2023	2022	**2023**	2022
	£'000	£'000	£'000	£'000
Wages and salaries	**75,476**	68,847	**75,363**	68,741
Redundancy and other costs	**236**	(50)	**236**	(50)
Social security costs	**6,432**	5,411	**6,424**	5,404
Pension costs	**3,394**	3,078	**3,394**	3,078
	85,538	77,286	**85,417**	77,173

6. Employee Information (cont)

Detailed below is the number of employees whose remuneration payable (including employer pension contributions) in relation to the period was more than £60,000:

	Group and Association	
	2023 No.	2022 No.
£270,000 – 279,000	**1**	1
£180,000 – 189,999	**1**	1
£150,000 – £159,999	**3**	4
£110,000 – £119,999	**3**	2
£100,000 – £109,999	**5**	2
£90,000 – £99,999	**6**	8
£80,000 – £89,999	**5**	4
£70,000 – £79,999	**15**	11
£60,000 – £69,999	**44**	32
	83	65

7. Interest Receivable and Similar Income

	Group		Association	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Interest received on cash deposits and short-term investments	**3,194**	409	**2,679**	397
Finance asset interest	**6,012**	6,261	**319**	330
Interest receivable from group undertakings	**-**	-	**1,344**	1,356
Gift Aid	**-**	-	**184**	-
	9,206	6,670	**4,526**	2,083

Finance asset interest of £6,012k (2022: 6,261k) for the Group and £319k (2022: £330k) 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, interest receivable is generated on the outstanding balance. This is recovered via the Unitary Charge payable by the local authority.

8. Interest and Financing Costs

	Group		Association	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**(12,231)**	(14,429)	**(6,215)**	(7,914)
All other loans	**(14,822)**	(12,655)	**(14,821)**	(12,655)
Other financing fees and charges	**(385)**	(586)	**(269)**	(470)
Amortisation of loan premium	**1,109**	818	**1,109**	818
Net interest on pension liabilities	**(210)**	(200)	**(210)**	(200)
	(26,539)	(27,052)	**(20,406)**	(20,421)
Interest capitalised on construction of housing properties	**528**	1,279	**528**	1,279
	(26,011)	(25,773)	**(19,878)**	(19,142)
Refinancing costs	**–**	(14,033)	**–**	(14,033)
	(26,011)	(39,806)	**(19,878)**	(33,175)

In November 2021, outstanding loans of £49,177k were repaid to Dexia early, incurring break costs of £14,033k.

9. Operating Surplus Before Tax

	Group		Association	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
This is arrived at after (charging)/ crediting				
Depreciation of housing properties	**(28,623)**	(27,743)	**(27,456)**	(26,579)
Impairment of investment	**–**	-	**–**	(6,485)
Impairment of housing properties	**(1,651)**	-	**(1,651)**	-
Impairment of other assets	**–**	300	**–**	300
Depreciation on other fixed assets	**(1,820)**	(1,600)	**(1,821)**	(1,600)
Amortisation of grants	**781**	260	**781**	260
Payments under operating leases				
Land and buildings	**(562)**	(567)	**(562)**	(567)
Other	**(92)**	(112)	**(91)**	(112)
Auditors' remuneration (excluding VAT)				
In their capacity as Financial Statement auditors	**(104)**	(94)	**(81)**	(74)
Covenants compliance audit	**(3)**	(3)	**(3)**	(3)
Leasehold audit	**(42)**	(32)	**(42)**	(32)

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, Housing 21 Guernsey can make Gift Aid payments that enable it to reduce its corporation tax liability to £nil.

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 2022	844,268	1,487	669,841	55,148	28,821	9,641	**1,609,206**
Acquisitions and construction costs	879	-	62,503	1,079	50,340	9,408	**124,209**
Works to existing properties	23,389	60	6,852	-	-	-	**30,301**
Transfers from/ (to) current assets	-	134	1,004	(154)	-	(5,684)	**(4,700)**
Reclassifications	-	-	669	(669)	-	-	**-**
Completed property transfers	7,967	(1)	17,266	5,098	(25,233)	(5,097)	**-**
Disposals	(9,455)	(74)	(2,874)	(1,116)	-	-	**(13,519)**
31 March 2023	**867,048**	**1,606**	**755,261**	**59,386**	**53,928**	**8,268**	**1,745,497**
Accumulated depreciation and impairments							
1 April 2022	(178,388)	(16)	(113,518)	(2,093)	-	-	**(294,015)**
Charge in the year	(15,250)	(17)	(12,833)	(523)	-	-	**(28,623)**
Impairment	(899)	-	-	-	(230)	-	**(1,129)**
Eliminated on disposals	9,327	-	2,876	-	-	-	**12,203**
31 March 2023	**(185,210)**	**(33)**	**(123,475)**	**(2,616)**	**(230)**	**-**	**(311,564)**
Net book value							
31 March 2023	**681,838**	**1,573**	**631,786**	**56,770**	**53,698**	**8,268**	**1,433,933**
31 March 2022	665,880	1,471	556,323	53,055	28,821	9,641	1,315,191
Land tenure							
Freehold	624,088	1,573	365,829	50,132	42,989	5,677	**1,090,288**
Long leasehold	57,750	-	265,957	6,638	10,709	2,591	**343,645**
31 March 2023	**681,838**	**1,573**	**631,786**	**56,770**	**53,698**	**8,268**	**1,433,933**

Depreciation charge in the year of £28,623k includes £3,118k of accelerated depreciation on replaced components (2022: £3,635k).

During the year, the Group and Association have spent £197k on buying back three properties from leaseholders/ shared owners. These have subsequently been rented out.

Housing properties include our non-social rent portfolio, which has a net book value of £12,195k. (2022 £13,043k).

The carrying amount of tangible fixed assets with restricted title is £62,564k (2022: £62,564k), pledged as security for liabilities is £1,058,461k (2022: £1,049,254k).

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 2022	844,267	1,487	574,469	55,148	28,821	9,643	**1,513,835**
Acquisitions and construction costs	879	-	62,503	1,079	50,340	9,408	**124,209**
Works to existing properties	23,389	60	6,784	-	-	-	**30,233**
Transfers from/ (to) current assets	-	134	1,004	(154)	-	(5,684)	**(4,700)**
Reclassifications	-	-	669	(669)	-	-	**-**
Completed property transfers	7,967	(1)	17,266	5,098	(25,233)	(5,097)	**-**
Disposals	(9,454)	(74)	(2,875)	(1,116)	-	-	**(13,519)**
31 March 2023	**867,048**	**1,606**	**659,820**	**59,386**	**53,928**	**8,270**	**1,650,058**
Accumulated depreciation and impairments							
1 April 2022	(178,389)	(16)	(98,314)	(2,094)	-	-	**(278,813)**
Charge in the year	(15,250)	(17)	(11,666)	(523)		-	**(27,456)**
Impairment	(899)				(230)		**(1,129)**
Eliminated on disposals	9,327	-	2,876	-	-	-	**12,203**
31 March 2023	**(185,211)**	**(33)**	**(107,104)**	**(2,617)**	**(230)**	**-**	**(295,195)**
Net book value							
31 March 2023	**681,837**	**1,573**	**552,716**	**56,769**	**53,698**	**8,270**	**1,354,863**
31 March 2022	665,879	1,471	476,154	53,054	28,821	9,643	1,235,022
Land tenure							
Freehold	624,087	1,573	361,638	50,131	42,989	5,678	**1,086,096**
Long leasehold	57,750	-	191,078	6,638	10,709	2,592	**268,767**
31 March 2023	**681,837**	**1,573**	**552,716**	**56,769**	**53,698**	**8,270**	**1,354,863**

Depreciation charge in the year of £27,456k includes £3,118k of accelerated depreciation on replaced components (2022: £3,635k).

Housing properties include our non-social rent portfolio, which has a net book value of £12,195k. (2022 £13,043k).

The carrying amount of tangible fixed assets with restricted title is £62,564k (2022: £62,564k), pledged as security for liabilities is £996,964k (2022: £986,659k).

11. Housing Properties (cont)

Works to existing properties

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

	Group		Association	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
New components capitalised	**25,477**	20,976	**25,409**	20,966
Capitalised enhancements	**4,824**	12,158	**4,824**	12,152
	30,301	33,134	**30,233**	33,118
Major repairs expensed (see note 3)	**2,443**	1,853	**2,443**	1,753
	32,744	34,987	**32,676**	34,871

The total amount of interest capitalised in the year was £528k (2022: £1,279k) and interest was capitalised at a rate of 3.3 percent (2022: four percent). 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	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Historic cost	**1,602,249**	1,466,053	**1,523,775**	1,387,646
Accumulated depreciation	**(306,442)**	(290,021)	**(290,070)**	(274,817)
	1,295,807	1,176,032	**1,233,705**	1,112,829

12. Housing Accommodation

	Group		Association	
	2023	2022	**2023**	2022
	No.	No.	**No.**	No.
Retirement Living				
Rented	**11,734**	11,621	**11,734**	11,621
General needs/ family	**40**	61	**40**	61
Non-social rented	**209**	210	**209**	210
Shared ownership	**40**	40	**40**	40
Leasehold: social	**732**	732	**732**	732
Leasehold: non social	**508**	546	**508**	546
Employee accommodation	**63**	74	**63**	74
Managed for others	**1,458**	1,458	**1,458**	1,458
	14,784	14,742	**14,784**	14,742
Extra Care				
Rented	**6,489**	5,949	**6,099**	5,559
Shared ownership	**1,430**	1,353	**1,430**	1,353
Leasehold	**137**	114	**102**	79
Employee accommodation	**1**	2	**–**	1
Managed for others	**44**	44	**470**	470
	8,101	7,462	**8,101**	7,462
Total	**22,885**	22,204	**22,885**	22,204
Properties in development				
For rent	**475**	410	**475**	410
For shared ownership	**64**	103	**64**	103
For outright sale	**–**	24	**–**	24
Total	**539**	537	**539**	537
Properties to be acquired				
For rent	**525**	-	**525**	-
For shared ownership/ leasehold	**22**	-	**22**	-
Total	**547**	-	**547**	-

12. Housing Accommodation (cont)

	Group							Association						
	1 April 2022	New develop-ments	Acquisitions	Remodel	Awaiting disposal/ disposed	Transfers between tenures	31 March 2023	1 April 2022	New develop-ments	Acquisitions	Remodel	Awaiting disposal/ disposed	Transfers between tenures	31 March 2023
Retirement Living														
Rented	11,621	85	-	7	(11)	32	11,734	11,621	85	-	7	(11)	32	11,734
General needs/ family	61	-	-	-	-	(21)	40	61	-	-	-	-	(21)	40
Non-social housing	210	-	-	-	(1)	-	209	210	-	-	-	(1)	-	209
Shared ownership	40	-	-	-	-	-	40	40	-	-	-	-	-	40
Leasehold: social	732	-	-	-	-	-	732	732	-	-	-	-	-	732
Leasehold: non-social	546	-	-	-	(38)	-	508	546	-	-	-	(38)	-	508
Employee accommodation	74	-	-	-	-	(11)	63	74	-	-	-	-	(11)	63
Managed for others	1,458	-	-	-	-	-	1,458	1,458	-	-	-	-	-	1,458
	14,742	85	-	7	(50)	-	14,784	14,742	85	-	7	(50)	-	14,784
Extra Care														
Rented	5,949	114	405	9	-	12	6,489	5,559	114	405	9	-	12	6,099
Shared ownership	1,353	66	22	-	-	(11)	1,430	1,353	66	22	-	-	(11)	1,430
Leasehold	114	24	-	-	-	(1)	137	79	24	-	-	-	(1)	102
Employee accommodation	2	-	-	-	(1)	-	1	1	-	-	-	(1)	-	-
Managed for others	44	-	-	-	-	-	44	470	-	-	-	-	-	470
	7,462	204	427	9	(1)	-	8,101	7,462	204	427	9	(1)	-	8,101
Total	22,204	289	427	16	(51)	-	22,885	22,204	289	427	16	(51)	-	22,885

13. Other Fixed Assets

Group and Association	Leasehold offices and improvements	IT and other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2022	1,161	7,768	**8,929**
Additions	84	935	**1,019**
Disposals	-	(273)	**(273)**
At 31 March 2023	**1,245**	**8,430**	**9,675**
Accumulated depreciation			
At 1 April 2022	(898)	(4,508)	**(5,406)**
Charge for the year	(130)	(1,690)	**(1,820)**
Disposals	-	203	**203**
At 31 March 2023	**(1,028)**	**(5,995)**	**(7,023)**
Net book value			
At 31 March 2023	**217**	**2,435**	**2,652**
At 31 March 2022	264	3,260	3,524

14. Housing Properties and Stock For Sale

Group and Association	2023	2022
	£'000	£'000
Low-cost home ownership and outright sale properties available for sale	**15,398**	20,115
Low-cost home ownership and outright sale properties under construction	**5,980**	12,914
	21,378	33,029

Included within low-cost home ownership and outright sale properties under construction is an impairment charge of £522k (2022: £nil).

15. Debtors

	Group		Association	
	2023	2022 (Restated)	2023	2022
	£'000	£'000	£'000	£'000
Greater than one year				
Finance asset receivable	**97,369**	101,598	**5,154**	5,386
Prepayments, accrued income and other debtors	**7,723**	7,949	**-**	-
Amounts owed by group undertakings	**-**	-	**2,129**	2,129
Amounts owed by group undertakings: concessionary loans	**-**	-	**33,257**	34,039
	105,092	109,547	**40,540**	41,554
Within one year				
Rent and service charge arrears	**4,177**	3,289	**4,174**	3,287
Less provision for bad debts	**(2,575)**	(2,460)	**(2,573)**	(2,458)
	1,602	829	**1,601**	829
Trade debtors	**5,809**	2,951	**5,809**	2,951
Amounts owed by group undertakings	**-**	-	**1,195**	1,046
Prepayments, accrued income and other debtors	**25,691**	13,595	**24,098**	11,987
Social Housing Grant receivable	**825**	2,850	**825**	2,850
	32,325	19,396	**31,927**	18,834
Total	**33,927**	20,225	**33,528**	19,663

An amount of £7,949k previously included in prepayments, accrued income and other debtors within one year has been restated to greater than one year. The note has been updated accordingly.

Housing 21 provides concessionary loan funding to the following subsidiaries:

	Rate of interest	1 April 2022	Movement	31 March 2023
		£'000	£'000	£'000
Kent Community Partnership Limited	**11%**	6,976	-	**6,976**
Oldham Retirement Housing Partnership Limited	**2%**	27,063	(782)	**26,281**
		34,039	(782)	**33,257**

16. Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 17)	**(13,395)**	(10,889)	**(5,752)**	(5,736)
Loans premium	**(1,135)**	(1,109)	**(1,135)**	(1,109)
	(14,530)	(11,998)	**(6,887)**	(6,845)
Trade creditors	**(7,552)**	(6,557)	**(7,332)**	(6,540)
Amount owed to Group undertakings	**-**	-	**(1,137)**	(983)
Other creditors	**(7,354)**	(9,976)	**(6,696)**	(9,161)
Interest rate swaps	**(218)**	(2,740)	**-**	-
Deferred Capital Grants (Note 19)	**(930)**	-	**(930)**	-
Accruals and deferred income	**(90,890)**	(85,069)	**(63,557)**	(58,056)
	(121,474)	(116,340)	**(86,539)**	(81,585)

17. Creditors: Amounts Falling Due After More Than One Year

	Group		Association	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Loans and borrowings	**(666,704)**	(678,108)	**(568,534)**	(574,286)
Loans premium	**(35,744)**	(36,879)	**(35,744)**	(36,879)
	(702,448)	(714,987)	**(604,278)**	(611,165)
Less: funding costs to be amortised	**3,303**	3,392	**2,340**	2,353
Interest rate swaps	**(10,848)**	(29,688)	**-**	-
Deferred Capital Grants (Note 19)	**(117,309)**	(101,967)	**(117,309)**	(101,967)
Recycled Capital Grants fund	**(159)**	(1,151)	**(159)**	(1,151)
Leasehold sinking fund balances	**(15,360)**	(13,668)	**(15,032)**	(13,331)
Deferred income	**(300)**	-	**-**	-
	(843,121)	(858,069)	**(734,438)**	(725,261)

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	
	2023	2022	**2023**	2022
Weighted average interest rate	**3.67%**	3.68%	**3.30%**	3.30%

At the 31 March 2023, the Group and Association had undrawn loan facilities of £50,000k (2022: £50,000k).

The Recycled Capital Grant Fund balance consists of:

Group and Association	2023	2022
	£'000	£'000
At 1 April	**(1,151)**	(1,787)
Grants recycled	**(357)**	(589)
Transferred to Deferred Capital Grants	**1,381**	1,148
Reclassification	**-**	90
Interest accrued	**(32)**	(13)
At 31 March	**(159)**	(1,151)
Amounts three years old or older where repayment may be required	**-**	-

Withdrawals from the Recycled Capital Grant Fund have 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			2023	2022
	Bank loans	Other loans	Total	Total
	£'000	£'000	£'000	£'000
In one year or less, or on demand (see Note 16)	(13,391)	(4)	**(13,395)**	(10,889)
In more than one year and less than two years	(38,643)	(5)	**(38,648)**	(11,405)
In more than two years and less than five years	(16,845)	(20)	**(16,865)**	(49,818)
More than five years	(161,067)	(450,123)	**(611,190)**	(616,885)
Total	**(229,946)**	**(450,152)**	**(680,098)**	(688,997)

Association			2023	2022
	Bank loans	Other loans	Total	Total
	£'000	£'000	£'000	£'000
In one year or less, or on demand (see Note 16)	(5,748)	(4)	**(5,752)**	(5,736)
In more than one year and less than two years	(33,666)	(5)	**(33,671)**	(5,752)
In more than two years and less than five years	(8,126)	(20)	**(8,146)**	(39,076)
More than five years	(76,594)	(450,123)	**(526,717)**	(529,458)
Total	**(124,134)**	**(450,152)**	**(574,286)**	(580,022)

The remaining £50,000k of the bond remains unsold but is secured and could be accessed in a relatively short time scale.

18. Financial Instruments

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at historical cost				
- Rental and service charge debtors	**1,602**	829	**1,601**	829
- Trade debtors	**5,809**	2,951	**5,809**	2,951
- Other debtors	**24,628**	22,583	**23,281**	13,339
- Cash and cash equivalents	**96,195**	128,760	**83,200**	102,422
- Short term investments	**33,300**	96,550	**13,850**	94,100
- Amounts owed from group undertakings	**-**	-	**2,129**	2,129
- Amounts owed from group undertakings: concessionary loans	**-**	-	**33,257**	34,038
Total financial assets	**161,534**	251,673	**163,127**	249,808
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable within one year	**(13,394)**	(10,889)	**(5,752)**	(5,736)
- Loans payable after one year	**(666,704)**	(678,108)	**(568,534)**	(574,286)
Financial liabilities measured at historic cost				
- Trade creditors	**(7,552)**	(6,557)	**(7,332)**	(6,540)
- Other creditors	**(38,497)**	(36,725)	**(34,901)**	(33,372)
- Amounts owed to group undertakings	**-**	-	**(1,137)**	(983)
- Loan premium due within one year	**(1,135)**	(1,109)	**(1,135)**	(1,109)
- Loan premium due after one year	**(35,744)**	(36,879)	**(35,744)**	(36,879)
Derivative financial instruments designated as hedges of variable interest rate risk				
- Interest rate swaps due within one year	**(218)**	(2,740)	**-**	-
- Interest rate swaps due after one year	**(10,848)**	(29,688)	**-**	-
Total financial liabilities	**(774,092)**	(802,695)	**(654,535)**	(658,905)

18. Financial Instruments (cont)

Hedges

To hedge the potential volatility in future interest cash flows arising from movements in 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	Interest rate swap	Maturity of swap
	£'000	£'000	£'000		
Oldham Retirement Housing Partnership Limited	(48,487)	(47,696)	(2,738)	Receive SONIA pay a fixed 4.8%	October 2034
Kent Community Partnership Limited	(25,508)	(25,508)	(2,692)	Receive SONIA pay a fixed 5.3%	September 2037
Kent Community Partnership Limited	(32,607)	(32,607)	(5,635)	Receive SONIA pay a fixed 5.0%	March 2039
Total	**(106,602)**	**(105,811)**	**(11,065)**		

The underlying interest rate for the loans in the table is SONIA.

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	+ 50 basis points	- 50 basis points
	£'000	£'000	£'000
Oldham Retirement Housing Partnership Limited	(2,738)	(1,342)	(4,197)
Kent Community Partnership Limited	(5,635)	(3,554)	(7,874)
Kent Community Partnership Limited	(2,692)	(1,771)	(3,661)
Total	**(11,065)**	**(6,667)**	**(15,732)**

In financial year 2021/22 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 2 December 2022 of £804k, were recognised as an additional charge in the Statement of Comprehensive Income. These adjustments totalled £6,773k and were disclosed within 'other finance costs'.

There was no such transaction in the current year.

19. Deferred Capital Grants

Group and Association	Retirement Living	Extra Care	Assets under construction	Total
	£'000	£'000	£'000	£'000
Grants				
1 April 2022	(1,381)	(81,692)	(21,289)	**(104,362)**
Grants received	-	-	(15,964)	**(15,964)**
Transfer (to)/ from RCGF	-	292	(1,381)	**(1,089)**
Completions	(4,510)	(8,028)	12,538	**-**
31 March 2023	**(5,891)**	**(89,428)**	**(26,096)**	**(121,415)**
Accumulated amortisation				
1 April 2022	18	2,377	-	**2,395**
Credit for the year	14	767	-	**781**
31 March 2023	**32**	**3,144**	**-**	**3,176**
Net book value				
31 March 2023	**(5,859)**	**(86,284)**	**(26,096)**	**(118,239)**
31 March 2022	*(1,363)*	*(79,315)*	*(21,289)*	*(101,967)*

The Group receives grants from Homes England, Greater London Authority and local authorities, which are 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 if the associated properties are disposed of. At 31 March 2023, the total value of grant in the Recycled Capital Grant Fund is £159k (2022: £1,151k). See note 17 for more information.

20. Reconciliation of Operating Surplus to Cash from Operations

	Group		Association	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Operating surplus	**26,440**	30,904	**23,317**	26,216
Depreciation of housing properties	**28,623**	27,743	**27,456**	26,579
Depreciation of other fixed assets	**1,820**	1,600	**1,820**	1,598
Impairment of housing properties	**1,651**	-	**1,651**	-
Abortive costs	**228**	651	**228**	651
Grant amortisation	**(781)**	(259)	**(781)**	(259)
Property sales included in operating surplus	**(3,937)**	(3,162)	**(3,937)**	(3,162)
SHPS deficit contributions paid	**(1,604)**	(1,535)	**(1,604)**	(1,535)
(Increase)/ decrease in debtors	**(10,082)**	1,747	**(13,973)**	(859)
Increase/ (decrease) in creditors	**8,995**	(1,617)	**8,617**	(1,843)
Cash from operations	**51,353**	56,072	**42,794**	47,386

21. Analysis of the Changes in Net Debt

Group	At 1 April 2022	Cash flows	Non-cash movement	At 31 March 2023
	£'000	£'000	£'000	**£'000**
Cash	128,760	(32,565)	–	**96,195**
Short-term investments	96,550	(63,250)	–	**33,300**
Bank loans and bonds (excl. capitalised debt issue costs)	(688,997)	8,899	–	**(680,098)**
Net debt (excluding derivatives)	**(463,687)**	**(86,916)**	**-**	**(550,603)**
Interest rate swaps	(32,428)	-	21,362	**(11,066)**
Net debt	**(496,115)**	**(86,916)**	**21,362**	**(561,669)**

Association	At 1 April 2022	Cash flows	Non-cash movement	At 31 March 2023
	£'000	£'000	£'000	**£'000**
Cash	102,422	(19,222)	–	**83,200**
Short-term investments	94,100	(80,250)	–	**13,850**
Bank loans and bonds (excl. capitalised debt issue costs)	(580,022)	5,736	–	**(574,286)**
Net debt (excluding derivatives)	**(383,500)**	**(93,736)**	**-**	**(477,236)**
Interest rate swaps	-	-	-	**-**
Net debt	**(383,500)**	**(93,736)**	**-**	**(477,236)**

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

	At 1 April 2022	Contractual repayments	At 31 March 2023
	£'000	£'000	**£'000**
Housing 21	(580,022)	5,736	**(574,286)**
Kent Community Partnership Limited	(58,809)	694	**(58,115)**
Oldham Retirement Housing Partnership Limited	(50,166)	2,469	**(47,697)**
Group	(688,997)	**8,899**	**(680,098)**

22. Share Capital

	2023	2022
	£	£
Start of year	**16**	16
Death/ resignation	**(2)**	-
Allotted, issued and fully paid	**14**	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 reduction in shares is due to two shares (2022: nil) being cancelled in the year. The shares carry the right to vote at meetings of the Association on the basis of 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	
	2023	2022
	£'000	£'000
Capital expenditure contracted but not provided for	**65,143**	48,366
Capital expenditure approved but not contracted for	**38,667**	33,659
Acquisitions contracted or approved but not provided for	**23,604**	-
Total	**127,414**	82,025

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.

Acquisitions contracted or approved but not provided for are properties where the Board has approved the acquisition from another registered provider and contracts have been exchanged.

The capital commitments at 31 March 2023 will be funded by:

	Group and Association	
	2023	2022
	£'000	£'000
Grants	**23,928**	16,386
Existing cash, short-term investment and debt facilities agreed but not yet drawn	**103,486**	65,639
Total	**127,414**	82,025

24. Commitments Under Operating Leases

Amounts payable as lessee	Group and Association	
	2023	2022
	£'000	£'000
On land and buildings		
Not later than one year	**412**	412
Later than one year and not later than five years	**1,575**	1,605
Later than five years	**322**	705
	2,309	2,722
On other assets		
Not later than one year	**203**	153
Later than one year and not later than five years	**78**	60
Later than five years	**-**	-
	281	213

25. Pensions

The provision for defined benefit pension liabilities consists of:

	2023			2022		
	SHPS £'000	Lewisham £'000	Total £'000	SHPS £'000	Lewisham £'000	Total £'000
At 1 April	(7,904)	(103)	(8,007)	(9,967)	(144)	(10,111)
Actuarial (losses)/ gains recognised within OCI	(1,059)	34	(1,025)	727	49	776
Interest and other charges	(198)	(3)	(201)	(197)	(3)	(200)
Pension deficit contributions paid	1,640	5	1,645	1,577	4	1,581
Current service costs	(42)	(8)	(50)	(44)	(9)	(53)
At 31 March	(7,563)	(75)	(7,638)	(7,904)	(103)	(8,007)

Housing 21 participates in several defined benefit and defined contribution schemes. At the Balance Sheet date, 3,121 (2022: 2,765) 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 116 (2022: 124) 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 retains 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 below).

Housing 21 accounts for less than one percent 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 2023	31 March 2022
	£'000	£'000
Fair value of plan assets	**33,752**	48,641
Present value of defined benefit obligation	**(41,315)**	(56,545)
Deficit in plan	**(7,563)**	(7,904)

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2023	31 March 2022
	£'000	£'000
Defined benefit obligation at start of period	**56,545**	59,430
Expenses	**42**	44
Interest expense	**1,552**	1,245
Actuarial losses/ (gains) due to scheme experience	**234**	2,913
Actuarial (gains)/ losses due to changes in demographic assumptions	**(108)**	(952)
Actuarial (gains)/ losses due to changes in financial assumptions	**(15,122)**	(3,632)
Benefits paid and expenses	**(1,822)**	(2,503)
Defined benefit obligation at end of period	**41,321**	56,545

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

	31 March 2023	31 March 2022
	£'000	£'000
Fair value of plan assets at start of period	**48,641**	49,463
Interest income	**1,354**	1,048
Experience on plan assets (excluding amounts included in interest income): (loss)/ gain	**(16,061)**	(944)
Contributions by the employer	**1,640**	1,577
Benefits paid and expenses	**(1,822)**	(2,503)
Fair value of plan assets at end of period	**33,752**	48,641

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£14,707k) (2022: £104k).

Defined benefit costs recognised in the Comprehensive Income Statement

	31 March 2023	31 March 2022
	£'000	£'000
Expenses	**42**	44
Net interest expense	**198**	197
Defined benefit costs recognised in the Comprehensive Income Statement	**240**	241

25. Pensions (cont)

Defined benefit costs recognised in Other Comprehensive Income

	31 March 2023	31 March 2022
	£'000	£'000
Experience on plan assets (excluding amounts included in net interest cost): (loss)	**(16,061)**	(944)
Experience gains and losses arising on the plan liabilities: (loss)	**(234)**	(2,913)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation: gain	**108**	952
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation: gain	**15,122**	3,632
Total amount recognised in Other Comprehensive Income: (loss)/ gain	**(1,065)**	727

Assets

	31 March 2023	31 March 2022
	£'000	£'000
Global equity	**630**	9,334
Absolute return	**365**	1,951
Distressed opportunities	**1,022**	1,741
Credit relative value	**1,274**	1,617
Alternative risk premia	**63**	1,604
Fund of Hedge Funds	**-**	-
Emerging markets debt	**181**	1,415
Risk sharing	**2,485**	1,602
Insurance-linked securities	**852**	1,134
Property	**1,453**	1,313
Infrastructure	**3,855**	3,465
Private debt	**1,502**	1,247
Opportunistic illiquid credit	**1,444**	1,634
High yield	**118**	419
Opportunistic credit	**2**	173
Cash	**243**	165
Corporate Bond Fund	**-**	3,245
Liquid credit	**-**	-
Long lease property	**1,018**	1,252
Secured income	**1,549**	1,812
Liability driven investment	**15,545**	13,573
Currency hedging	**65**	(190)
Net current assets	**86**	135
Total assets	**33,752**	48,641

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 2023 % per annum	31 March 2022 % per annum
Discount rate	**4.89**	2.79
Inflation (RPI)	**3.20**	3.66
Inflation (CPI)	**2.72**	3.23
Salary growth	**3.82**	4.23
Allowance for commutation of pension for cash at retirement	**75 percent of maximum allowance**	75 percent of maximum allowance

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

	31 March 2023 (Years)	31 March 2022 (Years)
Male retiring in 2023	**21.0**	21.1
Female retiring in 2023	**23.4**	23.7
Male retiring in 2043	**22.2**	22.4
Female retiring in 2043	**24.9**	25.2

Sensitivity analysis

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

	31 March 2023	
	Approx. % increase to employer liability	***Approx. monetary increase to employer liability £'000***
0.1 percent decrease in real discount rate	**1.2**	*508*
One year increase in member life expectancy	**2.7**	*1,096*
0.1 percent increase in salary growth rate	**0.0**	*6*

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 £1,617k (2022: £1,431k) with 855 employee members at the year-end (2022: 624). This includes £231k (2022: £196k) outstanding contributions at the Balance Sheet date.

Group Stakeholder Plan with Axa Sun Life

Following the closure of the Social Housing Pension Scheme ('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 £147k (2022: £163k) with 47 employee members at the year-end (2022: 53). This includes £21k (2022: £21k) 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 £1,389k (2022: £1,296k) with 2,219 employee members at the year-end (2022: 2,088). This includes £178k (2022: £157k) 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 percent. 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 percent (2022: 20.6 percent) totalling £18k (2022: £28k). This includes £2k (2022: £3k) outstanding contributions at the Balance Sheet date. There were three employee members at the year-end (2022: four). Employee contributions were between 5.8 percent and 6.5 percent (2022: 5.8 percent to 6.5 percent).

The 0.6 percent difference between Housing 21's capped employer contributions (20 percent) and actual employer contributions (20.6 percent) 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 percent. 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 percent (2022: 11.6 percent) totalling £127k (2022: £132k). There were 51 employee members at the year-end (2022: 54). This includes £17k (2022: £16k) outstanding contributions at the Balance Sheet date.

The 3.1 percent difference between Housing 21's capped employer contributions (14.7 percent) and actual employer contributions (11.6 percent) is payable to Walsall Metropolitan Borough Council. Employee contributions were between 5.5 percent and 6.5 percent (2022: 5.5 percent to 6.5 percent).

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 percent. 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 percent (2022: 20.8 percent) totalling £8k (2022: £8k). This includes £1k (2022: £1k) outstanding contributions at the Balance Sheet date. There were three employee members (2022: three) at the year end. Employee contributions were 5.5 percent (2022: 5.5 percent).

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 2022. Actuarial valuations have been prepared as at 31 March 2023. For this purpose, to calculate Housing 21's asset share at the 31 March 2023, 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 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 2023	31 March 2022
	£'000	£'000
Opening defined benefit obligation	**459**	485
Current service costs	**8**	9
Interest cost on defined benefit obligation	**12**	9
Contributions by members	**1**	1
Actuarial gains	**(56)**	(24)
Benefits paid	**(15)**	(21)
Closing defined benefit obligation	**409**	459

Reconciliation of fair value of assets employed

	31 March 2023	31 March 2022
	£'000	£'000
Opening fair value of assets employed	**356**	341
Interest income on plan assets	**9**	6
Contributions by members	**1**	1
Contributions by employers	**5**	4
Actuarial (losses)/ gains	**(22)**	25
Benefits paid	**(15)**	(21)
Closing fair value of assets employed	**334**	356

	31 March 2023	31 March 2022
	£'000	£'000
Fair value of plan assets	**334**	356
Present value of plan liabilities	**(409)**	(459)
Net pension scheme liability	**(75)**	(103)

Analysis of actuarial loss recognised in Other Comprehensive Income

	31 March 2023	31 March 2022
	£'000	£'000
Changes in financial assumptions	**134**	18
Changes in demographic assumptions	**11**	6
Other experience	**(86)**	(1)
Return on assets excluding amounts included in net interest	**(25)**	25
	34	48

25. Pensions (cont)

Composition of plan assets

	31 March 2023 (%)	31 March 2022 (%)
Equities	**67**	64
Bonds	**19**	22
Property	**10**	9
Cash	**4**	5

Principal actuarial assumptions used at the balance sheet date

	31 March 2023 (%)	31 March 2022 (%)
Pension increase rate	**3.0**	3.3
Salary increase rate	**4.0**	4.0
Discount rate	**4.75**	2.7

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 percent and a long term rate of improvement of 1.5 percent p.a. for males and females.

	31 March 2023		31 March 2022	
	Males	Females	Males	Females
Current pensioners	**19.4 years**	**22.3 years**	21.2 years	23.8 years
Future pensioners*	**19.4 years**	**25.5 years**	22.5 years	25.5 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 £5k (2022: £4k). This includes £1k (2022: £1k) outstanding contributions at the Balance Sheet date. There was one employee member at the end of the year (2022: one). The average contribution rate of the Association for the year ended 31 March 2022 was 22.9 percent (2022: 22.9 percent) and for employees 5.8 percent (2022: 5.8 percent.

26. Investments and Subsidiary Undertakings

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 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 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 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

26. Investments and Subsidiary Undertakings (cont)

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

We have commenced the process to strike off Claimar Care Limited and Claimar Care Group Limited and this is expected to be finalised in the coming financial year.

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:

	2023				2022
	Turnover	**Operating costs**	**Interest payable**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
Kent Community Partnership Limited	**2,641**	**(639)**	**(767)**	**1,235**	1,089
Housing 21 Guernsey LBG	**-**	**(160)**	**-**	**(160)**	(155)
Oldham Retirement Housing Partnership Limited	**-**	**(5,268)**	**(577)**	**(5,845)**	(5,112)
Total	**2,641**	**(6,067)**	**(1,344)**	**(4,770)**	(4,178)

- **Kent Community Partnership Limited:** rent associated with the properties owned by Kent Community Partnership Limited are set, managed and collected by Housing 21 and are recorded in Housing 21's income accordingly. As part of the contract, Housing 21 pays Kent Community Partnership Limited an agreed level of rent each year. Any difference between rent collected by Housing 21 and paid over to Kent Community Partnership Limited creates a gain or loss in Housing 21. In addition, housing management services have been sub-contracted to Housing 21 and Kent Community Partnership Limited has outstanding concessionary loans of £6,976k (2022: £6,976k), in which interest is charged at 11 percent (2022: 11 percent).

- **Housing 21 Guernsey LBG:** back-office management functions have been sub-contracted to Housing 21 under a management contract.
- **Oldham Retirement Housing Partnership Limited:** Maintenance, lifecycle works, and housing management are sub-contracted to Housing 21 under an operating contract. In addition, Oldham Retirement Housing Partnership Limited has outstanding concessionary loans of £26,282k (2022: £27,063k), in which interest is charged at two percent (2022: two percent).

27. Related Party Transactions

J Ayton is a resident Board Member and is a resident of the Association. His tenancy was on the same terms and conditions as other residents. He was unable to use his position as a Board Member to any advantage in his relationship with the Association as a resident. The rent and service charges for the year was £8,410 (2022: £7,799) and he had a balance of £397 prepaid at 31 March 2023 (2022: £235 prepaid).

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 (2022: £551k) in favour of Warwickshire County Council within their banking facility and £50k (2022: £50k) with London Borough of Merton.

29. Contingent Assets and Liabilities

During the year the Board approved the option to buy back properties across the Group's portfolio from its residents where they have experienced difficultly selling their property. The option to buy back is at the discretion of Housing 21 and would be subject to individual investment appraisals at the time of the transaction. The purchase price would be up to 80 percent of the original sales price. As there is no contractual obligation, the timing is uncertain and the value cannot be reliably estimated, no provision has been recognised in these Financial Statements.

It should be noted that since the properties would be acquired, there would also be assets resulting from the transaction and so the uncertain commitment above could be neutralised in Balance Sheet terms as the asset would likely outweigh the liability.

30. Post-Balance Sheet Events

In May 2023 we agreed a new £50,000k revolving capital facility with Barclays Bank. There are no other post Balance Sheet events.

Housing21

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