INQUILAB

Inquilab Housing Association

ANNUAL REVIEW AND FINANCIAL STATEMENTS

Year Ended 31 March 2023

www.inquilabha.org

Co-operative & Community Benefit Societies Act 2014
No. 25733R

Registered Social Landlord
No. LH3728

ANNUAL REVIEW AND FINANCIAL STATEMENTS

Year Ended 31 March 2023

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EXECUTIVES AND ADVISORS

BOARD OF MANAGEMENT

Pamela Leonce
Chair

Gina Amoh
Chief Executive

Chyrel Brown
Chair – Customer Committee

Peta Caine

Wasiu Fadahunsi

Karen Harvey
Chair – Remuneration and Nominations Committee
(Appointed May 2023)

Jahanara Rajkoomar

Puneet Rajput
Chair – Remuneration and Nominations Committee
(Resigned May 2023)

Jack Stephen
Chair – Audit & Risk Committee

Katie Wilmot

Zakia Raja
Customer Committee

REGISTERED OFFICE

Unit 3
8 Kew Bridge Road
Brentford
London
TW8 0FJ

SENIOR STAFF

Gina Amoh
Chief Executive

Eric Nelson-Addy
Director of Finance & Resources

Gary Clark
Director of Customers & Communities
(Appointed October 2022)

Andrew Godwin
Director of Development & Assets
(Appointed October 2022)

Howard Dawson
Director of Customers & Communities
(Resigned October 2022)

Manpreet Dillon
Director of Development & Assets
(Resigned November 2022)

Stephen Rosser
Secretary

STATUTORY REGISTRATIONS

Co-operative & Community Benefit Societies Act 2014. No. 25733R

Registered Social Landlord. No. LH3728

BANKERS

National Westminster Bank
1 The Mall, Ealing, London W5 2PL

AUDITOR

CLA Evelyn Partners Limited
(formerly Nexia Smith & Williamson)
45 Gresham Street, London EC2V 7QA

SOLICITORS

Prince Evans
Craven House
40-44 Uxbridge Road
Ealing
London
W5 2BS

SOLICITORS

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

CHAIR AND CHIEF EXECUTIVE'S STATEMENT

The last 12 months have continued to be a challenging period for the social housing sector, with extraordinary political and economic volatility. At the time of writing this report, it continues to be so.

The cost-of-living crisis disproportionately affects the people we are here to serve, placing huge pressure on our residents and communities, as well as on our staff.

Some of the pressures we expected to see falling away by now are still with us. While inflation – as indicated by the Consumer Price Index (CPI) - is lower than it was, it isn't falling as rapidly as forecast, and interest rates are expected to remain higher for longer.

It is in this context that we continue to support individuals and communities; the impact of which is significantly higher demands on the support we provide, and greatly increased costs of providing much-needed homes and services.

In the year 1 April 2022 to 31 March 2023, we invested in activities and partnerships that made a difference for people in our communities. This included helping our residents claim the additional welfare benefits they were entitled to and, for those most in need, we increased our hardship fund to help residents with the cost of basic essentials, such as food and energy costs.

A defining moment for the sector in autumn 2022, was the publication of the coroner's verdict on the death of Awaab Ishak. It highlighted significant failings in the way his family were treated due to their ethnicity, with incorrect assumptions being made about 'lifestyle'. It shone a spotlight on wider issues of quality in some of the homes and services provided across our sector, as well as raising the question of whether landlords are sufficiently responsive and sensitive to the needs of residents.

This has prompted a time of real reflection and learning across the sector, including better scrutiny on the quality of social housing – and all rented homes – across England, and how we respond when we provide services, particularly repairs. We welcome the publication of the Better Social Housing Review. We also welcome the Social Housing Regulation Act – including Awaab's Law – and the new, proactive consumer regulation.

As a community organisation set up in Southall by local people, our role goes beyond homes and housing services; and whilst a lot has changed in Inquilab's 36-year history, our enduring social purpose remains as strong as ever.

Black and Minority Ethnic (BME) communities continue to experience disproportionate housing need and are more likely to be homeless or living in poor or overcrowded housing. They experience higher levels of fuel poverty and are subject to health inequalities. In addition, their socio-economic status often means a likelihood to be living in a disadvantaged neighbourhood.

Today, we remain passionate about our social purpose. We strive to deliver well-managed, well-received, culturally sensitive, and community-focused services that offer good value for money. What we do, and how we do it, really matters; so we have an overriding duty to do it well. Not just sometimes, but all the time.

We know that people's expectations of social housing providers have rightly increased. There have been occasions where residents have been let down by services and the quality of housing which falls short of what they should expect, highlighted by recent media reports.

We understand that our residents are not always satisfied with what we do or how easy we are to deal with. We've listened to feedback and enhanced our priorities to deliver better on every aspect of what we do, investing in our residents' homes and improving their experience in dealing with us.

Over the winter of 2022 and early 2023, we saw increased customer contact in relation to damp and mould issues. As a result, we decided to prioritise dealing with these cases alongside emergency repairs. This was the right thing to do, but it proved challenging in the current economic climate compounded by a shortage of available, skilled, labour, and our, finite capacity.

As a consequence, we experienced accumulated need for routine repairs, and this is something we are now focused on. We are grateful to our colleagues for the dedication they have shown to improve our repairs service. We are also grateful to our residents for the continued patience they have shown during this time.

Our programme is to deliver a step change in the quality and safety of our homes and the services we provide. It is backed by a continuing determination to provide the extra help that can change the lives of residents that are in most need, especially with the high cost-of-living and high utility costs.

We have also reviewed our future plans and we are allocating additional financial capacity to invest in our existing homes.

Last year we spent more than ever on improving and maintaining our homes, and we will continue to respond to the needs of an ageing housing stock, although this inevitably constrains our ability to develop as many new homes as we would like, and as are needed, in this country.

One component of future investment needs is the huge long-term national challenge of decarbonising existing homes. We are planning a carbon baseline for our homes, organisation, and operations which we will use to measure our progress going forward.

The Regulator of Social Housing recognised these pressures, and our resilience to them – including strong governance and a G1 / V2 grades. Over the last 12 months we have reviewed our repairs service and the way we engage with residents. We are grateful for the Residents Scrutiny Panel's contribution.

None of this would be possible without transforming our organisation and the way we work to ensure it is easier for our people to get things done. In the last year, we carried out significant customer engagement projects including how we resolve complaints, and how we listen and communicate with our residents. The underpinning work is to ensure that we provide as much local, visible presence as we can in our communities. This increased visible presence will be enabled by our continuing use of mobile technology and streamlining our business processes so that our colleagues who work in people's homes, on estates and in communities, can spend as much time as possible getting it right for our residents.

Finally, it is the continuing dedication and work of colleagues that makes things possible for us as we navigate a challenging external environment. Thank you to each of them and thank you to all the partners who work with us for the benefit of our residents and communities.

Pamela Leonce
CHAIR

Gina Amoh
CHIEF EXECUTIVE

Our programme is to deliver a step change in the quality and safety of our homes and the services we provide.

ANNUAL REVIEW

The Board presents its report and the Association's audited financial statements for the year ended 31 March 2023.

RESPONSIBILITIES OF THE BOARD

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

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, The Financial Reporting standard applicable in the UK and Republic of Ireland, and applicable law. The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state-of-affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board members are required to:

- **Select suitable accounting policies and then apply them consistently**
- **Make judgements and accounting estimates that are reasonable and prudent**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice for Registered Social Housing Providers (SORP 2018) have been followed, subject to any material departures disclosed, and explained in the financial statements**
- **Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that we will continue in business**

The Board is responsible for:

- **Keeping proper accounting records that are sufficient to show, and explain, our transactions**
- **Ensuring the financial statements are prepared in accordance with the Co-operative & Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, and the Statement of Recommended Practice for Registered Social Housing Providers**
- **Safeguarding our assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities**
- **The maintenance and integrity of the corporate and financial information included on our website; legislation in the United Kingdom governing the preparation and dissemination of financial statements which may differ from legislation in other jurisdictions**

Key aspects of our current governance procedures are as detailed on page 9.

BOARD STRUCTURE

The Board has nine members of which eight are non-executives and one is an executive member. The non-executive members embrace a broad range of experience in business, finance, property development, risk management, and housing services.

The Board meets regularly to set and review our strategic direction as well as our financial and operational performance. The Chief Executive, in consultation with the Chair, produces an agenda for each meeting supported by papers from executive members who present the papers and answer any questions that arise as part of the Board discussion. The Board has a framework of delegation to committees whose functions are set out in this document. It also has a number of matters that are reserved to the Board. Authority for implementing the agreed strategy and for general management of the Association is delegated to the Chief Executive.

All Board members are briefed and are aware of their responsibilities to bring independent judgement on all issues. On appointment, they are informed of the procedure for obtaining professional advice at the Association's expense. Regular site visits, presentations, and meetings with senior management and advisers are arranged to ensure that all Board members are kept informed of their responsibilities, our activities and objectives, and our operating environment. In addition, the Chief Executive and senior management team are fully accessible to all Board members and maintain regular contact with them.

BOARD COMMITTEES

The Board formally delegates specific responsibilities to the following committees, each of which operates under terms of reference agreed by the Board. Committees are comprised of Board members and independent non-executive committee members and are supported by executive team members, as appropriate.

The Audit and Risk Committee (ARC)

This Committee has three members and is chaired by a member of the Board. It normally meets four times a year. It has been set up to support the Board in discharging its responsibilities, particularly in maintaining an effective system of internal control. The Committee's objective is to give assurance to the Board on the effectiveness of the system of risk management and internal control, the integrity of the annual report and accounts, the work of internal and external auditors, and such other matters as may be referred to it by the Board. The external and internal auditors attend key meetings and have direct access to the Committee Chair. The Committee keeps our relationship with the auditors under review and considers their independence.

Remuneration & Nominations Committee (RNC)

This committee comprises three members and is chaired by a Board member. It advises the Board on general governance matters such as: non-executive recruitment, the Board member appraisal system, and the pay and remuneration of the Board and executive team.

Customer Committee (CC)

The Customer Committee is responsible for overseeing the provision of services to our customers and monitoring resident engagement activities. The Committee is made up of non-executive members and customers and is chaired by a Board member. The committee works very closely with the Resident Scrutiny Panel, focusing on the customer experience and compliance with the consumer standards.

REVIEW OF THE BUSINESS

EXTERNAL ENVIRONMENT

The economic environment and the cost-of-living crisis are significantly affecting residents, colleagues, and organisations, including ours.

Stressed supply chains, skilled labour shortages, rising energy prices, and wider cost inflation have all put pressure on every aspect of what we do. The uncertain political and economic policy environment caused shocks in the housing market, as well as to consumer confidence, that affected organisations in our sector and beyond.

These challenges come at exactly the time when the sector is under most scrutiny – from politicians, the media, regulators and, of course, our residents. We continue to invest in services, homes, our people, and our organisation.

We will keep building new homes to help meet housing need (including overcrowding). We will keep ensuring homes are safe, warm, affordable to heat, and decent.

We are committed to bringing our homes up to EPC-C or better by 2030, and to making progress towards net zero carbon. We will continue investing in services for residents and communities – including supporting those most in need during the cost-of-living crisis.

The Social Housing Regulation Act (which became effective in July 2023) introduces the most fundamental reform of the sector's regulation and oversight in over 10 years.

Strengthened consumer regulation will bring much greater focus on quality of homes and services, customer voice, and resident engagement. It will bring proactive regulatory inspection of what we do. It promotes professionalisation of the sector through a requirement for those in many manager roles to hold a housing qualification. The Government has also commenced consultation on a fundamental, and welcomed, review of the Decent Homes Standard.

The Better Social Housing Review (BSHR) was commissioned last summer by the National Housing Federation (NHF) and the Chartered Institute for Housing (CIH) in response to the challenges facing the sector, including those that came to great prominence following the death of Awaab Ishak.

The Review, which was published in December 2022, made seven recommendations for the sector, as well as highlighting a cross-cutting theme - structural inequalities - particularly in respect of race and disability. We recognise many of these things as consistent with those our residents and our colleagues tell us. In the current environment, what we do is as important as ever; like all housing associations we have a vital role to play in supporting residents and communities.

We will keep ensuring homes are safe, warm, affordable to heat, and decent.

ABOUT INQUILAB HOUSING ASSOCIATION

Inquilab Housing Association is a community benefit society and an exempt charity which is regulated by the Regulator of Social Housing (RSH).

We were established to support people in housing need and to develop homes for under-represented Black and Minority Ethnic (BME) communities in West London. Our considered and planned growth now sees us own and manage 1,332 homes and support over 3,600 residents across a broad and diverse reach in West and North-West London, Elmbridge, and Slough, regardless of background.

Today, as well as building and providing high quality homes at affordable rents to meet the needs of our current and future residents, our work supports and addresses the wider social issues affecting our residents and communities. This includes the provision of financial advice and support, helping people into employment and training, and assisting with health, wellbeing, and legal support.

All our income is invested in support of our charitable and social value objectives. These include building new affordable homes, letting and maintaining our existing homes, improving our customer service, and supporting our most vulnerable customers and local communities.

We believe passionately about our communities which is why we are more than a registered charitable housing association.

Social purpose is core to everything we do. As a not-for profit organisation we reinvest all the money we make to help house and support those in greatest need. Our residents are our priority, so the safety, quality and sustainability of the places we manage and build, and the on-going involvement in our communities is as important to us as it is to them.

Our aim is to deliver great service and quality to every customer, every time; and we are always looking for ways to improve our services.

Residents are at the heart of Inquilab and our governance structure ensures that they have a powerful voice throughout the business. We are building relationships based on trust, and we are making sure we are there when we are needed; this means being locally responsive and working hard to keep the communities we serve safe and vibrant.

Our business has to be responsive to market conditions and our agility allows us to make short term changes to prioritise safety and quality while retaining our ambitious long-term goals to tackle the housing crisis and climate agenda.

Our work is underpinned by our financial strength and stability. We are committed to retaining the confidence of key stakeholders, including lenders, by maintaining financial discipline and ensuring strong governance and diverse leadership.

HIGHLIGHTS FOR 2023

Notwithstanding the economic turbulence and challenges of the year, in 2022-23, we committed to:

- **Improve the way we communicate and engage with our residents**
- **Improve our service delivery response including complaints**
- **Develop our people and teams to deliver on the promises we make our residents**
- **Ensure financial stability to secure our investments in our properties, resident services, and in our employees**

AGAINST THESE COMMITMENTS, WE ACHIEVED:

The launch of our new resident's app: 'My Inquilab', was rolled-out in the Spring of 2022. 'My Inquilab' app now gives our residents instant, easy, access to their tenancy account, raise and track repairs, view charges and payments, and to give us feedback on repairs and other services. Offering an instant, more efficient, way for our residents to get in touch with us and encourage a dialogue between us, we are now able to respond quicker to our residents' enquiries, repair requests, and messages.

Review and refresh of our complaints module: We updated our complaints reporting making it easier for our residents to raise a complaint; and we now have a more robust module built into our CRM system to ensure that we deal with complaints consistently and in a timely manner. This programme of improvements included refreshed complaints handling training for all our customer service teams.

Upskilling our people: An Investment in training and development to ensure our employees have the right professional skills and breadth of understanding to deliver and manage our services – from developing new homes through to service and repair.

Loan covenant financing: We undertook a loan re-financing exercise to enhance our covenant headroom to enable us to continue to support our development programme for more, much needed, new homes, and provide resources to re-invest in existing homes.

Strengthening our Board: We made one new appointment so that we continue to be well governed and accountable.

Restructure of our team: A review of our organisation structure and skills mapping brought a greater focus on customer services and delivery which has included recruiting new staff to support our residents, and to ensure our buildings comply with the latest fire and safety regulations.

OUR CORPORATE STRATEGY

In early 2021 we launched our Corporate Plan which set out our organisation's mission, vision, and strategic objectives.

MISSION

To meet housing need and to support sustainable communities.

VISION

To deliver reliable services that customers value and trust.

STRATEGIC OBJECTIVES

OUR VALUES

SERVICE: Delivering services residents value and we are proud of

TRUST: Being open, honest and showing integrity

ACCOUNTABILITY: Taking ownership and responsibility

RESPECT: Showing care, commitment and fairness

STRENGTH: Building on the strength of people, legacy and resources

Our Corporate Plan has a commitment to ensuring:

- **Our residents are safe in their home**
- **We are transparent in our performance, including on repairs, complaints, and safety, and how we spend our money**
- **Complaints are dealt with promptly and fairly, with access to a strong Ombudsman**
- **Our residents are treated with respect, and that we support a strong consumer regulator and improved consumer standards for tenants**
- **To provide the platforms and opportunities to have our residents' voice heard**
- **We provide good quality homes and neighbourhoods to live in, and keep our homes in good repair**
- **To fully support the Government in ensuring social housing can support people to take their first step to ownership**

OUR KEY PRIORITIES

We are committed to delivering good service to all our residents and doing so in a way that is fair, sensitive, and responsive, and that leads to outcomes that meet people's needs.

We systematically use resident feedback and views to improve and shape what we do. We have a Customer Engagement Strategy that sets out how and about what we engage with our residents, and how we measure and report our progress.

We migrated to the Tenant Satisfaction Measures (TSM) and continue to use transactional surveys to provide feedback from residents and identify and address instances where we have not got things right. This enables us to resolve problems quickly, and to learn and improve the way we deliver services.

Ensuring our homes and residents continue to be safe remains a main priority and we continue to improve the condition and energy performance of our existing homes through our planned investment programme and, in the longer term, achieving net zero carbon.

During the year we invested in our existing homes which included planned maintenance, building safety improvements, and major repairs. Over the next 10 years we have plans for further investment in our existing homes.

FINANCIAL OVERVIEW

RESULTS 2022-23

Turnover
£10.78m
(2022 - £10.45m)

Operating Surplus
£2.64m
(2022 - £3.57m)

Surplus
£0.09m
(2022 - £1.51m)

Operating Margin
19.4%
(2022 – 30.9%)

EBITDA MRI
107.99%
(2022 – 186.61%)

Total Assets
(less current liabilities)
£162.8m
(2022 - £167.7m)

Voids
1.34%
(2022 – 0.71%)

Rent Collection
94.79%
(2022 – 98.90%)

Social Housing Cost per Unit
£5,889
(2022 - £4,359)

TURNOVER

Turnover increased by £0.33m to £10.78m (2022: £10.45m). Of the £10.78m turnover in the year, 99.9% was generated from our core social housing lettings activities (2022: 99.7%). The change in turnover was attributable to increases in rental income by 4.10% and the income from units purchased via stock transfer at the end of the last financial year.

We maintain a robust financial position, reflecting a strong statement of financial position and cash reserves. These reserves will provide funds for future growth plans. Cash reserves increased by £1.862m to £16.041m (2022: £14.179m).

OPERATING SURPLUS AND MARGINS

Operating surplus for the year was £2.64m (2022: £3.57m). Operating margin overall reduced to 19.4% from 30.9% as a direct consequence of the decrease in operating surplus for the year. These results were not unexpected with the continued difficult external economic market and the increased focus on building safety resulting in additional expenditure to ensure our residents feel safe in their homes in addition to the increased maintenance and investment in the quality of existing homes.

Operating margins on our core business social lettings remained strong at 19.7% (2022: 31.8%) against 2022 peer group median 19.1%, with the decrease attributable to the increased expenditure on maintenance and building safety works. Our commitment to making sure we are proud of the homes we provide for our residents, and our quality standards, remain paramount.

Interest payable for the year increased by £0.156m to £2.221m (2022: £2.065m) reflecting an increasing interest rate environment whilst ensuring careful debt management, enabling repayment of loans to reduce net debt.

We closed the year with a surplus after tax of £0.092m compared to like-for-like performance in the previous year (2022: £1.51m). Importantly, all of our surpluses continue to be reinvested into the business, with capital spend on existing homes and on developing more homes across the areas we operate in.

FINANCIAL POSITION

Our financial strength remains key to delivering our social objective. The business is modelled on the generation of sufficient income to meet our operating costs, loan interest payments, and investment in our homes. We will continue to use our unrestricted surpluses to ensure that we achieve the objectives of our Corporate Strategy.

CAPITAL STRUCTURE AND TREASURY

The Association's treasury strategy is approved annually by the Board and details how we mitigate and manage treasury related risk, defined as liquidity risk, interest rate risk, covenant risk, and counterparty risk.

The treasury plan is to support the delivery of the Association's strategic objectives and financial plan and to ensure the Association has sufficient liquidity to fund its operations for a minimum of 24 months; mitigation of the impact of adverse movements in interest rates, ensuring loan covenants are met; and ranking the preservation of capital ahead of returns when making investment decisions.

Loan Covenants are monitored regularly in accordance with the governance framework and were met throughout the year. These are forecast to be continually met for all loan facilities with a sufficient buffer to remain above risk tolerance levels set by the Board.

At 31 March 2023, the Association had total loan facilities of £73.69m (2022: £66.29m) of which £10.22m (2022: £5.00m) were undrawn. All undrawn facilities are fully secured, and committed revolving credit facilities are available within two days.

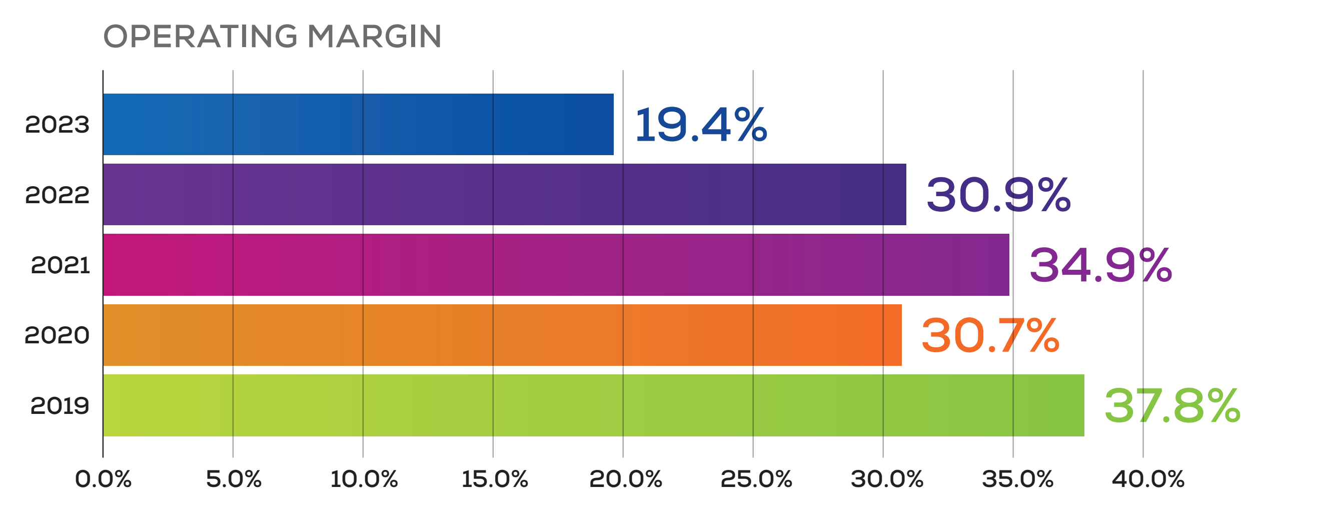
The Association manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Association's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost. At 31 March 2023, 81% of the Association's drawn debt was fixed (2022: 76%).

Summary Statement of Comprehensive Income (£000)	2023	2022	2021	2020	2019
Turnover	**10,780**	10,445	10,186	12,152	9,549
Operating costs and cost of sales	**(8,689)**	(7,215)	(6,632)	(8,488)	(5,942)
Surplus on disposal of assets	**549**	344	557	96	280
Operating surplus	**2,640**	3,574	4,112	3,760	3,887
Net interest charge and other finance costs	(2,035)	(2,055)	(2,032)	(2,087)	(1,861)
Movement in fair value of investment	(459)	(45)	(60)	90	26
Other Comprehensive Income	(54)	36	(307)	347	(298)
Surplus for the year	92	1,510	1,713	2,110	1,754

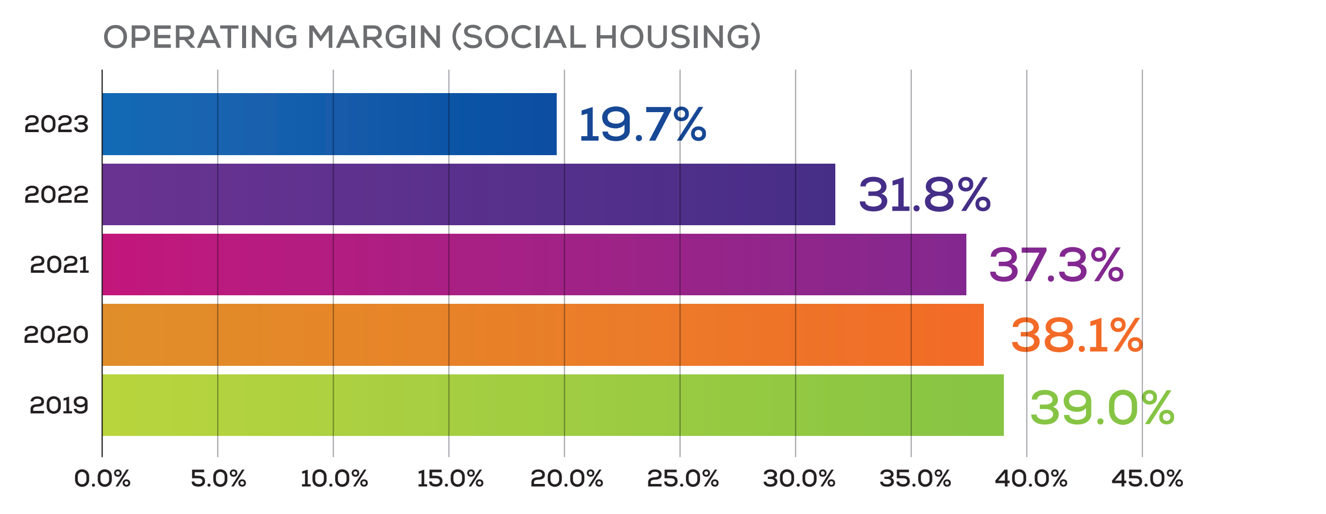
Summary Statement of Financial Position (£000)	2023	2022	2021	2020	2019
Housing properties at cost less depreciation	**154,052**	155,399	155,246	154,820	151,891
Other tangible fixed assets and investments	**2,370**	2,515	2,513	2,621	2,678
Net current assets	**6,404**	9,789	2,831	4,823	2,157
Total assets less current liabilities	**162,826**	167,702	160,590	162,264	156,726
Loans due after one year	**53,923**	57,737	56,130	57,345	55,384
Unamortised grant liability	**64,760**	65,900	66,900	67,887	68,274
Other long-term liabilities	**8,881**	8,895	3,541	3,733	1,944
Revenue reserve	**35,262**	35,170	34,019	33,229	31,124
Total	**162,826**	167,702	160,590	162,194	156,726

Key features of the results were:

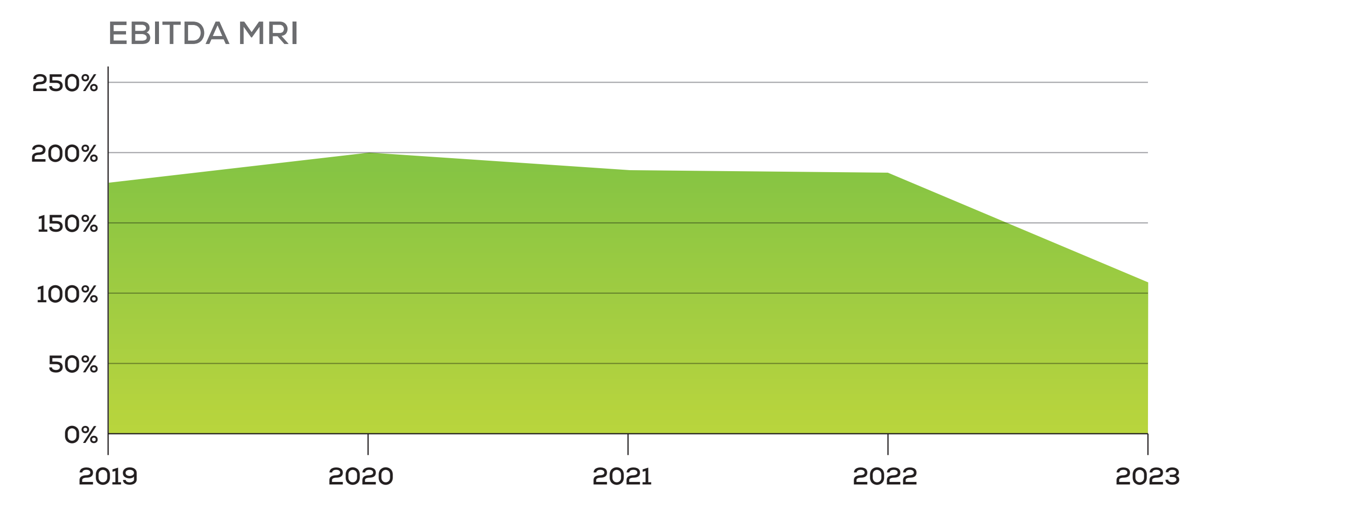
OPERATING MARGIN (OVERALL) OF 19.4% (2022: 30.9%)



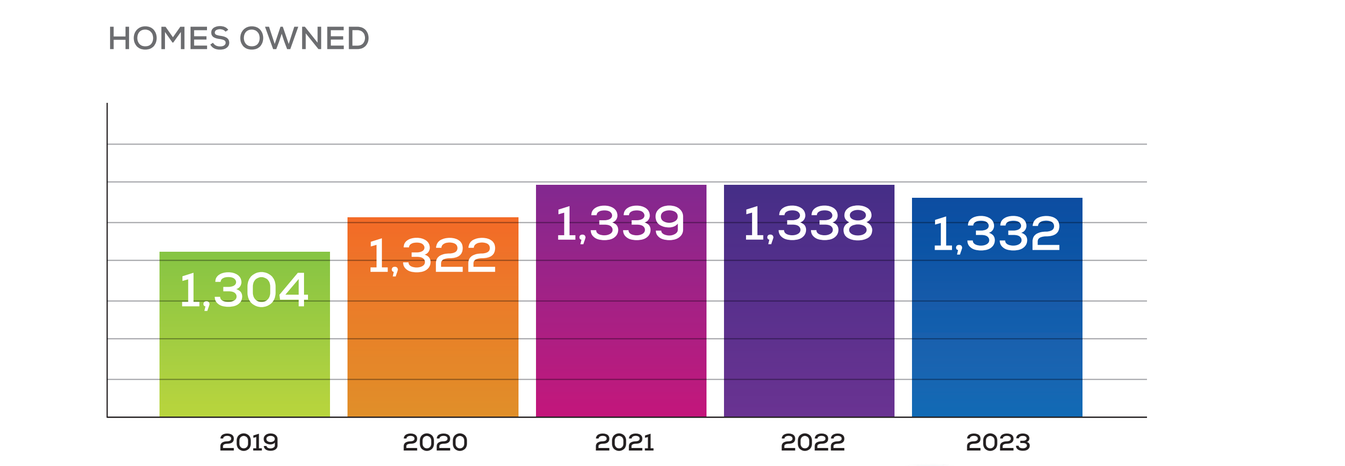
OPERATING MARGIN (SOCIAL HOUSING LETTINGS) OF 19.7% (2022: 31.8%)



EBITDA MRI 107.9% (2022: 186.6%)



HOMES OWNED 1,332 (2021: 1,338)



HOW WE ENSURE WE DELIVER VALUE FOR MONEY

Inquilab is committed to delivering and demonstrating Value for Money (VfM) in everything that it does for its customers and the communities it serves. This commitment is led by the Board, across the whole organisation and embedded in our Corporate Strategy.

Our approach is delivered by our people, through our culture of customer service and VfM, supported by strong leadership, training, individual objective setting, and rigorous financial management. Value for Money targets are integrated into our annual planning process in order to ensure it is woven into all that we do.

The Board sets the strategy into which the approach to delivering VfM is embedded into our strategic goals, annual budgets, and operational targets, which cascade throughout the business. We have a clear, comprehensive, and strategic approach to achieving VfM which includes:

- **Setting budgets which deliver the optimum balance of expenditure between investing in services, new and existing homes, and communities**
- **Clearly highlighting activities in our Business Plan which will contribute to improving value for money**
- **The measurement and regular reporting of performance against Key Performance Indicators which focuses on the quality and efficiency of services provided**
- **Rigorous appraisal of all significant projects, including the potential benefits in alternative delivery models**
- **A robust assessment process for development and investment opportunities including alignment with our strategic objectives, likely returns on investment, demand for the products and external market conditions**
- **An established Procurement Strategy**
- **Focus and follow-up on planned savings by the Executive Team and the Board, including regular updates on the progress of forecast savings across relevant projects**
- **Robust self-assessment of performance against the Value for Money standard to ensure compliance, including an assessment of performance which covers customer satisfaction, new homes built, employee engagement and operating margin**
- **Benchmarking our performance against our peers and the sector as a whole**
- **Review of performance over time to identify trends and areas for further scrutiny**

REPORTING ON VALUE FOR MONEY

The Value for Money (VfM) Standard issued by the Regulator of Social Housing came into effect in April 2018. This Standard requires Inquilab, as a registered social housing provider, to publish performance against the seven metrics defined by the Regulator in the new Standard, our own metrics and targets, and to provide a comparison against our peers where relevant.

VALUE FOR MONEY PERFORMANCE

The use of benchmarking information is an important way for us to challenge and understand our performance and costs. We compare how we are doing in a number of ways:

- **Against other Registered Providers (RPs) through participation in the Sector Scorecard where we compare our performance against the median for all participating Housing Associations and for a peer group of providers who, like Inquilab, work across London and Southeast England**
- **Using the Global Accounts, where the performance of the whole sector against the 7 metrics contained in the Value for Money Standard is published**

Whilst a year lag exists between available benchmarks and our published financial results, they do still provide an effective comparison of our performance to that of our peers. The 15 measures included within the Sector Scorecard are grouped into Business Health, Development – Capacity and Supply, Outcomes Delivered, Effective Asset Management, and Operating Efficiencies.

The Sector Scorecard metrics continue to include the metrics contained within the Value for Money Standard, and so we have reported on our performance in a way which is consistent with the Sector Scorecard.

Our performance against other performance targets is presented against our peer group published in the Housemark data 2022. Available benchmarks are for the 2022 financial year and so do not reflect a full year's impact of the Covid pandemic on financial performance of organisations. A degree of caution is therefore required when drawing conclusions from comparisons of 2023 performance with 2022 performance benchmarks.

Our interest cover and operating margin ratios have declined this year and did not meet our targets for the year. This was due to increased costs associated with fire safety and our major works investment programme, reactive and void maintenance costs, and increased levels of void rental losses from empty homes.

This increased investment in part reflects the lower level of activity delivered in the previous year due to the impact of the Covid pandemic, and also our stated corporate objective of increasing the quality of our existing homes.

Looking ahead, we are targeting a material improvement in our business health metrics.

This reflects our increased commitment to use our financial stability to materially increase the investment in the quality of our existing homes, making use of procurement and other efficiencies to secure value for money in the investment we make to ensure this spend has the biggest impact on our customers and long term viability of the Association.

Summary	Measure	Our Targets 2023	Outturn 2023	Actual 2022	Peer Median 2022	Top Quartile 2022
Business health	Operating Margin (overall excluding fixed asset disposals)	25.82%	19.39%	30.92%	18.06%	23.06%
	Operating Margin (social housing lettings excluding disposal of fixed assets)	26.96%	19.70%	31.78%	19.12%	24.40%
	EBITDA MRI (as a percentage of interest)	131.66%	107.99%	186.61%	118.00%	180.26%
Development – capacity and supply	New supply social as a % of total units owned	1.20%	0.00%	0.07%	0.64%	1.51%
	New supply delivered % (non-Social Housing)	n/a	n/a	n/a	n/a	n/a
Outcomes delivered	Gearing	30.32%	30.59%	30.32%	41.39%	26.62%
	Resident satisfaction	70%	39%	47%	69%	73%
	Reinvestment	5.00%	0.94%	1.54%	5.32%	7.19%
	Return on capital employed (ROCE)	1.72%	1.62%	2.13%	2.53%	3.04%
Effective asset management	Voids	1.25%	1.34%	0.71%	1.20%	0.86%
	Ratio of responsive repairs to planned maintenance	0.42	0.55	0.57	0.83	0.56
	Headline Social Housing Cost Per Unit (SHCPU)	£5,505	£5,889	£4,359	£6,871	£5,402
Operating efficiencies	Rent collected	100.02%	94.79%	98.90%	94.60%	95.49%
	Occupancy	98.75%	98.50%	98.43%	99.32%	99.70%
	Overheads as a percentage of adjusted turnover	18.19%	16.44%	15.17%	14.00%	11.68%

* The RSH value for money measures are in green

The key conclusions reached from this benchmark review are as follows:

- **The Association performs better than the peer group median benchmarks for operating margin, headline cost per unit, and gearing ratio**
- **Levels of customer satisfaction, overheads as a percentage of turnover, and new home development remain below benchmark levels**
- **There has been a decrease in our operating efficiencies metrics and customer satisfaction indicators over the two years when compared to the previous years; this indicator has been impacted by the deterioration in the maintenance service delivery**

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover: A key indicator for liquidity and investment capacity as it seeks to measure the level of surplus generated compared to interest payments. The level of cover once major repair spend is included in the calculation was below our target. This was mainly as a result of higher interest costs and a reduction in earnings due to additional expenditure incurred in fire remediation and repairs costs. The ratio for the year was 107.99% compared to our target of 131.66% and the peer group median of 118.0%.

Operating Margin % (Overall): Measures the profitability of the organisational operating assets. Although the ratio of 19.39% was below our target of 25.82%, this was above the peer group median of 18.06%. The decline was mainly driven by the increased expenditure on building safety works, disrepair compensation claims, damp and mould, and inflationary repairs cost awards over and above the budgeted inflationary increases.

Operating Margin % (Social Housing): Measures the profitability of the social housing operating assets. The ratio of 19.70% was below our target of 26.96%. Whilst our operating margin performance has fallen year-on-year, this is consistent with a trend seen across the housing sector. Our performance was ahead of the peer group median ratio of 19.12%. Whilst our core revenue stream remains strong, the decline was mainly a result of a continued higher spend on health and safety and repair costs undertaken during the year.

Reinvestment: Measures the investment in properties (existing as well as new supply) as a percentage of the net book value of total properties held. Reinvestment was lower than the previous year primarily due to delays experienced in completing the Rennells Way development scheme and our planned work programme. Our goal for the coming years is to continue building / acquiring additional new homes through our partnership arrangements. Our ratio of 0.94% compares less favourably against the peer group median of 5.32%.

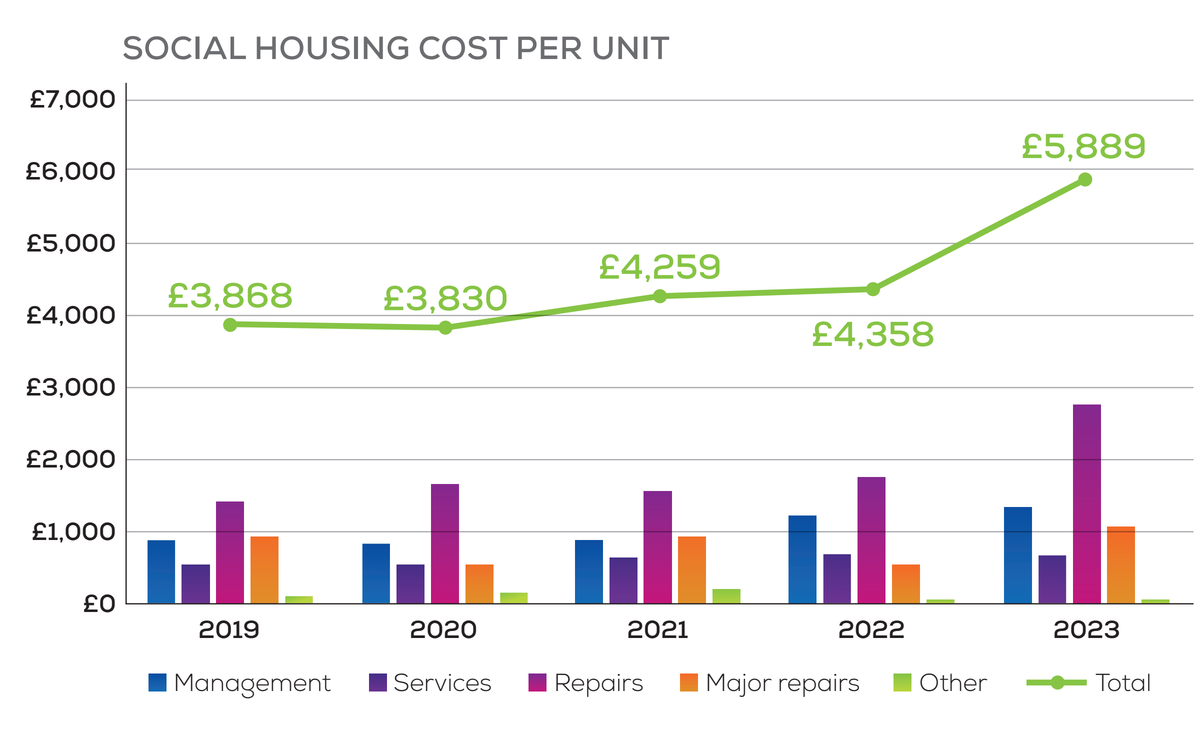
Return on Capital Employed (ROCE): Measures the efficient investment of capital resources. The metric compares the operating surplus to total assets, less current liabilities. Whilst overall return on capital employed gives an indication of how well the Association makes a financial return on the assets owned, our asset management strategy focuses on improving how the asset base can perform better as well as the qualitative aspect of improving our homes. ROCE for the year March 2023 was 1.62% (March 2022: 2.13%). The decline in the ratio was largely attributable to a lower operating surplus compared to the previous year. The peer group's median score for 2022 was 2.53%.

Gearing: Assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. Our ratio of net debt to the carrying value of housing properties increased to 30.59% from 30.32% following the drawdown on a new facility.

Resident Satisfaction: Improving customer satisfaction continues to be a key strategic priority. We expect the recent launch of the improved Resident App and CRM Complaint module will improve the customer experience. Our approach is to use segmentation to understand our customers, to provide a better experience for them and efficiency for the business.

Headline Social Housing Cost per Unit: This measures the cost per unit (CPU) of managing and maintaining our social housing stock. The CPU over the period increased by £1,530 per unit to £5,889 (March 2023) from £4,359 (March 2022). The increase in cost is attributable to reasons covered off above. Our performance compares favourably with the peer group median figure of £6,871.

OUR CPU BREAKDOWN IN £



Year to March	Management	Services	Repairs	Major repairs	Other	Total
2023	**£1,344**	**£667**	**£2,751**	**£1,077**	**£50**	**£5,889**
2022	£1,217	£704	£1,767	£575	£95	£4,358
2021	£892	£656	£1,554	£928	£229	£4,259
2020	£859	£554	£1,691	£534	£192	£3,830
2019	£890	£537	£1,417	£928	£96	£3,868

PEER ASSOCIATION – COST PER UNIT COMPARISON

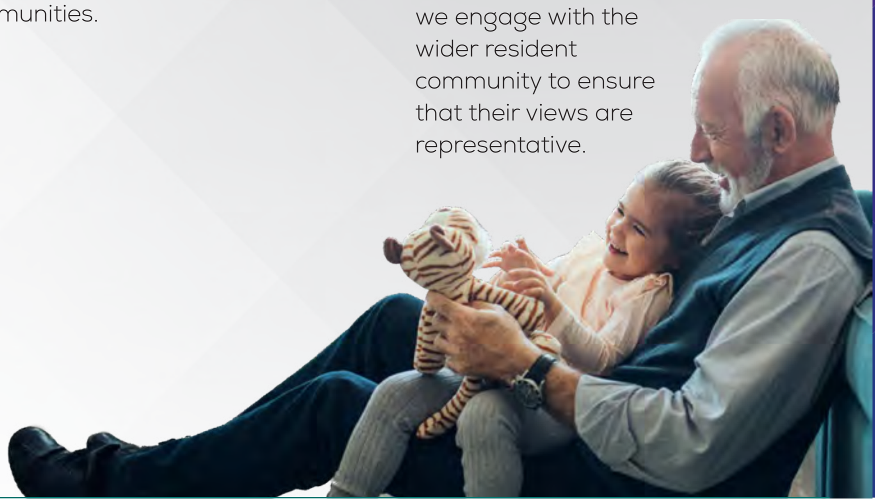
Whilst we have benchmarked ourselves against other peer members, their activities are not an exact match to our diverse range of activities. We have therefore worked with Housemark to benchmark key elements of our costs, which are in common with Inquilab. Housemark benchmarking analysis highlights the two most significant drivers of cost per unit (CPU) as the size of the Association with larger associations benefitting from economies of scale and revenue mix.

The tables above show our performance over the last five years. Our social housing CPU at £5,889 is lower compared with the peer group. We continue to focus our efforts on further reducing our cost base and continuing the drive towards efficiency and improved performance in our overall social housing cost base. Our management costs increased to £1,344 from £1,217 following an internal reorganisation to improve the service delivery to our residents. Cost of repairs increased from £1,767 to £2,751 mainly as result of increased spend on building safety works.

We continue to invest in our communities with an increase in spending across resident engagement and support, capacity building, apprenticeships, work placements, and other activities associated with empowering our communities.

HOW OUR CUSTOMERS CONTRIBUTE

We involve our customers and residents in decisions that affect frontline services through our Resident Scrutiny Panel and other panels / groups. These groups have an important scrutiny role, ensuring that we deliver and continue to improve. Our resident involvement framework sets out how we engage with the wider resident community to ensure that their views are representative.



COMPLIANCE

REGULATION

We achieved the top G1 governance rating from our regulator and a compliant V2 rating for financial viability. This demonstrates the Regulator of Social Housing has confidence in the arrangements we have in place for managing and governing the Association.

At its July 2023 meeting, the Board reviewed a detailed evidence-based assessment of our compliance with the Regulator of Social Housing's Regulatory Standards. Compliance against the Consumer Standards was reviewed in detail by our Customer Committee and the Audit and Risk Committee reviewed the detailed evidence of our compliance with the Economic Standards. These reviews were reported to the Board who satisfied themselves with the Association's continued compliance with regulation, including with the Governance and Viability Standard and all relevant law.

CODE OF GOVERNANCE

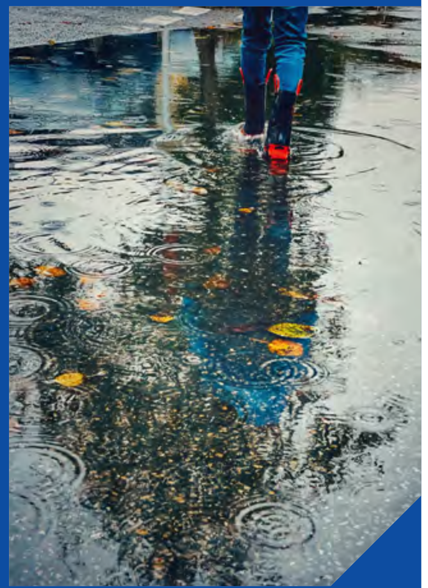
We have adopted the NHF Code of Governance 2020 and, following a detailed assessment against the provisions of the Code, the Board has confirmed its full compliance with the Code.

COMPLIANCE WITH REPORTING STANDARDS AND LEGISLATION

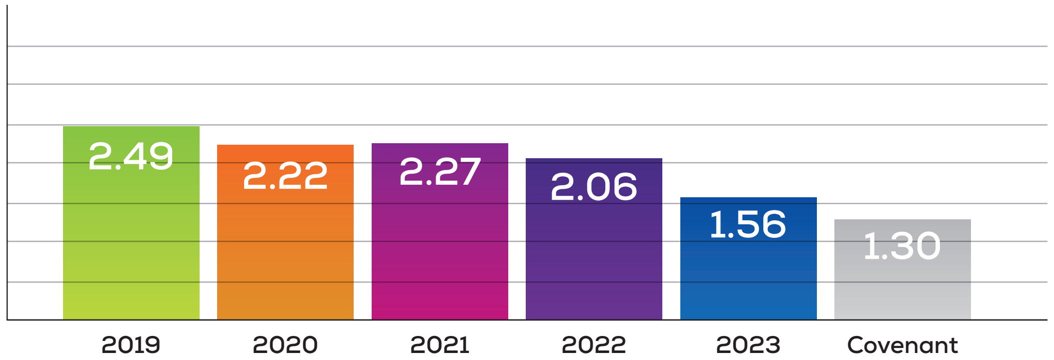
The Board further confirms that this report has been prepared in accordance with the applicable reporting standards and legislation.

COMPLIANCE WITH LOAN COVENANTS

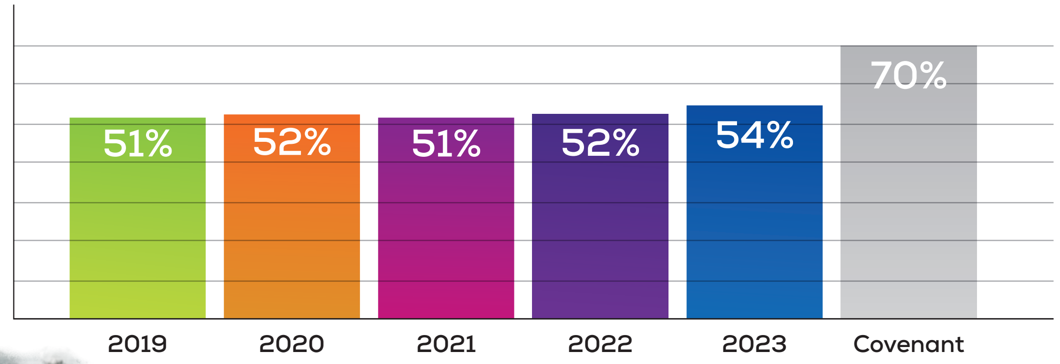
Loan covenants are primarily based on interest cover, gearing ratios and asset cover. Covenants are monitored regularly in accordance with the governance framework and were met throughout the year. These are forecast to be continually met for all loan facilities with a sufficient buffer to remain above risk tolerance levels set by the Board. The prior year ratios have been restated in line with current applicable covenants. We continue to operate within the limits set by its lenders.

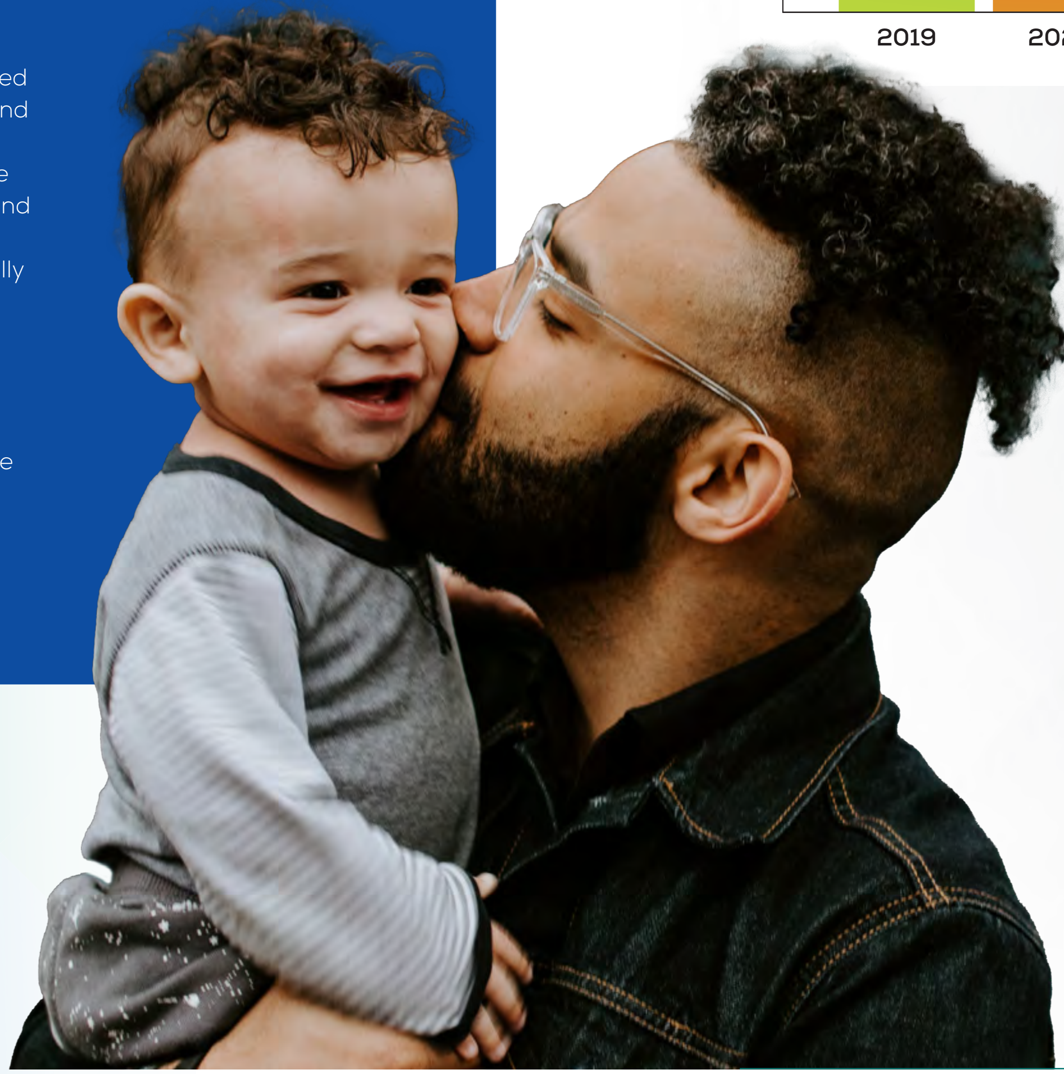


INTEREST COVER



GEARING RATIO





PRINCIPAL RISKS AND UNCERTAINITIES

OUR APPROACH

We recognise that an effective risk management framework embedded in practices and behaviours across the Association is fundamental to achieving our strategic objectives. The Board has overall responsibility for risk management. It is supported in this role by the Audit and Risk Committee ("ARC").

Risk is a standing item at all ARC and Board meetings, with the Executive Team responsible for identifying, evaluating, managing, and reporting any strategic risk. Operational risks are largely the responsibility of directors, but with Executive Team and ARC oversight and challenge.

RISK APPETITE

We operate in a complex and ever-changing economic and political environment. In that context, risk appetite is a powerful tool in our decision-making and in improving overall performance. The Board is responsible for setting our overall direction. It ensures that we have an appropriate, robust, and prudent risk and internal control framework. This year the Board conducted an extensive review of our risk and control framework in light of uncertainties in the operating environment relating to the pandemic and our changing trade relationship with the EU.

The Board has assessed the risks that are those most likely to influence our future viability, performance, and reputation, as identified on pages 30-31.

GOING CONCERN

Our business activities, current financial position, and factors likely to affect our future operations are set out within our business plan.

The 30-year financial plan is a forward-looking document which is tested against a range of scenarios which could give rise to significant financial exposure.

The Board has assessed the viability of the Association over a five-year period. The Board's assessment is also supported by the longer 30-year financial forecast shared annually with the regulator and the annual review of the adequacy of resources available to the Association to prepare the financial statements on a going concern basis.

The Board is satisfied that no material nor significant exposures exist, other than as reflected in these financial statements. The Board is, therefore, assured that the plan is appropriately funded and is sufficiently robust to ensure there will be no financial covenant breaches over the 12 months from the date of approval of the financial statements.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the Association to continue as a going concern have been identified by the key management personnel after taking into account the relevant facts and circumstances.

Our business has a robust risk and internal control framework as well as cash reserves, uncharged assets, and adequate resources to finance our future development ambitions and day-to-day operations for the foreseeable future. For these reasons, the going concern principle has been applied in preparing these financial statements.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities during the year was £2.35 million (2022: £4.31 million) and a cash balance of £16.04 million at 31 March 2023 (2022: £14.18 million).

CAPITAL STRUCTURE

Our assets are financed by a combination of:

- **Social housing grants of £66 million (40%)**
- **Private finance (loans) of £63 million (38%), and**
- **Internally generated funds of £35 million (22%)**

RENT POLICY

In line with the Government's objective of rent harmonisation across the social housing stock, our rent policy is regularly reviewed to ensure compliance. On average our affordable rents are set at 72% of the market rent. The average assured rent charged during the year to 31 March 2023 was £120.38 per week (March 2022: £115.70).

RESERVES STRATEGY

Our policy on reserves is to build up sufficient funds from our income to provide a safe working margin for our business and to produce comfortable cover for all our medium and longer-term loans and other liabilities.

Our policy on major repairs is to set a strategy that matches the build-up of the liability arising from the ageing of our properties over their assumed lives. Our strategy is to therefore use the reserves to:

- **Upgrade the current stock in line with return on asset initiatives**
- **Subsidise the development of new homes**
- **Improve our service delivery to residents; and**
- **Invest in our communities**

The Board has assessed that the risks in the following table are those most likely to influence our future viability, performance, and reputation. We have put in place strategies against each of the risks that have been identified.

Strategic Risks	Mitigations	Appetite
1. **Major Health and Safety Incident** Appropriately respond to a major health and safety disaster or safeguarding incident which has implications for Inquilab properties, customers, and/or employees	Acknowledgement of inherent risk factors, but with high level of preventative measures in place to avoid a significant event happening. Ensure effective asset / landlord compliance control measures are in place to meet RSH Consumer standards and legal obligations.	CAUTIOUS
2. **Regulation and External Environment** Appropriately responding to changes in government policy or the external / economic environment and meeting all regulatory and legal requirements	Minimise risk of non-compliance by maintaining sound systems of governance, compliance, and internal control, supported by an effective assurance framework, including regular horizon scanning.	CAUTIOUS
3. **Financial Resilience** Financial viability and sustainability. Ability to manage finances effectively to maximise long term viability and financial capacity, respond to emerging legal or regulatory requirements (eg. around net zero carbon homes) and ensure value for money savings are delivered	Stress test investment decisions and business plans so that these would not lead us to contravene our own covenants and golden rules under a wide variety of scenarios, and take proactive measures to ensure that income streams are protected.	CAUTIOUS
3(a). **Income Management** The impact of welfare reform on our cashflow is greater than that assumed in our Financial Plan		CAUTIOUS
4. **Growth** Ability to deliver the homes targets	To be ambitious in delivering our strategic objective to meet housing need and support sustainable communities, but without putting the overall financial viability of the business at risk.	OPEN
5. **Services and Customer Experience** Not providing quality services that lead to an improvement in resident satisfaction	High customer satisfaction on quality of service and homes is a key organisational objective. We will be open to opportunities to engage customers and improve satisfaction.	OPEN
6. **Data Governance and Information Management** Insecure processing of personal and corporate data, inaccurate data, not meeting high standards of data integrity	Acknowledgement of inherent risk factors, but with high level of preventative measures in place to avoid a significant event happening.	CAUTIOUS
7. **Asset Management** Not achieving good asset performance / meeting sustainability targets (includes having adequate data to respond to any future government requirements around property condition and sustainability eg. net zero carbon)	Homes must meet regulatory and statutory standards. Good quality homes are fundamental to our business, resident satisfaction, and safety. We have a cautious approach to taking risk in this area. All homes will be built and maintained to current requirements based on age / type of construction. Components will be replaced as surveyed for identified need. Professional stock surveys undertaken per identified need.	CAUTIOUS
8. **People** Inability to recruit and retain the right people who are motivated, professional, and dedicated to our values	Continue to be forward thinking in terms of embedding a visible culture and shared values. Implement resilient succession planning and people development programmes. Take decisions for the long-term benefit of the organisation.	OPEN
9. **Governance** Ability to ensure our Governance arrangements are accountable and effective and the Board possesses the appropriate skills and experience	Adopt and follow good practice in all governance arrangements. Seek to control risks here as far as possible.	CAUTIOUS
10. **Fraud** Major fraud incident occurs (including theft, money laundering, and tenancy fraud)	Acknowledgement of inherent risk factors, but with high level of preventative measures in place to avoid a significant event happening.	CAUTIOUS
11. **Counter Party** Key counter parties unable to deliver on their commitments	Ensure a full awareness of the risks involved by working proactively with partners to deliver key services. There is scope to be innovative in how these services are delivered but we will not risk any failure to deliver key services.	OPEN

ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

The Board has overall responsibility for the Association's system of internal control and for monitoring its effectiveness. Our internal control system is designed to manage, rather than eliminate, the risk of failure to achieve our objectives and can only provide reasonable, and not absolute, assurance that we are not exposed to material misstatement or loss.

The Audit & Risk Committee (ARC) has been in operation throughout the relevant period and has overseen the effectiveness of the system of internal control by considering risk reports, internal audit reports, management assurances, the external audit management letter, and specialist reviews. Material risk or control matters are reported by the ARC to the Board.

The Board confirms that the key processes for identifying, evaluating, and managing the significant risks faced by the Association have been in place throughout the year and reviewed up to and including the date of approval of the annual report and financial statements. Some of the key policies and processes that the Board has established to provide effective internal control include:

- **Clearly delegated powers to Board committees, and the Executive Team**
- **Robust strategic and business planning processes with detailed financial budgets and forecasts**
- **Regular reporting to the Board and appropriate committees on key business objectives, targets, and outcomes**
- **Regular Board review of risk management processes**
- **Documented policies and procedures for all key operational areas**
- **Maintaining a fraud register and related processes including the review of the register at ARC meetings**
- **Adoption of an internal audit programme monitored by the ARC**
- **Board review of the external audit management letter, and ARC members' interview with CLA Evelyn Partners Limited (external audit) and Mazars (internal audit) without staff members present**
- **Review of all regulatory reports**
- **Staff being fully conversant with key controls and procedures relating to financial operational systems**

We have a suite of probity policies designed to tackle fraud, bribery, corruption, theft, and breaches of regulations. These are reviewed regularly.

The ARC has received and reviewed assurance on the effectiveness of the system of internal control for the Association, together with the annual report of the internal auditor. It has reported its findings to the Board through an annual report to the Board and the minutes of its meetings.

Significant work was undertaken during the year to improve control processes and to strengthen weaknesses identified in the work undertaken by our internal auditors and to build on the work of the previous year. Strengthening the risk, control, and assurance framework remains a priority for ARC and the Board.

The Board confirms that there are no material weaknesses which require disclosure in these financial statements.

DONATIONS

We made no political donations during the year (2022: £nil).

AUDITORS

All current Board members have taken all the steps required to make themselves aware of any information needed by our auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Board members are not aware of any relevant audit information of which the auditors are unaware.

CLA Evelyn Partners Limited expressed its willingness to continue to act as our external auditors.

LOOKING AHEAD

We know that 2023 and the years ahead will continue to remain challenging. There are no signs of peace between Russia and the Ukraine, and the cost-of-living crisis will pose further challenges for our organisation and our residents. We expect inflation and interest rates to remain in the short term. The sector as a whole is faced with rising costs while making residents' homes safer and more energy efficient with the expectation of meeting the Government's minimum EPC 'C' rating by 2030 across all the homes we own.

Inquilab is not an organisation to sit still and our priorities for the coming year are to:

- **Prioritise safety, ensuring our homes – and residents - are safe, including our commitment to a zero-tolerance approach to ASB**
- **Get closer to our residents and identify their differing needs and how the economic and wellbeing environments are impacting them**
- **Collaborate and work with other partnerships and organisations to help deliver quality services and support for our residents, as well as drive scale of economy for greater value-for-money**
- **Improve resident's satisfaction by further refining and developing our repair and maintenance service**
- **Deliver on Tenant Satisfaction Measures from April 2023**
- **Continue investing in developing our homes, including the development of 16 new homes in Hounslow**
- **Tackle damp and mould in our properties and publish our repair and planned maintenance schedule**
- **Have a greater understanding of our properties, including what we need to do to meet the Government's 2050 carbon neutral targets**
- **Tackle inequality and support the housing and cultural needs of our community and employees**
- **Invest in our organisation's structure and people**

In addressing our priorities, we will:

- **Continue to invest in technology and efficiency**
- **Deliver value for money in all we do**
- **Work collaboratively with partners and others to deliver our services and develop more homes**
- **Maintain a strong business where risks are robustly managed**
- **Establish strong foundations to underpin the delivery of quality services**

> Above all, we will continue to put the safety of our residents first, ensuring our properties are safe for people to live in and that we communicate safety messages in a way that our residents trust and understand.

Gina Amoh
CHIEF EXECUTIVE
Date: 25 July 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INQUILAB HOUSING ASSOCIATION LIMITED

OPINION

We have audited the financial statements of Inquilab Housing Association (the 'Association') for the year ended 31 March 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and Reserves and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- **Give a true and fair view of the state of the association's affairs as at 31 March 2023 and of its 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 Companies Act 2006, 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 association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual review and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual review and financial statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Companies Act 2006 requires us to report to you if, in our opinion:

- **Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or**
- **The financial statements are not in agreement with the accounting records and returns, or**
- **Certain disclosures of directors' remuneration specified by law are not made; or**
- **We have not received all the information and explanations we require for our audit**

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Board's Responsibilities set out on page 5, the members of the board are the directors of the association for the purposes of company law. The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Association's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the Associations' policies and procedures in relation to compliance with relevant laws and regulations. We also drew on our existing understanding of the Association's industry and regulation.

We understand that the Association complies with the framework through:

- **Updating operating procedures, manuals, and internal controls as legal and regulatory requirements change**
- **A programme of internal audit performed by an independent firm of internal auditors**
- **Independent health and safety reviews across identified compliance areas**
- **A dedicated health and safety compliance officer**
- **A risk assessment framework and register that includes regular review and scrutiny by the Audit and Risk Committee**
- **An annual assessment of compliance with housing association regulations, and**
- **The Board's close oversight through regular board meetings and compliance reporting.**

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Association's ability to conduct operations and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the association:

- **FRS 102, the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022, in respect of the preparation and presentation of the financial statements**
- **Health and safety regulations, including building and fire safety; and**
- **Housing association regulations**

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- **Making enquiries with management and the Audit and Risk Committee as to the risks of non-compliance and any instances thereof, and**
- **Reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence between regulators and the Association**

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- **Management override of control, and**
- **Revenue recognition, specifically the manipulation of revenue through fraudulent journal entries**

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures carried out to gain evidence in the above areas included:

- **Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the Association's processes and controls surrounding manual journal entries**
- **reviewing and challenging estimates made by management; and**
- **substantive work on revenue transactions**

The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, the senior statutory auditor has a number of years' experience in dealing with Association's with similar risk profiles.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

CLA Evelyn Partners Limited

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7QA
Date: 24 August 2023

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Turnover	2	10,780	10,445
Operating expenditure	2	(8,689)	(7,215)
Gain on disposal of housing properties	2/5	549	344
Operating surplus	2	**2,640**	**3,574**
Interest receivable	6	186	10
Interest payable and financing costs	7	(2,526)	(2,065)
Movement in fair value of investment	11	(154)	(45)
Surplus for the financial year		**146**	**1,474**
Other comprehensive income			
Actuarial gain/(loss) for the year on defined benefit pension obligation	17	(54)	36
Total comprehensive income for the financial year		**92**	**1,510**

All amounts relate to continuing activities.

STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Housing properties	9	154,052	155,399
Other tangible fixed assets	10	2,370	2,514
		156,422	**157,913**
Current assets			
Investments	11	1,318	1,334
Trade and other debtors	12	1,091	507
Cash & cash equivalent		16,041	14,179
		18,450	**16,020**
Creditors amounts falling due within one year	13	(12,046)	(6,231)
Net current assets		**6,404**	**9,789**
Total assets less current liabilities		**162,826**	**167,702**
Creditors: amounts falling due after more than one year	14	(126,955)	(131,950)
Provisions for liabilities			
Pension provision	17	(366)	(375)
Other provisions	18	(243)	(207)
Total net assets		**35,262**	**35,170**
Reserves			
Revenue reserve		35,262	35,170
Total reserves		**35,262**	**35,170**

These financial statements were approved by the Board and signed on its behalf by:

Pamela Leonce	Gina Amoh	Stephen Rosser
Chairperson	Chief Executive	Secretary

Date of approval: 25 July 2023

STATEMENT OF CASH FLOW

YEAR ENDED 31 MARCH 2023

	2023 £'000	2022 £'000
Net cash generated from operating activities (see Note 22)	2,353	4,310
Cash flow from investing activities		
Addition to other fixed assets	(47)	(188)
Addition to Housing Properties	(1,446)	(2,393)
Proceeds on disposal Housing Properties	1,512	815
Purchase of investments	120	-
Interest received	180	10
	319	(1,756)
Cash flow from financing activities		
New Loans	15,653	10,000
Interest paid	(2,565)	(2,372)
Loans repaid	(13,778)	(8,349)
Issue Premium received	-	4,961
Grants repaid	(120)	(182)
	(810)	4,058
Net change in cash and cash equivalents	1,862	6,612
Cash and cash equivalents at beginning of the year	14,179	7,567
Cash and cash equivalents at end of the year	16,041	14,179

Analysis of debt	1 April 2022 £'000	Cash flow £'000	Non cash £'000	31 March 2023 £'000
Cash at bank and in hand	14,179	1,862		16,041
Current asset investments	1,334	138	(154)	1,318
Loans				
Short-term loans	(3,044)	3,044	(9,017)	(9,017)
Long-term loans	(57,738)	2,447	1,672	(53,619)
Net Debt	(45,269)	7,491	7,499	45,277

STATEMENT OF CHANGES IN EQUITY AND RESERVES

YEAR ENDED 31 MARCH 2023

	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 April 2022	-	35,170	35,170
Total comprehensive income for the year	-	92	92
Balance at 31 March 2023	-	35,262	35,262

	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 April 2021	-	33,660	33,660
Total comprehensive income for the year	-	1,510	1,510
Balance at 31 March 2022	-	35,170	35,170

NOTES ON THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

1 PRINCIPAL ACCOUNTING POLICIES

1.1 Legal Status

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH).

The Association's principal activities are stated in Report of the Board of Management on page 7.

The Association's registered office is Unit 3, 8 Kew Bridge Road, Brentford, London, TW8 0FJ.

1.2 Accounting basis

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP 2018) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022 ("the Direction"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Association's accounting policies.

In accordance with FRS 102 (3.3A), the Association is a public benefit entity that has applied the "PBE" prefixed paragraphs.

The financial statements are presented in sterling (£'000).

1.3 Going concern

Our business activities, current financial position, and factors likely to affect our future operations are set out within our business plan. The 30-year business plan is a forward-looking document which is tested against a range of scenarios which could give rise to significant financial exposure. The Business plan was scrutinised and approved by the Board, which was satisfied that no material nor significant exposures exist, other than as reflected in these financial statements. The Board is, therefore, assured that the plan is appropriately funded and is sufficiently robust to ensure there will be no financial covenant breaches over the 12 months from the date of approval of the financial statements.

Our business has a robust risk and internal control framework as well as cash reserves, uncharged assets and adequate resources to finance our future development ambitions, day to day operations for the foreseeable future. For these reasons, the going concern principle has been applied in preparing these financial statements.

1.4 Significant judgements and estimates

Preparation of the financial statements in conformity with general accepted accounting practices requires management to make significant judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period.

Judgements

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

Identification of housing property components

Housing property depreciation is calculated on a component-by-component basis. The identification of such components is a matter of judgement and may have material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

Consideration of impairment indicators

The identification of impairment indicators is a matter of judgement and where an impairment indicator is identified, an assessment is required as to whether an impairment charge arises. The below inflation rent cap for the 2023/24 is considered to present an indicator of impairment. An assessment has been carried out in accordance with the Association's accounting policy set out at note 1.15. The assessment has resulted in no charge being made in respect of impairment.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Bad debt provision

The rent debtors balance of £1,130k (2022: £621k) and the provision for bad debt amount of £432k (2022: £358k) recorded in the Association's Statement of Financial Position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Multi-employer pension obligation

Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation, salary growth rates and mortality rates. The Pensions Trust provided base assumptions which the Association has flexed to reflect more accurately the particular circumstance of the organisation. In determining the appropriate discount rate, consideration is made of the interest rates of corporate bonds with at least an AA rating. Inflation is set by considering market expectations, salary growth is set by aligning with the Association's business plan and mortality rates have been adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The value of the provision is highly sensitive to relatively small changes in assumptions. At 31 March 2023, a liability of £366k (2022: £375k) for pensions is recorded in the Statement of Financial Position.

Useful lives of components

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2023 was £27.1 million (2022: £25.8 million).

1.5 Turnover and revenue recognition

Turnover comprises rental and service charge income, income from shared ownership first tranche sales and sales of properties built for sale, fees and revenue grants receivable from local authorities, government grants received for housing properties recognised in income on a systematic basis and other income.

Rental and service charge income is recognised in the period to which it relates net of rent and service charge losses from voids. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Service charge for shared ownership properties and other income are accounted for on the basis of the value of goods or services supplied during the period. Any over or under recovery of variable service charge amounts due is reflected as a creditor or debtor respectively.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. First tranche sales are included within turnover and the related portion of the cost of the asset recognised as cost of sales. The resultant surplus or deficit on first tranche sales is recognised within the income statement.

Government capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight-line basis over the expected life of the asset which they have funded.

1.6 Short term employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

1.7 VAT

Since a large proportion of the Association's income, including its rents, is exempt for VAT purposes whilst the majority of its expenditure is subject to VAT that cannot be reclaimed, expenditure is shown inclusive of irrecoverable VAT.

1.8 Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the statement of comprehensive income in the year.

1.9 Sale of properties

Sales of housing properties and stock are recognised at the date of completion of each property sold. Grant in respect of sales of housing properties under the Right to Acquire (RTA) are credited to the Recycled Capital Grant Fund in accordance with the Direction. This will be utilised to fund future housing programmes.

Gains or losses arising on the sale of properties are determined as the difference between the sale proceeds and the carrying amount of the property and are recognised as part of the surplus/deficit for the year.

1.10 Taxation

The Association has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities, provided that the surpluses are applied to the charitable objects of the Association.

1.11 Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Where the Association has a mixed tenure development which has more than one element, the Association allocates the cost of the land to each element of the scheme to reflect the respective values of the land for different tenure types.

Where an asset comprises components with materially different useful economic lives, those assets are separately identified and depreciated over those individual lives.

The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

The Association depreciates the major components of its housing properties at the following annual rates:

	Estimated useful life
House structure	100 years
Roof structure and covering	70 years
Windows and external doors	30 years
Bathrooms	30 years
Kitchens and lifts	20 years
Central heating boilers and hard-wired alarms	15 years
Heating, ventilation and plumbing systems	30 years
Electrics	40 years

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future

benefit is capitalised and the carrying amount of any replaced component or part component is derecognised.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The split is determined by the percentage of the property sold under the first tranche disposal and the remainder retained by the Association. The first tranche proportion is classed as current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

The Association does not depreciate Shared ownership properties as the residual value is estimated to be at least equal to the cost of the properties. Residual value represents the estimated amount which at least would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual values of fixed assets, their useful lives, and their depreciation rates are reviewed at each reporting date and where there is an indication of a significant change since the previous reporting date, they are adjusted prospectively.

1.12 Property, plant and equipment

Property, plant and equipment comprises other fixed assets and are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

Leased Properties are written down over the life of the lease or the useful life of the asset if shorter. The maximum useful life is 100 years.

The principal annual rates used for other assets are:

Furniture, fixtures and fittings	25%
Computers and office equipment	25%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

1.13 Work in progress and properties held for sale

Stocks and work in progress is stated at the lower of cost and net realisable value. Additions to these properties include the costs of finance charges specifically related to the funding of the purchase and development of the property, except that interest costs incurred prior to construction and after practical completion are written off in the period to which they relate.

Properties completed for outright sale and the proportion of shared ownership properties expected to be sold under first tranche sales are recorded within current assets at the lower of cost and net realisable value. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

1.14 Financial instruments

Financial assets and liabilities comprise investments, trade and other debtors, cash and cash equivalents, trade and other payables, accruals and loan balances.

Financial assets and financial liabilities are recognised when the Association becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of future payments discounted

at a market rate of interest for a similar debt instrument. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Other financial instruments and investments in equity instruments are recognised at fair value with any gains or losses being reported in surplus or deficit.

Financial assets are only derecognised when and only when:

- **the contractual rights to the cash flows from the financial asset expire or are settled,**
- **the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or**
- **the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.**

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments represent a debt service reserve fund which is equivalent to one year's interest on the THFC loan and comprise cash and investment in gilts. Investments are measured at fair value.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits and bank overdrafts which are an integral part of the Association's cash management. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

1.15 Impairment

Non-financial assets

Non-financial assets comprise housing properties, property, plant and equipment and stock.

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the value in use for assets held for their service potential, being the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Financial assets

Financial assets comprise investments, trade and other debtors and cash and cash equivalents.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.16 Government grants

Government grants include grants receivable from the Homes England, Greater London Authority (the GLA), local authorities, and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accrual model.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the RSH.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

If unused within a three-year period, grants received from the Greater London Authority or Homes England are repayable, including any accrued interest. The development programme of the Association is such that the recycled grant is expected to be re-used before it becomes repayable. Any unused recycled capital grant held within the recycled capital grant fund is disclosed in the balance sheet, split between creditors falling due within one and after one year. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised in the Statement of Comprehensive Income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the Statement of Comprehensive Income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

1.17 Pensions

The Association operates a defined benefit scheme and a defined contribution scheme. All staff in the Social Housing Pension Scheme (SHPS) pension scheme only make contributions into the defined contribution scheme. Contributions to the defined contribution scheme are charged to the statement of comprehensive income as they become payable. The annual employer contributions payable is charged to the income and expenditure account. The SHPS defined benefit scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate. The SHPS defined benefit scheme closed to new accruals from 30th September 2015.

The assets of the schemes are held separately from those of the Association.

The Association is part of the Social Housing Pension Scheme, a multi-employer defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust.

Sufficient information is available for the Association to account for its obligations on a defined benefit basis. As such, the Association recognises in its statement of financial position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the expected return on scheme assets is included in the finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the statement of comprehensive income in the period in which they arise.

1.18 Leases

Leases are classified as finance leases where the terms of the leases transfer substantially all the risks and the rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Rentals paid or receivable under operating leases are recognised to the Statement of Comprehensive Income on a straight-line basis over the term of the lease, including where payments or receipts are not required to be made on a straight-line basis. Lease incentives are similarly spread on a straight-line basis over the relevant lease terms.

Assets held under finance leases are measured initially at the fair value of the leased asset and the corresponding lease liability. Assets held under finance leases are included in tangible fixed assets and depreciated in the same way as owned assets.

1.19 Provisions for liabilities

Provisions for liabilities and charges are recognised when the Association has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated, and it is probable that a transfer of economic benefit will be required to settle the obligation.

1.20 Revenue reserves

Revenue reserves relate to the cumulative surpluses less amounts transferred to designated and restricted reserves.

2 LETTINGS AND OTHER RELATED INFORMATION

2(a) PARTICULARS OF TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

	2023			2022		
	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 2b)	10,772	(8,649)	2,123	10,422	(7,110)	3,312
Other social housing activities						
First tranche shared ownership sales	-	-	-	-	-	-
Gain on disposal of housing properties	-	-	549	-	-	344
Other	8	(40)	(32)	23	(105)	(82)
Total	10,780	(8,689)	2,640	10,445	(7,215)	3,574

2(b) PARTICULARS OF TURNOVER AND OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Housing Accommodation £'000	Shared Ownership £'000	Total 2023 £'000	As restated Total 2022 £'000
Income				
Rents receivable net of identifiable service charges	8,602	443	9,045	8,715
Service charges receivable	698	197	895	873
Water Rates Receivable	25	-	25	24
Amortised government grants	771	36	807	810
Turnover from social housing lettings	10,096	676	10,772	10,422
Operating expenditure				
Service charge costs	659	229	888	941
Management	1,774	16	1,790	1,629
Routine maintenance	1,939		1,939	1,575
Major repairs	365		365	250
Bad debts	30		30	92
Planned Maintenance	1,726		1,726	789
Depreciation of housing properties	1,781		1,781	1,764
Loss on disposals and component replacements	104		104	47
Water rates	26		26	23
Operating expenditure on social housing lettings	8,404	245	8,649	7,110
Operating surplus on social housing lettings	1,692	431	2,123	3,312
Rent losses from voids	126	-	-	64

3 BOARD MEMBERS & DIRECTORS' EMOLUMENTS

For the purpose of this note, the directors are defined as the Board Members, the Chief Executive and the Senior Staff Team.	2023 £'000	2022 £'000
Aggregate emoluments and expenses payable to the executive directors (including pension contributions and benefits in kind)	421	370
Pensions Contribution	30	24
Emoluments paid to the highest paid director of the Association excluding pension contributions	128	124
Pensions contributions in respect of the highest paid director	10	9

The Chief Executive is an ordinary member of the Social Housing Pension Scheme (SHPS) and no enhanced or special terms applied. SHPS is a defined contribution scheme. The employers' contribution rate is currently set at between 6.45% and 7.45%.

Board member remuneration	2023 Total £'000	2022 Total £'000
Pamela Leonce	8.0	8.0
Vivien Knibbs	0.9	3.7
Nisha Makwana (Resigned December 2021)	-	1.5
Puneet Rajput (Resigned May 2023)	3.2	3.0
Gordon Mattocks (Resigned December 2021)	-	1.5
Jack Stephen (Appointed June 2022)	2.7	-
Peta Caine	2.5	2.0
John Barr	0.6	2.0
Katie Wilmot	2.5	2.3
Wasiu Fadahunsi (Joined December 2021)	2.5	0.7
Chyrel Brown (Joined December 2021)	3.2	0.8
Rajkoomar Jahanara (Joined December 2021)	2.5	0.7
	28.6	26.2

4 EMPLOYEE INFORMATION

	2023 Number	2022 Number
The average weekly number of persons (including the Chief Executive) employed during the year was (full time equivalents based on 35 hours per week):	23	19
Staff costs during the year:	£'000	£'000
Wages and salaries	1,276	1,088
Social security costs	152	125
Pension costs	80	70
Redundancy costs	-	79
	1,508	1,362

Salary banding for key management personnel, considered earning over £60,000 (including salaries, performance related pay, benefits in kind, compensation for loss of office) is set out on a full time equivalent basis below:

Bands	2023 Number	2022 Number
£60,000 - £70,000	1	4
£70,001 - £80,000	2	-
£80,001 - £90,000	-	2
£90,001 - £100,000	-	-
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-
£120,001 - £130,000	1	1
Total	5	8

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2023 £'000	2022 £'000
Disposal proceeds	1,512	815
Carrying value of fixed assets	(909)	(429)
Grant amortised	(49)	(34)
Selling cost	(5)	(8)
	549	344

6 INTEREST RECEIVABLE

	2023 £'000	2022 £'000
Bank interest	180	4
Investment income	6	6
	186	10

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2023 £'000	2022 £'000
SHPS pension – interest expense	10	10
Loans and bank overdrafts	2,653	2,342
Amortised Cost adjustment	(67)	(259)
	2,596	2,093
Interest payable capitalised on housing properties under construction	(70)	(28)
	2,526	2,065
Capitalisation rate used to determine the finance costs capitalised during the period	4.78%	4.15%

8 SURPLUS FOR THE YEAR

	2023 £'000	2022 £'000
Is stated after charging:		
Auditor's remuneration (excluding VAT):		
- in their capacity as auditor	36	32
- other services	5	5
Depreciation	1,972	1,951

9 HOUSING FIXED ASSETS

Costs of completed properties and properties under construction comprise of materials and direct overheads attributable to the development. Interest incurred is capitalised from the point of first obtaining planning permission, throughout work-in-progress and up to the point of practical completion of the development scheme.

Depreciation of housing property components is charged so as to write down the cost of the components to their estimated residual value, on a straight-line basis, over their estimated useful economic lives set out in Note 1.11.

	Housing properties held for letting £'000	Housing properties under construction £'000	Shared ownership housing properties £'000	Total £'000
Cost				
At 1 April 2022	161,012	1,310	18,847	181,169
Properties acquired				
Works – existing properties	47	329	-	376
Component additions	1,070	-	-	1,070
Disposals	(863)	-	(629)	(1,492)
At 31 March 2023	**161,266**	**1,639**	**18,218**	**181,123**
Depreciation and impairment				
At 1 April 2022	25,769	-	-	25,769
Charged for year	1,781	-	-	1,781
Disposals	(479)	-	-	(479)
At 31 March 2023	**27,071**	**-**	**-**	**27,071**
Net book value				
At 31 March 2023	**134,195**	**1,639**	**18,218**	**154,052**
At 31 March 2022	135,243	1,310	18,847	155,400

The cost incurred on improvement works to existing properties during the year is analysed as follows:	2023 £'000	2022 £'000
Amounts capitalised (all relating to components)	1,070	671
Amounts charged to the income and expenditure account	365	250

Carrying amount of secured and unsecured properties	2023 £'000	2022 £'000
Secured properties	93,704	94,512
Unsecured properties	60,348	60,888
	154,052	155,400

10 OTHER TANGIBLE FIXED ASSETS

Depreciation on other fixed assets is charged on a straight-line basis over the expected useful economic lives of the fixed assets to write down the cost less estimated residual values at the following annual rates set out in Note 1.12.

	Long Leased Office Premises £'000	Office Furniture and Equipment £'000	Total £'000
Cost			
At 1 April 2022	2,346	1,302	3,648
Additions	-	47	47
Disposals	-	(103)	(103)
At 31 March 2023	**2,346**	**1,246**	**3,592**
Depreciation			
At 1 April 2022	117	1,017	1,134
Charge for year	24	167	191
Disposals	-	(103)	(103)
At 31 March 2023	**141**	**1,081**	**1,222**
Net book value			
At 31 March 2023	**2,205**	**165**	**2,370**
At 31 March 2022	2,229	285	2,514

11 INVESTMENTS

The Association deposited £1,040k which is held in trust on behalf of The Housing Finance Corporation as part of the loan agreement. As at March 2023 the balance including accrued interest was £1,318k (2022: £1,334k). Fair value movement of the investment recognised in the Statement of Comprehensive Income is £154k: (2022: (£45k).

12 TRADE AND OTHER DEBTORS

Amounts receivable within one year:	2023 £'000	2022 £'000
Rent arrears	**1,130**	621
Housing benefits in arrears	**109**	117
Less: provision for bad debts	**(432)**	(358)
	806	380
	182	120
Prepayments and accrued income		
Other debtors	**103**	7
	1,091	507

13 CREDITORS

Amounts falling due within one year:	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Trade creditors		**349**		445
Taxation and social security payable		**56**		37
Loan repayments (note 16)	**9,017**		3,044	
Amortised cost adjustment	**403**	**9,420**	379	3,423
Loan interest		**132**		94
Other creditors and accruals		**733**		762
Recycled Capital Grant Fund (note 19)		**8**		120
Rent in advance		**541**		539
Deferred grant income (note 15)		**807**		811
		12,046		6,231

14 CREDITORS

Amounts falling due after more than one year:	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Deferred grant income (note 15)		**64,760**		65,900
Housing loans (note 16)	**53,619**		57,738	
Amortised cost adjustment	**7,754**	**61,373**	7,875	65,613
Recycled Capital Grant Fund (note 19)		**822**		437
		126,955		131,950

15 DEFERRED GRANT INCOME

Social housing grant (SHG) is initially recognised at fair value as a long-term liability, specifically as deferred government grant income and released through the statement of comprehensive income as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost. All social housing grant (SHG) is amortised to income over 100 years for social housing properties.

On disposal, SHG associated with those properties is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

	2023 £'000	2022 £'000
At 1 April	**66,710**	67,713
Grant received in the year	**-**	-
Grant repaid in the year	**(5)**	-
Recycled on disposal	**(380)**	(226)
Released to income in the year	**(807)**	(810)
Released on disposal	**49**	33
At 31 March	**65,567**	66,710
Amounts to be released within one year	**807**	810
Amounts to be released in more than one year	**64,760**	65,900
	65,567	66,710

	2023 £'000	2022 £'000
Government grant previously amortised to income	**15,128**	14,369
Government grant included in deferred income	**65,567**	66,710
Total government grant received	**80,695**	81,079

Stock swaps previously entered into by the Association have resulted in associated recognisable grants of £7.81m (2022: £7.81m). These grant liabilities are not recognised within deferred grant income, in line with the related accounting policy, but nevertheless represent a liability for the Association should the respective properties be sold.

16 HOUSING LOANS

Loans from lending institutions are secured by way of a first fixed charge on the Association's housing properties at rates of interest between 0.889% and 6.455% and include asset cover tests based on the ratio of the value of properties secured to the carrying value of the loan. Bank loans include interest cover gearing covenants each of which is tested annually against relevant disclosures within the statement of comprehensive income and statement of financial position. The loans are repayable in instalments due as follows:

	2023 £'000	2022 £'000
In five years or more	**32,425**	38,145
Between two and five years	**20,050**	16,929
Between one and two years	**1,672**	3,171
Loan finance costs	**(528)**	(507)
	53,619	57,738
In one year or less	**9,017**	3,044
	62,636	60,781

17 PENSIONS

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last man standing arrangement'. Therefore, the company 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.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Pension scheme liabilities recognised in the Statement of Financial Position	2023 £'000	2022 £'000
Pension obligations recognised as Defined Benefit schemes	366	375
Total pension scheme liabilities	366	375

Statement of Financial Position	2023 £'000	2022 £'000
Fair value of plan assets	1,644	2,356
Present value of funded retirement benefit obligations	(2,010)	(2,731)
Net liability	366	375

Principal actuarial assumptions at the financial position date:	2023 % per annum	2022 % per annum
Discount Rate	4.88	2.79
Inflation (RPI)	3.20	3.62
Inflation (CPI)	2.74	3.21
Salary Growth	3.74	4.21
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions applied at 31 March 2023 imply the following life expectancies:	Life expectancy at age 65 (Years)
Male retiring in 2022	21.0
Female retiring in 2022	23.4
Male retiring in 2042	22.2
Female retiring in 2042	24.9

Amounts recognised in the Income Statement	2023 £'000	2022 £'000
Net interest on defined benefit liability	10	10
Expenses paid	4	4
Total expenses	14	14

Amounts recognised in Other Comprehensive Income	2023 £'000	2022 £'000
Experience on plan assets	(823)	35
Experience gains and losses arising on the Plan liabilities	25	(223)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (losses)/gain	740	185
Effects of changes in the demographic assumptions underlying the present value of the Plan liabilities	4	39
Total amount recognised in Other Comprehensive Income – (losses)/gain	(54)	36

Reconciliation of movements on the defined benefit obligation	2023 £'000	2022 £'000
Defined benefit obligation at the start of the period	2,731	2,685
Expenses	4	4
Interest expense	76	58
Actuarial gains/(losses) due to scheme experience	(25)	223
Actuarial gains/(losses) due to changes in demographic assumptions	(4)	(39)
Actuarial losses/(gains) due to changes in financial assumptions	(740)	(185)
Benefits paid	(32)	(15)
Defined benefit obligation at the end of the period	2,010	2,731

Reconciliation of movements on the fair value of plan assets	2023 £'000	2022 £'000
Fair value of the Plans' assets at the start of the period	2,356	2,220
Interest income	66	48
Experience gains/(losses) on plan assets	(823)	35
Contributions by the employer	77	68
Benefits paid	(32)	(15)
Fair value of plan assets at the end of the period	1,644	2,356

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£757,000) against 2022: £83,000.

The fair values of each main class of assets held by the Fund and the expected rates of return for the ensuing year are set out in the following table.

	2023 £'000	2022 £'000
Global Equity	31	452
Absolute Return	18	94
Distressed Opportunities	50	84
Credit Relative Value	62	78
Alternative Risk Premia	3	78
Emerging Markets Debt	9	69
Risk Sharing	121	78
Insurance-Linked Securities	41	55
Property	71	64
Infrastructure	188	168
Private Debt	73	60
Opportunistic Liquid Credit	70	79
High Yield	6	20
Opportunistic Credit	-	8
Cash	12	8
Corporate Bond Fund	-	157
Long Lease Property	50	61
Secured Income	75	88
Liability Driven Investment	757	657
Currency Hedging	3	(9)
Net Current Assets	4	7
Total assets	**1,644**	2,359

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

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. It is expected that Court proceedings will be issued later in 2023, with the proceedings likely concluding by late 2024. 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.

18 PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

The Association recognises provisions and liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the Statement of Financial Position date.

	2023 Sinking Fund £'000	2022 Sinking Fund £'000
At 1 April	207	161
Additions	36	46
At 31 March	**243**	207

19 RECYCLED CAPITAL GRANT FUND

The Regulator of Social Housing can direct the Association to recycle SHG or to repay the recoverable capital grant back. Where the grant is recyclable, the recoverable capital grant is credited to the recycled capital grant fund (RCGF), which is included as a creditor due either within one year or after more than one year as appropriate.

	2023 GLA £'000	2022 GLA £'000
At 1 April 2022	557	513
Inputs to RCGF:		
Recycling of grant	380	226
New Build	13	-
Repayment of Grant	(120)	(182)
At 31 March 2023	**830**	**557**
Amounts 3 years old or older where repayment may be required	8	120

20 CAPITAL COMMITMENTS

Capital commitments are disclosed in respect of capital expenditure towards fixed assets which have been contracted and predominantly relate to developments where known contractors have been appointed and which have started on site.

	2023 £'000	2022 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,860	2,758
The Association expects to finance the above expenditure above by:		
Social Housing Grant receivable	-	-
Bank loans & Cash Generation	2,860	2,758

21 SHARE CAPITAL

Allotted, issued and fully paid	2023 £	2022 £
At 1 April	4	4
Shares cancelled during the year	-	-
As at 31 March	4	4

The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled, and the amount paid up thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests; there are no equity interests in the Association.

22 NOTES ON THE CASHFLOW STATEMENT

	2023 £'000	2022 £'000
Surplus for the year	146	1,474
Depreciation – Housing Properties	1,781	1,764
Depreciation - Other tangible fixed assets	191	187
Loss on components disposal	104	47
Surplus on sale of tangible fixed assets	(603)	(386)
Amortisation of government grant	(764)	(810)
Change in debtors	(584)	(32)
Change in creditors	(139)	(82)
Provisions	35	47
Fair value movement	(154)	45
Amortised cost adjustment	305	-
Interest paid	2,221	2,066
Interest received	(186)	(10)
Net cash generated from operating activities	2,353	4,310

23 TAXATION

No provision for United Kingdom corporation tax has been made due to the Association's charitable status.

24 UNITS AND BEDSPACES

During the year ending 31 March 2023, the Association disposed of a property on the open market, one tenant exercised their Right to Acquire and four shared ownership leaseholders staircased to a 100%.

	2023 Number	2022 Number
Under management at end of year:		
Owned – Social Rent	990	991
Owned – Affordable Rent	174	175
Owned – Intermediate Rent	67	67
Owned – Temporary Housing	3	3
Owned – Temporary Housing - Shared	6	6
Owned – London Living Rent	18	18
Owned – Shared ownership	74	78
	1,332	1,338

25 RELATED PARTY TRANSACTIONS

Disclosures in relation to the Chief Executive and the Senior Staff Team are set out below:

	2023 £'000	2022 £'000
Basic salary	421	415
Employers' national insurance	56	44
Pensions contributions	30	24
As at 31 March	507	484

26 FINANCIAL INSTRUMENTS

The Association's financial instruments are summaried below:

	2023 £'000	2022 £'000
Total financial instruments at fair value	1,318	1,334

Financial assets measured at fair value are valued based upon quoted market prices.

27 POST YEAR END EVENTS

There were no events subsequent to 31March 2023 that require disclosing.

INQUILAB

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