BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

Annual report and financial statements for the year ended 31st March 2023

Registered number: 4603611

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BROMSGROVE DISTRICT HOUSING TRUST LIMITED
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COMPANY INFORMATION

EXECUTIVE DIRECTORS

Graeme Anderson BSc Hons MCIH (Chief Executive)
Abigail Holland ACMA CGMA (Director of Resources)
Barry Stevens (Director of Asset Management and Development)
John Whitwam (Director of Housing and Communities)

BOARD MEMBERS

Alison Fisher	
Mary Miller (Chair)	
Liz Nembhard	
Hannah Purdie	
Mohan Sandhar	
Adam Wagner	Resigned 18th July 2022
Rachel Ward	Resigned 18th July 2022
Emma Nicklin	Resigned 17th July 2023
Andrew Kilby	Appointed 18th July 2022 (from co-optee)
Dean Gill	
Annmarie Hulley	Appointed 18th July 2022

SECRETARY

Abigail Holland ACMA CGMA

REGISTERED OFFICE

Buntsford Court
Buntsford Gate
Bromsgrove
B60 3DJ

REGISTERED UNDER THE COMPANIES ACT 2006: 4603611

REGISTERED CHARITY: 1111423

RSH REGISTRATION: LH4415

AUDITORS & TAX ADVISORS

Mazars LLP
Two Chamberlain Square
Birmingham
B3 3AX

SOLICITORS: Trowers & Hamlins and Anthony Collins

BANKERS: Barclays Bank

HMRC CHARITY REFERENCE: XR92206

VAT REGISTRATION: 833 9760 00

Chair's Statement

2022/23 continues to be as challenging as the previous few years, with the economic situation causing the most concern. With Covid beginning to feel like a distant memory, the new challenges of high inflation, high interest rates, and frozen Government spending move forward.

At bdht we have adapted the way that we work and how we deliver services, embracing the new opportunities of agile working. We have overcome the turnover blip we had immediately after lockdown and have had real success in recruiting some excellent new staff.

Delivering front line services continues to be a challenge, however. Customer requirements and expectations have increased, rightly so. The backdrop of Grenfell and Rochdale have increased the focus on health and safety, and it is more important than ever that our customers have secure and safe places to live in. The increased scrutiny on damp, mould and condensation means we must continue to be proactive and creative, providing individual solutions to individual problems.

The cost-of-living crisis provides an environment where more people than ever are struggling to make ends meet. This has a knock on effect to their ability to pay their rent and increases the number of people becoming homeless. At the same time, the affordability of other housing options remains challenging, re-enforcing our view that we should continue to focus on social rent developments where possible.

Despite these challenges the Strategic Report provided with the financial statements shows that our performance over the 12 months to 31st March 2023, when measured by the usual financial and business indicators, was good given the operating circumstances and uncertainties faced by bdht over the period.

It is clear that the operating environment will not get any easier over the coming 12 months

- The economic environment makes this a hugely challenging time for the sector
- Inflation continues to stay at historically high levels
- Interest rates are increasing to attempt to tackle high inflation
- Recruitment continues to be an issue across the sector

The current economic circumstances have meant we've already had to scale back our development plans from 500 new properties over the next five years to 350.

Our strong financial performance provides bdht with the resilience to cope with these threats and meet our corporate objectives. As set out in the Strategic Report the Board has set a clear 5-year vision for the organisation based around our six strategic priorities:

- Be an excellent landlord
- Be an excellent employer
- Build and support viable and vibrant communities
- Develop and maintain excellent safe places to live
- Be an environmentally and socially responsible organisation
- Be financially secure and provide value for money

I am delighted that we continue to hit our targets in a number of these areas. The achievement of the Investors in People Gold Award demonstrates our commitment to our staff, knowing that this will have a positive impact on the customer offer.

Finally, I would like to thank the Executive and my fellow board members who have provided valued leadership support over the last 12 months. I am confident that bdht can meet the challenges that lie ahead and continue to build vibrant communities together.

Mary Miller - Chair of the Board

18th September 2023

Principal Activities

bdht has principal activities which include the development and management of affordable housing in Bromsgrove and Redditch and the surrounding areas.

bdht is a company limited by guarantee and a registered charity. Its main business streams consist of the management of housing for people in need of affordable housing and a number of related services.

bdht develops new affordable housing both with and without grant from Homes England.

Objectives and Strategy

Our mission is "Building vibrant communities together"

During 2021/22 a new bdht Strategy for 2022-2027 was written. This strategy has been prepared in collaboration with our Board, our staff, and our partners, and by listening to our customers. It sets out what we want to do for the next five years. Of course, things will change, and new pressures and opportunities appear, but our core principles will remain.

The culture of the organisation is the foundation on which everything else is built. It's the undefinable way in which we talk and treat each other, regardless of whether they're a colleague, a customer, or a partner. It's about having a shared set of values, which we all own. It's about keeping our promises and admitting our mistakes. It's about acting with integrity and honouring our commitments. It's about a commitment to ED&I, openly embracing individuality. It's about being kind, and friendly. It's who we are at bdht.

The achievement of the mission is underpinned by outcomes against the six following Corporate Themes. Under each theme we have highlighted some of the key targets from our Corporate Plan. For 2022/23 we state our achievement against this. The targets have been carefully set, bearing in mind resources and capacity. The Executive Management Team have confirmed that these targets, while stretching, are achievable. For 2023/24 these are the targets approved by the Board.

- **Be an excellent landlord**

  It's vital that we stay a landlord that people want to come to and then stay with. We need to ensure we offer first class services to them. If people want to stay with bdht it improves communities, lowers turnover, and provides better value for money. We need to continue to improve our offer, live by our values and continue to embed the Customer Charter. We need to evolve our formal and informal forums for customer feedback, to ensure we're listening to understand. We need to learn from our complaints and change as a result of them.

  Key targets 2022/23:
  - Launch and embed new bdht Charter and Values - *Completed*
  - Embed new Tenant Satisfaction measures – *In Progress*
  - Provide debt management support – *Stalled by recruitment challenges*

  The impact of the new Charter and Values has a positive effect across the organsiation. The Investors in People report showed clearly the positive impact upon staff which will then feed through to customers. The Tenant Satisfaction Measures are driving positive focus upon key areas and further engagement with customers. The debt management support has been stalled by a lack of debt specialist available for recruitment. Despite this challenge our teams continue to support customers through our budget coaches and through signposting to outside agencies.

Key targets 2023/24:

- Improve the digital offer, with an omnichannel approach
- External improvement reviews of key service areas
- Embed the Charter into the Recruitment and Performance processes
- Embed data analytics into working practices
- Develop a Disability Diversity Awareness Group
- Tenants Satisfaction Measures embedded as key KPIs

The targets are wide ranging, looking to further develop our customer offering, while continuing to work on culture, and, building a more data driven decision making organsiation utilising technology. We will be transparent in our review of our services and adapt service areas to the need of customers.

- **Be an excellent employer**

Bdht achieved Investor in People Gold accreditation in March 2023, demonstrating the importance that we maintain our reputation as an excellent and inclusive place to work. We can only deliver excellent customer services if we have a well-motivated and empowered team. We know we make better decisions as an organisation when we have a breadth of opinions, generated from different backgrounds, experiences and lifestyles. Therefore, we welcome colleagues whatever their personal circumstances. We want to be a modern and progressive employer, who set our own agenda regarding our colleague offer.

Key targets 2022/23:

- Increase HR headcount to support further projects – *Completed*
- Implementation of fair pay policy and structure – *Implemented*
- Launch and embed new bdht Charter and Values – *Completed*
- Agile working review – *In Progress*

The impact of the fair pay policy has been significant. Recruitment challenges have been resolved and existing team members feel valued and appreciated, as well as staff turnover stabilising. The Investor in People award show the progress that has been made across all areas. Agile working is under review, with focus currently on how we improve flexibility for those who cannot work from home.

Key targets 2023/24:

- Embed the Values into the Recruitment and Performance processes
- Review the Employee offer
- Embed new Employee Forum
- Implement a new HR system

The Employee Forum is key to moving forward as an organisation, being led by employee voice, with leadership committed to transparency in the process. Employee offer in the current climate is not just about pay and reward, but about terms and conditions and ways of working. All of these are being looked at. The new HR system will bring significant efficiencies to the HR team, managers and individuals. The system will streamline manual processes and mean the focus is on employees rather than on the administration that is incurred from the current system.

- **Build and support viable and vibrant communities**

bdht have always taken pride in building communities with passion and pride. Our commitment to these spaces, the neighbourhoods people live in, makes us special. We want communities to

thrive, not just survive, and we will invest time and money to help this happen. We don't do this on our own. We work with the communities themselves, and strategic partners to help provide better outcomes for everyone. Wherever we have our homes, we will make a commitment to support their communities. We need to ensure we continue to nurture and develop the strategic partnerships we currently have, while developing new ones. We want to be a proactive and cooperative partner across Worcestershire.

Key targets 2022/23:

- Further roll out of Community Coaches – *Completed*
- Improved mental health service for bdht tenants – *Completed*
- Burcot estate regeneration – *near completion*

Community Coaches provide a vital role in more complex neighbourhoods. They have a smaller patch than traditional Housing Officers, but offer a 'one stop shop' for housing services as a result. They know their customers and community better and are able to target specific community issues, such as around ASB, more holistically. Significant benefits have been felt by customers and staff in the areas this has been rolled out in. Regeneration of the Burcot estate is near completion, and along with a dedicated Community Coach, the positive outcomes are apparent. Similar improvements have been realised at Shawfields, recently a hotspot for customer dissatisfaction.

Key targets 2023/24:

- Implement ASB service improvements
- Expand Customer Voice
- Establish local newsletters
- Establish tailored community plans

The focus for the coming year is to both listen and inform in an improved way. More customer voices need to be heard, but we also need to be talking to local areas individually through newsletters too. Tailored community plans will ensure that we are focused on specific needs, working with partner organisations, rather than applying a one size fits all approach.

- **Be an environmentally and socially responsible organisation**

As an organisation, ensure we are aware of the issues around de-carbonisation and the wider green agenda, and put into place plans to reduce the impact our customers, colleagues, and communities make on the environment. Ensure we support wider initiatives to make our spaces greener and improve their biodiversity. We need to increase our use of renewable energy and be careful how we use our resources. We need to ensure our actions and behaviours always match our values, so we not only do the right things, but we do them in the right way. We should continue to be a voice for people who don't always have one, helping to bring awareness to issues such as homelessness and poverty.

Key targets 2022/23:

- Explore and implement Modern Methods of Construction – *Completed*
- Complete decarbonisation strategy – *Completed*
- Anti-stigmatisation training for all staff – *Completed*

Progress has been made across MMC and decarbonisation during the year. The first MMC units will hand over in 2023/24. A Sustainability Officer has been employed to help bdht move forward with the strategy at more pace, working internally and with external partners to access funding. The anti-stigmatisation training was informative, thought provoking and well received. More

work has gone into talking with customers about ED&I and stigmatisation, which brings positive results.

Key targets 2023/24:

- Complete a carbon reduction assessment
- Develop a strategic approach with partners
- Complete a bio-diversity audit of communal spaces
- Attract match funding for carbon reduction projects

The activities to complete these targets are underway, with some grant funding already achieved. Utilising partner organisations and attracting funding through these routes is important to moving forward. We will go down to a finer level of detail and embed specific targets.

- **Develop and maintain excellent safe places to live**

As the primary social landlord in Bromsgrove we will continue to develop new homes. The affordability gap is increasing, and we need to provide genuinely affordable solutions to that issue. We also have a commitment to supporting the local authority by managing homelessness, and we must continue to help those most in need. We must also ensure there is a balance between developing new homes and investing in existing homes and communities. We must ensure we tackle issues around damp and mould and affordable warmth for example, ensuring we keep customer confidence. We need to ensure we continue to focus on our obligations to their safety and put in place processes and procedures to ensure that. We must inform our customers of our work and ask for their help to create safe spaces.

Key targets 2022/23:

- Complete the Responsive Repairs action plan – *In progress*
- Compliance across all Health & Safety strands 100% - *Achieved*
- All homes meeting the Decent Homes Standard - *Achieved*
- Number of new homes developed or acquired 107 – *Not Achieved due to delays in handovers*

Repairs volumes continue to grow, and the Responsive Repairs action plan has evolved and adapted to the challenges thrown at the organisation. Each part of the Repairs area continues to be looked at, from culture to technology. Development was low, with only 19 new properties, but was due to a delay in handovers on contracted schemes. The pipeline for the coming year is much higher, with 129 new homes expected.

Key targets 2023/24:

- Reduce early tenancy failure rate
- Compliance across all Health & Safety strands 100%
- All homes meeting the Decent Homes Standard
- DAHA accreditation achieved

Reducing early tenancy failure rate is important as sustainable homes lead to the best opportunities for individuals and communities. The DAHA accreditation will be achieved to improve our response to domestic abuse and violence. bdht has long worked towards offering the best support possible, and this is the next step to ensure we meet an agreed set of standards and guidelines.

- **Be financially secure and provide value for money**

  To achieve all our other strategic objectives, we need to be financially secure. Our customers need to know we're around for the long term, and our colleagues need to be confident in their financial security. We need to spend customers rent wisely and make decisions considering value for money.

  In August 2023 the Regulator of Social Housing downgraded bdht to a G2 for Governance. G2 is a compliant governance grade but recognises that we need to improve some aspects of our governance arrangements to support continued compliance. This is in the form of strengthening the board to improve capacity for providing strategic oversight and effective scrutiny of our increased financial risk profile. A downgrade is significant, but the actions required are achievable. A plan in place, with a target to return to G1 within the 2024/25 financial year.

  Key targets 2022/23:
  - Achieve annual budget and business plan – *budget not achieved, Financial Golden Rules met*
  - Complete initial Electronic Document Management phase - *Completed*
  - Achieve Phase 2 of Finance System improvements - *Completed*

  The budget was not achieved, and is discussed in the following section. A focus on efficiency and effectiveness through document management and the finance system has been achieved and is supporting a more agile and less administrative process, ensuring better use of resources.

  Key targets 2023/24:
  - Financial systems review and roadmap
  - Implement Governance Improvement Plan recommendations, including the G1 plan.
  - Review customer representation
  - Review of procurement processes
  - Complete key ICT efficiency projects

  The targets for this year are focused around core topics, going back to basics and ensuring best in class approach to provide controls and value for money. The Governance Improvement Plan recommendations along with reviewing customer representation will ensure the Board and Governance structure remains fit for the future. Within the 2023/24 many actions will be completed, although the plan runs to July 2024. Reassessment by the Regulator will follow after that.

The delivery against these themes is monitored by the Board as part of its overall Corporate Plan.

Business and Financial Review

2022/23 continued to be a difficult year for many of bdht's customers and other stakeholders. In the early part of the year we took action to mitigate against the impact of the economic challenges that began to impact the sector, as discussed in the 'Economic Pressures' section further on in this report. In managing our usual financial and business indicators we have balanced these issues with the need to maintain our strong financial position, so that we may continue to build communities for many years to come. Success can be measured in many ways, and the business and financial review is just one part of this.

Despite the difficulties that have been faced the Board can report a surplus for the year of £2.6 million (2022: £5.4 million) in what has been a financially challenging year. This ongoing surplus generation is important to ensure that bdht can continue to invest in new homes and existing homes and communities.

A budget of £3.6m was set for the Surplus for the year. The actual achievement of £2.6m was under this budget by £1m. The gap in achievement was expected from the earlier part of the year, due to costs running above expectations and development running behind. With development in this position there were lower handovers of shared ownership sales properties and therefore less sales were made than budgeted for.

The surplus of £2.6m also represented a year on year reduction in surplus from £5.4m. This is a significant decrease, driven by the economic climate, with increases in operating and development costs, and interest charges. The current climate is expected to continue, especially with the addition of a rent cap, and lower surpluses will remain normal for the coming years.

We have continued to invest in our existing housing stock in order to maintain homes at and above the Decent Homes Standard. The cost of this investment during the year was approximately £2.5 million. A further £3.2 million was spent on non-Decent Homes Standard improvements, to enhance or protect our existing properties and communities.

During the year we completed 19 new affordable homes. We are on site or are in contract with another 361 new homes at a cost of £60 million.

During the year our in house repairs and maintenance operations (day to day repairs, roofing, voids and gas) faced the same challenges as the rest of the sector in terms of volumes, material shortages and delays and labour shortages. `

The support services, provided for more vulnerable tenants including the Independent Living Service and 360 Support, have demonstrated really positive results for our customers.

The Association produces 30 year financial forecasts which are reviewed on an annual basis. The following table sets out the position for the next 5 years:

Forecast Financial Performance	**2020/21** £m	**2021/22** £m	**2022/23** £m	**2023/24** £m	**2024/25** £m	**2025/26** £m	**2026/27** £m	**2027/28** **£m**
	Actual	**Actual**	**Actual**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Statement of Comprehensive Income								
Turnover	24.8	25.4	25.1	26.3	29.4	29.4	29.3	31.0
Operating Surplus	5.8	7.5	5.7	4.9	6.1	6.0	6.1	6.7
Transfer to Reserves (excl pensions)	5.8	5.4	2.6	2.2	2.8	2.3	2.3	2.8
Statement of Financial Position								
Total Assets less Current Liabilities	181.2	186.7	190.3	195.1	204.0	207.6	209.8	217.6
Creditors over one year	114.3	114.2	114.9	118.2	124.2	125.5	125.4	130.3
Reserves/Provisions	59.8	66.9	76.4	71.3	74.1	76.4	78.8	81.7

Strategic Performance Indicators

bdht monitors and benchmarks its on-going performance using a Strategic Balanced Scorecard presented monthly to Board. This enables us to identify areas for improvement and take corrective action where necessary. The following results were achieved in 2021/22 and 2022/23:

	2021/22		2022/23		2023/24
Indicator	**Target**	**Performance**	**Target**	**Performance**	**Target**
Rent Collected	99.92%	100.38%	99.91%	100.67%	99.7%
Rent Loss	1.00%	1.06%	1.00%	1.1%	1.15%
Decent Homes	100%	100%	100%	100%	100%
Valid Gas Certificate	100%	100%	100%	100%	100%
Valid EICR	100%	99.98%	100%	100%	100%

The rent collected was above target, despite the economic challenges, due to the positive approach of the Income Team, in conjunction with the wider organisation, in supporting customers during a difficult period, with a focus on support and guidance. The introduction of the RentSense system also supports through the use of data and analytics, ensuring that effort is focused where needed. The rent loss indicator was adversely affected throughout the year by a number of difficult void properties that required extensive work as well as challenges around managing cost and supporting contractors.

Risk Management

bdht has a comprehensive system of risk management. During the year, the Board reassessed its risk appetite position. This resulted in a clear level of risk appetite being assigned to business activities and a set of risk appetite metrics are in place to monitor the position. The highest risks in terms of their impact and probability are discussed quarterly by the Compliance Committee and reported through to the Board. The report identifies action taken to manage the risks as well as new and emerging risks.

In light of the G2 downgrade, additional focus is being made through the G1 Plan on managing Financial Risk, to strengthen Board capacity and further improve processes around stress testing and resilience.

The latest assessment of the major risks to successful achievement of the Association's objectives is set out below:

Strategic Risk	Controls and Actions
1. Budgetary control is insufficient resulting in a breach of Lender Covenants and/or Financial Golden Rules	• Business planning improvements, including more prudent assumptions • Refreshed mitigation planning • Culture of VFM embedded within the organisation • Budget review and monitoring • VFM metrics reported as KPIs • Compliance Committee oversight of VFM targets and performance • Use of short life working groups to focus on specific areas • Benchmarking reported to Board • Global Accounts analysis
2. Inflation, economic & welfare factors negatively impact customer ability to pay their rent	• Embedded Rent First Culture • Regular reports to Board and EMT • Budget and Job Coaches to support customers • Good relationship with local authority and DWP • Internal and external audit
3. Development programme not delivered due to external policy or market conditions	• Strategic focus on the types of schemes being sought • Increased resources for the development area • Increased and improved working with strategic partners • Development outside of Bromsgrove District
4. Economic, Rent Settlement and Political Risk results in an adverse macro-economic environment	• Business Plan reviewed in line with latest economic forecasts • VFM embedded within the business • Stress testing and Mitigation planning • Treasury strategy and advice provided by external advisors • NHF provide political interface for the sector • Plan for increasing Financial resilience
5. External cyber-attacks disrupting the network, hacking data and impacting on delivery of services	• KPI monitoring • Penetration Testing • Annual strategy review • Office 365 implemented • SharePoint implemented • Phishing testing • Internal audit • Cyber-insurance including incident support
6. Decent Homes Standard not maintained due to inadequate data or poor investment	• Asset Management strategy approved by Board • KPIs for Stock Condition Surveys and all Health and Safety Strands • External review and validation • SMG and Board Reporting • Robust investment in the 2023 Business Plan • Damp & Mould process embedded

7. Customer Voice is not heard by the Board resulting in safety and service quality issues	• Resident Scrutiny Panel (RSP) • Customer engagement officer • RSP Chair attends all board meetings • External surveys carried out • External review • Engagement in NHF Together with Tenants • Focus Groups • Mystery Customer scheme
8. Health & Safety Landlord Responsibilities are not met	• Monthly report to Board and SMG • Full landlord Health & Safety policies and procedures reviewed • Compliance software implementation • Compliance surveyor recruited • Exception Reports • Internal Audit • External scrutiny • Damp & Mould added to Compliance strands
9. Pension costs increase alongside increased regulatory burden	• External support and health-check review • 6-monthly Governance Report covering key risks. • Reporting to Remuneration & Resources Committee • Committee and officer training • Attendance at seminars • Pension policy review at Remuneration Committee
10. Not adhering to the latest RSH approach for the sector could lead to Regulatory intervention and possible sanctions	• Monthly updates to Board and EMT • Attendance at seminars and webinars • Engagement with external experts • Staff and Board training • EMT and Committees oversee our compliance with regulatory matters • Monitoring of RSH releases • G1 plan in place
11. Data integrity compromised resulting in poor data and reporting	• Internal reporting • Compliance software being installed • Data quality KPIs • Continuous improvement around data quality • In house expertise • Internal audit • Health & safety auditing
12. Ineffective ICT plans, project delivery and operations could lead to reduced business effectiveness	• ICT strategy built into Corporate Plan to ensure alignment • Monthly SMG review of project plan • Internal audit • Recruitment of roles to reduce consultancy reliance • Training • Organisational structural changes
13. Decarbonisation strategy and plans are ineffective leading to poor use of funds and possible fuel hardship for customers	• Introduction of a Sustainability Officer • Funding secured through the SHDF • Decarbonisation costs evaluated • External consultancy engaged with • Attendance and course and seminars • Board engagement

The risks above are the present risks, that are being actively managed or mitigated by the Executive and the Board.

A key part of the Risk Management process is scanning for emerging risks, so that early management or mitigation may be taken. Current emerging risk areas such as reputation, consumer regulations, rent compliance, counterparty risk, cost increases, development legislation and changes to Health & Safety regulation are being closely monitored by the Board.

Economic Pressure

The cost-of-living crisis, the war in Ukraine and the general political and economic situation bring risks of economic pressures outside of normal expectations. 2022/23 has been a year of challenge and has led the Board to make mitigating strategic decisions throughout the year, and for the Business Plan. In 2022/23 the level of major capital repairs was reduced, alongside some other cost reductions, to ensure the impact of lower shared ownership sales and inflationary pressure did not lead to a breach of Financial Golden Rules. Although capital repairs were reduced overall, we maintained the Decent Homes Programme standard and continued to invest in community improvements.

Moving forward into 2023/24 the challenge continues with rent increases on existing tenancies capped to 7%, against the Rent Standard of 11.1%. While the shortfall can be made up on individual properties when relet, this 4% loss in revenue is significant and is incurred against above average increases in costs. The Board are working with management to identify future opportunities for cost reduction, income maximisation and overall margin improvement. Future development plans have been scaled back to ensure that we can maintain sufficient headroom to effectively manage through the coming years.

The Board are carefully monitoring the situation and have stress tested the Business Plan to ensure that bdht continues to maintain sufficient levels of financial headroom, with resilience to manage through any situations that arise. A new approach to Mitigation planning has been taken, to ensure that the plans truly reflect a realisable situation should the need occur.

Customers are likely to face additional hardships in the coming years and bdht is committed to delivering services that support our customers in the best way possible at this time. While the 7% cap reduces the overall bdht position, we also recognise that it is still a significant increase for customers. We are focussed on support and delivering sustainable tenancies through a range of measures, most importantly through the culture of how we operate.

Cost increases need to be managed carefully and good contract management and constant review will ensure that we are aware of pressures ahead of time and can adjust the working plan along the way.

Value for Money

Role of the Board

The Board is fully committed to delivering Value for Money (VFM) in support of delivering the organisation's approved objectives. The Board appraises VFM performance throughout the year and performance reports are scrutinised by the Compliance Committee. The year-end position for 2022/23 was scrutinised by the Compliance Committee at its meeting on 28th June 2023 and approved by Board at its meeting on 18th September 2023. The Board is compliant with the Regulator's VFM Standard.

Decisions about VfM are part of a process of continuous improvement. VfM is not solely concerned with reducing costs. It is a balance between, and an understanding of, the organisation's costs, performance, return on assets and outcomes (including customer satisfaction). VfM has consistently been an important business improvement driver for bdht and has helped facilitate the alignment of resources with the Board's service priorities.

Regulator's VFM Metrics

The Regulator of Social Housing requires registered providers to report their performance against a suite of metrics with the intention of facilitating sector-wide comparisons. The table below sets out the position, together with some comparators and followed by a brief commentary.

Benchmarking

Benchmarking allows the Boards and management to understand how the organisation compares to peers and allows Members to challenge performance. This enables understanding of apparent areas of strength and weakness, thus aiding the continuous improvement process.

Bdht benchmarks against the sector as a whole, and against a peer group. The peer group consists of organisations of a similar size, makeup and stock mix. As a provider with 22.9% Housing for Older People the cost structure may be different to those with a much lower proportion, so this factor is important in selecting a peer group.

Looking at the results of the sector as a whole and the peer group is a year in arrears, as it is only possible once the Financial Statements are published. The information is useful though, as the Board are able to look at trends over time, and understand how bdht compares.

In the results below 'the sector' refers to the results of the Global Accounts, and 'peer' refers to the results of the specified group, which remains the same for each metric.

VfM Metric Results

VFM Metric	bdht Target 2023/24	bdht Target 2022/23	bdht Actual 2022/23	bdht Actual 2021/22	Peer Group Median 2021/22	Global Accounts Median 2021/22
Reinvestment %	10.6%	9.8%	8.8%	**8.4%**	7.6%	6.5%
New Supply Delivered %:						
• Social Housing Units	2.9%	3.2%	0.46%	**1.5%**	1.6%	1.5%
• Non-social Housing Units	-	-	-	**-**	-	-
Gearing %	52.0%	40.3%	39.1%	**46.0%**	49.3%	44.1%
EBITDA MRI Interest Cover %	129%	127%	114%	**124%**	141%	146%
Headline Social Housing Cost per unit (excludes leaseholder units)	£4,902	£4,602	£4,560	**£4,465**	£4,280	£4,141
Operating margin %:						
• Overall	18.5%	23.9%	20.2%	**25.8%**	22.4%	23.4%
• Social Housing Lettings only	12.8%	20.0%	16.6%	**22.4%**	22.0%	20.5%
Return on Capital Employed (ROCE)	2.9%	3.6%	2.9%	**4.0%**	2.9%	3.2%

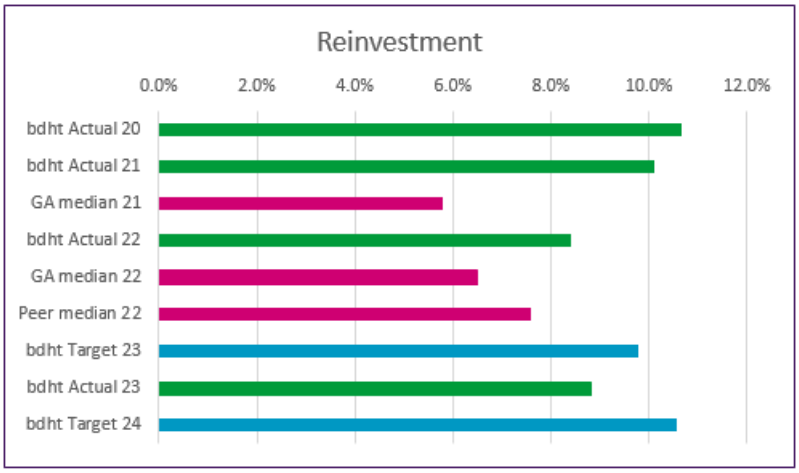
* RSH VfM Benchmarking Tool

** RSH Global Accounts Report

Reinvestment

Reflects £12.8m invested in the development of 19 new properties and £5.8m expended on major improvements of existing properties. This has reduced from 2021/22 as there were less new properties delivered during the year, and was below the corporate objectives. This was driven by developers delivering at a slower pace than expected. The level of investment in existing properties remained high, and therefore reinvestment is still favourable against the previous year's benchmarks, and only marginally adverse against the target.

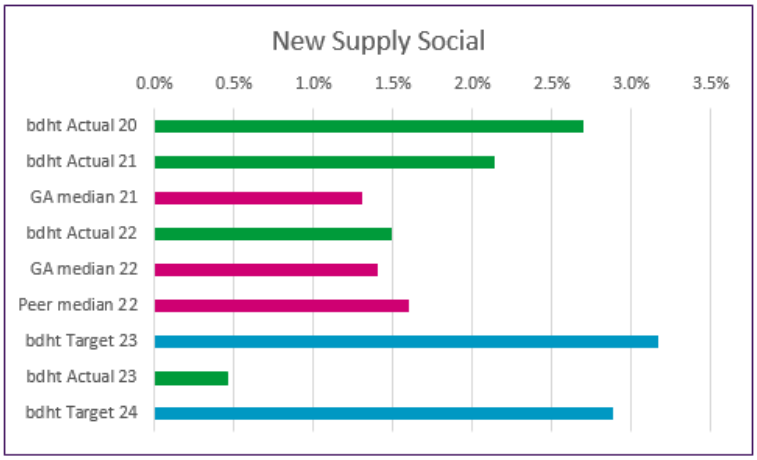
Benchmarking – The sector results show that while the sector increased in 2022, bdht performance decreased, but was above the sector and peer averages. On both counts bdht was in the second quartile. The results were lower than expected for the year due to the slowdown in developer activity, but was offset by a significant investment in existing properties. As seen below in the Headline Cost per Unit section, bdht is higher cost than average, driven in part by Repairs & Maintenance Cost per Unit. This higher cost reflects positively through the Reinvestment measures.



New supply delivered

Reflects 19 new social housing units delivered which is below the internal target of 100 per annum due to the impact of the slow-down of developer activity following the Covid-19 pandemic. There were no non-social housing units developed or acquired during the year. The outlook for the 2023-24 is more positive with the internal target set to be exceeded.

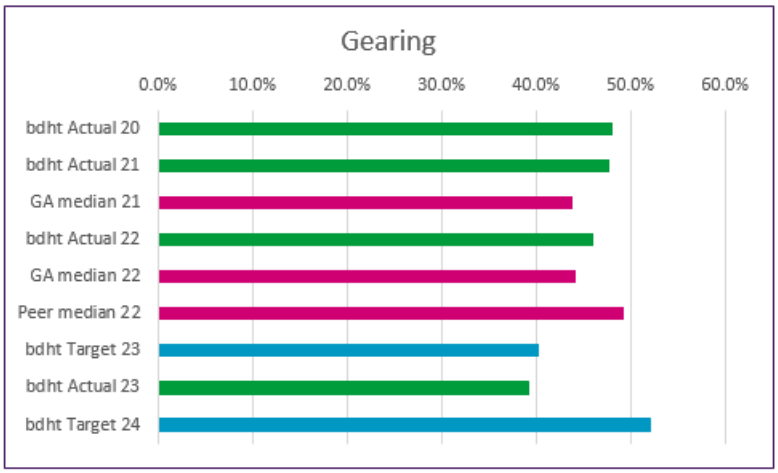
Benchmarking – In 2022 bdht performed in an average way against the sector and peer group. The result of 1.5% was slightly above the sector at 1.3%, and slightly below the peer group at 1.6%. bdht was in quartiles 2 and 3 respectively. In contrast to the sector which had begun to increase, bdht performance had fallen. This is driven by the timing of a number of schemes being rescheduled by the developers, as per the above issue continuing into 2023.



Gearing

Reflects the higher gearing position of being both an LSVT and developing organisation. This gearing ratio is deemed appropriate in the context of bdht's other financial indicators, priorities and future commitments. The performance has improved year on year as working capital and existing facilities have funded investment during the year, rather than additional borrowing in line with the target set.

Benchmarking – against the sector and the peer group bdht was placed in the second and third quartiles respectively. With this measure the lower quartile is better as it indicates a lower gearing ratio. The ratio was lower than expected due to the lower levels of new supply, so although better against the peer group it is in line with the lower new supply metric too.



EBITDA MRI Interest Cover

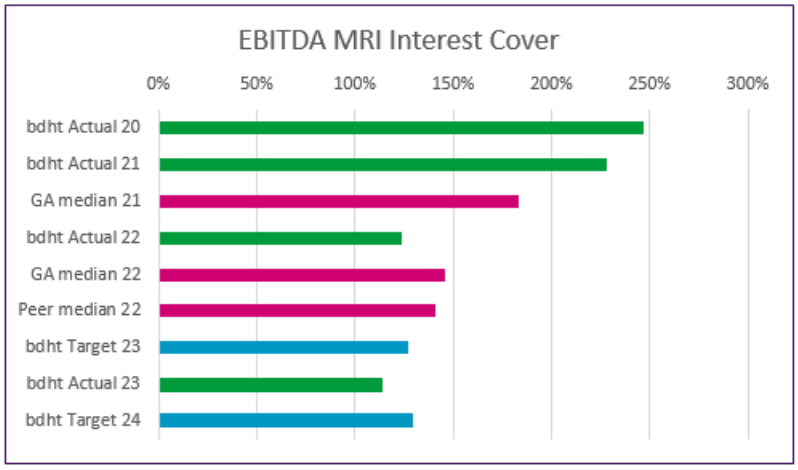
Reflects the more challenging financial position that the sector and bdht have entered during the 2023 financial year. Increases in inflation and interest costs have adversely impacted upon surpluses. We do not know the result of the sector as a whole, or of our peers, but discussion within the sector, including from Regulator publications, indicates that the scale of the impact is significant. The regrading of many providers from V1 to V2, being the clearest indicator of this.

This metric does not include the positive impact of asset sales that have been made during the year. Sales such Right to Buy and Staircasing sales contribute to the lender EBITDA MRI Interest Cover, but do not the Regulator's measure. These sales are not within bdht control, or for others in many cases, but do support the organisation in meeting covenants and Financial Golden Rules.

bdht invests strongly in existing properties and this impacts the overall interest cover. The Board are committed to investing in both new and existing properties, and are therefore moving away from the large interest cover metrics of the past to ensure the strategic aims of the Corporate Plan can be delivered.

Benchmarking – In 2022 bdht placed in the third quartile when compared to both the sector and the peer group. In 2022 there was significant spend on Repairs & Maintenance. As the overall margin position is unfavourable compared to the benchmarks it is clear that the Repairs and Maintenance spend, has a significant impact.

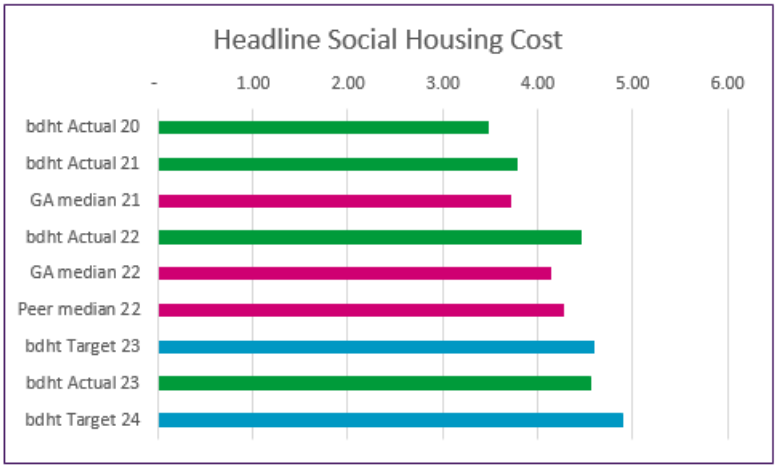
The reduction from 2021 to 2022 can be seen in the graph below for the sector. bdht performance declined more significantly than the sector as a whole, and dropped below the level of the benchmark with performance at 124% compared to 146%.



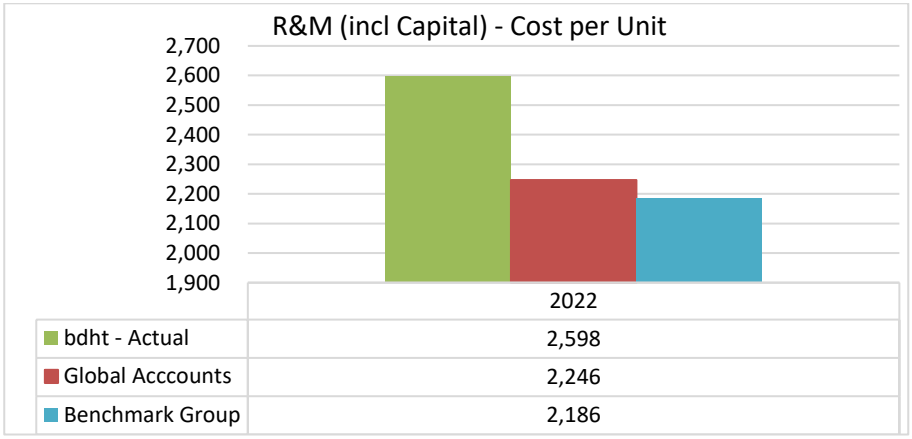
Headline Social Housing Cost per Unit

This metric reflects the increases in costs being seen by bdht. It also reflects the strategic decisions of the Board to invest in homes, customers, communities and staff. The focus on achieving the outcomes such as stabilising staff turnover, reducing the gender pay gap, maintaining arrears performance, and providing support services, means that bdht is not targeting being a low-cost provider. The performance for 22/23 was marginally under target due to the reduction in capital spending.

Benchmarking - Reflects being placed in the second quartile against the sector and the first against the benchmark group. With this measure the higher quartiles indicate higher costs. During 2022 cost pressures continued in some areas. Repairs and major works overspent against original forecast and while they negatively affect the cost, they represent a successful year in getting back in line with service standards and delivering the planned programme.



With the publishing of the Global Accounts it has been possible to review some breakdown of elements within the Cost per Unit. The Repairs & Maintenance Cost per Unit for bdht and the benchmark groups is as follows:



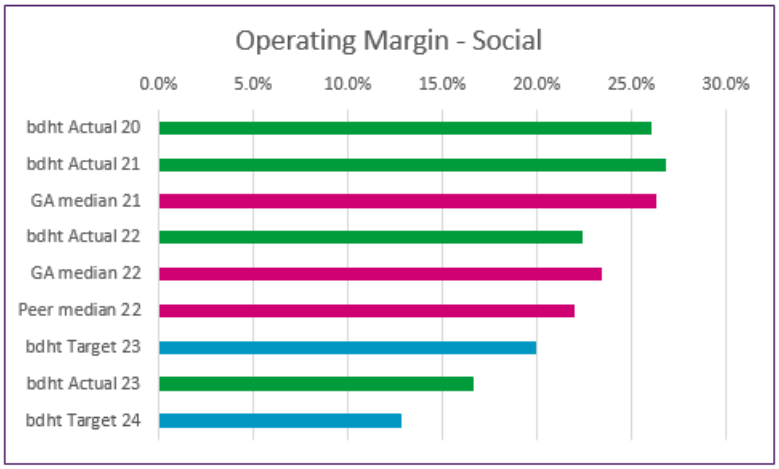
bdht cost is above both the sector and the peer group. bdht has been investing significantly in capital works for a number of years, and 2022 was the same. Existing properties, communal areas and estates were invested in. This adversely affects the Cost per Unit measure but improves the overall safety, comfort and standard of bdht homes and communities.

Operating Margin % – Social Housing Lettings Only - Overall this reflects a reduction in performance, which was known and understood from early in the year. Costs came under pressure due to cost increases and delays in handovers, adversely affecting rental income. The Board have managed this situation throughout the year and have carefully balanced the challenges and solutions, with the need to deliver the Corporate Plan.

The result for 2022/23 of 16.6% shows a reduction in margin from the prior year result of 22.4%. This reduction is driven by cost increases, and the general economic challenges as previously discussed. Margins are not expected to recover to the previous levels in the short to medium term due to the challenges the sector faces, although bdht aims to increase the margin year on year from 2025.

Benchmarking – bdht places in the third quartile against the sector and second against peers. The graph shows that margins significantly reduced from 2021 to 2022 across the board. Bdht has moved from being above the sector median to below the sector median in 2022, due to the costs being incurred and repair levels to clear the post-covid backlog which the Board decided to do quickly and efficiently.

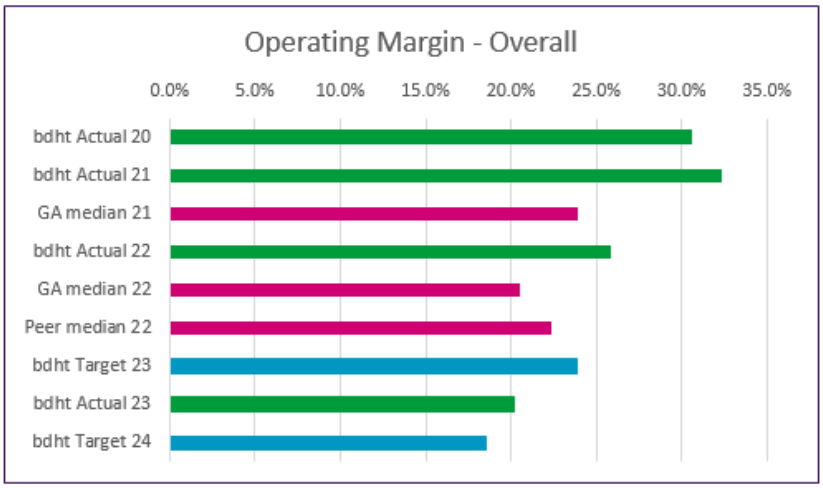
The stock mix can have a significant impact upon the social letting margin. Against the peer group it is interesting to note that bdht is in the second quartile, and therefore above average. The average for the peer group is 22% and bdht 22.4%. The peer group used includes those with 10% or more of their properties being Housing for Older People. bdht has 22.9% as Housing for Older People. When the peer group parameter is shifted to 20% the operating margin reduced to 19.5%, demonstrating the significance of the mix. bdht performance at 22.4% is materially above this benchmark.



While the Board have expected the downturn in operating margin, due to the economic issues of the past and present, there is a plan in place to increase margins back up over time. Building back in increased resilience is key within the 2023 Business Plan.

Operating Margin % – Overall

As with the Social Lettings only costs the overall margin in 2023 has reduced significantly compared to previous years. Costs have continued to increase, but income has not increased at the same rate. Shared ownership sales were reduced in the year, which have an above average margin, meaning that the actual result was diluted down, against previous years and target.

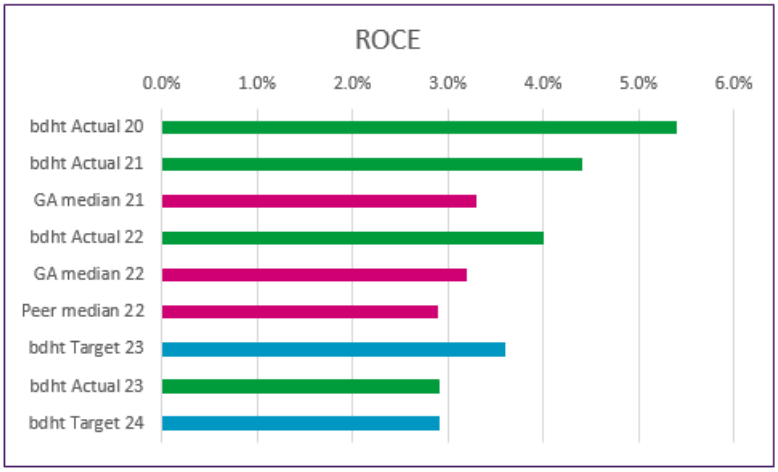


Benchmarking – bdht places in the top quartile compared to both benchmark groups. The activities such as market rent and sales are more risky but bring bigger returns, which then supports the overall financial health of the organisation. As an organisation committed to developing new homes, these activities become more essential over time, especially alongside a rent cap, to continue to achieve the Corporate Plan.

Return on Capital Employed

Reflects the utilisation by bdht of capital and debt to generate healthy financial returns. Cost pressures impacted this metric during 2022/23 with the achievement of 2.9% below the target of 3.6%.

Benchmarking – bdht has performed above average against both the sector and the peer group at 4% compared to 3.2% and 2.9% respectively. This places bdht in the first and second quartiles. It indicates that bdht is making good returns from the assets it is utilising.



Bespoke bdht VFM Metrics – 2022/23

To enhance our approach to VFM, the Board have set a suite of bespoke VFM metrics linked to the delivery of the approved corporate objectives in the Corporate Plan. The table below sets out the position for 2022/23 achievement, aligned to the previous strategy and corporate plan followed by a brief commentary.

Strategic Objective	Measures of Success	Target 2023/24	Target 2022/23	Actual 2022/23	Actual 2021/22
Excellence in Governance	Governance and Viability ratings from regulator	G2/V2	G1/V1	G1/V2	G1/V1
	90% Attendance at meetings	90%	90%	89%	96%
Importance of culture and values in promoting staff engagement, driving business performance and customer satisfaction	% of staff responding to the quarterly pulse survey	=>85%	=>85%	62%	86%
	Mean gender pay gap reduction	Reduction	<16%	10%	19.9%

	% of managers receiving Mental Health Skills training	n/a	100%	100%	97.3%
Delivering VFM, compliance with the regulator's VFM Standard and transparency to tenants and other stakeholders	Current rent arrears as a % of rent debit	2.2%	2.32%	2.11%	2.34%
	Income collection as a % of debit raised	99.78%	99.91%	100.67%	100.38%
	Void rent loss as a % of debit raised	1.15%	1.00%	1.18%	1.06%
	ICT efficiency projects/systems delivered	3	3	3	4
	Cost savings annual target	£100,000	£100,000	£117,000	£170,000
Mitigate the impact of Universal Credit and supporting customers into employment	% of customers with an improved rent arrears status after intervention by the driving futures project	100%	100%	100%	100%
Supporting the elderly and vulnerable	% of households engaging with the Independent Living Service	>=88%	>=88%	>92%	86%
	Number of homelessness preventions	70	85	69	57
	Number of New Affordable Homes	120	136	19	60
Customer satisfaction with overall services provided by bdht	The % of tenants "very satisfied" with the overall service provided by bdht	65%	65%	47%	50.9%
	bdht's Net Promoter Score	+40	+40	+36	+34
The health and safety of our tenants	% of homes meeting the Decent Homes Standard	100%	100%	100%	100%
	% of homes with a valid Gas Safety Certificate	100%	100%	100%	100%
	% of homes with a valid Electrical Inspection Condition Report	100%	100%	100%	99.98%

Overall, the table above demonstrates fair performance against bdht's bespoke VFM metrics.

The economic challenges play a part in nearly all of the metrics where performance is below target.

Governance & Viability Ratings – During 2022/23 bdht was regraded from G1/V1 to G1/V2. This was as a result of reduced headroom, high levels of forecast capital improvement spends and a healthy development plan. A V2 rating is a compliant rating that indicates that the organisation needs to manage significant risks carefully, as financial headroom and capacity is reduced due to the operating environment. In preparing the targets and Business Plan for 2023/24 the Board have carefully considered this and have balanced all factors. Development has been reduced down, but investment levels will be maintained and the cost base will be carefully managed. In August 2023 bdht was downgraded to G2 and the V2 grade was maintained, as discussed

in the Objectives and Strategy section above, While G2 is a compliant grade, there is an improvement plan in place to return us to G1.

Void Rent Loss – The Void Rent Loss performance was worse than target, and was a carefully managed position through the year to balance time, contractor costs and void rent loss. Costs have been carefully managed to ensure best value for money, but as a result the timescales for voids has increased. Work continues to manage this area carefully as a shortage of housing supply means that properties need to be relet as quickly as possible.

Homelessness Preventions – This is a difficult area in which to aim for a target, as the result is affected by the cases presented to us. We set a target of 85, but only achieved 69. This is due to the impact of the private rental market reducing and a reduction of turnover in bdht properties. It should be remembered that 69 cases of homelessness prevention is a positive result for those 69 households, and is an increase from 57 last year.

Number of New Affordable Homes - With the number of new homes this was reduced due to the movement of developer building programme, in part due to the impact of the pandemic, but mostly due to the impact of inflation and cost challenges for the developers.

The % of Tenants "very satisfied" with the Overall Service Provided by bdht - bdht continues to hold a high target for customer satisfaction. Increased external surveying is place, following reductions during the pandemic, with more detailed analysis and information available. Our Resident Engagement Officer is also more active in working closely with customer to gather information that can help drive further improvements in services.

Bespoke bdht VFM Metrics – 2023/24

In line with the new strategy and refreshed corporate plan the bespoke VfM metrics have been reset. The table below sets out the full set of targets for 2023/24, with comparatives included. Some of these continue from the previous set of metrics above, but some are new to recognise the current focus of the Board.

Strategic Objective	Measures of Success	Target 2023/24	Actual 2022/23
Be an excellent landlord	Net promoter score	+40	+36
	Rent collection	99.78%	100.67%
	Customer satisfaction with rent as VfM	83%	81%
Be an excellent employer	Staff turnover	<8%	1.3%
	Sickness absence	2.75%	3.51%
	Temporary staff costs	<£40k	£257k
Build and support viable and vibrant communities	Tenancy Turnover	<10%	7.56%
	Satisfaction with landlord contribution to neighbourhood	85%	83%

Develop and maintain excellent safe places to live	% of homes meeting the Decent Homes Standard	100%	100%
	Satisfaction with communal areas clean, safe and well maintained	70%	n/a
Be environmentally and socially responsible	Attract match funding from grant sources	>£1m	n/a
	Carbon Reduction plan in place	100%	n/a
Be financially secure and provide value for money	Maintain compliant Governance & Viability ratings	Minimum G1/V2	G1/V2
	Financial Golden rules and Lender Covenants met	All Met	All Met
	Tenant Satisfaction Measures	Above Median	n/a

Board recognises the challenges it faces in delivering an ambitious repairs and investment programme together with providing excellent services to tenants and delivering a good supply of new affordable homes. For 2023/24 bdht will focus on VFM deliverables in the following key areas, to enable achievement of the targets above:

- Delivery of the Business Plan
- Regrade to G1
- Continued monitoring and review of the arrears position.
- External service reviews across a number of areas including repairs
- Significant ICT investment to make efficiency gains
- Maintain overall establishment levels
- Further develop the measurement of performance against the Regulator's VFM metrics
- Review and selection of a relevant benchmarking club
- Maximising the repairs service to bring further efficiencies and improve customer satisfaction
- Delivery of digital engagement initiatives
- Capture additional business efficiencies from the QL Housing Management System
- Continue to assist tenants into paid employment
- Support the elderly and vulnerable in line with bespoke bdht VFM metrics
- Investment of £5.4m and £13.6m in the Home Improvements and Affordable Homes Programmes respectively in 2023/24, with a planned delivery of 120 new homes; and
- Implementation of RepairSense software to improve the repairs service efficiency and effectiveness

RSH Governance and Financial Viability Standard

The Compliance Committee in June 2023 considered a detailed compliance self-assessment in respect of the Governance and Financial Viability Standard. The Committee reported its findings to Board at its July 2023 meeting and at which Board approved a compliance position statement that bdht is fully compliant with the standard. The IDA in 2023 by the Regulator of Social Housing aligned with this, although at G2 grade not G1. The Board has a plan in place to return to G1.

The Board's oversight and control of the business is enhanced by the monthly Strategic Balanced Scorecard which contains a number of financial and other trigger points which have been designed to act as an early

warning system for the Board. The Board has approved a Trigger Point process which would determine the route of response if a trigger point is reached.

NHF Code of Governance and NHF Code of Conduct

bdht complies with the recommendations of the NHF Code of Governance (2020) and a self-assessment confirming compliance was scrutinised and presented to the Board in January 2023. bdht has adopted the NHF Code of Conduct (2022) and a self-assessment confirming compliance was presented to the Board in October 2022.

Future Priorities

The Board has developed a number of key priorities as part of the review of the Corporate Plan. These include:

- Improved employee offer and satisfaction
- Excellent employee engagement
- Improved systems and ways of working
- Service reviews
- Increased self-service through our digital offer
- Data insight to drive customer satisfaction
- Develop a more accessible service offering
- Reporting on new Tenant Satisfaction Measures
- Reduction in carbon emissions
- Rewilding and biodiversity initiatives
- Review and improvement of procurement processes
- Increase customer satisfaction
- Improved ASB service
- Introduce tailored community plans
- Develop 300 properties by 2025
- DAHA accreditation
- Continued improvement to Resident Involvement Structures;
- Delivering and demonstrating continued Value for Money;
- Supporting customers through the Cost of Living Crisis
- Supporting the achievement of the 95% customer satisfaction target;
- Continued investment in our community activities.

These key priorities have been broken down into action plans and their performance will be tracked through the year by the Board.

Finally the Board has approved plans to spend more than £13 million during the next financial year to complete much needed homes in Bromsgrove and Redditch and the surrounding areas.

Statement of Compliance

In preparing this Strategic Report (incorporating Operating and Financial Review) and Board Report, the Board has followed the principles set out in the Housing SORP 2022.

The Strategic Report (incorporating the Operating and Financial Review) was approved by the Board on 18th September 2023 and signed on its behalf by:

Mary Miller
Chair of the Board

The Board is pleased to present its report together with the audited financial statements for the year ended 31 March 2023.

Principal Activities, Business Review and Future Developments

Details of the Association's principal activities, its performance during the year and future development are contained within the Strategic Report, which precedes this report.

Board Members

The Board of bdht consists of 9 members appointed on a skills and experience basis. Additionally the Chair of the Resident Scrutiny Panel has an open invitation to attend. The Board has overall responsibility for the control and direction of the Association. The Board relies upon the Compliance Committee to scrutinise audit, risk and internal controls assurance and report thereon.

The following Board Members have served office during the year:-

Mary Miller (Chair)	
Alison Fisher	
Dean Gill	
Annmarie Hulley	(appointed July 2022)
Andrew Kilby	(appointed July 2022)
Liz Nembhard	
Emma Nicklin	(retired July 2023)
Hannah Purdie	
Mohan Sandhar	
Adam Wagner	(retired July 2022)
Rachel Ward	(retired July 2022)

The following Board Members received payment from the Association during the year:-

Mary Miller (£9.7k), Alison Fisher (£4.3k), Dean Gill (£3.4k), Annmarie Hulley (£2.3k), Andrew Kilby (£3.4k), Liz Nembhard (£3.4k), Emma Nicklin (£3.4k), Hannah Purdie (£3.4k), Mohan Sandhar (£4.6k), Adam Wagner (£1.5k), Rachel Ward (£1.1k)

In addition the Chairs of the Resident Scrutiny Panel received payments during the year: Brian Palmer (£2k), Annmarie Hulley (£1.1k).

Total payments made to Board Members from the Association during the year were £40.4k

Board Members (and officers) are indemnified through insurance against liability when acting for the Association.

Board Member Interests

In compliance with the Code of Governance and good governance practice, board member declarations are a standing item for all governance meetings and these are recorded in a publicly available register held by the Company Secretary. This is scrutinised by the Chair of the Compliance Committee on a quarterly basis and reported annually to the Board.

Diversity, Skills and Attributes of the Board Members

The Board considers that diversity of membership together with the right balance of skills and attributes is key to sustaining a high performing governance team.

The Board aims to represent the communities it serves. Currently the Board consists of a mix of:

- Male and female members
- Disabled and able-bodied
- Ethnicity
- Social housing customers and non-customers
- Housing and non-housing professionals
- Job role backgrounds
- Economic backgrounds

There are groups who are not represented and the Board are aware of these gaps when recruiting new members.

bdht has in place a Board "Skills Statement" setting out the collective skills and knowledge required by members of the Board based on the current and future needs of the business, taking into account :

- Size of the organisation
- Scale of the organisation
- Business Complexity
- Business Objectives, and
- Business Risks.

The Statement is reviewed annually by the Board following an annual self-assessment of Board Member skills, knowledge and experience. This is used to identify training and development needs as well as succession and recruitment planning. The 2022 assessment identified that the current Board has "expert" or "strong" knowledge in all of the 33 assessment areas. The assessment did identify the need to strengthen skills in regard to legal, finance and development. The assessment also identified specific training and development needs and these are incorporated into the board member training programme.

Equality, Diversity & Inclusivity (EDI) Progress

The Code of Governance quite rightly puts issues around Equality, Diversity and Inclusivity front and centre and it is vital that Board and the Executive Team work closely together on awareness and action to improve the current situation. We also recognise that there isn't a fixed point to get to and that there will always be new initiatives and changing priorities. Some of these can simply be changed by awareness and understanding. As an organisation, we want to provide excellent customer service, continue to support thriving communities, and be an employer of choice. Our commitment to EDI can help us to achieve these goals.

During 2022/23, our achievements included:

- The regular use of Equality Impact Assessments (EIAs) on core services.
- Progress made on health inequalities in partnership with Bromsgrove District Council and Public Health.
- Roll out of the fair pay policy
- Reduction in the Gender Pay Gap, with the mean at 10% and median at 0%
- Continued use of the Rooney Rule
- Policy reviews throughout the year removing barriers

Looking forwards to 2023/24 we plan to:

- Increased impact of the ED&I staff group
- Increased communication around our offering
- Improvements in customer engagement, taking account of the diversity of those interacting with us
- Office improvements to support a more diverse workforce

Going Concern

The Association's business activities, its current financial position and future development are set out within the Operating and Financial Review. The Association has adequate resources to finance committed development schemes, along with day to day operations. The Association also has a long-term business plan which shows that it is able to service its debt facility. This plan is stress tested to ensure that the Board is aware of any sensitivities and are able to maintain resilience and headroom.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal Controls Assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This is set out in the Internal Control Framework adopted by the Board and overseen by the Compliance Committee.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved.

It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

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

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

- *Identification and evaluation of key risks*

  The Board has clearly set out its Risk Appetite position in respect of governance, regulation and operational activities and this is reviewed at least once a year. Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Association's activities. The executive team regularly reports to the Compliance Committee and Board any significant changes affecting key risks.

- *Monitoring and corrective action*

  Regular management reporting on control issues provides assurance to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- *Control environment and control procedures*

  The Board retains responsibility for issues such as strategic, operational, financial and new investment projects. During 2020/21 the Board adopted the NHF's *Code of Governance 2020*. This sets out policies with regard to quality, integrity and ethics. It is supported by a framework of policies and procedures with which employees must comply covering issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data protection and fraud prevention and detection.

- *Sources of Assurance*

  The Board has adopted a "3-lines of assurance" approach in order to categorise assurances and source. The 3-lines of assurance are: People, Policy and Procedures; Internal Quality Checks, and; External

Expert Reviews. These lines of defence are supported by good cultural and corporate leadership. The Compliance Committee are responsible for assessing the reliability and any limitations to sources of assurance on an annual basis.

- *Information and financial reporting systems*
  Financial reporting procedures include detailed budgets for the year ahead and 30 year forecasts in the Business Plan. These are reviewed and approved by the Board on an annual basis. Quarterly management accounts are reported to the Board. The Board also monitors key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The Board has adopted a Stress Testing approach and developed a system of early-warning triggers and a response plan.

The internal control framework and the risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via the Compliance Committee. The Compliance Committee considers internal control and risk at each meeting.

The Board has received the Executive Management Team's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there has been in place for the year under review, and up to the date of approval of the annual report and accounts, an on-going process for identifying, evaluating and managing the significant risks faced by the Association.

The annual review by the Board at its meeting on 17th July 2023, is conducted following the receipt of reports from the Executive Management Team, Internal Auditor, External Auditor and the Compliance Committee.

Statement of the Board's Responsibilities

The Board is required by legislation to prepare financial statements for each financial year, which give a true and fair view of the state of the Association as at the end of the financial year. In preparing these financial statements, suitable accounting policies have been used to the best of the Board's knowledge and belief, by reference to reasonable judgements and estimates and applied consistently. In doing so, applicable accounting standards have been followed. The Board is also required to indicate where the financial statements are prepared other than on the basis that the Association is a going concern.

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the transactions and assets and liabilities and for maintaining a satisfactory system of control over the books of account and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board has reviewed the effectiveness of the system of internal control, and in addition, established a three year internal audit plan based on a risk assessment. The Board has established a Risk Strategy and implemented a comprehensive Risk Management approach. Further improvements will be made through the Governance Improvement Plan and G1 Plan.

Disclosure of Information to Auditors

In the case of each of the persons who are Board Members of the Association at the date when this report was approved:

- So far as each of the Board Members is aware, there is no relevant audit information of which the Association's auditors are unaware; and
- Each of the Board Members has taken all the steps that they ought to have taken as a Board Member to make them aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

REPORT OF THE BOARD

The report of the Board was approved by the Board on 18th September 2023 and signed on its behalf by:

Mary Miller
Chair of the Board

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT HOUSING TRUST

Opinion

We have audited the financial statements of Bromsgrove District Housing Trust (the 'trust') for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the trust's affairs as at 31 March 2023 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Board Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Board Report.

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 Board's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 28, the Board 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 control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Board are responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the trust 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the trust and its industry, we identified that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, Homes England regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the trust is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the trust which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006, the Co-operative and

Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Providers of Social Housing 2022.

In addition, we evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the trust's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the trust'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 trust and the trust's members as a body for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT HOUSING TRUST

DRHoose
David Hoose (Sep 22, 2023 14:56 GMT+1)

David Hoose (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

First Floor, Two Chamberlain Square
Birmingham
B3 3AX
Date 22nd September 2023

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	25,097	25,423
Operating expenditure	3	(19,442)	(17,895)
Operating surplus	3	5,655	7,528
Finance income	7	176	25
Interest and financing costs	6	(3,479)	(2,939)
Surplus on revaluation of investment properties	15	449	985
Other finance costs	20	(169)	(160)
Surplus for the year	8	2,632	5,439
Actuarial gain/(loss) in respect of pension schemes - LGPS	20	6,225	1,110
Actuarial gain/(loss) in respect of pension schemes - SHPS	20	(124)	601
Total comprehensive income for the year		8,733	7,150

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

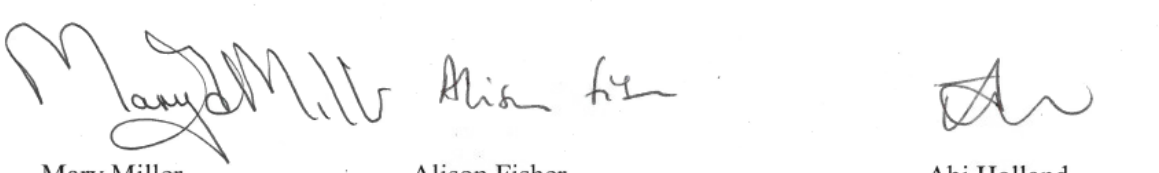
STATEMENT OF FINANCIAL POSITION
As at 31st March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	12	856	560
Housing properties	13	166,215	154,204
Other property, plant and equipment	14	1,712	1,696
Investment properties	15	12,300	11,740
		181,083	168,200
Current assets			
Inventories	16	1,932	1,252
Debtors	17	1,536	1,278
Cash	23	10,630	21,181
		14,098	23,711
Creditors: Amounts falling due within one year	18	(4,887)	(5,191)
Net current assets		9,211	18,520
Total assets less current liabilities		190,294	186,720
Debtors: Amounts falling due after more than one year	17	655	653
Creditors: Amounts falling due after more than one year	19	(114,902)	(114,178)
Defined benefit pension liability	20	(398)	(6,279)
Net assets		75,649	66,916
Capital and reserves			
Revenue reserve		75,649	66,916
Total reserves		75,649	66,916

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF FINANCIAL POSITION
As at 31st March 2023

The Financial statements of Bromsgrove District Housing Trust Limited were approved by the Board on 18th September 2023 and signed on its behalf by:



Mary Miller	Alison Fisher	Abi Holland
Chair of the Board	Chair of Compliance Committee	Company Secretary

Company number: 4603611

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF CHANGES IN RESERVES
For the year ended 31st March 2023

	2023 Revenue reserve £'000	2022 Revenue reserve £'000
At 1st April	66,916	59,766
Surplus for the year	2,632	5,439
Actuarial gain/(loss) in respect of pension schemes - LGPS	6,225	1,110
Actuarial gain/(loss) in respect of pension schemes - SHPS	(124)	601
Initial recognition of multi-employer defined benefit scheme	-	-
At 31st March	75,649	66,916

BROMSGROVE DISTRICT HOUSING TRUST LIMITED
(Limited by Guarantee)

STATEMENT OF CASH FLOWS
For the year ended 31st March 2023

	Note	2023		2022	
		£'000	**£'000**	£'000	£'000
Net cash generated from operating activities	23	8,425		11,909	
Cash flows from investing activities					
Purchase of property, plant and equipment		(17,883)		(13,257)	
Purchase of investment property		(117)		(162)	
Proceeds from sale of property, plant and equipment		1,332		2,077	
Grants received		983		360	
Interest received	7	176		25	
Net cash flows from investing activities			(15,509)		(10,957)
Cash flows from financing activities					
Interest paid	6	(3,429)		(2,923)	
New loans		2		(53)	
Loan issue costs		(40)		(295)	
Repayments of borrowings		-		-	
Net cash flows from financing activities			(3,467)		(3,271)
Net increase in cash and cash equivalents			(10,551)		(2,319)
Cash and cash equivalents at beginning of year			21,181		23,500
Cash and cash equivalents at end of year			10,630		21,181

1. Accounting policies

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

General information and basis of accounting

Bromsgrove District Housing Trust Limited is a company limited by guarantee (registered number: 4603611) and also a registered charity incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are as disclosed on page 1 of these financial statements. The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) (March 2018) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2022. Bromsgrove District Housing Trust Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The March 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard. There is no material effect on the amounts recognised in these financial statements as a result of adopting these amendments.

Statement of compliance

The Company has prepared its financial statements in accordance with FRS 102.

Going concern

The company's business activities, its current financial position and factors likely to affect its future development are set out within the report from the board. The company has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the company's day to day operations. The company also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

The risks presented by the Covid-19 pandemic are now less of a concern with regards to the financial risks, staff and customer safety and business continuity. Normal ways of working have predominantly returned and on a day to day basis the pandemic is very much a thing of the past. The board has stress tested the cash flows of the business and are confident that in light of this exercise, the company remains a going concern.

Property, plant and equipment - housing properties

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

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

New build 100 years

Major components

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

Structure	100 years
Roofs	70 years
Windows	30 years
Doors	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrical systems	30 years

Improvements

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

Leaseholders

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

Investment properties

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

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

Non-housing property, plant and equipment

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

Freehold office buildings	25 years
Furniture, fixtures & fittings	3 years
Computer equipment	4 years

Intangible assets

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

Computer software	3 years
Housing management system	8 years

Amortisation of intangible assets is charged to operating expenditure within the Statement of Comprehensive Income.

Impairment of social housing properties

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

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made.

After assessing for indicators of impairment, it is considered that no impairment provision is required.

Social Housing Grant and other Government grants

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

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

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

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership stair-casing sales, when full stair-casing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and need not be recognised as a provision. On subsequent stair-casing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Leased assets

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

Operating leased assets

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

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

Interest payable

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

liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Taxation

The Trust has charitable status therefore its charitable activities are not subject to corporation tax.

Pensions

Defined Benefit Pension Schemes

The Company participates in defined benefit pension schemes which are multi-employer schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension schemes. For these schemes the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liabilities) are recognised immediately in other comprehensive income.

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

Defined contribution scheme - Social Housing Pension Scheme (SHPS)

The Company participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from local authorities, amounts invoiced in respect of the provision of services, and other income, such as shared ownership first tranche sales. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Service charge sinking funds and service costs

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

Financial instruments

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities carried at amortised cost

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value and consist of raw materials and consumables, held as van stock, and an element of first tranche shared ownership costs, including those under construction, that are initially recognised as current assets The cost element initially recognised as a current asset is determined by the percentage of the property to be sold under the first tranche disposal.

Cash and cash equivalents

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

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

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

Impairment of social housing properties

The Company has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Reviews for impairment of housing properties are undertaken when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified. After undertaking a review of prevailing conditions, the Company concluded that no conditions existed that would trigger a full impairment review.

Estimation uncertainty

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

Tangible fixed assets.

Tangible fixed assets are depreciated over their estimated useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The carrying value of the company's tangible fixed assets, and the prior year comparatives, can be found in notes 13 and 14 of the financial statements.

Impairment of rent arrears and other short-term debtors

Rent arrears and other debtors, with no stated interest rate and receivable within one year, are recorded at their estimated transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses. An estimate of the collectible number of debtor is made when collection of the full amount is no longer probable. For amounts which are individually significant, this estimate is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a general provision applied according to the length of time past due, based on historical recovery rates. A 100% provision rate is applied to former tenant arrears and general provision rates of between 0% and 75% are applied to current tenant rent arrears. General provision rates of between 60% and 100% are applied to current tenant other lettings arrears. The carrying value of the company's rent arrears and other short-term debtors and the prior year comparatives, can be found in note 17 of the financial statements.

Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on several factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. The carrying value of the company's defined benefit pension schemes, and the prior year comparatives, can be found in note 20 of the financial statements.

Investment properties

The company carries its investment properties at fair value and engages independent valuers to determine fair value using a valuation technique based on a discounted cash flow model. The calculated fair value of the investment property uses assumptions which are subject to judgement, such as the estimated yield and the long-term vacancy rate. The carrying value of the company's investment properties, and the prior year comparatives, including details of the key assumptions adopted in the valuation can be found in note 15 of the financial statements.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

	2023			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**
Social housing lettings (note 4)				
- General needs	13,105	-	(10,991)	2,114
- Supported housing	5,274	-	(4,888)	386
- Affordable rent	1,755	-	(1,189)	566
- Shared ownership	802	-	(387)	415
	20,936	-	(17,455)	3,481
Other social housing activities				
- 1st tranche property sales	1,182	(843)	(21)	318
- Other social housing activities	585	-	(335)	250
	22,703	(843)	(17,811)	4,049
Activities other than social housing activities				
- Market rent	668	-	(275)	393
- Other activities	170	-	(34)	136
- Lettings (garages)	224	-	(10)	214
Surplus on disposal of PPE (note 5)	1,332	(61)	(408)	863
Total	25,097	(904)	(18,538)	5,655

	2022			
	Turnover £'000	**Cost of Sales £'000**	**Operating costs £'000**	**Operating surplus £'000**
Social housing lettings (note 4)				
- General needs	12,655	-	(9,973)	2,682
- Supported housing	5,157	-	(4,324)	833
- Affordable rent	1,628	-	(1,028)	600
- Shared ownership	813	-	(382)	431
	20,253	-	(15,707)	4,546
Other social housing activities				
- 1st tranche property sales	1,678	(980)	(27)	671
- Other social housing activities	401	-	(314)	87
	22,332	(980)	(16,048)	5,304
Activities other than social housing activities				
- Market rent	642	-	(250)	392
- Other activities	155	-	(29)	126
- Lettings (garages)	217	-	(12)	205
Surplus on disposal of PPE (note 5)	2,077	(53)	(523)	1,501
Total	25,423	(1,033)	(16,862)	7,528

4. Particulars of income and expenditure from social housing lettings

	General needs housing	Supported housing and housing for older people	Affordable rent	Shared ownership	**2023 Total**	2022 Total
	£'000	£'000	£'000	£'000	**£'000**	£'000
Income						
Rents receivable	12,535	4,215	1,739	681	**19,170**	18,364
Service charge income	428	1,008	0	107	**1,543**	1,667
Amortised government grant	142	51	16	14	**223**	222
Turnover from social housing lettings	13,105	5,274	1,755	802	**20,936**	20,253
Expenditure						
Service charge costs	417	957	32	28	**(1,434)**	(1,274)
Management	3,729	2,068	624	219	**(6,640)**	(5,915)
Routine maintenance	2,864	551	163	0	**(3,578)**	(3,024)
Planned maintenance	873	201	31	3	**(1,108)**	(998)
Development	69	21	6	10	**(106)**	(54)
Bad debts	49	18	5	0	**(72)**	(60)
Depreciation of housing properties	2,990	1,072	328	127	**(4,517)**	(4,382)
Operating costs	10,991	4,888	1,189	387	**(17,455)**	(15,707)
Operating surplus social housing lettings	**2,114**	**386**	**566**	**415**	**3,481**	4,546
Void losses	187	65	20	0	272	196

5. Surplus on disposal of property, plant and equipment

	2023 £'000	2022 £'000
Sale of subsequent tranche shared ownership properties	611	830
RTB sales proceeds	377	1,247
Voluntary property/land sale proceeds	344	0
Costs of sale (administration – legal and valuation)	(61)	(53)
Net book value of disposals	(408)	(523)
Surplus on disposal	863	1,501

6. Interest and financing costs

	2023 £'000	2022 £'000
Bank loans and overdrafts	3,429	2,923
Amortisation of Premium on Issuance	(116)	(116)
Amortisation of borrowing costs	166	132
	3,479	2,939

7. Finance income

	2023 £'000	2022 £'000
Bank interest receivable	176	25
	176	25

8. Surplus on ordinary activities

	2023 £'000	2022 £'000
Surplus on ordinary activities is stated after charging/(crediting):		
Depreciation of housing properties	4,432	4,140
Depreciation of plant and equipment	266	258
Amortisation of intangible assets	249	164
Government grants	(222)	(222)
(Gain) on disposal of fixed assets	(863)	(1,501)
Audit fees:		
- for audit services	25	26
- other services	0	3
Operating lease rentals	150	96

9 Staff costs

	2023 £'000	2022 £'000
Wages and salaries	5,451	4,735
Social security costs	594	483
Pension costs	689	590
	6,734	5,808

Pension costs represent total payments made during the year, including SHPS deficit payments of £101,880 (2022: £64,814), SHPS closed scheme surcharges of £760 (2022: £2,352), SHPS expense charge of £16,657 (2022: £13,350) and LGPS service deficit contributions of £63,800 (2022: £61,500).

In addition, FRS 102 non-cash pension adjustments of £51,000 (2022: £144,000) were charged to the Statement of Comprehensive Income.

Employee numbers by department

		2023 Number	2022 Number
Administration		33	29
Operational services	- Office based	70	67
	- Sheltered Living team	11	14
	- Community repairs team	25	22
	- Voids repairs team	8	12
	- Gas servicing team	7	6
Total		154	150

10. Directors' remuneration and transactions

The Directors are defined as the Executive Management Team (EMT) which includes the Chief Executive and 3 other posts. The aggregate amount of emoluments (including pension contributions with respect to service as a Director) paid to or receivable by the Directors of the Company during the year was £458,000 (2022: £467,000). The aggregate amount of emoluments (excluding pension contributions) was £422,000 (2022: £437,000).

Key management personnel remuneration

Directors who are executive staff members	**2023 £'000**	**2022 £'000**
Wages and salaries	422	437
Social security costs	56	56
Pension costs	36	28
Cash payment in lieu of pension contributions	-	11
Board members		
Wages and salaries	41	44
Social security costs	-	-
Other pension costs	-	-
	555	576

As at 31st March 2023, there is 1 director (2022: 1) for whom benefits are accruing under a defined benefit scheme and 3 directors (2022:3) for whom benefits are accruing under a defined contribution pension scheme.

	2023 £'000	**2022 £'000**
Remuneration of the highest paid director, excluding pension contributions:		
The emoluments paid during the year to the Chief Executive who was the highest paid Director were:		
Emoluments	132	110
	132	110

The number of full-time equivalent staff (based on 37 hours per week and including the Chief Executive) whose remuneration falls within each band of £10,000 from £60,000 upwards (excluding pension contributions and cash payment in lieu of pension contributions) is as follows:

10. Directors' remuneration and transactions (continued)

	2023	2022
	Number	Number
£60,000-£69,999	7	7
£70,000-£79,999	-	1
£80,000-£89,999	-	-
£90,000-£99,999	3	2
£100,000-£109,999	-	1
£110,000-£119,999	-	-
£120,000-£129,999	-	-
£130,000-£139,999	1	-

11. Tax on surplus on ordinary activities

On 6th September 2005 the Company was accepted by the Charities Commission and HMRC as a charity for tax purposes. The Company is therefore not liable to tax charges on its charitable activities.

12. Intangible fixed assets

	Computer software
	£'000
Cost	
At 1st April 2022	1,542
Additions	545
Disposals	-
As at 31st March 2023	2,087
Amortisation	
At 1st April 20	982
Charge for the year	249
Eliminated on disposals	-
As at 31st March 2023	1,231
Net book value	
As at 31st March 2023	**856**
As at 31st March 2022	560

13. Tangible fixed assets – housing properties

	Completed properties £'000	Under construction £'000	Completed Shared ownership £'000	Shared ownership under construction £'000	Total £'000
Cost or valuation					
At 1st April 2022	179,653	874	14,296	307	195,130
Additions	2,029	7,960	973	392	11,354
Works to existing properties	5,701	-	-	-	5,701
Disposals	(461)	-	(361)	-	(822)
Transfers	603	(603)	(604)	604	-
At 31st March 2023	187,525	8,231	14,304	1,303	211,363
Depreciation					
At 1st April 2022	40,101	-	825	-	40,926
Charge for the year	4,304	-	128	-	4,432
Eliminated on disposals	(196)	-	(14)	-	(210)
At 31st March 2023	44,209	-	939	-	45,148
Net book value					
At 31st March 2023	**143,317**	**8,231**	**13,365**	**1,303**	**166,215**
At 31st March 2022	139,552	874	13,471	307	154,204

14. Property, plant and equipment - other

	Freehold office building £'000	Computer hardware £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
At 1st April 2022	3,049	1,119	256	4,424
Additions	65	179	39	283
Disposals	-	(2)	-	(2)
At 31st March 2023	3,114	1,296	295	4,705
Depreciation				
At 1st April 2022	1,644	862	222	2,728
Charge for the year	108	134	24	266
Disposals	-	(1)	-	(1)
At 31st March 2023	1,752	995	246	2,993
Net book value At 31st March 2023	**1,362**	**301**	**49**	**1,712**
At 31st March 2022	1,405	257	34	1,696

Freehold land and buildings with a carrying amount of £90.4 million (2022: £90.4 million) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

15. Investment Properties

	Investment properties £'000
Cost	
At 1st April 2022	8,902
Additions	118
Disposals	(7)
Adjustments	-
At 31st March 2023	9,013
Revaluation	
At 1st April 2022	2,838
Revaluation for the year	449
At 31st March 2023	3,287
Net book value	
At 31st March 2023	**12,300**
At 31st March 2022	11,740

Investment properties with a carrying value of £11.74 million at 1st April 2022 were revalued in April 2023 to a fair value of £12.3 million. The additions of £0.118 million relate to major improvement works undertaken during the financial year.

The valuation was carried out by Jones Lang LaSalle Limited using the Market Value Subject to Tenancies (MV-ST) methodology.

16. Inventories

	2023 £'000	2022 £'000
First tranche shared ownership – completed	470	843
First tranche shared ownership – under construction	1303	308
Raw materials and consumables	159	101
	1,932	1,252

17. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Rent arrears	563	609
Provision for bad debts	(362)	(391)
Other debtors	446	493
Prepayments	719	567
Accrued Income	170	0
	1,536	1,278
Amounts falling due after more than one year:		
THFC Interest Service Reserve Fund	655	653
Total Debtors	2,191	1,931

18. Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Rents received in advance	797	702
Other lettings prepayments	68	68
THFC Loan Premium on Issuance	116	116
Trade creditors	626	992
VAT	26	28
Government grants (note 19)	197	197
Other taxation and social security	159	120
Other creditors	678	679
Accruals	2,220	2,289
	4,887	5,191

19. Creditors – amounts falling due after more than one year

	2023 £'000	2022 £'000
Other creditors		
Loans	93,300	93,300
Capitalised refinancing costs	(1,100)	(1,226)
THFC loan premium on issuance	2,298	2,414
Government grants (note 19)	20,404	19,690
	114,902	114,178

19. Creditors – amounts falling due after more than one year (continued)

The loans are secured on freehold housing properties. The loan portfolio comprises:

Value	Fix Period	All-in Rate
£5.0 million	10 years	3.33%
£10.0 million	5 years	2.15%
£5.0 million	3 years	3.82%
£3.3 million	3 years	1.92%
£5.0 million	20 years	5.07%
£5.0 million	5 years	1.87%
£30.0 million	30 years	3.60%
£10.0 million	25 years	5.20%
£5.0 million	Variable	Variable
£5.0 million	Variable	Variable
£10.0 million	5 years	3.88%
£93.3 million		

A further Revolving credit loan facility of £30 million is in place but has not yet been drawn down.

	2023 £'000	2022 £'000
Deferred income - Government grants		
At 1st April 2022	19,887	19,744
Grants receivable	1,057	305
Amortisation to Statement of Comprehensive Income	(222)	(217)
Movement in RCGF	(121)	55
At 31st March 2023	20,601	19,887
Due within one year	197	197
Due after one year	20,404	19,690

The total accumulated gross, unamortised amount of capital grant received or receivable at the balance sheet date is £22.9m (2022: £21.8m)

Recycled Capital Grant Fund	2023 £'000	2022 £'000
At 1st April 2022	171	116
Inputs to RCGF	29	0
Recycling of grant	(150)	54
Interest accrued	1	1
At 31st March 2023	51	171

The Recycled Capital Grant Fund is included within 'deferred income – government grants due after one year' above.

19. Creditors – amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	2023 £'000	2022 £'000
Bank loans		
Between one and two years	-	-
Between two and five years	20,000	10,000
After five years	73,300	83,300
	93,300	93,300
Less: transaction costs on issue	(1,100)	(1,226)
THFC loan premium on issuance	2,299	2,414
	94,499	94,488

20. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to Statement of Comprehensive Income in the period ended 31st March 2023 was £200,000 (2022: £156,000).

Defined benefit schemes

The Company operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to retirement benefits based on number of pensionable years' service and an accrual rate of 1/49th (LGPS) and 1/60th (SHPS) of career average salary on attainment of a retirement age of 65 (LGPS) or 67 (SHPS). The most recent actuarial valuations of scheme assets and the present value of the LGPS defined benefit obligation were carried out at 31st March 2022 by Fellows of the Institute and Faculty of Actuaries who are employed by Mercer. The present value of the LGPS defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	Valuation at	
	2023	2022
Key assumptions used for LGPS scheme:		
Increase in salaries	4.2%	4.8%
Discount rate	4.8%	2.8%
Future pension increases	2.8%	3.4%
CPI Inflation	2.7%	3.3%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company's LGPS defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

20. Retirement benefit schemes (continued)

	Valuation at	
	2023 years	**2022 years**
Retiring today:		
Males	22.0	22.6
Females	24.2	25.0
Retiring in 20 years:		
Males	23.3	24.1
Females	26.1	27.0

Amounts recognised in the Statement of Comprehensive Income in respect of the LGPS defined benefit scheme are as follows:

	2023 £'000	**2022 £'000**
Current service cost	504	515
Net interest cost	160	137
Administration costs	5	5
Past Service cost	0	0
	669	657
Recognised in other comprehensive income	-	-
Total cost relating to defined benefit scheme	669	657

The amount included in the Statement of Financial Position arising from the Company's obligations in respect of its LGPS defined benefit retirement benefit scheme is as follows:

	2023 £'000	**2022 £'000**
Present value of defined benefit obligations	(15,064)	(21,819)
Fair value of scheme assets	15,826	15,934
Surplus/(Deficit)	762	(5,885)
Less notional surplus not recognised	(762)	0
Net asset/(liability) recognised in the Statement of Financial Position	0	(5,885)

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the association will be able to recover the surplus, either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements, in line with paragraph 28.22 of FRS102.

20. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in respect of the LGPS scheme were as follows:

	2023 £'000	2022 £'000
At 1st April	21,819	21,600
Service cost	504	515
Interest cost	606	452
Actuarial (gain) / loss	(7,477)	(497)
Member contributions	87	86
Benefits/transfers paid	(475)	(337)
At 31st March	15,064	21,819

Movements in the fair value of LGPS scheme assets were as follows:

	2023 £'000	2022 £'000
At 1st April	15,934	14,937
Actuarial loss	446	613
Return on plan assets (excluding amounts included in net interest cost)	(490)	315
Contributions from the employer	329	325
Contributions from scheme participants	87	86
Benefits paid	(475)	(337)
Administration expenses	(5)	(5)
At 31st March	15,826	15,934

The analysis of the LGPS scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets	
	2023 £'000	2022 £'000
Equity instruments	11,427	12,620
Government Bonds	0	0
Other bonds	411	478
Property	1,361	892
Cash/liquidity	237	0
Other	2,390	1,944
	15,826	15,934

20. Retirement benefit schemes (continued)

The Pensions Trust – Social Housing Pension Scheme

The Company 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 30th 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 most recent triennial valuation of the scheme for funding purposes was carried out at 30th 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.

	Valuation at	
	2023	**2022**
Key assumptions used for SHPS:		
Increase in salaries	3.82%	4.12%
Discount rate	4.83%	2.77%
RPI Inflation	3.16%	3.42%
CPI Inflation	2.82%	3.12%

20. Retirement benefit schemes (continued)

Mortality assumptions:

The mortality assumptions adopted as at 31st March 2023 imply the following life expectancies:

	Valuation at	
	2023 years	**2022 years**
Retiring today:		
Males	21.0	21.1
Females	23.4	23.7
Retiring in 20 years:		
Males	22.2	22.4
Females	24.9	25.2

Amounts recognised in the Statement of Comprehensive Income in respect of the SHPS defined benefit scheme are as follows:

	2023 £'000	**2022 £'000**
Current service cost	24	45
Net interest cost	9	23
Administration costs	3	3
Plan introductions, changes, curtailments and settlements	-	-
	36	71
Gain/(loss) Recognised in other comprehensive income	(124)	601
Total cost relating to defined benefit scheme	(88)	672

The amount included in the Statement of Financial Position arising from the Company's obligations in respect of its SHPS defined benefit retirement scheme is as follows:

	2023 £'000	**2022 £'000**
Present value of defined benefit obligations	(2,286)	(3,583)
Fair value of scheme assets	1,888	3,189
(Deficit)	(398)	(394)
Net liability recognised in the Statement of Financial Position	(398)	(394)

20. Retirement benefit schemes (continued)

Movements in the present value of the SHPS defined benefit obligations were as follows:

	2023 £'000	2022 £'000
At 1st April	3,583	3,649
Service cost	24	45
Expenses	3	3
Interest cost	97	82
Actuarial losses	(1,221)	(208)
Member contributions	23	18
Benefits paid and expenses	(223)	(6)
At 31st March	2,286	3,583

Movements in the fair value of the SHPS scheme assets were as follows:

	2023 £'000	2023 £'000
At 1st April	3,189	2,626
Actuarial gain on plan assets (excluding amounts included in interest income)	(1,345)	393
Interest income	88	59
Contributions from the employer	156	99
Contributions from scheme participants	23	18
Benefits paid and expenses	(223)	(6)
Administration expenses	-	-
At 31st March	1,888	3,189

20. Retirement benefit schemes (continued)

The analysis of the SHPS scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets	
	2023	**2022**
	£'000	**£'000**
Absolute return	20	128
Alternative risk premia	4	105
Corporate bond fund	-	213
Credit relative value	71	106
Distressed opportunities	57	114
Emerging market debts	10	93
Opportunistic liquid credit	81	107
High Yield	7	27
Opportunistic credit	-	11
Liquid credit	-	-
Currency hedging	4	(12)
Global equity	35	612
Infrastructure	215	227
Insurance-linked securities	48	74
Liability driven investment	869	890
Long lease property	57	82
Net current assets	5	9
Private debt	84	82
Property	81	86
Risk sharing	139	105
Secured income	87	119
Cash	14	11
	1,888	3,189

None of the fair values of the assets shown above included 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. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

21. Financial Instruments

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

	2023	2022
	£'000	£'000
Financial Assets		
Measured at undiscounted amount receivable		
• Rent arrears and other debtors (see note 17)	563	609
• VAT (see note 18)	-	-
• Cash at bank	10,630	21,181
	11,193	21,790
Financial Liabilities		
Measured at amortised cost		
• Loans payable (see note 19)	94,499	94,488
Measured at undiscounted amount payable		
• Trade creditors (see note 18)	626	992
• VAT (see note 18)	26	28
• Other taxation and social security (see note 18)	159	120
• Other creditors (see note 18)	678	679
	95,988	96,307

22. Share capital

The Company is limited by Guarantee and therefore does not have any share capital.

23. Statement of Cash Flows

	2023 £'000	2022 £'000
Cash flow from operating activities		
Surplus for the year	2,632	5,439
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	4,698	4,399
Amortisation of intangible assets	249	164
Decrease / (increase) in inventories	(1,523)	(1,063)
Decrease / (increase) in debtors	(258)	72
(Decrease) in creditors	(144)	1178
Pension costs less contributions payable	51	144
Pension interest	169	160
Revaluation of investment properties	(449)	(985)
Carrying amount of property, plant & equipment disposals	408	806
Shared ownership Cost of Sales	843	980
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(1,332)	(2,077)
Government grants utilised in the year	(222)	(222)
Interest payable	3,429	2,923
Interest received	(176)	(25)
Amortisation of Premium on Issuance	(116)	(116)
Amortisation of refinancing costs	166	132
Cash generated by operations	8,425	11,909
Cash and cash equivalents		
Cash at bank and in hand	10,630	21,181
Cash equivalents included in current asset investments	-	-
Cash and cash equivalents	10,630	21,181

Analysis of changes in net debt

	At 1st April £'000	Cashflows £'000	Other non-cash £'000	At 31st March £'000
Cash	21,181	(10,551)	-	10,630
Interest Service Reserve Fund	653	2	-	655
Bank loans due greater than one year	(93,300)	-	-	(93,300)
Loan premium on issuance	(2,414)	-	116	(2,298)
Total	**(73,880)**	**(10,549)**	**116**	**(84,313)**

24. Financial commitments

Capital commitments are as follows:	**2023 £'000**	**2022 £'000**
Contracted for but not provided for:		
New dwellings	38,972	8,352
Approved by the directors but not contracted for:		
New dwellings	8,916	29,700
Housing improvements	5,433	6,695
	53,321	44,747

The above commitments will be financed from sales receipts of £14.3m, grant of £0.8m and working capital and existing undrawn loan facilities of £30m.

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

	2023 £'000	**2022 £'000**
Payments due: -		
- within one year	149	154
- between one and five years	310	499
- after five years	0	9
	459	662

25. Housing stock

	2023 Units	2022 Units
Owned:		
General needs housing	**2,548**	2,541
Supported housing	**916**	916
Shared ownership	**243**	242
Leaseholder	**175**	174
Affordable rent	**280**	280
Intermediate rent	**6**	6
Market rent	**87**	87
Total	**4,255**	4,246

25. Housing stock (continued)

Owned Units	Opening Stock 1st April 2022	New Build	Conversion	RTBs	Voluntary Sales	Buy-backs	100% Staircasing	**Closing Stock 31st March 2023**
General needs housing	2,541	7	5	(4)	(1)	-	-	2,548
Supported housing	916	-	-	-	-	-	-	916
Shared ownership	242	12	(7)	-	-	-	(4)	243
Leaseholder	174	-	-	1	-	-	-	175
Affordable rent	280	-	-	-	-	-	-	280
Intermediate rent	6	-	-	-	-	-	-	6
Market rent	87	-	-	-	-	-	-	87
Total Owned	**4,246**	**19**	**(2)**	**(3)**	**(1)**	**-**	**(4)**	**4,255**

Managed:		
General needs housing	**40**	40
Supported housing	**-**	-
Shared ownership	**30**	30
Leaseholder	**-**	35
Affordable rent	**7**	7
Intermediate rent	**2**	2
Total	**79**	114

Managed Units	Opening Stock 1st April 2022	Conversion	RTBs	Voluntary Sales	Decommissioned	100% Staircasing	**Closing Stock 31st March 2023**
General needs housing	40	-	-	-	-	-	40
Supported housing	-	-	-	-	-	-	-
Shared ownership	30	-	-	-	-	-	30
Leaseholder	35	-	-	-	(35)	-	-
Affordable rent	7	-	-	-	-	-	7
Intermediate rent	2	-	-	-	-	-	2
Total Managed	**114**	**-**	**-**	**-**	**-**	**-**	**79**

Total owned and managed	**4,334**	4,360

26. Related party transactions

The names of Board Members who are also tenants or shared owners are shown in the Board report and are listed below. All tenant and shared owner Board members rent properties from the Trust under the same terms and conditions as all tenants in similar properties.

Rachel Ward – Hopwood, Bromsgrove (ceased to be a Board member in July 2022)
Anne-Marie Hulley (Board member from July 2022)

The aggregate amount of rent receivable during the year, from related parties was £5,807.44 (2022: £5,666).

There were no rent arrears outstanding in relation to these properties as at 31st March 2023 (2022: £nil).