

Annual Report and
Financial Statements
The Wrekin Housing Group
Limited

For the year ended 31 March 2021

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Report of the Board

The board presents its report and audited financial statements for the year ended 31 March 2021.

Board and committee members

The names of members who served during the year and up to the date of signing of this report are set out below, along with details of which boards and committees across the Group they served on.

	Wrekin Housing Group Ltd Board	Choices Housing Association Ltd Board (ceased to meet September 2020)	Old Park Services Ltd Board	Strata Housing Services Ltd Board	Group Audit and Assurance Committee	Finance and Investment Committee	Remuneration and Nominations Committee	Service Quality Committee
Desmond Hudson – Chair	✓	✓				✓	✓	
Shaun Davies (appointed as Chair of Strata Housing Services Limited 7 March 2021)	✓			✓	✓			✓
Alan Yates (appointed 2 April 2021)	✓			✓		✓		
James Dickson-Chair Old Park Services Limited	✓	✓	✓		✓			✓
Jane Moulder (Appointed to the Group Board from September 2020 / Appointed to Old Park Services from March 2021)	✓	✓	✓					
Alison Fisher-Chair Group Audit and Assurance Committee. (Appointed to Old Park Services from March 2021)	✓		✓		✓			
Julian Fletcher (resigned 27 October 2020)		✓						
Deborah Griffiths-Chair Finance and Investment Committee. Deputy Chair & Senior Independent Director (appointed November 2020)	✓	✓				✓		
Alan Hawkesworth (appointed 8 June 2020)	✓				✓	✓		
Jacqueline Esimaje Heath (resigned 31 December 2020)	✓			✓		✓		
Annette Shipley-Chair Remuneration and Nominations Committee	✓						✓	
Esther Wright-Chair Service Quality Committee (resigned from Old Park Services 7 March 2021)	✓	✓	✓				✓	✓
Sanaya Robinson – Independent Member					✓			
Dennis O’Higgins – Independent Member (appointed 8 June 2020)					✓			

Report of the Board

Executive and secretary

Name	Position
Wayne Gethings	Group Chief Executive
Francis Best (retired 31 October 2020) Jonathan Lamb (appointed 1 December 2020)	Executive Director of Finance
David Wells	Executive Director of Operational Services
Janet Lycett	Executive Director of Business Solutions
Catherine Rogerson	Company Secretary

Bankers and advisors

Bankers	Barclays PLC	Corporate Banking, One Snowhill, Snow Hill Queensway, Birmingham B4 6GN
External Auditors	Grant Thornton UK LLP	4 Hardman Square Spinningfields Manchester M3 3EB
Principal Solicitors	Devonshires LLP	30 Finsbury Circus, London, EC2M 7DT
Treasury Advisors	Chatham Financial Europe Ltd	12 St James's Square, London, SW1Y 4LB
Property Valuers	Savills (UK) Ltd	55 Colmore Row, Birmingham, B3 2AA

Registration

Wrekin Housing Group Limited is incorporated as a Co-operative and Community Benefit Society under the Co-operative and Community Benefit Society Act 2014 (registration number 8067) and is registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008 (registration number LH4220). The organisation's registered office is at Colliers Way, Old Park, Telford, Shropshire, TF3 4AW.

Report of the Board

Insurance of directors and officers

The Group has insurance policies in place, which indemnify its board members and executive directors against liability when acting for the Group.

Principal activity

The Group's principal activities remain the development and management of social housing and the provision of care services.

Business review

Details of the Group's performance for the year are set out in the Strategic Report that follows this report of the board.

Group structure and active companies at 31 March 2021

The Wrekin Housing Group Limited is the parent association of the Group, a registered provider of social housing registered under the Co-operative and Community Benefit Society Act 2014 (registration number 8067) and with the Regulator of Social Housing under the Housing and Regeneration Act 2008 (registration number LH4220).

The Group's subsidiaries are:

Old Park Services Limited – a private company limited by shares, whose principal activities are the provision, on a profit-making commercial basis, of housing and property related services and associated software to other social landlords, together with the operation of retail outlets for re-used and recycled household goods, actively promoting re-use as an alternative to disposal of household goods and waste.

Strata Housing Services Limited - a private company limited by shares, whose principal activity is the provision of development services to its parent company.

Choices Housing Association Limited – a registered provider of social housing registered under the Co-operative and Community Benefit Society Act 2014 (registration number 26995R) and with the Regulator of Social Housing under the Housing and Regeneration Act 2008 (registration number L4178). Its principal activities are the provision of registered care and supported housing for adults with a learning disability, the operation of a dementia care unit offering both registered care and nursing beds and a domiciliary care service which delivers care to tenants of the Group's 'ShireLiving' Extra Care schemes and to other tenants who live in both Choices and Wrekin Housing Group properties.

Governance

The Group is managed by a board of ten members consisting of nine independent members and one member nominated by the Borough of Telford and Wrekin. The chair is one of the independent board members. During the year a Senior Independent Director/Deputy Chair position was established and recruited to from within the Group Board. Deborah Griffiths was appointed to this position in November 2020.

Following the Governance Effectiveness Review in 2019/20 the Group Board and Choices Housing Association Board agreed to establish a co-terminous board in September 2020 to give the Group Board closer and more effective oversight of care and support. This arrangement also ensures that risks and the additional obligations of the Care Quality Commission are managed effectively and that the care and support activities receive more profile within the Group.

Report of the Board

Following an In-depth Assessment The Regulator of Social Housing published its regulatory judgement in April 2021, re-confirming the Group's viability rating of V1 and the governance rating of G1.

The Group Board exercises control and formulates strategy both directly and through delegation to its committees and the boards of its subsidiary companies. Details of matters reserved to the Group Board, together with those delegated to its committees and subsidiary boards, are set out in the Group's standing orders, which are reviewed periodically.

The Group Board currently has the following committees in operation:

- Audit and Assurance Committee
- Finance and Investment Committee
- Remuneration and Nominations Committee
- Service Quality Committee (formed January 2021)

In addition, separate Task and Finish working groups, comprising board members and senior officers, have been formed from time to time, for a limited timespan, to focus on specific issues in more detail.

Up to September 2020 Choices Housing Association Limited operated its own board, however since the establishment of the Co-terminous Board in September 2020 the Board of Choices Housing Association has ceased to meet on its own.

Two of the Group's subsidiaries, Old Park Services Limited and Strata Housing Services Limited have their own boards. The boards of the subsidiaries are comprised of Group Board members and Executive Directors. Two independent members serve on the Group Audit and Assurance Committee. Choices Housing Association Limited has a coterminous board with the parent company.

The Board continues to ensure that it attracts the right mix of skills and experience to enable it to discharge its role effectively. As part of the annual appraisal process, a Board Skills and Competency Framework has been established. The performance of the Board, its members and committees are appraised annually on both an individual and collective basis and during 2019/20 the Board also commissioned an independent Governance Effectiveness Review. During 2020/21 the actions identified from the Governance Effectiveness Review have been implemented.

Group Board

During 2020/21 the number of Board meetings increased due to urgent business matters needing to be considered through the Covid crisis. In total the Board met 10 times and held three away days. The Board sets the Group's strategy, monitors the Group's performance against its approved plans and objectives and receives regular updates on operational and financial performance, development activity, risk management and health and safety. As mentioned above, the Board delegates some of its responsibilities to committees, chaired by board members, and reports from each committee and the boards of subsidiary companies, are presented to the Board at each meeting. During the year the Board set up a Service Quality Committee which is responsible for reviewing and monitoring the Group's service quality and outcomes. The intention is for two independent members with lived experience or particular insight into the communities we serve to be recruited to the Service Quality Committee. An Urgent Business Committee was also established to deal with any exceptional matters that could arise at short notice during the pandemic period in particular.

Report of the Board

Group Board – Key Areas of Focus 2020/21	
<p>Specific topics:</p> <ul style="list-style-type: none"> • Covid specific matters relating to Corporate Finance Facility, Power of Attorney and financial monitoring • Establishment of the Service Quality Committee and Urgent Business Committee • Establishment of the Co-terminous Board • Approval of policies relating to Rent/Income Management/Debt • Board remuneration • Board Succession Plan • Care and Support Strategy • Asset Management Strategy • Development Strategy • HOS Complaints Handling Code • Additional Bond funding approval £25m • Social Value Report • Technology Strategy • Various development site approvals 	<p>Updates/Recurring items:</p> <ul style="list-style-type: none"> • Covid update • Strategic plan progress to date • Annual business plan update • Annual budget approval • Annual accounts approval • Strategic risk management • Health and safety performance and compliance • Financial performance • Operational performance • Asset management activity • Development programme • Customer Voice Panel feedback • Assessment against Regulatory Standards and NHF Codes of Practice

Group Board Strategy Events – Key Areas of Focus 2020/21	
<ul style="list-style-type: none"> • Development of the Care and Support Strategy • New Homes Ambition to 2025 • Covid – Effects on the Strategic Plan • Equality, Diversity & Inclusion Workshop • Technology Strategy • Wrekin Learning Model and Resident Engagement 	

Audit and Assurance Committee

The Audit and Assurance Committee meets with the Executive, Senior Management, internal auditors and external auditors and is composed of members of the Group Board, together with two additional independent members. The committee meets 4 times a year, reviewing specific reporting, internal control and risk management matters to ensure that effective systems are in place and are operating correctly in order to be satisfied that the highest standards of governance are in place. In addition the committee, along with members of the Finance and Investment Committee meet twice a year to review the financial statements in the form of a statutory accounts workshop.

At each meeting the committee receives a progress report against the annual internal audit plan, together with assurance reports from internal audit on specific areas that have been the subject of audit investigation since the previous meeting and reviews progress in implementing the recommendations arising from earlier audits. It also receives reports on risk management at each meeting, which include regular reviews of current and emerging organisational, sector and global risks. The committee is also charged by the Group Board with monitoring health and safety performance and compliance at a detailed

Report of the Board

level and ensuring that any recommendations arising from specialist third party health and safety audits are implemented effectively and on a timely basis.

The committee approves the plan for the annual external audit, receives updates from the external auditors as necessary during the audit process and considers the findings of the external auditors once the audit has been completed.

Audit and Assurance Committee – Key Areas of Focus 2020/21	
<p>Specific topics:</p> <ul style="list-style-type: none"> • Business Continuity • Deep Dives of individual strategic risks • Insurance Report • New Risk Management Framework and Risk Appetite Statement 	<p>Updates/recurring items:</p> <ul style="list-style-type: none"> • Internal audit work plan • External audit plan • Internal audit updates and specific audit reports • Annual internal audit report and opinion • Group annual accounts and external audit findings • Risk management updates • Detailed health and safety performance and compliance reports • Statutory compliance calendar • Annual insurance renewal • Probity Report (including Fraud Registers and Whistle-blowing) • Annual internal control framework review • Performance and Effectiveness of the committee, internal and external audit • Policy Review Schedule • Agenda Framework • Review of Terms of Reference

Finance and Investment Committee

This committee concentrates on finance, treasury management, asset management and development and met four times during the year along with a finance workshop. Following the successful completion of the Group's refinancing exercise in October 2019, it was felt that additional focus was required for matters related to financial performance and treasury management activity, given that the Group's debt portfolio now includes listed capital market debt and a number of bilateral bank finance arrangements, replacing the Group's previous single syndicated loan facility. The additional funding secured under the refinancing exercise is to finance further development activity over the next five years and so scrutiny of this area was also included in the remit of the new committee. The committee is composed of Group Board members and meets with the executive management, other senior managers and external advisors as necessary.

Report of the Board

Finance and Investment Committee – Key Area of Focus 2020/21	
<p>Specific topics:</p> <ul style="list-style-type: none"> • Asset Management Strategy • Corporate Debt and Income Management Policy • Write off of Irrecoverable Debt Policy • Property Charging • Development Strategy • Rent Setting Policy • Value for Money Work Plan • LIBOR to SONIA Work Plan 	<p>Updates/recurring items:</p> <ul style="list-style-type: none"> • Management accounts • Development programme update • Asset management update • Annual budget • Annual business plan update • Treasury Dashboard • Annual Agenda Framework • Review of Terms of Reference • Performance & Effectiveness of the Committee

Remuneration and Nominations Committee

The Remuneration and Nominations Committee met three times during 2020/21. The purpose of the committee is to have oversight of the recruitment of board members, and oversight of the appointment and ongoing appraisal of the Group Chief Executive, make recommendations to the Group Board on the remuneration of the Executive Management Group and the brief within which executive management can negotiate staff salaries.

Remuneration and Nominations Committee – Key Areas of Focus 2020/21	
<p>Specific topics:</p> <ul style="list-style-type: none"> • Performance Payment Scheme • Board Member Remuneration • Group Chief Executive’s appraisal and objectives • Executive Remuneration Policy • Review of policies and policy framework • Review of Executive Directors Recruitment • Board Member Succession Planning 	<p>Updates/recurring items:</p> <ul style="list-style-type: none"> • Executive team performance payments • Annual pay award • Board member recruitment • Committee Agenda Framework • Review of Terms of Reference • Performance & Effectiveness of the Committee

Service Quality Committee

The Service Quality Committee held its inaugural meeting in January 2021. The committee is responsible for reviewing and monitoring the Group’s service quality and outcomes. The committee’s oversight relates to four themes:

- Inspection Themes (for example but not limited to CQC, IDA, Consumer Standards, Fire Safety and Building Safety)
- Service Quality
- Customer Voice
- Social Value

It is intended that membership of the committee will include customers of the Group’s housing and care services.

Report of the Board

Information relating to the Group's subsidiaries is included in their annual reports and financial statements as appropriate.

Name	Group Board	Group Board Monitoring Meetings (additional during the pandemic)	Audit and Assurance Committee	Finance and Investment Committee	Remuneration and Nominations Committee	Service Quality Committee
Desmond Hudson	6 of 6 (Chair)	4 of 4	-	3 of 4	3 of 3	-
Shaun Davies	5 of 6	3 of 4	-	-	-	1 of 1
James Dickson	6 of 6	4 of 4	5 of 5	-	-	1 of 1
Alison Fisher	6 of 6	4 of 4	5 of 5 (Chair)	-	-	-
Deborah Griffiths	6 of 6	4 of 4	-	4 of 4 (Chair)	-	-
Alan Hawkesworth	3 of 4*	2 of 3*	4 of 5*	3 of 4*	-	-
Jacquié Esimaje-Heath	5 of 5**	4 of 4**	-	2 of 4**	-	-
Jane Moulder	2 of 2*	-	-	-	-	-
Dennis O'Higgins			4 of 5*			
Sanaya Robinson			5 of 5			
Annette Shipley	6 of 6	3 of 4	-	-	3 of 3 (Chair)	-
Esther Wright	6 of 6	2 of 4	-	-	3 of 3	1 of 1 (Chair)

- * Appointed part way through year
- **Resigned part way through year
- Figures above relate to attendance at boards and committees by board members only. It excludes attendance at the Audit and Assurance Committee by the additional independent members of that committee, who are not board members

Remuneration of board members and executive directors

Policy

The board is responsible for setting the Group's remuneration policy for its executive directors on the advice of the Remuneration and Nominations Committee, which agrees the appointment of the Group Chief Executive, the remuneration of the Group Chief Executive and the other executive directors, as well as the brief within which the executive directors can negotiate staff salaries. The Remuneration and Nominations Committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the executive directors. Basic salaries are set having regard to each executive director's responsibilities and pay levels for comparable positions.

Pensions

The executive directors are members of the Shropshire County Pension Fund, a defined benefit career average salary pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees.

Report of the Board

Other benefits

The executive officers are entitled to other benefits such as the provision of a car and life assurance.

Service contracts

The executive directors are employed on the same terms as other staff. Notice periods are 3 to 6 months depending on the role.

Non-executive board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2021. All fees were paid by the parent association. In accordance with the articles of association a non-executive board member entitled to remuneration who is also a member of the board of another group company is not entitled to additional remuneration. The figures stated may therefore have been paid in respect of service on the board of the parent association or in respect of services on the board of another entity within the Group.

Shaun Davies	£6,676
James Dickson	£6,899
Alison Fisher	£7,297
Deborah Griffiths	£7,935
Jacqueline Esimaje Heath (resigned 31 December 2020)	£4,961
Desmond Hudson	£15,297
Annette Shipley	£6,899
Alan Hawkesworth	£5,301
Dennis O'Higgins	£2,432
Esther Wright	£6,899
Sanaya Robinson	£4,000
Jane Moulder	£4,888
Julian Fletcher (resigned 24 October 2020)	£2,148
Total	£81,632

NHF Code of Governance

The board is pleased to report that the Group complies with the principles and provisions set out in the NHF Code of Governance 2015, except for part of the year when the boards of Old Park Services Limited and Strata Housing Services Limited, two of the Group's subsidiaries, had fewer members than the number recommended in the code and the majority of the directors of Strata Housing Services Limited were members of the executive team. Whilst these arrangements were considered appropriate due to the limited scale and natures of activities undertaken by these entities the group has since made changes to the number of directors servicing each individual entity to satisfy compliance with the code across the group.

The board completed the actions in the Governance Plan through which they continued to challenge their effectiveness in order to ensure that they exercise good governance by establishing:

Report of the Board

- Risk management framework and risk appetite statement
- Preferred statement of composition and succession planning process
- Board Skills & Competency Framework
- New induction programme
- Learning and development plan
- Committee effectiveness reviews.

The Board have approved the adoption of the new NHF Code of Governance from April 2021 and an action plan is in place during the transition period to ensure compliance by March 2022. The areas of particular focus during 2021/22 will include:

- Promoting and increasing diversity in resident engagement
- Continued focus on Equality, Diversity and Inclusion through a dedicated Task & Finish Group
- Establishment of a skills academy to link to involvement opportunities
- Direct line of sight from the Board across customer feedback and complaints
- Customer feedback system for care
- Creation of the Stakeholder Management Plan.

The board recognises its responsibilities for ensuring that arrangements are made for keeping proper books of account with respect to the Group's transactions and its assets and liabilities and for maintaining a satisfactory system of internal controls over the Group's books of account and transactions and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is satisfied that there are appropriate arrangements in place with respect to its transactions, assets and liabilities and that there is a satisfactory system of internal control in place to prevent and detect fraud and other irregularities.

The co-regulation framework has a strong resident element with the Customer Assurance Panel overseeing performance, the Tenant Auditors examining aspects of the Group's processes and the Tenants' Panel being the representative body involved in policy development as well as general consultation. The Customer Voice Panel ensures that customers have direct access to the board. The Panel reports regularly to the Group Board and some Group Board members serve as members of the Customer Voice Panel alongside the customer members. Choices also operates a number of active groups, comprised of staff, service users and their relatives, to ensure that people's needs are being met and the quality of services is being maintained or, where possible, improved.

Internal controls assurance

The board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, and not absolute, assurance of compliance with all relevant legislation and against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2020 up to the date of approval of the annual report and financial statements. The Board is satisfied that the current internal control framework is appropriate for the size and complexity of the Group and that it is adequate and effective.

The board receives and considers reports from management on risk management and control arrangements during the year. The arrangements 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 include:

Report of the Board

Identifying and evaluating key risks

The board has established a risk management strategy, setting out its attitude to risk in the achievement of its objectives, which underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive management group regularly consider reports on these risks and is responsible for reporting to the board any significant changes affecting key risks. More detailed risk assessments are carried out by managers at all levels in the business using the Group's risk management software. All matters brought to the executive management group or board for decision are supported by such risk assessments.

Control environment and internal controls

The processes to identify and manage the key risks to which the Group is exposed are an integral part of the internal control environment. These processes, which are reviewed annually and revised where necessary, include strategic planning, succession planning and recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection and environmental performance.

Financial and operational performance reporting

An important control in relation to the Group's management of risk, is the reporting and monitoring of financial and operational performance. Examples of this include:

- Reporting of operational performance against a suite of key performance indicators throughout the year. The indicators cover housing management, care services, repairs and maintenance, health and safety and customer satisfaction.
- Preparation of strategic plans, underpinned by detailed budgets for the year ahead and forecasts for subsequent years, all of which are reviewed and approved by the Board.
- Sensitivity analysis of key risks and uncertainties included in the financial forecasts and stress testing of complex, multivariate scenarios.
- Monthly budget reviews with budget holders and detailed quarterly reporting of expected outturns to ensure that agreed levels of surplus are achieved
- Reporting of treasury management activity and loan covenant compliance to ensure that the Group complies not only with its formal covenants, but also with its own internally approved golden rules (set at a more challenging level than the formal covenants)
- Setting, and regular review, of group policies in compliance with legislation and regulatory requirements and in line with best practice in the sector
- Development of business continuity plans for all service areas and reporting of the outcomes of regular testing of those plans
- Scanning of the housing and care environments and reporting the impact of issues on the Group

Report of the Board

Internal Audit

The Group's internal audit function is delivered by RSM, a third party provider, who are responsible for delivering the annual internal audit plan as approved by the Audit and Assurance Committee. As a result of the specific internal audit work completed in the year the internal auditors concluded that there was an adequate and effective system of internal control in place during 2020/21.

The reviews carried out by internal audit provide independent assurance to the Board via the Audit and Assurance Committee. There is a rigorous procedure in place to ensure that recommendations arising from internal audit reviews are carefully considered and implemented or, occasionally, varied with the agreement of the Audit and Assurance Committee.

Internal Audit Reports 2020/2021 - Grading	Number of Reviews
Substantial Assurance	10
Reasonable Assurance	1
Partial Assurance	0
No Assurance	0
Advisory only	7

Internal Audit Reports 2019/20 – Recommendation Priority	
High	0%
Medium	26%
Low	74%

Health and safety

The board is very aware of its responsibilities on all matters relating to health and safety. The health and safety of residents, service users, staff and contractors is a top priority for the board and it adopts a “zero tolerance” approach to non-compliance.

The Group has prepared detailed health and safety policies and procedures, regularly reviews risk assessments and ensures that any required actions arising from those risk assessments are completed. The Group provides staff with appropriate training and education on health and safety matters and it has won a number of awards reflecting its commitment to high standards in this area.

The Board receives regular reports on health and safety matters, including any reportable incidents and all aspects of property safety, together with the results of audits carried out by independent third party specialists. Performance against key indicators is shown below. In most areas performance has improved with the majority of measures at 100%. At the year-end there was one ‘high priority’ action outstanding from all of the group’s fire risk assessments, but this risk was tenancy related and not related to the condition of the stock.

Report of the Board

Health and safety (continued)

In the aftermath of the Grenfell fire the Group has continued to improve fire safety standards and has laid the foundations ahead of the new Building Safety Regulations being introduced. The Group has also appointed additional staff within its health and safety team to bring in further fire safety expertise and has made use of independent third party specialist consultants to undertake a building safety GAP analysis to inform the new Health and Safety strategy.

Indicator	Performance 2020/21- as at 31/03/2021	Performance 2019/20 – as at 31/03/2020
Electrical Safety - Periodic Test	99.89%	99.70%
Fire Safety - Periodic Fire Risk Assessments	100.00%	100.00%
Fire Safety - Equipment Servicing	100.00%	99.11%
Heating Safety - Gas Servicing	100.00%	100.00%
Heating Safety - Non-Gas	100.00%	100.00%
Lift Safety - Communal Lifts Servicing	100.00%	100.00%
Lift Safety - Communal Lift Insurance Check	100.00%	98.25%
Lift Safety - Home Lifts Servicing	98.18%	80.87%
Lift Safety - Home Lift Insurance Check	99.19%	74.78%
Asbestos Safety - Period checks	100.00%	99.78%
Asbestos Safety - Homes surveyed for asbestos	100.00%	100.00%
Water Safety - Risk assessments & periodic checks	100.00%	100.00%
Food Safety – Star Ratings	1 location 4 star 58 locations 5 star	1 location 4 star 58 locations 5 star

Anti-fraud and corruption

The Group is committed to ensuring that all its officers, staff and contractors act at all times with honesty and integrity and adequately safeguard the assets for which the Group is responsible. Fraud awareness training commenced this year and going forward this will be rolled out across the Group for all employees.

The Group maintains a fraud register, which is reviewed by the Audit and Assurance Committee at each meeting. Incidents of fraud are discussed at committee meetings, together with details of action taken and consequent improvements in controls.

During the year the Group was subject to one fraud which was identified as a result of the ongoing operation of internal controls. The value was for £150 and considered not material and therefore was not reported to the Regulator of Social Housing. There were several instances where service users in the care service reported theft of cash or from bank accounts. These ranged from amounts less than £100 to £3,200.

The Group takes all instances of alleged fraud very seriously and makes use of its own internal disciplinary procedures or involved the police as appropriate. Material cases of fraud to the Group's funds are reported to The Regulator of Social Housing.

Report of the Board

Care quality and safeguarding

The Group is committed to providing quality services in all its care and support activities which are regulated by the Care Quality Commission. During 2020/21 the Group reviewed its business wide approach to Care and Support and the Board approved a new cohesive strategy which created an ambition to merge the range of different Care and Support services, and the teams employed to support them, into a single Care and Support portfolio. We have recruited a new Director of Care and Support to deliver this strategy, the focus of which is to ensure that the Group's future vision is aligned with those of its strategic partners, that services have sustainable demand, their design is fit for purpose, services are financially viable, and that standards of Care and Support are constantly challenged to improve. There is a robust framework of quality and performance monitoring and reporting in place with the executive team and the newly formed Coterminal Board receiving regular reports on all key service areas. The Group's commitment to quality in the delivery of its services is reflected by all locations having good or outstanding CQC assessments, as well as an accredited training provider by the Social Care Institute for Excellence.

The 2020/21 year was particularly difficult for all Care and Support providers as a result of the global coronavirus pandemic, but the Group has still achieved the majority of our financial and performance targets across all of the locations we operate, and come through the year with considerable resilience.

In terms of safeguarding issues, although there were a number of reportable incidents in 2020/21, none resulted in prosecutions, improvement notices, or wider-ranging safeguarding investigations and there were no Duty of Candour breaches during the year.

COVID-19

Clearly the COVID-19 pandemic has had far reaching consequences and posed significant risks to the operational and financial management of all social housing providers. The Group had instigated its response in March 2020 based around its business continuity and incident management framework. This created the broad framework to develop and deliver its strategic and operational response.

During the early part of 2020/21 the Group continued to embed its agile working arrangements to support service delivery and base its response around key Government guidance which prioritized the safety of its customers and staff. Throughout the pandemic essential and emergency services have been sustained and over time, as restrictions eased the Group tailored its own operational recovery plans to enable a return to 'business as usual' service provision. Other than some service realignment being required across the later part of 2020/21 to the Group retail offer and the operation of the Northfield Village Community Centre, no wider structural changes to service delivery were required. Some 25% of the planned maintenance programme will be rolled forward into 2021/22 and the development programme has remained broadly on track – despite the closure of the construction industry across March/April 2020.

Over the last year a robust management focus was maintained on the efficacy of operational services with strong links back into the Governance framework that offered the required strategic assurance to the Executive Team and Board. Overall strong performance was reported via the Coronavirus Operational Response Surveys (CORS) to the Regulator. Covid update reports were made to every Board meeting; through a 'deep dive' report to the Audit and Assurance Committee, and via the strategic stress testing framework overseen by the Finance and Investment Committee. Arrangements were also put into place to support the instigation of an 'Urgent Issues Board' to consider significant matters if needed. Tenants were also kept updated on our Covid recovery plan via the Customer Voice Panel meetings.

Report of the Board

COVID-19 (continued)

Over the course of the last year the Group has ensured that its Covid secure working policy and procedures remained effective. The PPE supply chain remained strong with sufficient stocks being retained to mitigate any unexpected pressures nationally. The Group also fully supported staff if they were having to self isolate and actively enabled staff to take the time to have the vaccine. During the year the Group received £625,000 in respect of grant funding under the Government's Coronavirus Job Retention Scheme. The funding was in respect of over 100 employees who were placed on furlough for all or part of the year. These employees were within the retail and care business units. Without the support of this funding the retail outlets would have been unsustainable resulting in redundancies. However the furlough income allowed the Group to review and restructure its retail activities and to preserve these going forward. In the care sector the funding was used to support those vulnerable staff that had to shield and self-isolate.

For its customers the Group continued to work closely with relevant health and social care bodies, including Public Health England. The Group remains vigilant to ensure that it continues to respond promptly to the changing nature of the virus and its impact on both customers and staff.

During the last year particular focus has been on supporting those residents who have also faced financial distress as a result of the pandemic. In particular this work has focused on those tenants who have become unemployed; entered the Coronavirus Job Retention Scheme (furlough) or have experienced other changes in circumstance that has impacted on their ability to pay their rent. These efforts have resulted in the Group maintaining the previous levels of collected rent during the pandemic and very effective communication and support was offered to those who may have otherwise faced enforcement action. This work continues as we move closer to the potential end of 'furlough' and the still uncertain long term economic impact of the pandemic on the local economy.

Despite the property market being effectively 'closed' for a short period at the start of the pandemic, in common with other areas the Group's geography has seen the market reenergized over recent months. The Group does not engage in any development for outright sale hence was shielded from the latent risks associated with this market. The delivery of the development programme was not unduly impacted. Right to Buy and Right to Acquire sales are continuing and sales under the Group's Asset Renewal Strategy resumed and revenue generated has been strong. The letting of the Groups properties is back to pre-pandemic levels of performance.

The Group continued to undertake additional stress testing of its business plan, against the backdrop of the pandemic and its impacts. Even at extreme levels of income reduction the Group has identified mitigating actions that could be taken to deal with the issue, principally by means of rescheduling work in the planned maintenance programme over a slightly longer period than originally envisaged. To ensure that the situation is closely monitored, procedures for the reporting of financial information to the executive management team and the Board have been enhanced and the Group Board continues to keep the minimum required level of cash balance held by the organization under review in the light of the current situation and potential pressures on cash flow.

So far, the Group has managed the financial impacts of the pandemic well, as noted above. It has no liquidity issues and latest forecasts indicate that it will meet its loan covenants, as well as its internal, tighter treasury management golden rules, for a period of at least 12 months after the date on which the report and financial statements are signed, with a significant amount of headroom. However, the Group recognises that the pandemic is not over and it has therefore maintained its deliberate, prudent approach to liquidity management and the holding of significant cash balances to deal with possible future stresses on its cash flow.

Report of the Board

Brexit

Britain left the European Union on 31 January 2020, then entered a transition period which ended on 31 December 2020, during which time ongoing trade arrangements were negotiated.

As part of its preparations for Brexit the board identified areas of risk that could have arisen from a disorderly Brexit. Potential issues around money market operations and the availability of short and medium-term funding were mitigated through holding appropriate minimum levels of cash, and through the loan facilities in place following the refinancing which took place in 2019. A decline in the UK economy affecting property valuations and wider activity levels were mitigated through maintaining sufficient security to charge against medium-term funding facilities, through a limited reliance on property sales and appropriate management of the development programme. Finally, a decline in the UK economy affecting customers' ability to pay was mitigated through the prudent levels of bad debt provision established following the implementation of Universal Credit.

Although Brexit has been largely overshadowed by the effects of the Covid-19 pandemic, and Brexit-related risks to funding and the broader economy have not crystallised to any great extent, the measures described above remain in place as part of the organisation's ongoing risk management.

In addition to the above, the Group recognised that the Brexit process could lead to upward pressure on construction and other costs, shortages of available labour and disruptions to its supply chain arrangements. These pressures may now be intensified by heightened demand during 2021, with economic activity accelerating as Covid-19 lock-down measures are unwound. These risks continue to be closely monitored via the Group's normal financial and budgetary monitoring procedures, together with monitoring of staffing levels in key areas and regular review of supplier and contractor performance.

Going concern

After making enquiries the board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, in making this assessment the Board have considered the period to 31 March 2023. For this reason, it continues to adopt the going concern basis in the financial statements. The principal factors that the board have considered in determining that the going concern basis of preparation remains appropriate are as follows:

- At 31 March 2021 the Group had loan and bond facilities totalling £606 million. At that date £110m of loan finance and £25m of retained bond finance were undrawn. The Group has a long-term business plan which shows that the remaining undrawn amount will be committed to its development programme during the period through to 31 March 2023. The base case shows sufficient cash headroom available to the Group at 31 March 2023.
- The business plan also shows that the Group is able to service these debt facilities whilst continuing to comply with lenders' covenants.
- A comprehensive set of stress tests have been run on the plan – both in terms of the normal suite of scenarios that are tested regularly and additional tests to model the potential impact of a third wave of COVID-19. These stress tests explore the vulnerability of the business to a range of factors arising from different scenarios, including reduced income, increased costs, reduced availability of funding and a downturn in the property market. Mitigating actions have been identified for all of these such that covenant requirements are met. A range of actions are available to the Group including modifying the development programme to match with available funding should one of the scenarios materialise, and managing the level and timing of expenditure to offset adverse impacts on the Group's operating surplus.

Report of the Board

- No assumption has been made that further government support would be required to mitigate the impact of future costs relating to COVID-19.
- The Group continues to monitor closely the effect on customers of the withdrawal of furlough arrangements on unemployment levels, and although based on experience during 2020 only a small impact is anticipated, nevertheless the Group maintains prudent levels of impairment provisions in its business plan.
- Whilst to some extent risks in relation to materials costs and labour availability have been observed to crystallise in the first half of 2021, potentially caused by Brexit and other global supply issues, these are well within the heightened levels of expenditure modelled in the Group's stress testing.
- The business plan includes additional costs in the two years to 31 March 2023 in relation to the re-phasing of repairs and maintenance that could not be completed in the year ended 31 March 2021 due to the impacts of COVID-19. Whilst these costs result in a slight reduction in the level of anticipated surplus over that period, all covenant requirements continue to be met including with the overlay of the stress scenarios described above.

Annual general meeting

The annual general meeting will be held on 20 September 2021 at The Wrekin Housing Group, Colliers Way, Old Park, Telford, TF3 4AW.

Auditors

The group is intending to review the provision of audit services during the current financial year.

The report of the board was approved by the board on 23 August 2021 and signed on its behalf by:



Catherine Rogerson
Company Secretary

Strategic Report

Background Information

The Group's head office is based at Colliers Way, Old Park, Telford, Shropshire. TF3 4AW.

The vast majority of the Group's properties are owned by the parent association and are predominantly located in the borough of Telford and Wrekin. However, in line with the board's growth strategy, expansion has continued into the wider Shropshire area, Staffordshire, Wolverhampton and Herefordshire.

In total, the Group manages 13,041 properties (2020: 12,965) properties, covering a wide range of accommodation. The Group also retains the freehold interest in 648 properties (2020: 643) occupied by leaseholders as a result of previous sales under Right to Buy or Right to Acquire legislation or the Group's Asset Renewal Strategy. Therefore the total number of properties in which the Group had an interest at 31 March 2021 was 13,689 (2020: 13,608).

The Group have operated a local housing model since 2002 a feature of which has been a spread of local housing offices around our operating areas. Whilst we remain committed to the principles of local area working and being fully accessible to our tenants, the impact of the Covid pandemic and the long closure of these offices as safe social distancing cannot be assured, has caused us to rethink our accommodation requirements. A review is underway and will be completed during 2021/22. This will form part of a wider review of our Housing Management service to tenants that will seek closer engagement with tenants about the community they live in, as well their individual tenancies.

They are responsible for the 10,507 general needs properties (2020: 10,420), 268 shared ownership properties (2020: 269) and 648 leasehold properties (2020: 643).

A specialist team is responsible for supported housing, branded as Retirement Living, which provides 2,099 (2020: 2,087) units of supported housing and housing for older people, again under the management of a general manager. This group of properties also includes the Group's nine Extra Care schemes.

The Group's portfolio of over 2,000 garages is managed by a separate team and has a turnover of £782,000 (2020: £792,000). 133 market-rented properties are managed for the Group by its commercial trading subsidiary, Old Park Services Limited.

The Group delivers a range of specialist care services via its subsidiary, Choices Housing Association. Choices provides registered care home and supported housing accommodation for people with learning disabilities and operates a 59 bed dementia care facility at Limewood in Stafford. Choices is also responsible for delivering domiciliary care to the residents of the Group's Extra Care schemes.

The local teams are supported by specialist support teams, known as consultancies, which operate from the Group's head office.

The Group has a turnover of £95.7m (2020: £92.1m) and employs a workforce of 974 full time equivalent staff (2020: 961 full time equivalents).

For more than a decade the Group has pursued an ambitious development programme, delivered by means of its Asset Renewal Strategy, whereby the proceeds of sale of uneconomic properties are used to fund the development of new properties. Between 2008/09 and 2019/20 the Group disposed of 1,717 of

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these uneconomic properties. This generated sale proceeds of £113m for reinvestment in new development. The Group also has a strong track record in securing government grant and raising private finance. This has meant that, over the same timeframe, it has been able to invest £526m in new development, delivering 4,607 new homes, an overall replacement rate of 2.68 new homes for every property sold.

Delivery of the Asset Renewal Strategy continued in 2020/21, with a further 73 properties sold, raising proceeds of £5.9m, and 277 new homes completed. The number of properties actually owned by the Group increased by 98 overall in 2020/21. The number of properties it manages on behalf of other parties reduced by 22 during the year. The Group disposed of its freehold interest in 6 properties occupied by leaseholders but acquired 11 new leaseholders following the disposal of properties under the Asset Renewal Strategy. As a result of all of the above changes the total number of properties in which the Group had an interest increased by 81 in 2020/21.

Strategic Plan 2020-2025

The Group launched its Strategic Plan for the period from 2020 to 2025, in 2019/20 and reviewed and refreshed its vision and values, following a comprehensive consultation exercise with customers, stakeholders and staff.

The group's vision is straightforward: Making a difference to people's lives.

That vision is driven by our core values:

- Inspire positive change
 - We embrace innovation
 - We are not afraid to go the extra mile to provide even better services
- Everyone matters
 - People are at the heart of our team and every team member across the whole community counts
- Communicate clearly
 - We respect colleagues and customers while recognising the importance of open conversations
- Grow together
 - We support each other and take pride in our collective success

Our detailed strategic plan 2020-2025 sets out seven main objectives that indicate the focus of our activities over the next five years. Each pillar is underpinned by a number of deliverables that will need to be completed if we are to achieve those objectives. The seven "pillars" of the plan, together with the related deliverables, are set out below, along with an assessment of progress to date against each one.

Objective 1 – Care and Support

- **We will develop business models of care and support to create a bold and innovative service provision**
 - To only provide care services where we can ensure best quality and meet existing service user needs
 - Ensure a stable future for our learning disability care homes by exploring supported housing in LD, consolidating our portfolio
 - Develop a road map to 2025 on our role in care, with a strategic review to inform the Board on future care risks and opportunities.

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Deliverable	Progress to Date
Develop a group wide Care and Support Strategy	Completed
Appoint a Director of Care and Support to oversee the Implementation of the strategy.	Director of Care and Support appointed April 2021
Align LD care and support with future thinking of commissioners.	Dialogue with commissioners commenced April 2021.

Objective 2 – Social Value

- **We will create jobs and promote economic growth in our locality, maximising the social value of our services and delivering wider community benefits**
 - Maximising our social value footprint through our core activities, defined as housing and care
 - Defining our commitment through our Corporate Social Responsibility Policy, our Social Investment Strategy and Social Return on Investment reporting

Deliverable	Progress to Date
Deliver the Group Social Investment Strategy and capture and monitor its social impact through the annual Social Value Report.	A new Social Value Strategy is in development identifying the following priorities: - Employability - Inclusion - Resilience - Wellbeing - Environment This Strategy will replace the Social Investment Strategy and Corporate Responsibility Policy.
Provide training and apprenticeships to 80 people by 2022	On track to achieve objective – Apprenticeships continued through 2020/21 with trainee placements extended to May 2021. DWP approval granted for 45 Kickstart placements. 17 young people commenced 6 month work experience in March 2021.

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Objective 3 - Employer

- **We will be a fair and trusted employer, constantly supporting the development and skills of our people**
 - Creating fairness across the whole of the Group
 - Ensure equality around terms and conditions in the markets in which we operate
 - Have a highly trained and adaptable workforce

Deliverable	Progress to Date
Achieve employee satisfaction of 80% across the Group by 2022	On track to achieve objective – employee satisfaction survey during 2019/20 recorded 78.4% overall satisfaction with the Group as a place to work. An overall satisfaction survey has not been completed during 2020/21. Staff have been asked to complete area specific surveys via the Group’s internal social media platform.
Achieve Investors in People Platinum by 2022	On track to achieve objective – awarded Investors in People Gold in 2019/20 with reassessment planned for 2022

Objective 4 – Asset Management

- **We will provide homes that are the best in terms of safety, energy efficiency and sustainability, growing the number of homes for our customers**
 - Sustained investment in our existing, performing homes
 - Ensuring all our properties have the ability to meet the needs of current and future customers
 - Homes that are 100% compliance with landlord and health and safety standards, with the Group having zero appetite for risk of non-compliance
 - Increase the availability of new homes in Shropshire and Staffordshire
 - Never putting a customer into a home that they cannot sustain financially

Deliverable	Progress to Date
Invest £13.1m annually in our existing homes on average until 2025	£11.9m invested in 2020/21 due to the reprofiling of the programme during the pandemic. On target to achieve objective by 2025.
Ensure that all properties have a SAP rating of C or above by 2025	At 31 March 2021 77.2% of properties had a SAP rating of C or above
Achieve 100% compliance with landlord and health and safety responsibilities	During 2020/21 of the 26,177 property related checks due at year end, there was a reduction in the number overdue to 19. The overdue checks at year end were: <ul style="list-style-type: none"> • 14 overdue electrical testing. All installations are modern with up to date protective devices fitted to protect against faults. 9 remain outstanding due to no access issues. • 2 Water Hygiene tests were outstanding. All complete post year end. • Homes Lifting Equipment - 2 home lifts due a service and 1 home lifts due a thorough examination. All complete post year end.

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Objective 4 – Asset Management (continued)

Deliverable	Progress to Date
Add 500 new homes per year on average from 2021/22 to 2024/25 through development and acquisition. A further 2,096 homes will be provided by March 2025.	Actual delivery for 2020/21 was 43 homes below target. These homes were completed in April and May of 2021.
Increase the Group's total number of properties for rent from 12,629 in 2019 to 14,218 by 2025	On track to deliver objective by 2025

Objective 5 - Customers

- **Through listening to our customers we will understand their current and future needs better than any other**
 - Introduce a more efficient and effective customer contact channel with the ability to hold the Board to account
 - Enable customers of the Group to define, monitor and scrutinise services and drive quality and service standards
 - Flexible range of feedback and engagement opportunities

Deliverable	Progress to Date
Introduce a new customer engagement model that is representative of our customers by December 2020	<p>The Covid19 Pandemic has resulted in a delay in achieving this deliverable, while at the same time progressing many elements, particularly digital elements at a faster speed.</p> <p>The new 'Customer Strategy' is now on track to seek board approval for new arrangements in December 2021 and will combine the three elements of Customer Service, Customer Access and Customer Engagement.</p> <p>The Continuous Improvement Team has also been reviewed and aligned to new priorities. The new Head of Service is currently being recruited to and the underlying structure implemented. This is also on track to be completed by December 2021.</p>

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Deliverable	Progress to Date
Have an increased customer involvement base in place by 2022	<p>Again, slight delay but objective is starting to be achieved.</p> <p>A new surveying platform has been introduced which is significantly increasing the quantity and diversity of customer feedback and this continues to be developed. We are also investigating the CX Engagement module which will allow us to report on individual, group and a specific demographic or geographic level.</p>
Maintain overall customer satisfaction at 92% or above	<p>During 2020/21 We launched a new STAR survey following a review by Housemark. We also moved to a new automated surveying system which will survey all tenants once a year, significantly increasing the number and diversity of tenants within the response groups.</p> <p>The system uses SMS text and email surveys and went live in Q3, following an email only survey in Q2. (no surveys were carried out in Q1 due to Covid19 lockdown). Nationally, performance results from electronic surveying compared to telephone surveys are approximately 5 – 10% lower and this will be taken into account within the Housemark benchmarking service.</p> <p>The overall satisfaction with the Group as landlord was 87% (rolling total). This is comparable to a minimum of a 92% result when the methodology is taken into account. The targets for all satisfaction indicators will be reviewed in 2021/22.</p> <p>One area that was lower than expected was the satisfaction with the overall quality of the home which was 80%. In 2021/22 there will be more smaller surveys which will try to identify the underlying reasons, which will then be addressed by the group through its asset management strategy.</p>

Objective 6 – Partners and Stakeholders

- **We will be considered to be trusted and collaborative by our stakeholders, ensuring we are the partner of choice**
 - Identify and understand our stakeholders' perception of us
 - Understand current and future stakeholder needs
 - Identify areas of synergy
 - Ensure we are a partner of choice in our areas of operation

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Deliverable	Progress to Date
Complete stakeholder mapping and perception audit by 2020	Completed in February 2020 ready for approval of Stakeholder Engagement Strategy in 2021
Have a named individual to engage with each stakeholder who is of strategic importance by 2024	On track to achieve objective – Stakeholder Engagement Strategy approved by the Board in April 2021.

Objective 7 – Value for Money

- **We will be relentless in our search for value and efficiency**
 - Ensure we have a sound financial base to sustain quality at minimum cost
 - Have in place the right financial capacity at the right time to ensure business growth
 - Understand the tipping point where optimum efficiency is secured without negative impacts on services

Deliverable	Progress to Date
Reduce certain cost categories by between 0.25-0.75% each year until 2024	Target has been revised down from 1% previously to take account of the increase in costs that will arise from Health and Safety legislation post Grenfell and Carbon reduction legislation.
Have unit costs that are comparable to others	On track to achieve objective – no outlying VFM metrics in 2020/21

Principal risks and uncertainties

The main strategic risks that could prevent the Group achieving its objectives are considered and reviewed on a regular basis by the executive and senior management teams, committees and the Board in line with the Group’s Risk Management Framework (approved in September 2020). The Framework sets out the Group’s strategy for dealing with risk appetite, explains how risk is managed across the Group and defines the processes to test the Group’s resilience to risk. The Framework explicitly links risk management to the delivery of the Strategic Plan, Business Plan and operational objectives. Risks are recorded and assessed in terms of their impact and probability, with greater weighting given to the impact. Top strategic risks, presenting the greatest threats to the Group, are reported at every board meeting, together with the key controls in place to manage the risks, the assurances that the risk is being effectively managed and the future risk actions. The potential cumulative impact of strategic risks is considered, with the combined impact of the strategic financial risks measured through a comprehensive suite of stress tests. The Group uses the ‘Three Lines of Defence Model’ to assess the assurances given to Board in managing risks.

The Board approved a comprehensive enhancement to its Statement of Risk Appetite in March 2021. Its risk appetite is ‘minimal’ with regard to protecting customers and staff, managing reputation, embracing the regulatory framework and providing quality care services. The Board’s risk appetite in maintaining financial resilience and ensuring quality, resilience and continuity of services is ‘cautious’. In some other areas, the Board has a greater appetite to accept risk, for example, in the area of successful service transformation, as long as effective controls and mitigation measures are in place.

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The Group has 22 risks on its strategic risk register, which are aligned to the Sector Risk Profile issued by the Regulator of Social Housing in November 2020. The register recognises that the Group has many risks in common with others in the sector, but it also takes account of the Group's particular risk exposure. The pandemic has led to the number of top risks increasing, as the probability of some risks crystallising was increased. At the beginning of the pandemic all strategic risks were reviewed in terms of the increased likelihood of a risk crystallising. A number of risk scores were inflated by a Covid-19 'overlay', despite the risks being well managed. Mitigating actions and controls were strengthened as appropriate. The risk scores are regularly reviewed and many of the increased probability scores have now returned to previous lower levels as the risks arising from the pandemic have begun to reduce. For example, the Covid-19 overlay has been removed from some financial risks as there is evidence that the Group's income collection has held up well. The removal of the Covid-19 overlay from some of the Group's strategic risks is aligned with the position of the RSH with the removal of their Coronavirus Operational Response Survey (CORS). The RSH state "given the operational position across the sector is now stable in the essential services that CORS measures and the improving wider position nationally, we are now withdrawing CORS". The pandemic provided an extremely thorough test of the Group's risk management, business continuity processes and resilience and this has been successfully navigated.

Appropriate focus is given to the identification of emerging risks. The Group Head of Risk & Policy completes a fortnightly report to the Executive Management Group that identifies sector intelligence and emerging risks. A synopsis is included in the strategic risk update for Audit & Assurance Committee and the Board. As a result, the Strategic Risk Register is updated to reflect emerging risks as appropriate to ensure that risk management is a dynamic process. Notable issues that present potential risks to the business include: the decarbonisation of the housing stock, enhanced consumer regulation/customer expectations and the enhanced health and safety requirements following the Grenfell fire and Social Housing White Paper, such as those included in the Fire Safety Act.

The Group's Risk Management Framework outlines the process for risk escalation. It states that: "those strategic risks with a current total risk score of 14 and above will form the basis of the list of 'top risks' when these are reported to Audit & Assurance Committee in detail and to the Group Board in summary. Most of these risks will be primary risks, although this definition allows for the inclusion of some high ranking contingent and housekeeping risks.

Details of the principal risks and uncertainties and their related mitigation measures are outlined on the following pages:

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Key Risk Area	Issue	Mitigation
Income collection, including the impact of welfare reform	Significant reductions in income collection risk the non-delivery of the Business Plan and Strategic Plan. This could present liquidity issues and a potential breach of funder's covenants/loan terms which in turn could lead to a financing issue linked to the treasury management risk and refinancing difficulties.	<ul style="list-style-type: none"> Income management framework Regular reporting to executive and Board Monitoring of golden rules and triggers Stress testing Additional income management procedures during pandemic Mandatory support for customers heading into arrears
Treasury management	Inability to draw on existing loans in support of the approved Business Plan either due to breach of loan terms or external factors e.g. banking sector issues or property market volatility / collapse. Inability to refinance on favourable terms or in a timely manner or inability to raise additional finance to support the development programme. In extreme default the risk to the business is that loans are immediately repayable. Uplift in borrowing costs or disruption as a result of LIBOR: SONIA transition	<ul style="list-style-type: none"> Treasury management "dashboard" Assets and liabilities register Covenant compliance and liquidity monitoring including golden rules and triggers Robust Treasury Management Policy Reports from external treasury advisors External stock valuations Monitoring against budgets and business plan Stress testing Monitoring of development programme and property sales Robust and considered approach to the mitigation of emerging risks/requirements to meet Government targets to decarbonise the Group's housing stock
Pandemics including Covid-19	Covid-19 poses a number of risks to the Group including financial loss, residualisation of services, health & safety risks to employees/customers and potential risk to our reputation.	<ul style="list-style-type: none"> Covid-19 Strategic Risk and Business Continuity Plan Incident management team in place to ensure high quality of service delivery Enhanced reporting of performance to executive and Board Additional financial stress testing 'Covid-secure' policies and procedures Customer and employee research and action plans Board approved recovery plan Regular assessment of the impact of the pandemic on other strategic risks with the application and removal of 'covid-overlay' to risk scores as appropriate

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Key Risk Area	Issue	Mitigation
Health and safety compliance failure	Health & safety processes and systems failure put at risk customers, service users, staff and the general public which could lead to prosecution, regulatory intervention, loss of finance and risk to reputation both of Wrekin Housing Group and the wider housing sector.	<ul style="list-style-type: none"> • Safety management plans • Robust policies and procedures for all key areas • Regular health and safety reporting and dashboard to Board • RIDDOR and accident reporting procedures • Safeguarding reporting • Independent third party specialist audits • Robust approach to the mitigation of emerging risks/requirements following the Grenfell Tower Inquiry, Social Housing White Paper and the impact of the Fire Safety Act on the Group
ICT provision and cyber-crime	The risks arising from IT systems that are not sufficiently robust to withstand cyber-attacks, or are not sufficiently up to date to fully support the business, include delays in delivering, or non/partial achievement of, Strategic Plan objectives, loss of data, financial loss and damage to the Group's reputation.	<ul style="list-style-type: none"> • ICT business continuity plan • ICT Strategy, policies and procedures • Protective systems software • Ongoing training and awareness programmes • Cyber-attack insurance • Penetration testing • Backup verification • Additional safeguards for homeworking, including two factor log-in authentication • Enhanced firewalls/patch compliance
Counterparty risk	Delivery of the development programme, planned programme or other key supplies or services are threatened by counterparties going out of business.	<ul style="list-style-type: none"> • Robust procedures for tracking and monitoring financial status of main contractors and suppliers • Main contractors on new developments required to supply warranties with insolvency cover • Close monitoring of activity at development sites by clerks of works for signs of contractor financial difficulty • Counterparty Risk Policy introduced

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Key Risk Area	Issue	• Mitigation
Regulatory failure	Regulatory failure puts the organisation in a position which could lead to prosecution, regulatory intervention, loss of finance and risk to reputation.	<ul style="list-style-type: none"> • Compliance calendar • Monitoring of compliance with NHF code, RSH and CQC requirements • Internal control framework • Governance action plan • Fraud prevention controls • Assessment against the Governance & Viability Standard.
GDPR and data protection	Failure to comply with the General Data Protection Regulations could have a significant financial impact on the Group and its customers and lead to a loss of reputation for the Group and regulatory action	<ul style="list-style-type: none"> • Robust GDPR policies and procedures • Privacy notices • Ongoing training and awareness programmes, including regular bulletins to all staff • Additional e-mail controls • Working from Home Policy
Pension fund	As an active member of the LGPS, the Group is potentially exposed to continuing increases in pension costs above the rate of inflation. Closure of the scheme could have a negative effect on staff morale, recruitment and retention. Other adverse financial conditions could potentially trigger the cessation provisions of the membership agreement.	<ul style="list-style-type: none"> • Pension cost monitoring • Stress testing scenarios • Deficit contribution plan • Reports from independent external consultants • Stopped enrolling new employees into the LGPS from 1st August 2020 • New defined contribution pension scheme (Smart Pension) in place for new appointees from 1st October 2020 (backdated to new starters who joined from 1st August 2020)
Data Integrity	Inadequate or incorrect collection or analysis of data leads to regulatory censure / downgrade and potential consequent damage to reputation with other stakeholders. Poor data integrity leads to incorrect conclusions being drawn from data with potential consequences of a decline in performance and impact on customers and reputation.	<ul style="list-style-type: none"> • Robust check and review procedures • Scrutiny and challenge mechanisms carried out by specialist and expert Business Information Analyst (BIA) dedicated resource • Robust procedures for data capture and production of information • Detailed summary of development appraisals included in reports

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Key Risk Area	Issue	• Mitigation
Employee and Board Resources	The Group fails to attract and/or retain good employees and Board members and this lack of capacity affects our ability to deliver our plans	<ul style="list-style-type: none"> • People Strategy and robust HR policy framework • Governance Plan • Training and Development Plan/apprenticeship programme • Board members skills, competencies and behaviour framework, appraisal process and succession plan
Rent setting	Errors in the application of the Rent Standard and other regulatory guidance on rents leads to incorrect rents being set, leading to regulatory intervention and impacts on our tenants and reputation	<ul style="list-style-type: none"> • Board approval process • Robust Rent Setting Policy and procedures • RSH Stability Check process
Customer service delivery	Inadequate customer service impacts on the ability to achieve the Group's Strategic Plan and leads to reputational and regulatory risks.	<ul style="list-style-type: none"> • Framework for new ideas • The Wrekin Learning Model • Social Housing White Paper implementation plan • Decent Homes standard review • ICT strategy • Customer surveys and customer journey mapping • Robust Complaints Policy and procedures • Business continuity plans • Customer Voice Panel • Service Quality Committee introduced • Robust approach to the mitigation of emerging risks/requirements following the Social Housing White Paper and enhanced consumer regulation and consumer expectations
Poor financial performance or adverse economic conditions	Failure to collect enough cash or overspend will not return the surplus required to deliver objectives and may breach covenants. Adverse economic conditions may also cause under-performance against financial plans and strategic objectives	<ul style="list-style-type: none"> • Management accounting processes • Monitoring and reporting against budget and business plan • System of golden rules and triggers • Monitoring of economic conditions • Stress testing • Monitoring of commercial activities through Old Park Services Board; • Fraud prevention controls

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Business Performance

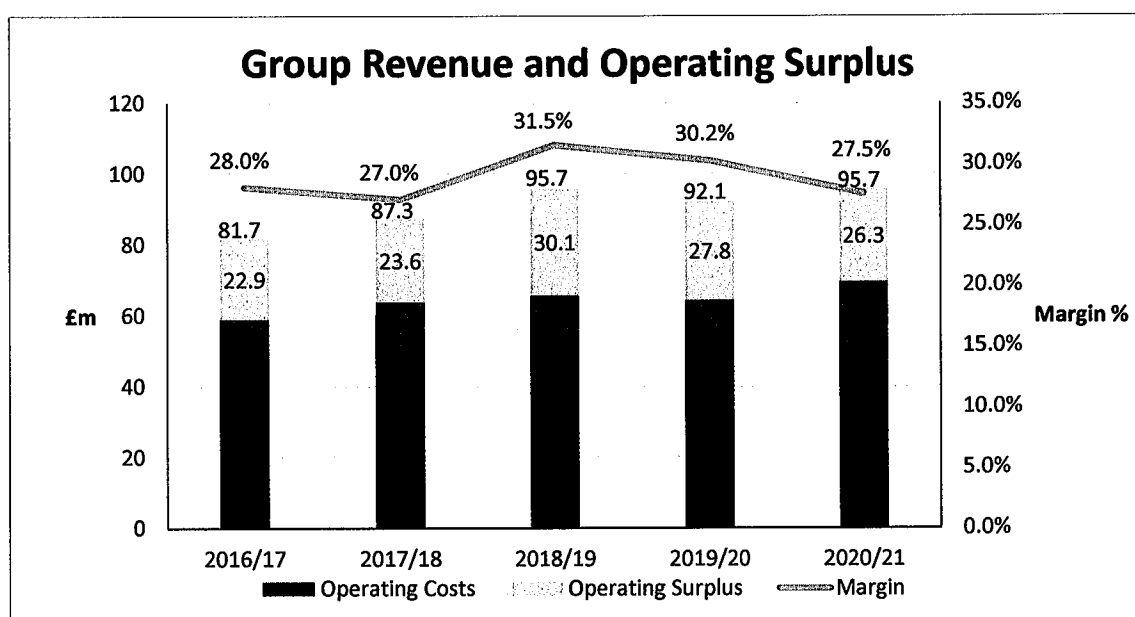
The following paragraphs highlight key features of the Group's financial position at 31 March 2021, discussed further in subsequent sections.

The Group recorded a strong operating surplus for the year of £26.3m (2020:£27.8m) and all areas of the business contributed to the strong operating result despite the challenges of the pandemic. The £1.5m decrease year on year was due to a combination of factors. The Group's turnover grew by £3.6m, behind growth in operating costs of £5.6m. During the year the group identified impairments to its development schemes at Paul's Moss and Portley Road amounting to £2.4m in respect of the carrying value of the existing properties on the sites that are planned to be demolished as part of the new development, where the recoverable amount is deemed to be £nil. In addition £465k of abortive development costs relating to its Pauls Moss development scheme were written off in the year and form part of operating costs. A £2.0m decrease in the surplus on right to buy / right to acquire sales, affected by the Covid-19 pandemic, was offset by an improvement in the value of non-social housing properties of £2.5m. This increase in value represents an uplift of 17% due to changes in market conditions.

After net funding costs of £15.9m the Group achieved a surplus on ordinary activities before taxation of £10.4m. This figure is not directly comparable with the deficit of £41.9m for 2019/20, which included non-cash accounting adjustments in relation to the Group's re-financing which took place during that year, giving rise to £52.1m of breakage costs as discussed below under Treasury management. Total comprehensive income for 2020/21 of £3.0m includes charges for taxation of £0.1m and actuarial losses on the pension scheme of £7.3m (2020: £5.3m) resulting from changes to assumptions based on economic market indicators as at 31 March 2021, discussed below and in note 11 of these accounts.

The principal movement in the Group's balance sheet, also seen in the Group's cashflow, relates to the net increase in housing properties of £35.9m, funded through the utilisation of cash and cash equivalents in place as at 31 March 2020, as described in detail under the cash flow heading later in this section.

Group revenue and operating surplus



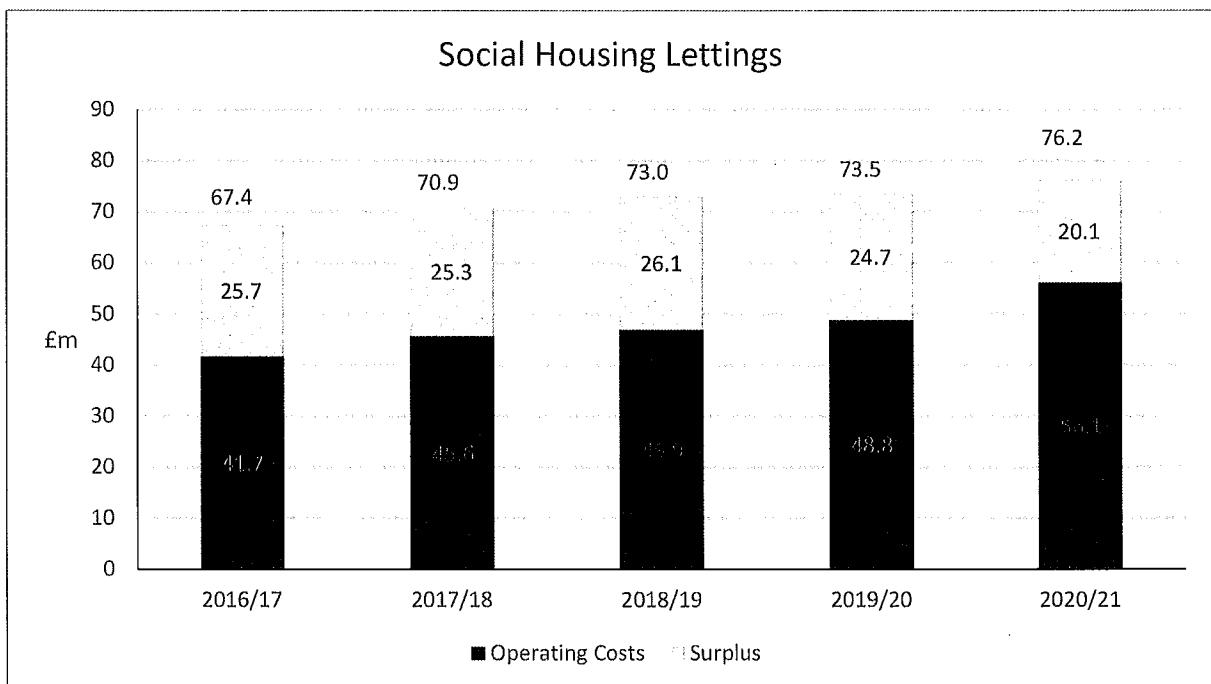
In overall terms Group revenue has been maintained over the last three years and increased relative to the previous two years. The figures from 2018/19 onwards include revenue from property sales under the asset renewal strategy, which were previously not included as part of the operating surplus, but are now included in that figure following changes in accounting disclosure requirements. The reduction in revenue in 2019/20 of £3.6m as compared with 2018/19 is mainly due to a reduced level of asset renewal property

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sales in the year, as activity was paused following the completion of the refinancing while the work to charge properties to support the new debt portfolio was completed. The increase in revenue in 2020/21 of £3.6m includes an increase of £0.7m, to £5.9m, in asset renewal property sales, an increase of £2.0m in revenue from social housing lettings and other activities underpinned by growth in the number of properties and inflationary rises, and a net increase of £0.9m in non-housing and other items.

Over the same period strong operating surpluses have been delivered with the increase over the last three years again being mainly due to the inclusion of property disposals in these figures. Cost increases have included an uplift of £0.6m in depreciation of the growing number of housing properties, incremental costs of £275k related to provision of PPE to ensure safe working practice for our employees and the customers we serve during the pandemic, and other inflationary rises. The group received £625k in Government grants under the Coronavirus Job Retention Scheme.

Social housing lettings



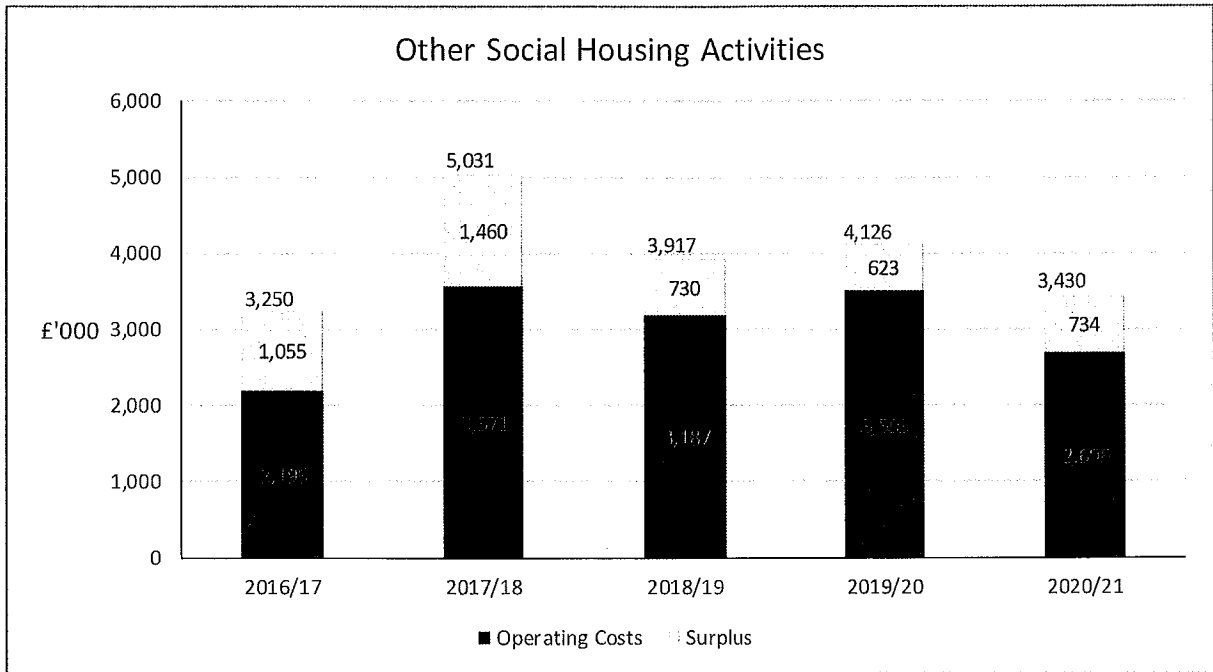
Social housing lettings income includes income from the Group's general needs and retirement living properties together with the property-related income from its extra care schemes (delivered under the Shire Living brand) and from its more specialist care settings. Income from the delivery of care services is included under non-social housing activities. Income from social housing lettings has continued to increase over the last five years even after the application of the 1% rent reductions until 2019/20, due to the positive impact of new properties coming through from the development programme. Over the five year period strong underlying surpluses on social housing lettings have been broadly maintained, again despite the 1% rent reductions, reflecting the Group's successful control of relevant operating costs. The surplus for 2020/21 has been reduced by the one-off impact of impairments to two of the Group's development schemes, amounting to £2.4m, plus component write-offs of £0.6m, as detailed in note 3 of the accounts. From 1 April 2020, rent was permitted to be increased by CPI + 1%, which when combined with growth in the number of properties, allowed income to partly offset cost increases in the year.

Whilst 2020/21 was a challenging year due to the pandemic and many of the Group's residents were presented with financial difficulty, the Board after detailed consideration, including assessment of changes to weekly rent, agreed to implement the rent increase to ensure the provision of services going forward. The group continued to offer support to those in need through its Money matters Team ensuring wherever possible residents were accessing all financial support available. The re-phasing of the planned

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programme aided relief of the financial pressure on the group during the year but those planned works are still necessary and will be completed in 2021/22 and 2022/23. Income collection remained in line with previous years with the Group continuing to keep its arrears levels below 0.5% of rent due.

Other social housing activities

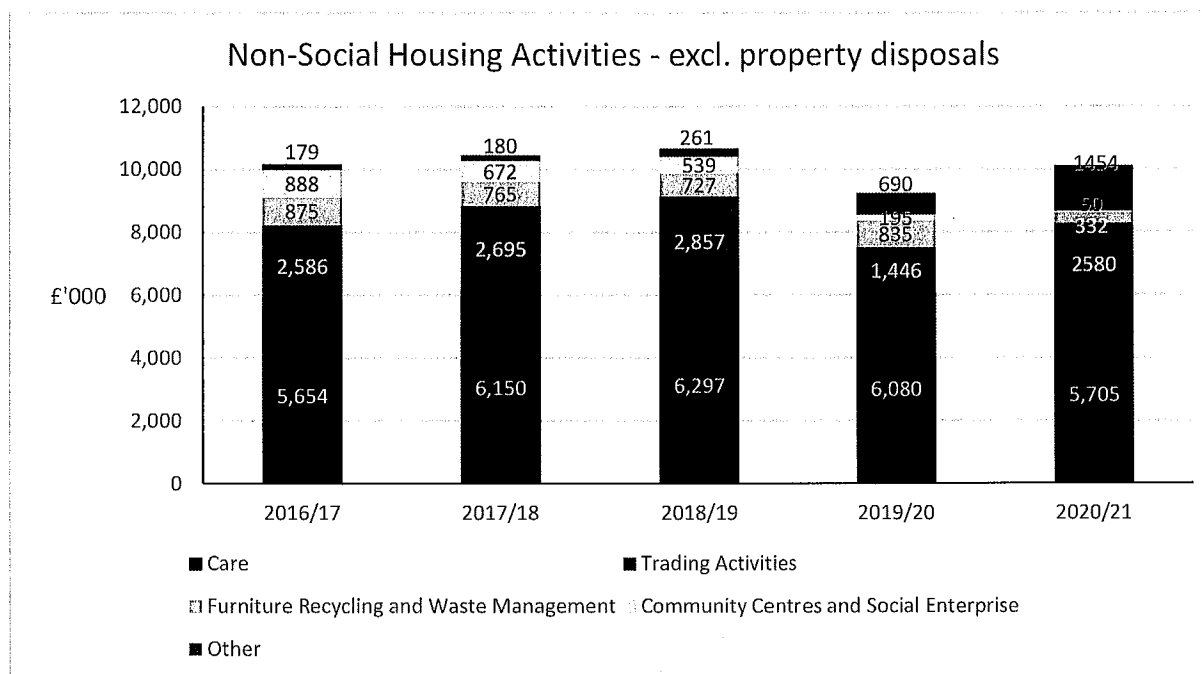


Other social housing activities include the letting of garages, the provision of services to the Group's leaseholders, shared ownership first tranche sales and, from 2018/19 onwards the delivery of specialist housing services. The fluctuations in overall levels of activity over the five year period are mainly due to changes in the levels of first tranche shared ownership sales achieved. The surplus on first tranche sales of shared ownership properties over the five year period has been as follows:

2016/17	2017/18	2018/19	2019/20	2020/21
£484,000	£900,000	£532,000	£707,000	£540,000

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Non-social housing activities

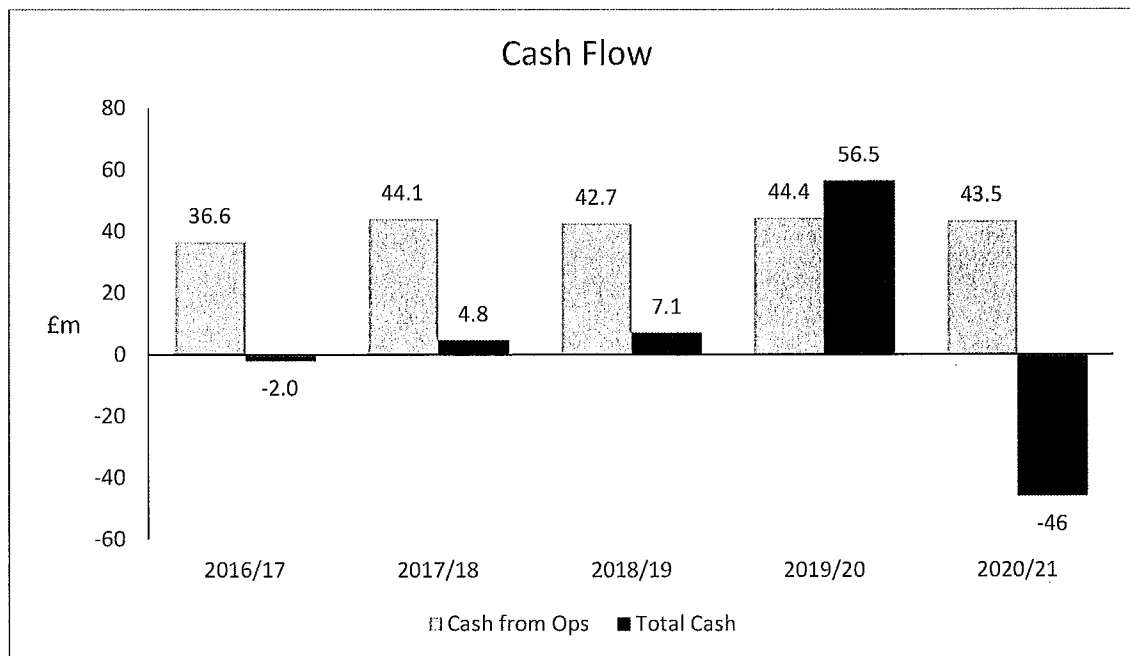


Non-social housing activities includes:

- Care services provided on behalf of the Group by Choices Housing Association. This includes care delivered in Choices' own registered care homes for people with learning disabilities, at the Limewood dementia care home and services delivered to residents of the Group's extra care schemes.
- Delivering care activities was even more challenging than previous years due to the pandemic. Whilst additional costs were incurred in recruiting additional staff to ensure continuation of service in respect of providing cover for staff who had to self-isolate and providing regular testing of all front-line staff, many of these costs were offset by increases in income from commissioners.
- The figure of £1.5m for Other includes £1.1m in respect of grants and furlough payments received to mitigate the impact of Covid-19. Of this £625k was through the Government's Coronavirus Job Retention Scheme and £425k was to support additional costs incurred across the group including the provision of support for shielded staff and additional testing of all staff within the care business stream.
- Trading activities delivered for the Group by its trading subsidiary, Old Park Services Limited. These include the sale of software and repairs services to other registered providers, alarm and property services to non-tenants and management of the Group's small portfolio of market-rented properties. The reduction in 2019/20 relates largely to one third party repair contract ending with another housing association, before a different contract commenced in 2020/21
- Furniture recycling and waste management contracts delivered under the Group's Reviive and South Shropshire Furniture Scheme brands. Income from these activities has been significantly curtailed as a result of the Covid-19 Pandemic.
- Community Centres and social enterprise activities delivered under the Group's FUSE and South Shropshire Furniture Scheme brands. It includes the operation of community facilities in Stafford and Ludlow. Income from these activities has been significantly curtailed as a result of the Covid-19 Pandemic.

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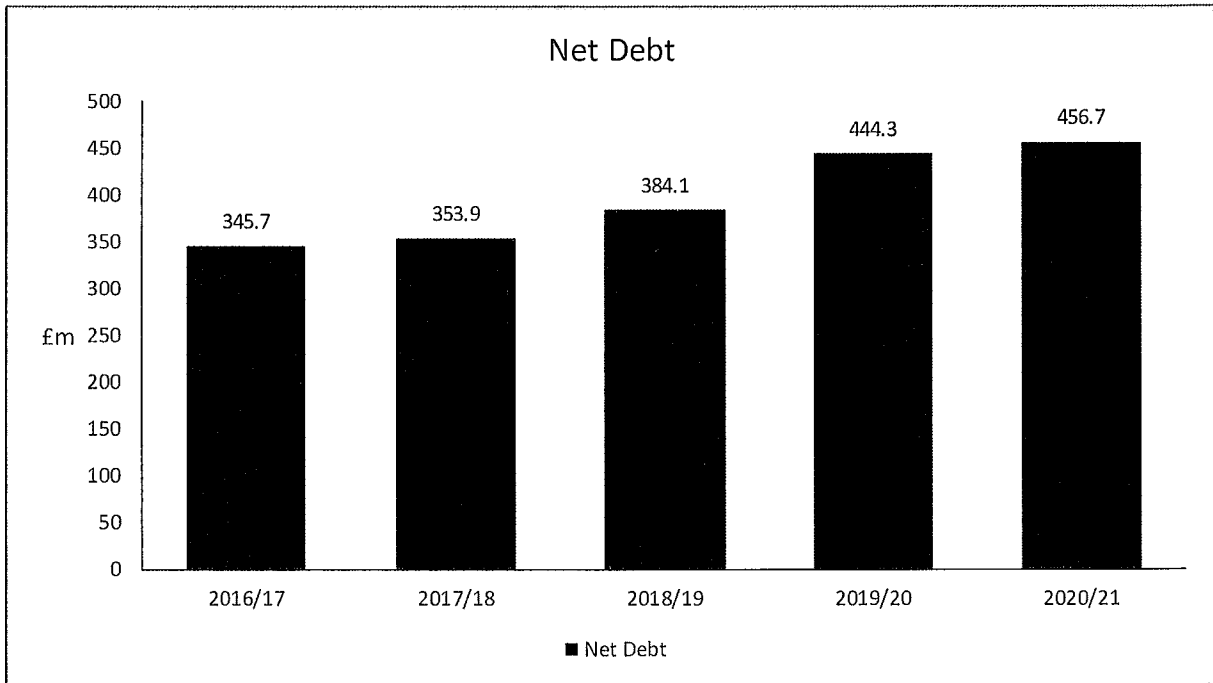
Cash Flow



There was a cash inflow from operating activities this year of £42.3 (2020: £44.4m), reflecting the continued strength of the Group's operations. Once again the Group's operating costs were well controlled, outperforming budget in many areas and, in spite of the Covid-19 pandemic, delivering the majority of the planned maintenance programme whilst still maintaining the Decent Homes standard and delivering other improvements to the stock. The total cash movement also includes planned utilisation of £53.5m of cash to fund the Group's housing development during the year, repayment of £60m of debt facilities and interest costs of £16.4m, offset by £28.1m received on issuance of retained bonds, £9.1m of grants received and £3.2m proceeds from the sale of tangible fixed assets. The 2019/20 year end cash balance included £41.5m that was held in charged bank accounts as cash collateral against the bond and against potential mark to market costs associated with one of the loans that was carried forward from the previous debt portfolio. The Group provided cash collateral to enable the refinancing transaction to be completed in advance of property security being put in place to ensure that the Group took advantage of propitious market conditions. During 2020/21 the majority of that cash collateral has been replaced with property security leaving a residual balance of cash collateral at 31 March 2021 of £7m.

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Net Debt



At the end of 2020/21, net debt stood at £456.7m, up slightly from £444.3m at the end of 2019/20. The general increase over the five years reflects debt drawn to support the Group's property asset growth. The uplift in 2019/20 also included additional borrowing drawn down to fund the payment of fixed rate loan breakage costs incurred as part of the refinancing during that year. The fixed rate loans were terminated, and the breakage costs incurred, in order to secure the more significant long term benefits of the new financing arrangements.

Treasury management

During the previous year, ended 31 March 2020, the Group successfully completed its major refinancing exercise, replacing its single syndicated loan facility of £440m with banking facilities totalling £356m negotiated on a bilateral basis with 5 funders, together with a £250m bond issued via the debt capital markets. The bond is listed on the London Stock Exchange. £200m was issued on day one, with £50m retained for future issue. The bond was issued at 148bps over Gilt, giving an all-in cost of funds of 2.607%. The coupon rate on the bond was set at 2.5% and so the net proceeds on day one were £195.664m. As part of the refinancing the Group incurred £52.1m in loan breakage costs but this was more than offset by the Group's ability under the terms of the deal to secure long term funding at lower interest rates in the current market, raise additional finance to support its future development plans, extend the average life of its debt portfolio, put in place funding with a range of maturity dates to mitigate refinancing risk and renegotiate its covenants in line with current market norms.

In August 2020 the Group issued a further £25m of its retained bond finance. It was issued at 108bps over Gilt, giving an all-in cost of funds of 1.92%. The coupon rate on the bond was 2.5% and so the net proceeds on day one were £28.340m. This issuance, together with charging of further properties to replace cash collateral, facilitated the repayment of £60m of loans between August and October 2020.

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The objectives of the refinancing exercise and the outcomes achieved are outlined in the table below:

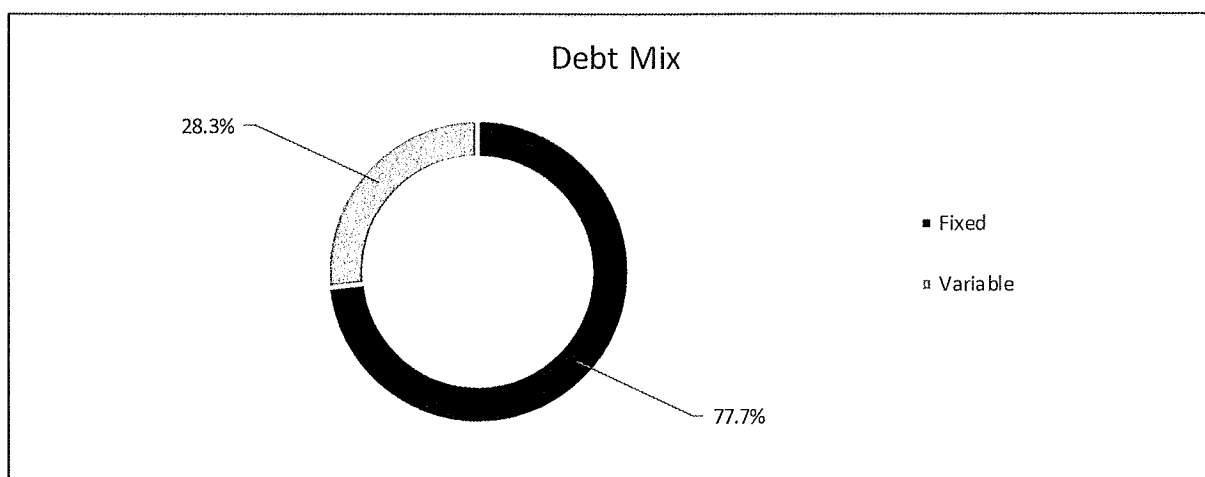
Objective	Outcome
Reduce the overall average cost of debt	Average costs reduced from 4.96% to 3.18%. Realised savings in the running cost of debt of at least £1.9m per year
Increase the average life of the debt portfolio	Average life increased from 9.2 to 16.2 years
Protect against refinancing risk by having a range of maturity dates (given that the Group previously had £215m of debt maturing in October 2020)	A range of bank loan maturities achieved with revolving credit facilities maturing in 3, 5, 7 and 10 years and a 29 year long-dated bond. Some legacy loans retained with maturities of between 10 and 21 years
Provide additional development finance	New debt portfolio totals £606m as compared with £440m before
Reduce exposure to floating rate debt	Floating rate debt percentage reduced from 41% to 33%
Update the Group's loan covenants to current market norms	Released the Group from covenants based on funder approval of business plan and moved to standard accounts-based interest cover and gearing covenants
Make more efficient use of the Group's assets in terms of loan security	Negotiated the right to value a proportion of the Group's properties valued at Market Value Subject to Tenancies where this provides an advantage over the Existing Use Value-Social Housing method. Confirmed asset cover covenants at market norms.
Secured a favourable credit rating for the Group	The Group achieved an "A/Stable" credit rating with Standard and Poor's

A significant treasury issue being addressed during the 2021/22 financial year is the transition from LIBOR to SONIA with regard to the interest rate used on the Group's variable rate debt, as LIBOR is to be phased out by the end of December 2021. Discussions with funders and treasury advisors are ongoing and progressing well and it is expected that the process will be straightforward for the Group as it has no stand alone derivatives and approximately 70% of its total debt is subject to fixed rates (and therefore unaffected by the change). The process will therefore require relatively minor adjustments to the Group's loan documentation. The main negotiation centres around agreeing a Credit Adjustment Spread that will be added to the SONIA rate and the loan margin to arrive at an all-in cost of funds that ensures that neither party is disadvantaged by the transition, given that the SONIA rate has historically been lower than the LIBOR rate. The Group are confident that this process will be completed well in advance of the final deadline.

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Debt mix

The Group's treasury management policy stipulates that the Group must have at least 65% of its debt on fixed rates at any given time to protect the organisation against interest rate risk. The chart below demonstrates that the Group met this objective at 31 March 2021.



The fixed rates of interest range from 2.5% to 7.25% (nominal rates including margins) and these rates have been factored into the Group's long term business plan.

Debt maturity

As noted above, one of the objectives of the refinancing exercise was to have a debt portfolio with a range of maturity dates to protect the organisation from refinancing risk as far as possible. The table below shows the current position for the notional value of the debt, excluding effective interest rate balances.

Maturity of debt (principal values)	2021	2021	2020	2020
	£m Undrawn	£m Drawn	£m Undrawn	£m Drawn
Between one and two years	-	-	-	-
Between three and five years	50	99	-	125
Between six and ten years	60	100	50	134
After ten years	25	272	50	247
	<u>135</u>	<u>471</u>	<u>100</u>	<u>506</u>

The Group borrows and lends only in sterling and so it is not exposed to currency risk.

Covenant compliance

As part of the refinancing exercise during the year ended 31 March 2020, the Group negotiated a revised set of loan covenants. These comprise accounts-based interest cover and gearing covenants, together with a loan security asset cover covenant, and they are in line with sector norms in the current market.

The Group complied with all its loan covenants during the year and at the year end. It also complied with the internal Golden Rules, set up by the Board in its approved treasury management policy, which are tighter than the actual loan covenant requirements, to ensure that the organisation always has a significant amount of headroom over and above the required compliance levels. This should enable the organisation

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to deal with many negative economic impacts that might adversely affect its financial performance without triggering an actual covenant breach.

Housing properties

At 31 March 2021 the Group owned 12,970 housing properties (2020: 12,872), a net increase of 98, taking account of acquisitions, demolitions and disposals in the year. The properties were carried in the statement of financial position at cost (after depreciation) of £654.0m (2020: £618.1m). Whilst housing properties are stated at historic cost, the Association obtained valuations of various batches of properties during the year in relation to loan debt coverage. The valuations were carried out by independent professional valuers, Savills (L&P) Limited Chartered Surveyors. In total, 12,317 of the Group's properties, with a net book value of £508m, were valued at a total of £657m on a mixture of the Existing Use Value-Social Housing (EUV-SH) and Market Value-subject to Tenancy (MV-T) valuation bases. None of these valuations highlighted any indicators of impairment.

Investment in housing properties this year was funded through a mixture of bank finance, social housing grant and proceeds from sales under the Asset Renewal Strategy.

During the year the Group undertook a detailed project, supported by external experts, in relation to energy efficiency. This project identified the work required to achieve the two Government targets, to firstly ensure all stock is EPC band C by 2030, and then net zero carbon by 2050. Based on applying the latest government calculation methodology, 87.1% of the Group's housing properties already qualify as EPC Band C or above, which is 9.9% higher than the Group's internally calculated figure of 77.2%. On the basis of this higher figure, due to the small proportion of the stock at EPC Bands D or below, improving the stock to a minimum of EPC Band C should be relatively achievable within existing budgets. Over the next 12 months the Group will consider how to phase the stock improvements needed to achieve zero carbon by 2050.

During the year the Group was successful in gaining £1m funding to install 79 Solar PV and Battery storage systems to trial some of the emerging technology which will be required to achieve zero carbon.

Pension costs

The Group participates in the Shropshire County Pension Fund (SCPF), a career average salary defined benefit scheme. The Group made the decision to close the scheme to new entrants with effect from 1 September 2020. The Group has contributed to the scheme in accordance with levels, set by the actuaries, of 17% of pensionable pay in the year to 31 March 2021 in respect of future service benefits. For 2021/22 the employer contribution rate will remain at 17%. During the year the Association made a lump sum payment of £367,400 in respect of past service deficits. The annual lump sum payment will be £381,800 in 2021/22 and increases each year thereafter by 3.9%.

The net actuarial loss in the year was £7.316m (2020: £5.306m loss). The movement year on year is due to the shifts in actuarial assumptions caused by general economic conditions, and in particular is due to a rise in the expectations related to future inflation, increasing future pension payments, and to a fall in the discount rate, further increasing the present value of future pension payments. Sensitivity to these and other assumptions is shown in note 11 of these accounts.

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Development

Under its Asset Renewal Strategy the Group sets out to add three new properties for every two older, uneconomic properties that are disposed of. 2020/21 was the sixteenth year of the strategy. During 2020/21 the Group sold 73 properties (2020: 67). A further 38 (2020: 35) properties were sold under the Right to Buy and Right to Acquire provisions and 2 (2020: 25) properties were sold under the pilot Voluntary Right to Buy scheme. Other movements in stock, including demolitions for redevelopment amounted to a net reduction of 66 units.

During the year the Group added 277 properties to its stock. This was achieved by means of a combination of traditional development and section 106 planning gains. Although there was minor interruption to a number of development sites as a consequence of the Covid-19 pandemic, this only resulted in a shortfall of 43 units compared with plan, and these units have all been completed within the first two months of the 21/22 financial year.

The Group's current business plan projects that the future development programme will add a further 2,096 new build units to the Group's stock over the next 4 years, through a mixture of traditional development and section 106 and off the shelf acquisitions, based on the current approved business plan.

Performance of subsidiary companies

The Group maintained its strong reputation for quality across the sector. This has allowed it to continue to sell maintenance services to other registered providers, together with maintenance and alarm services to non-tenants, to generate further funds for investment into its core activities, with Old Park Services delivering a surplus of £563,000 (2020: £162,000) available to be paid back to the parent company via gift aid in the 21/22 financial year.

The Group continued to use its development subsidiary company, Strata Housing Services Limited, to provide development services to the Group, which has already saved the Group £4.8m in VAT that would otherwise have been an irrecoverable cost since it began operating at the beginning of 2014/15. Strata delivered a surplus of £869,000 (2020: £559,000) available to be paid back to the parent company via gift aid in the 21/22 financial year.

The provision of care services continued through the subsidiary company, Choices Housing Association. Covid-19 presented new challenges within the care sector with many of the staff at Choices having to furlough. The company received £144,000 through the Government's coronavirus Job Retention Scheme and delivered a final surplus of £599,000 (2020: £506,000).

Future developments

A key influence on the timing of borrowings is the rate at which planned maintenance and development activity takes place. The board has approved plans (i) to spend £13.1m during the next financial year under its planned maintenance programme, on investing in existing stock to ensure that the properties continue to meet the Decent Homes standard and making other improvements, and (ii) through its Asset Renewal Strategy to add 2,096 properties over the next 4 years while continuing to dispose of older, expensive properties. This longer term development activity will be funded from the debt structure that will be put in place as a result of the refinancing exercise referred to above.

Current commitments of £245m as disclosed in note 28 will be financed through a combination of borrowings, which are available for draw-down under existing loan arrangements, social housing grant, expected shared ownership sales proceeds, property sales under the Group's Asset Renewal Strategy and cash generated from operating activities.

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Payment of creditors

The Group agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

Value for money report

Set out below is our value for money report for 2020/21, which also forms our annual self-assessment. The report focusses both on our internal VFM metrics and the VFM metrics mandated by the Regulator of Social Housing.

Internal VFM metrics

Our results against the VFM metrics that we monitor internally are shown below. These are regularly reported to the Group board and either link back to specific items within the strategic plan, and therefore can be used to measure progress against the achievement of our strategic objectives, or provide a “health check” on the performance of the organisation.

Delivery of new homes

2018/19 Actual	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	Link to Strategic Plan
233 homes	251 homes	325 homes	277 homes	376 homes	Objective 4 – Asset Management Objective 7 – Value for Money

Since 2018/19 there has been a gradual increase in the number of new homes completed. The number of new homes completed during 2020/21 was under the target of 325 homes by 48 units. With the successful completion of the refinancing exercise in October 2019, revised targets had been set based on the capacity available over the next five years. However, due to the COVID-19 pandemic projected completions over the 5 year development programme have been re-forecast to reflect the impact caused by the pandemic.

Total income from property disposals

2018/19 Actual	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	Link to Strategic Plan
£10.5m	£10.3m	£8.8m	£8.7m	£8.8m	Objective 4 – Asset Management Objective 7 – Value for Money

Income from property disposals includes income from sales under the Asset Renewal Strategy, together with sales under the Right to Buy and Right to Acquire legislation. In 2018/19 receipts included income from the disposal of two properties sold under the Voluntary Right to Buy pilot project. 25 properties were sold in 2019/20 and then a further two in 2020/21. This pilot has now finished. Although there was a temporary halt on asset renewal sales at the beginning of the year and the number of sales achieved during the year was lower than target, the values achieved were significantly higher. This resulted in overall income from property disposals being just £0.1m below target. Despite the temporary halt to asset renewal sales, once they had resumed demand for these properties was back to pre-pandemic levels. This continues in the early part of 2021/22 with sales values remaining significantly higher than anticipated. Projected sales as at June 2021 indicate that the Group will exceed its target of £8.8m despite the economic conditions and uncertainties that prevail due to Covid 19.

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Overall customer satisfaction

Following a nationwide review of the STAR surveying framework, and following adoption by the Group, the new STAR survey framework went live in April 2021. The survey will take the form of an email survey, replacing the previous telephone system.

The Group have now moved to a new surveying platform CX-Feedback, to increase efficiency and outcomes from its surveying work and the decision has been made to survey all tenants once a year, based on the anniversary of their tenancy start. The new system uses SMS text and email as the default methodology and immediately increased the volume of responses and the diversity of those who respond. The response rate at year end was 24%. In the first 6 months of using the system nearly 1000 responses have been received compared to 300 responses that would have been obtained through the previous telephone call system.

Overall satisfaction of the service provided by the landlord.

2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Target	Link to Strategic Plan
92%	95%	87%	88%	Objective 5 – Customers Objective 7 – Value for Money

The satisfaction levels through this different methodology are not directly comparable to 2019/20 figures carried out through a telephone survey. Nationally the difference in performance is recognised as between 5 and 10%. The target for 2021/22 has therefore been set at 88% or above, an incremental improvement. Housemark, within its new framework will introduce weighting for survey methodology to show comparable performance levels when benchmarking this information. The group intends to conduct more frequent smaller surveys where evidence suggests it is required, aimed at specific demographic groups, which will enable a greater focus on addressing issues raised within those groups. The method of conducting the surveys is under constant review, in an attempt to increase response rates. The focus on particular demographic groups will provide evidence as to the best method of data collection to ensure higher response rates, and future surveys will be conducted using the collection method which best suits each demographic group.

Satisfaction with	2018/19	2019/20	2020/21
How the Group deals with repairs and maintenance	91%	89%	90%
Being treated fairly and with respect	91%	96%	88%
Neighbourhood as a place to live	83%	91%	74%

As with the previous indicators, performance is not directly comparable with previous years due to the change in methodology of the surveys. In 2019/20 satisfaction with the neighbourhood as a place to live was unusually high. The volume of responses that we are now receiving from the survey gives us greater assurance on the level of accuracy of the information rather than the result. The Group is committed to ensuring tenants are satisfied with the neighbourhood in which they live and is committing resources into listening to tenants to ensure the right investment is focused in this key area. The reduction in this particular satisfaction metric during 2020/21 is predominantly due to an increase in anti-social behavior (ASB) issues experienced across the group during the pandemic. Some 25% of dissatisfaction related to

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ASB issues that had not been experienced pre-pandemic, most of which arose whilst tenants were in national lockdown or furloughed.

The Group also introduced the Net Promoter question to its STAR survey this year the question being: How likely would you be to recommend the Wrekin Housing Group to family or friends? The score at the end of 2020/21 was 56. The Net Promoter score question in a new style question which is not an average score. Benchmarking data received from Housemark for 2019/20 indicates the Group would be in the 1st quartile ; upper quartile being 45.9, sector median 32.2 and lower quartile 20 (source: Housemark 2020/21). Nationally and internationally, an excellent Net Promoter score is 50+, with world class at 60+.

Repairs service delivery – repairs completed on day reported

2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	Link to Strategic Plan
85.0%	79.0%	85.0%	83.3%	85%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

The Group continues to offer customers a same day repairs service between the hours of 8am and 8pm, Monday through to Sunday. All performance measures this year have improved, despite the challenges that the maintenance service has been presented with and the results in all categories remains strong when compared to others across the sector. A short suspension from March to the middle of June meant a slight increase in the average time taken to complete repairs. The repairs service remained open during this period, to ensure we could communicate clearly with customers and effectively plan our recovery and all repairs reported pre or during the pandemic were completed by the end of September. This performance places Wrekin within the top quartile and above the average number of days to complete a repair nationally, which is 11.2 days. The average number of days taken to complete a repair for the group is 6 days.

Satisfaction with the repair service has also improved on the year end position 19/20, as have the satisfaction with Right First Time figures.

Rent collection

2018/19 Actual	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	Link to Strategic Plan
101.0%	101.4%	100.0%	101.8%	100.0%	Objective 5 – Customers Objective 7 – Value for Money

During 2020/21 the Group has faced its most challenging year for rent collection. The economic uncertainty with many tenants being subject to the Government's Job Retention Scheme and a 100% increase in tenants moving onto Universal Credit tested resilience to collect income, whilst also ensuring support was available to customers at such difficult times. In addition the eviction and court moratorium that was in place for the whole of the 12 months (and remained in place to 31st May 2021) and no home visiting during the pandemic brought increased pressures.

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Despite these challenges, rent collection levels were remarkable and remained exceptionally high in 2020/21, with the collection of both current rents and recovery of some former tenant arrears contributing to collection figures in excess of 100% of the £69.6 million rent roll.

The economic impacts of the pandemic on the Group's rent collection may still be felt in 2021/22 after the ending of the Government Covid support schemes such as Furlough and Universal Credit top up payments that are in place until the end of September.

Arrears levels

2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	Link to Strategic Plan
0.50%	0.42%	0.50%	0.47%	0.50%	Objective 5 – Customers Objective 7 – Value for Money

With regard to arrears levels they very much mirror that given by the rent collection figures above, as would be expected. The end of year rent arrears figure was only slightly above the end of year figure for 2019/20, despite the challenges of the pandemic. Due to the eviction moratorium no evictions were undertaken for rent arrears during 2020/21 compared to 43 in the previous year, yet the rent arrears performance was very comparable. The level of support and debt and money advice given during 2020/21 was also a key factor in helping the Group's tenants maximise their income, manage their debts and ultimately pay their rent

This performance has confirmed us as the top performer within our Midlands Best Practice Group (made up of 24 Housing Associations and Local Authorities), and one of the best in the country at rent collection.

Rent loss from voids

2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	Link to Strategic Plan
1.24%	0.72%	1.18%	1.42%	1.18%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

Rent loss from void properties increased this year with the pandemic having a significant impact on this figure. A lettings ban was imposed by the Government between March 23rd 2020 and May 25th 2020 and in addition to this, issues such as shortage of materials, the change in the re-let process to ensure that it is Covid safe, the volume of the backlog and the priority given to catching up on responsive repair work delayed due to Covid, have all impacted on the average re-let time and rent lost due to voids.

Strategic Report

Average relet times

2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	Link to Strategic Plan
17.00 days	14.57 days	17.00 days	33.54 days	17.00 days	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

As mentioned above, the time taken to relet void properties was significantly affected by the pandemic and resulted in an average relet taking 33.54 days to turn-around for a new customer. As well as the 2 month Government imposed lettings ban affecting this figure, the letting of our Retirement Living and Extra Care (corridor-schemes) were also a large factor, as it was decided that controlling infection through restricting visitors and new lettings was important, and this saw large increases in both letting time and rent loss through void properties. (See note 3)

It should be noted that despite the pandemic, the Group let 1,142 homes last year with 299 of these being brand new homes.

Gas servicing

2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	2021/22 Target	Link to Strategic Plan
100%	100%	100%	100%	100%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

The Group maintained its excellent level of compliance performance again in 20/21, with 100% of properties having a valid gas servicing certificate. This was achieved despite the challenges in relation to gaining access to people's homes, as many customers were shielding, self-isolating or fearful of having someone in their home. However, the situation was closely monitored, with servicing visits rearranged for dates after the shielding/self-isolation periods were completed and with customers reassured by the safe working practices and measures adhered to by the Gas Engineers. As restrictions have eased, activity in this area is now operating at normal levels.

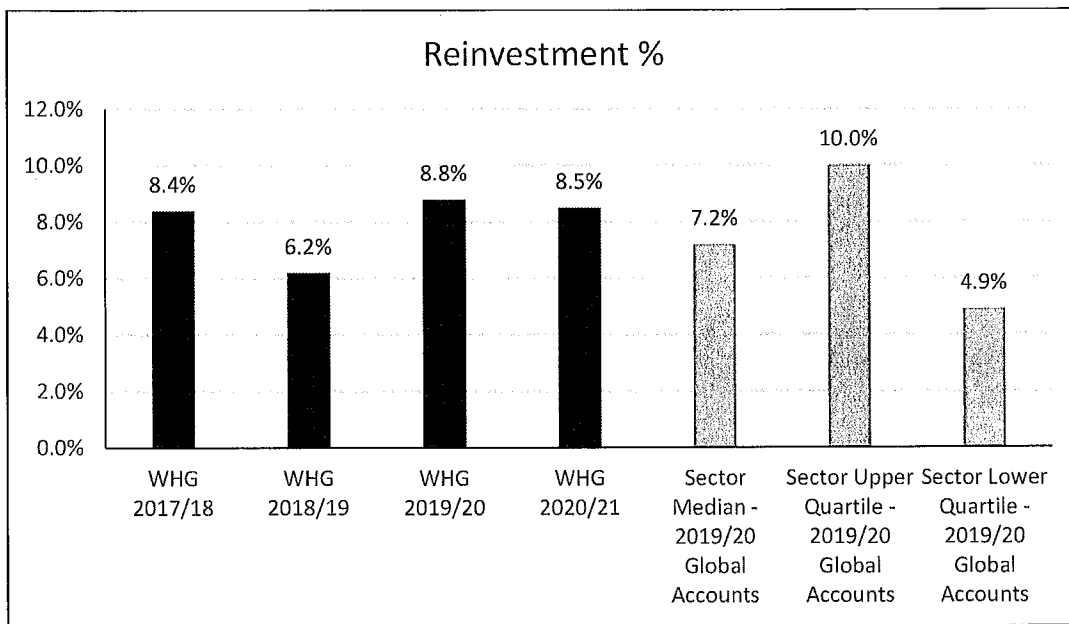
Strategic Report

Regulatory VFM metrics

Our results against the Regulatory VFM metrics are set out below.

In addition to showing our own results over the period from 2017/18 to 2020/21, we have compared them to the sector median and upper and lower quartile figures, as contained in the 2020 Global Accounts published by the Regulator.

Reinvestment %

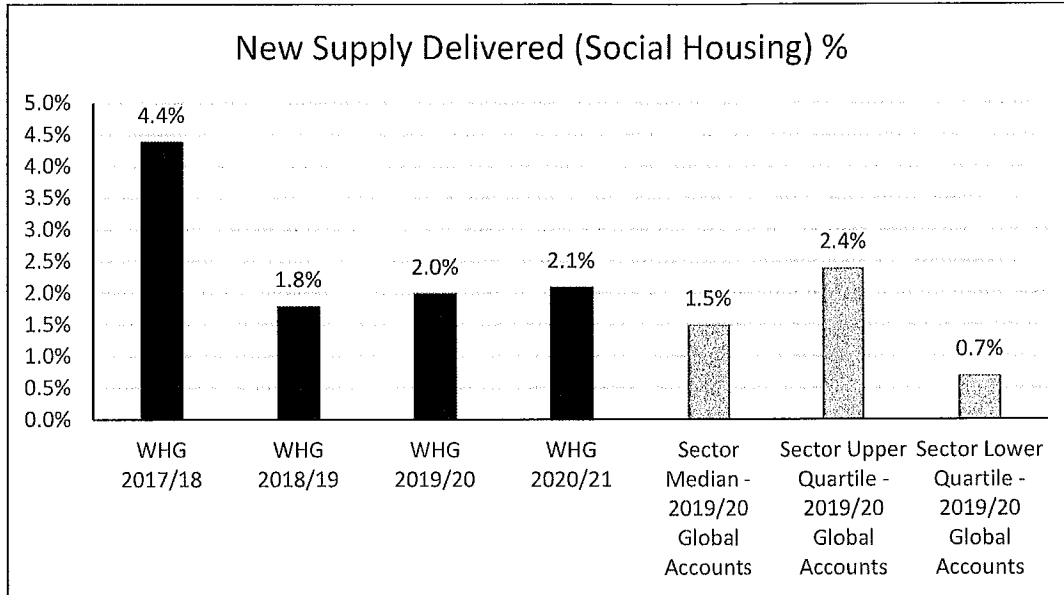


The reinvestment percentage metric, which measures the level of investment in the Group's new and existing stock, decreased slightly in 2020/21, to 8.5%, which is below the sector upper quartile level but above the sector median. This reflects the continued high level of investment in existing stock as part of the capitalised major repairs programme and the Group's significant development activity. There was a short term pause in development activity during the year due to the pandemic which resulted in a slight rephasing of some schemes. This has not impacted on the Group's aim to develop a further 2,096 units over the next four years.

During the year the Group spent £6.2m on improvements to existing properties (2020: £7.7m). The planned maintenance programme was reduced during the year due to the pandemic with 75% of the programme completed. The works that were not undertaken have been re-phased into 2021/22 without any impact on compliance or Decent Homes Standards. As a result of sustained investment at this level over a number of years all the Group's properties, apart from a small number that would have required remedial work had they not been earmarked for disposal or redevelopment under the asset renewal strategy, met the Decent Homes Standard. This has been the case for the last 12 years. The Group also invested £49.5m in new development in 2020/21 (2020: £46.9m).

Strategic Report

New supply delivered (social housing %)



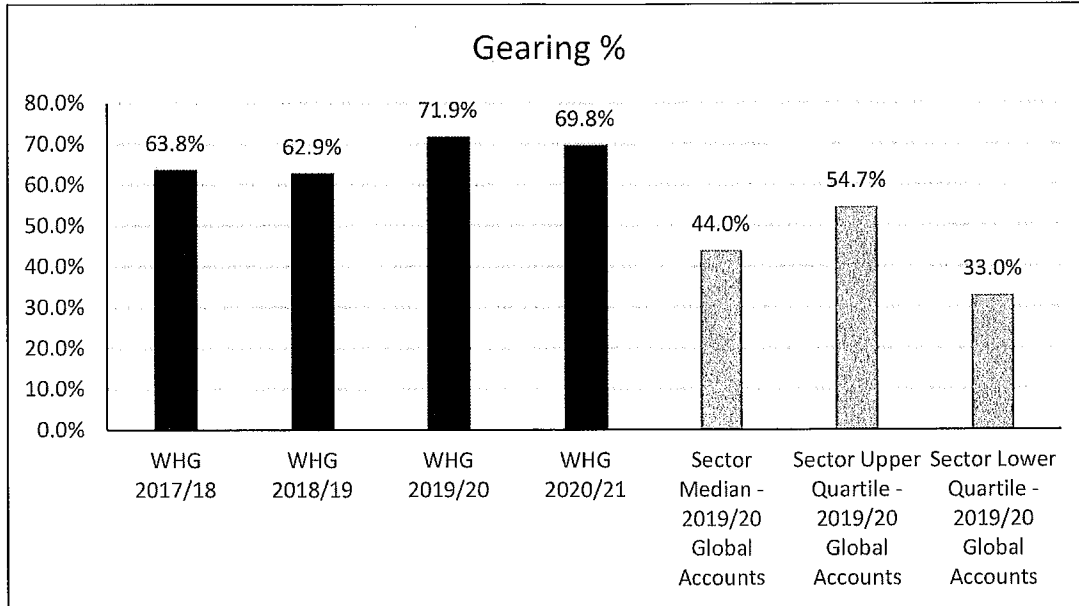
Although the level of development activity, and therefore the amount of new supply of social housing delivered, was lower in 2018/19, 2019/20 and 2020/21 than in 2017/18, it was still significant. 277 new homes were completed in 2020/21 (2020: 251), equating to a new supply percentage of 2.1% (2020: 2%), placing the Group just below the sector upper quartile figures. This level of delivery has consistently placed the Group in the top 50 developers among social housing providers in terms of annual growth in percentage terms over the last few years. Development activity remained in line with that of 2019/20 despite the pandemic with an additional 26 units being provided over 2019/20. The Group plans to complete a further 2,096 homes over the period to 2024/25, with funding now in place to support this after the completion of the refinancing project.

New Supply delivered (non-social housing) %

The Group did not deliver any of this type of housing in either 2020/21, 2019/20 or 2018/19. The Group sees itself very much as a provider of social housing and so the Group board have not included this type of development in its strategy. Many other providers develop properties for market-rent or outright sale to cross-subsidise their social housing development programme. However, the group board has taken the decision that these types of development, which expose the organisation to a higher degree of market risk, are outside of its risk appetite.

Strategic Report

Gearing %

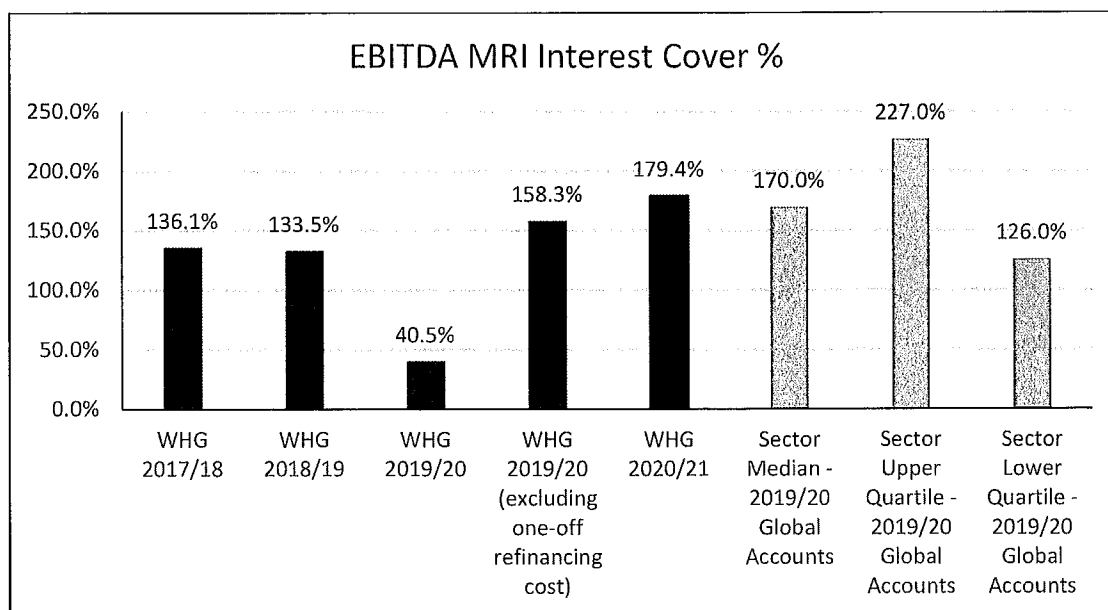


The Group's gearing percentage has always been higher than the sector median and upper quartile levels as a result of two things. Firstly, as an LSVT organisation, it has carried a higher level of debt than "traditional" associations since its inception, having borrowed significantly to fund that initial transfer transaction and the consequent initial major repairs programme. Secondly, over the last 10 years the Group has also engaged in significant development activity, as noted above, and has borrowed further to support this.

The increase in the gearing percentage in 2019/20 reflected the impact of the payment of breakage costs to terminate some fixed rate loans under the previous debt portfolio in order to gain more significant benefits under the new debt structure over the longer term. The gearing percentage in 2020/21 is lower than that of 2019/20, and the Group's current business plan shows that the gearing percentage will gradually reduce over the next four years as the current development programme is completed and the additional units completed start to show a positive return.

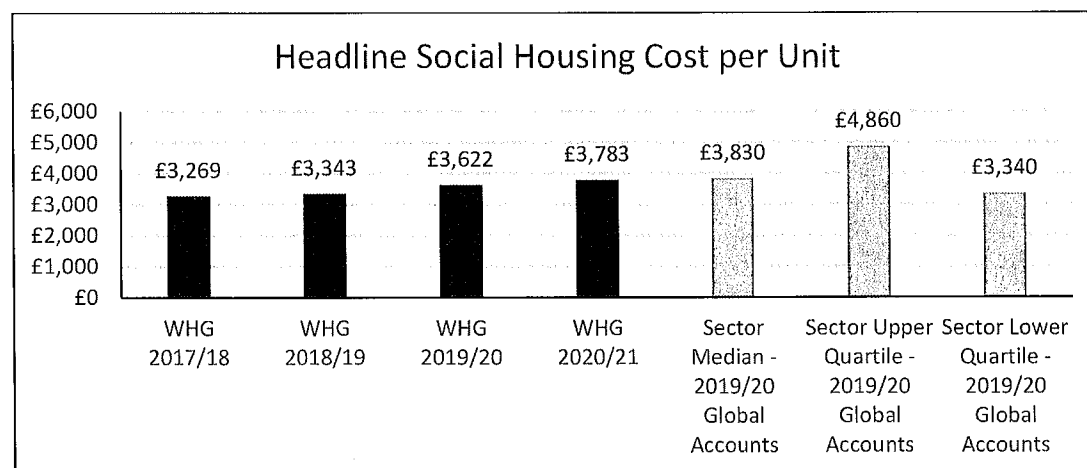
Strategic Report

EBITDA MRI Interest Cover %



The position with regard to the EBITDA MRI interest cover percentage is similar to that shown by the gearing percentage. The Group's historical high level of borrowing as an LSVT and its high level of development activity (and consequent additional borrowing) means that this measure is now mid way between the sector upper quartile and sector median measures. As noted elsewhere in this report, during 2019/20 the Group completed a major refinancing exercise. As part of this exercise the Group paid breakage costs of £52.1m to terminate a number of existing fixed rate loans in order to secure the more significant long term benefits of the refinancing package. In the graph above the EBITDA (MRI) measure is calculated on two bases for 2019/20. The lower measure is using the figures as shown in the accounts (which is the method prescribed in the regulatory guidance). The higher figure shows the same calculation excluding the breakage costs to give an indication of the underlying EBITDA (MRI) position. In 2020/21 the measure has improved significantly compared to the two previous years due to the lower cost of debt, and therefore lower interest costs, achieved under the refinancing exercise, which had a positive impact in 2020/21 and will continue to have a positive impact in future years.

Headline social housing cost per unit

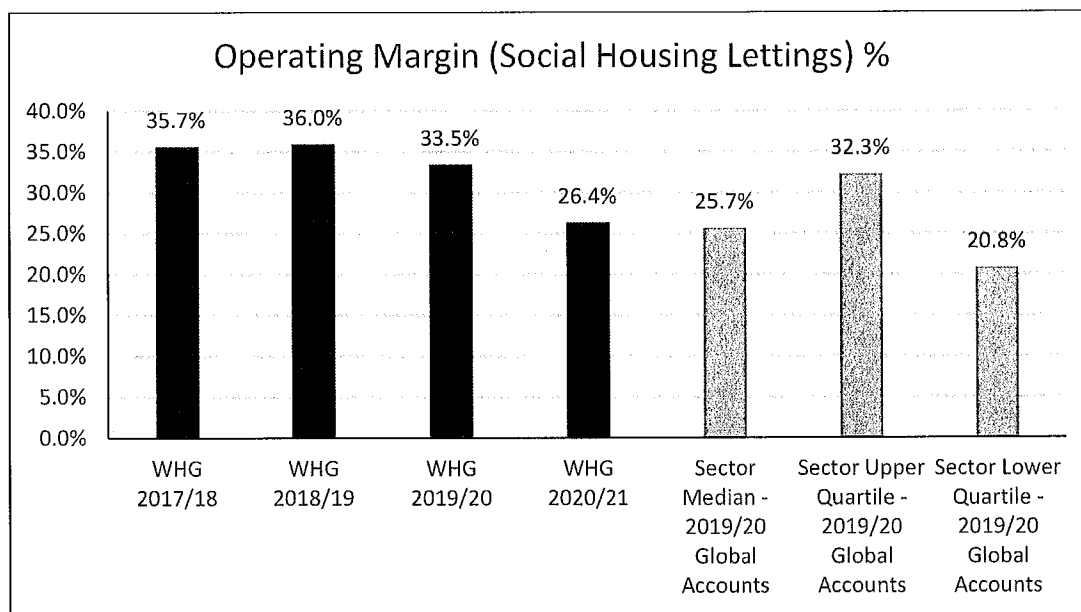


Headline social housing costs per unit have increased marginally in 2020/21 but are still below the 2019/20 sector median level. The main reason for the increase is the continuation of additional expenditure incurred on existing stock to make fire safety and other improvements in the aftermath of the Grenfell fire. There has been an increase in costs due to the group wide provision of PPE during the

Strategic Report

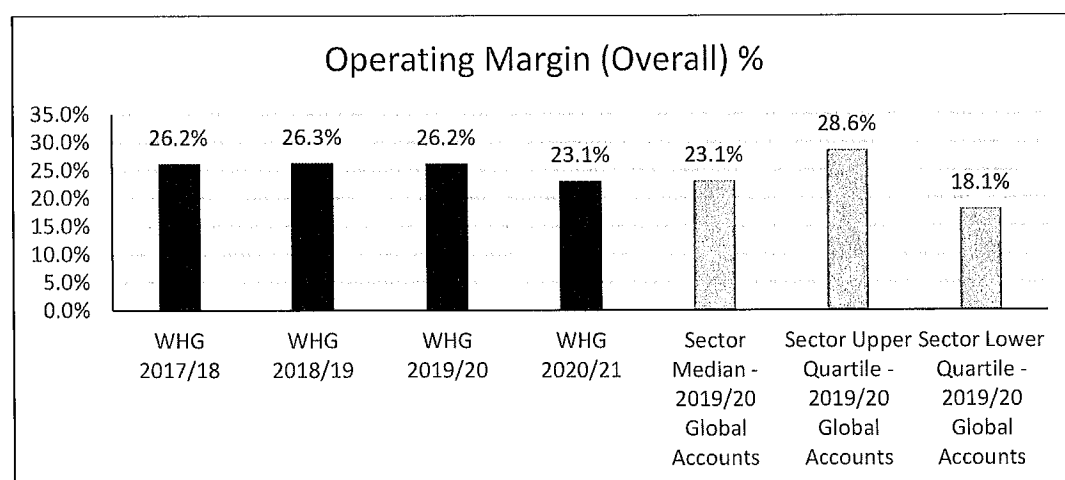
pandemic to ensure staff are compliant with the Government’s advice. During the year costs were identified in relation to abortive development scheme costs. These costs related to the Pauls Moss development which was referred for judicial review. Of the costs incurred to 31 March 2021 £465k was deemed to be abortive.

Operating margin (social housing lettings) %



The operating margin on social housing lettings has reduced in 2020/21, but is well above the sector median figure for 2019/20, which indicates that the Group is operating efficiently. As noted above, the Group has invested in its existing stock during the year to improve fire safety measures and has had to cope with other cost pressures arising from the pandemic. Additional abortive development costs of £465k have also impacted the margin.

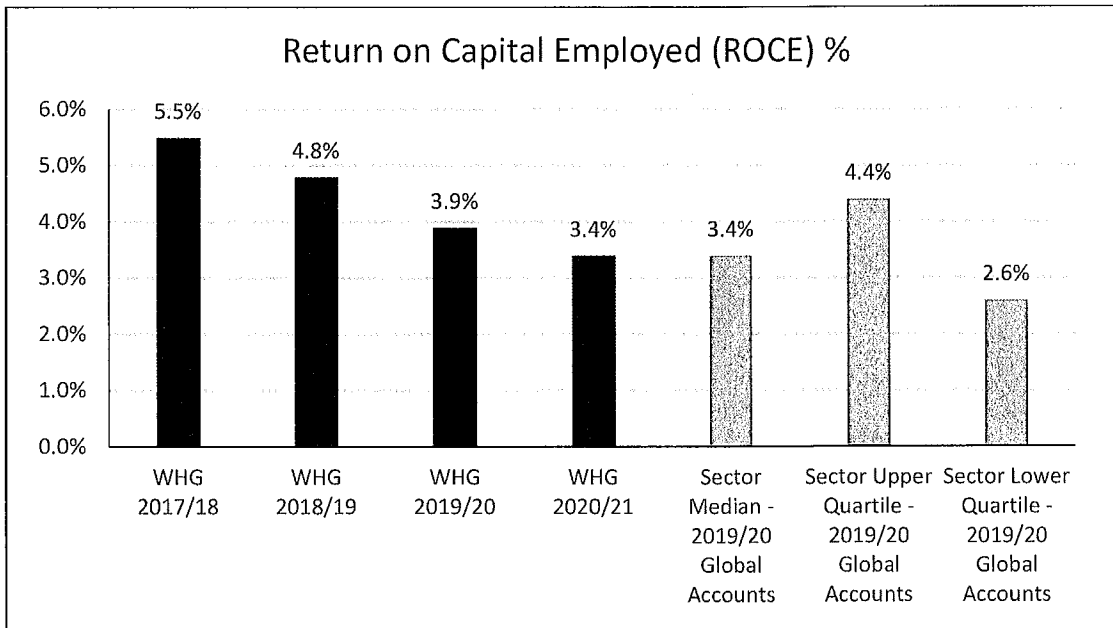
Operating margin (overall) %



Overall operating margin has stayed constant over the last three years and is above the 2019/20 sector median level. Given that the overall operating margin figure includes the Group’s care activities, which have lower margins than those achievable on its social housing activities, this again indicates that the Group is operating efficiently when compared across the whole sector.

Strategic Report

Return on capital employed (ROCE) %



Return on capital employed has reduced over the last four years but is in line with that of 2019/20 and is slightly above the sector median level for 2019/20. This is because the overall operating margin has stayed relatively constant over those years in percentage terms, but on a reduced turnover figure for three of those years, meaning that the operating margin is a lower number in absolute terms. Meanwhile, the net assets of the organisation (which represent the capital employed in the business) have increased as the organisation has made surpluses each year. The combination of these two factors has the direct consequence of reducing the ROCE ratio.

Delivering social value

The Group contributes to the well-being of its tenants, its staff, the wider community and broader neighbourhoods in many ways. Our role in supporting our more vulnerable and disadvantaged tenants was further highlighted during the Coronavirus Pandemic, particularly the first lockdown in 2020.

The Group will continue to work to ensure that the impact of these activities is maximised. For example:

- Our Money Matters team undertake income checks and tenancy sustainment work with prospective and new tenants of the Group to ensure that they are ready to take on a tenancy and better equipped to sustain that tenancy over the longer term. The team undertake pre-tenancy assessments with prospective tenants, which includes robust welfare benefit checks, budget and affordability discussions, ensuring they have the means and the skills to set-up and manage a home. In 2020/21 our Welfare Benefit Advisors and Tenancy Sustainment Officers carried out 1,096 (2020:594) such assessments.
- Our Money Matters Team also provides expert benefit advice, to ensure that customers of the Group access the welfare benefits to which they are entitled, receive other financial support where available and are as well prepared as possible to cope with the impacts of welfare benefit reform. During 2020/21 the whole team successfully brought in more than £1.6m (2020: £2.582m) in additional benefits, income and discretionary and charitable support for our customers, engaging with 1,613 (2020:1,708) households.
- maintaining our commitment to supporting people towards employment, providing a range of good quality work placements and training opportunities. During 2020/21 the group directly employed 24 apprentices and 3 trainees. Volunteer work placements came to a stop due to Covid

Strategic Report

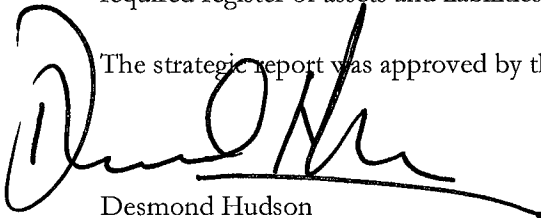
restrictions but we secured approval to 45 Kickstart work experience placements with 17 young people starting six month placements in March 2021.

- using the Reviive and Furniture Scheme recycling brand, operated via the Group's subsidiary Old Park Services Limited, we continued to provide affordable furniture to both tenants and the wider community, as well as recycling unwanted furniture to reduce the impact on the environment with regard to landfill and CO2 emissions.
- during the first lockdown in 2020 we made welfare calls to 3,116 households identified with tenants over 70 years old or vulnerable residents; 176 shopping collections/food parcels were delivered and a driver was allocated to the local Food Bank for deliveries. 90 residents received regular welfare and befriending calls.
- Staff volunteered 719 hours to front line interim duties to help cover in the Group's Extra Care Schemes from April 2020 to March 2021.

Statement of compliance

In preparing this strategic report, the board has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Housing Providers' 2018. The financial statements comply with FRS 102, SORP 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The board further confirms that the Group has complied with the requirements of the Social Housing Regulator Governance and Financial Viability Standard and currently holds a G1/V1 rating and has the required register of assets and liabilities in place.

The strategic report was approved by the board on 23 August 2021 and signed on its behalf by



Desmond Hudson
Chair

Statement of responsibilities of the board

Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

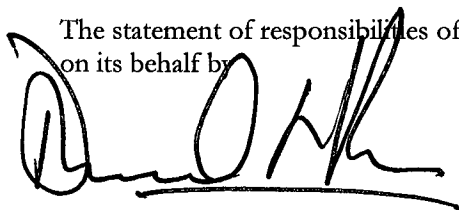
Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association and group for that period. In preparing these financial statements, the board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The statement of responsibilities of the board was approved by the board on 23 August 2021 and signed on its behalf by



Desmond Hudson
Chair

Independent auditor's report to the members of The Wrekin Housing Group Limited

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of The Wrekin Housing Group Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated statement of comprehensive income, the Association statement of comprehensive income, the Consolidated statement of changes in reserves, the Association statement of changes in reserves, the Consolidated statement of financial position, the Association statement of financial position, the Consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and the Association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, 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

We are responsible for concluding on the appropriateness of the board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

to the date of our report. However, future events or conditions may cause the Group or the Association to cease to continue as a going concern.

Our evaluation of the board's assessment of the Group's and the Association's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's going concern assessment and supporting cash flow forecasts (including assessment of forecast covenant compliance) covering the period from approval of these financial statements to 31 March 2023. We assessed how these forecasts were compiled and assessed the appropriateness of the underlying assumptions;
- assessing the outputs of stress tests run by management on these base-case forecasts, including the impact of the mitigating factors available to management in respect of the ability to manage cash flows and the level of available facilities;
- assessing the quality of management's forecasting by comparing the reliability of past forecasts; and
- evaluating the disclosures made in the financial statements in respect of going concern and the inherent risks associated with the assessment of going concern and checking that these disclosures are adequate and meet the disclosure requirements.

In our evaluation of the board's conclusions, we considered the inherent risks associated with the Group's and the Association's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the board and the related disclosures and analysed how those risks might affect the Group's and the Association's financial resources or ability to continue operations over the going concern period.


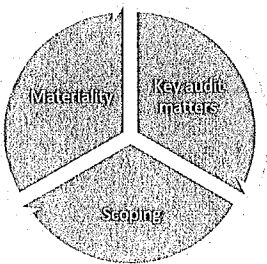
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for a period of at least twelve months from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

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.

The responsibilities of the board with respect to going concern are described in the 'Responsibilities of the board for the financial statements' section of this report.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Our approach to the audit

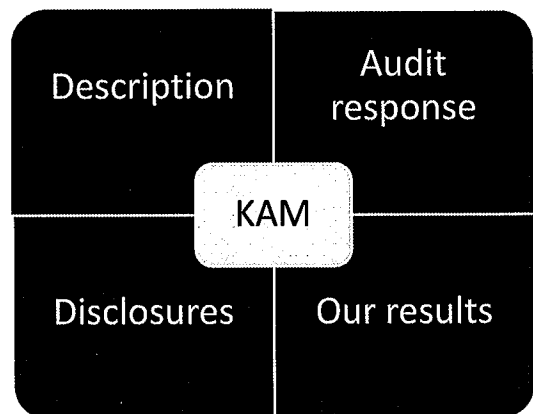
 Grant Thornton 	<p>Overview of our audit approach</p> <p>Overall materiality:</p> <p>Group: £1,244,000, which represents 1.3% of the Group's turnover.</p> <p>Association: £1,054,000, which represents 1.3% of the Association's turnover.</p> <p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> • Occurrence of rental and service charge income (new this year); and • Valuation of the Group's defined benefit pension obligation (change in scope from prior year). <p>Our auditor's report for the year ended 31 March 2020 included one key audit matter that has not been reported this year as it related to the accounting treatment of a one-off refinance transaction.</p> <p>We have included one key audit matter which is different in scope to that reported in the prior year. In the prior year the key audit matter related to the valuation of the net defined pension liability, whereas for the current year, the key audit matter specifically relates to the defined benefit obligation, reflecting the relative level of estimation uncertainty in the liability.</p> <p>Our current year's report includes one new key audit matter in respect of the occurrence of rental and service charge income resulting from the relative extent of audit effort needed to address this risk.</p> <p>We performed the following audit procedures on the components of the Group:</p> <ul style="list-style-type: none"> • Full scope audit procedures on the financial statements of the Association and on the financial information of one component which is individually financially significant to the Group; and • Specified audit procedures on two components identified as not significant, but material, using group materiality.
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Independent auditor’s report to the members of The Wrekin Housing Group Limited (continued)

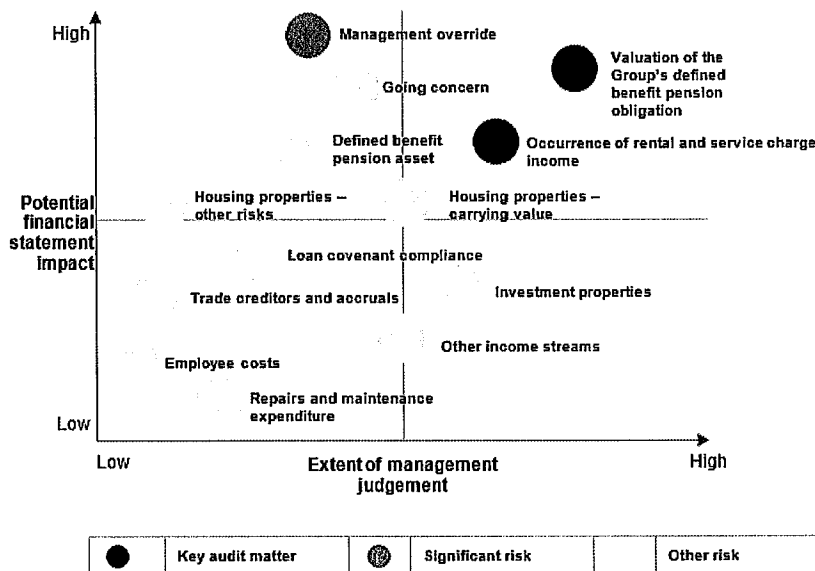
	Based on the procedures performed on the financial information of the group, coverage of more than 75% of all identified significant risks has been achieved.
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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group and Association **How our scope addressed the matter**

Occurrence of rental and service charge income

We identified occurrence of rental and service charge income as one of the most significant

In responding to the key audit matter, we performed the following audit procedures:

- assessing whether the accounting policies adopted by the board are in accordance with the requirements of FRS 102 and the Housing SORP: 2018 update ‘Statement

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Key Audit Matter – Group and Association How our scope addressed the matter

assessed risks of material misstatement due to fraud.

The Group's most significant income stream relates to property rentals and associated service charges.

Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumption that there are risks of fraud in revenue recognition.

The risk in the rental and service charge income arises from adjustments and journal entries not originating from the housing management system.

of Recommended Practice for registered social housing providers' and whether management accounted for income in accordance with the accounting policies;

- performing substantive analytical procedures on rental income through building a predictive estimate of rental income based on revenue recognised in the prior year, movements in unit numbers and standard rental increases in the year;
- performing tests of detail on journal entries and other adjustments that impact rental and service charge income; and
- performing tests of detail on individual transactions by agreeing a selection of transactions to tenancy agreement and subsequent cash receipt.

Relevant disclosures in the Annual Report and Financial Statements

- Financial statements: Note 2, Accounting policies; and
- Financial statements: Note 3, Turnover, operating costs and operating surplus.

Our results

Our audit work did not identify any material adjustments in relation to the occurrence of rental and service charge revenue.

Valuation of the Group's defined benefit pension obligation

We identified valuation of the group's defined benefit pension obligation as one of the most significant assessed risks of material misstatement due to error.

The Group participates in the Shropshire County Pension Fund, a defined benefit pension arrangement which is part of the Local Government Pension Scheme.

Management have engaged an independent actuary to assist in preparing the adjustments and disclosures required for the preparation of the financial statements.

- In responding to the key audit matter, we performed the following audit procedures:
- assessing the competence and objectivity of management's actuary;
- utilising an auditor's expert to review the appropriateness of the assumptions used in the calculation of the obligations and testing the appropriateness of the valuation methodologies and their inherent actuarial assumptions by benchmarking key assumptions such as discount rate, wage and salary growth rates and mortality rates to available market data; and
- assessing the accuracy and completeness of disclosures within the financial

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Key Audit Matter – Group and Association **How our scope addressed the matter**

The measurement of the obligation in accordance with FRS 102 involves significant judgement and the valuation is subject to complex actuarial assumptions. Small variations in those assumptions can lead to a materially different value of pension liabilities being recognised within the Group financial statements.

statements for compliance with the requirements of FRS 102.

Relevant disclosures in the Annual Report and Financial Statements

- Financial statements: Note 2, Accounting policies
- Financial statements: Note 11, Pensions

Our results

Based on our audit work, we found the valuation methodologies, including the inherent actuarial assumptions, to be balanced and consistent with the expectation of our auditor's expert. Our testing did not identify any material misstatements.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Materiality was determined as follows:

Materiality measure	Group	Association
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1,244,000 which represents 1.3% of turnover.	£1,054,000 which represents 1.3% of turnover.
Significant judgements made by auditor in determining the materiality	<p>We have used turnover because we consider turnover to be more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect increased turnover in the current year. We have not changed the benchmark or measurement percentage used to determine materiality from the prior year.</p>	<p>We have used turnover because we consider turnover to be more appropriate than a profit-based benchmark as the Association is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect increased turnover in the current year. We have not changed the benchmark or measurement percentage used to determine materiality from the prior year.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£871,000 which is 70% of financial statement materiality.	£738,000 which is 70% of financial statement materiality.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

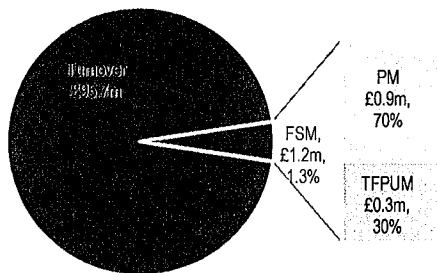
Materiality measure	Group	Association
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> our experience with auditing the financial statements of the Group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified; and our assessment of the impact of home-working during the Covid-19 pandemic on the operations of the Group's processes and controls. 	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> our experience with auditing the financial statements of the Association in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified; and our assessment of the impact of home-working during the Covid-19 pandemic on the operations of the Association's processes and controls.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for certain areas such as board member and executive director remuneration and transactions with related parties outside of the Group.	We determined a lower level of specific materiality for certain areas such as board member and executive director remuneration and transactions with related parties outside of the Group.
Communication of misstatements to the audit and assurance committee	We determine a threshold for reporting unadjusted differences to the audit and assurance committee.	
Threshold for communication	£62,200 and misstatements below that threshold that, in our	£52,700 and misstatements below that threshold that, in our view,

Independent auditor’s report to the members of The Wrekin Housing Group Limited (continued)

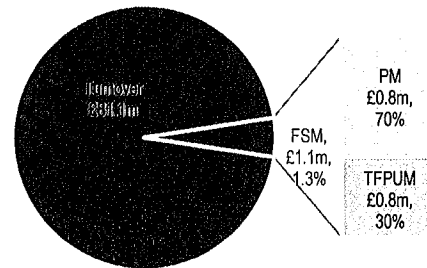
Materiality measure	Group	Association
	view, warrant reporting on qualitative grounds.	warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Association



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group’s and the Association’s business and in particular matters related to:

Understanding the Group, its components and their environments, including group-wide controls

- an evaluation of the Group’s and Association’s internal control’s environment including controls relevant to the audit;
- an assessment of material accounting policies for compliance with the financial reporting framework; and
- an evaluation of significant management estimates or judgements.

Identifying significant components

- The Group audit team identified components as significant based on a variety of qualitative and quantitative factors. The factors for determining significance were a combination of the Group’s total turnover and surplus before tax.
- For those components which were scoped as significant, a full-scope audit was performed based on component materiality. For those significant components, we evaluated the design and implementation of controls over financial reporting identified as part of our risk assessment and addressed significant risks identified.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

- Significant components identified were the Association and Choices Housing Association Limited.
- Further, there were two components which we determined to be material but not significant and for these components specified procedures were performed, by the group audit team, to group materiality, around certain class of transactions and account balances.

Performance of our audit

All procedures undertaken on significant components and those components identified as material but not significant were undertaken by the Group audit team to ensure that sufficient and appropriate audit evidence has been obtained.

Audit approach	No. of components	% coverage revenue	% coverage total assets
Full-scope audit	2	96.5%	99.6%
Specified audit procedures	2	3.5%	0.4%

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Responsibilities of the board for the financial statements

As explained more fully in the Statement of responsibilities of the board, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and Association and the sector in which it operates. We determined that the following laws and regulations were most significant: FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Housing SORP: 2018 update 'Statement of Recommended Practice for registered social housing providers', the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Co-operative and Community Benefit Societies Act 2014
- We obtained an understanding of how the Group and the Association are complying with those legal and regulatory frameworks by making inquiries of management. We corroborated our inquiries through our review of board minutes and papers provided to the Audit and Assurance Committee.
- We assessed the susceptibility of the Group's and the Association's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - challenging assumptions and judgments made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

- We assessed the appropriateness of the collective competence and capabilities of the audit team included consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation; and
 - knowledge of the industry in which the client operates.

Other matters which we are required to address

We were appointed by the Board and our first period of audit was for the period ended 31 March 1999. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 22 years. The Association became a public interest entity on 23 October 2019 and as such under the FRC's Ethical Standard, the Association is required to conduct a competitive tender process to appoint an auditor before the year ended 31 March 2030.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and the Association and we remain independent of the Group and the Association in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Association, as a body, in accordance with sections 87(2) and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association as a body, for our audit work, for this report, or for the opinions we have formed.



Joanne Love
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

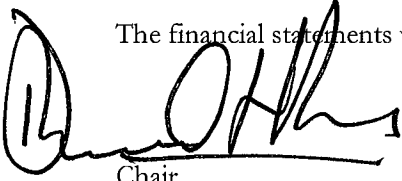
Date: 25 August 2021.

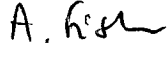
Consolidated statement of comprehensive income

	Note	2021 £'000	2020 £'000
Turnover	3	95,709	92,093
Operating costs	3	(73,604)	(67,962)
Gain on disposal of housing properties	4	1,664	3,674
Movement in the fair value of assets	17	2,520	(21)
Operating surplus	6	26,289	27,784
Interest receivable and similar income	7	65	270
Interest payable, financing and similar costs	8	(15,955)	(69,965)
Surplus / (deficit) on ordinary activities before taxation		10,399	(41,911)
Tax on surplus / (deficit) on ordinary activities	12	(122)	1
Surplus / (deficit) for the year		10,277	(41,910)
Actuarial loss in respect of pension schemes	11	(7,316)	(5,306)
Total comprehensive income for the year		2,961	(47,216)

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 23 August 2021 and signed on its behalf by:


Chair
Desmond Hudson


Board Member
Alison Fisher

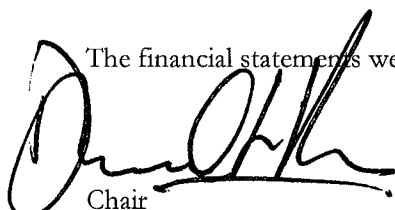

Secretary
Catherine Rogerson

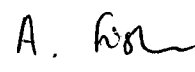
Association statement of comprehensive income

	Note	2021 £'000	2020 £'000
Turnover	3	81,094	78,386
Operating costs	3	(60,082)	(54,589)
Gain on disposal of housing properties	4	1,664	3,504
Movement in the fair value of assets	17	2,520	(21)
Gift aid covenanted from subsidiary	34	719	741
Operating surplus	6	25,915	28,021
Interest receivable and similar income	7	63	249
Interest payable, financing and similar costs	8	(15,942)	(69,954)
Surplus /(deficit) on ordinary activities before taxation		10,036	(41,684)
Tax on surplus /(deficit) on ordinary activities	12	14	(11)
Surplus /(deficit) for the year		<u>10,050</u>	<u>(41,695)</u>
Actuarial loss in respect of pension schemes	11	(7,316)	(5,306)
Total comprehensive income for the year		<u>2,734</u>	<u>(47,001)</u>

The Association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 23 August 2021 and signed on its behalf by:


 Chair
 Desmond Hudson


 Board Member
 Alison Fisher


 Secretary
 Catherine Rogerson

Consolidated statement of changes in reserves

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance at 31 March 2019	79,123	846	79,969
Deficit for the year	(41,910)	-	(41,910)
Other comprehensive income for the year	(5,306)	-	(5,306)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	31,907	846	32,753
Surplus for the year	10,277	-	10,277
Other comprehensive income for the year	(7,316)	-	(7,316)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	<u>34,868</u>	<u>846</u>	<u>35,714</u>

Association statement of changes in reserves

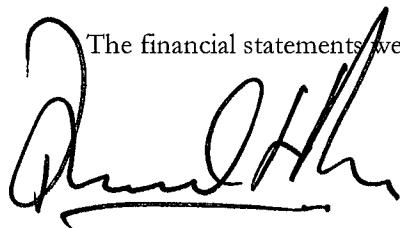
	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance at 31 March 2019	79,138	846	79,984
Deficit for the year	(41,695)	-	(41,695)
Other comprehensive income for the year	(5,306)	-	(5,306)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	32,137	846	32,983
Surplus for the year	10,050	-	10,050
Other comprehensive income for the year	(7,316)	-	(7,316)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	<u>34,871</u>	<u>846</u>	<u>35,717</u>

The accompanying notes form part of these financial statements.

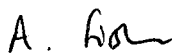
Consolidated statement of financial position

	Note	2021 £'000	2020 £'000
Non-Current Assets			
Intangible Assets	13	308	339
Housing properties	14	653,975	618,093
Investment properties	17	16,948	14,412
Other tangible fixed assets	15	4,470	4,716
		<u>675,701</u>	<u>637,560</u>
Current assets			
Stock		278	248
Properties for sale	18	2,162	2,982
Debtors	19	10,042	6,518
Cash and cash equivalents	20	32,944	78,966
		<u>45,426</u>	<u>88,714</u>
Creditors: amounts falling due within one year	21	<u>(25,055)</u>	<u>(21,744)</u>
Net current assets		<u>20,371</u>	<u>66,970</u>
Total assets less current liabilities		<u>696,072</u>	<u>704,530</u>
Creditors: amounts falling due after more than one year	22	(599,719)	(621,037)
Pension liability	11	<u>(60,639)</u>	<u>(50,740)</u>
Total net assets		<u>35,714</u>	<u>32,753</u>
Capital and reserves			
Revenue reserve	27	34,868	31,907
Restricted reserve	27	846	846
Group's funds		<u>35,714</u>	<u>32,753</u>

The financial statements were approved by the Board on 23 August 2021 and signed on its behalf by:



Chair
Desmond Hudson



Board Member
Alison Fisher



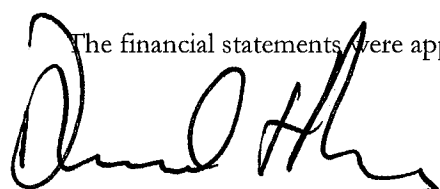
Secretary
Catherine Rogerson

The accompanying notes form part of these financial statements.

Association statement of financial position

	Note	2021 £'000	2020 £'000
Non-Current Assets			
Intangible Assets	13	308	339
Housing properties	14	658,247	621,487
Investment properties	17	16,948	14,412
Other tangible fixed assets	15	3,281	3,454
		<u>678,784</u>	<u>639,692</u>
Current assets			
Stock		212	203
Properties for sale	18	2,162	2,982
Debtors	19	11,649	8,515
Cash and cash equivalents	20	27,864	72,346
		<u>41,887</u>	<u>84,046</u>
Creditors: amounts falling due within one year	21	<u>(25,778)</u>	<u>(20,174)</u>
Net current assets		<u>16,109</u>	<u>63,872</u>
Total assets less current liabilities		<u>694,893</u>	<u>703,564</u>
Creditors: amounts falling due after more than one year	22	(598,537)	(619,841)
Pension liability	11	<u>(60,639)</u>	<u>(50,740)</u>
Total net assets		<u>35,717</u>	<u>32,983</u>
Capital and reserves			
Revenue reserve	27	34,871	32,137
Restricted reserve	27	846	846
Association's funds		<u>35,717</u>	<u>32,983</u>

The financial statements were approved by the Board on 23 August 2021 and signed on its behalf by:

 A. Fisher

Chair
Desmond Hudson

Board Member
Alison Fisher



Secretary
Catherine Rogerson

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	29	42,345	44,395
Cash flow from investing activities			
Purchase of tangible fixed assets		(52,406)	(53,420)
Proceeds from the sale of tangible fixed assets		3,160	6,013
Grants received		9,113	8,412
Interest received		65	270
		<u>(40,068)</u>	<u>(38,725)</u>
Cash flow from financing activities			
Interest and other finance costs paid		(16,410)	(71,831)
New secured loans		28,111	421,664
Repayment of borrowings		(60,000)	(299,000)
		<u>(48,299)</u>	<u>50,833</u>
Net change in cash and cash equivalents		(46,022)	56,503
Cash and cash equivalents at beginning of year		<u>78,966</u>	<u>22,463</u>
Cash and cash equivalents at end of year		<u><u>32,944</u></u>	<u><u>78,966</u></u>

For year ended 31st March 2020 the total cash and cash equivalents includes £41.6m that was held in charged bank accounts as cash collateral against the bond and against potential mark to market costs associated with one of the loans that was carried forward from the previous debt portfolio. The Group provided cash collateral to enable the refinancing transaction to be completed in advance of property security being put in place to ensure that the Group took advantage of propitious market conditions. With the exception of a residual amount of £7m held against the bond, during the year ended 31 March 2021 that cash collateral has been replaced with property security, freeing up those cash balances for use in the business.

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Society Act 2014. It is registered with the Regulator of Social Housing as a Registered Provider of social housing.

Its subsidiaries, Old Park Services Limited and Strata Housing Services Limited, are incorporated under the Companies Act 2006 (limited by share capital) and Choices Housing Association Limited is incorporated under the Co-operative and Community Benefits Societies Act 2014, under charitable rules and is also a Registered Provider of social housing. The registered address of the Association is Colliers Way, Old Park, Telford, TF3 4AW.

2. Accounting policies

Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The Group is a public benefit entity in accordance with FRS 102.

The financial statements are presented in sterling (£).

The individual accounts of the Association have adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes; and
- Financial instrument disclosures including:
 - Categories of financial instruments;
 - Items of income, expenses, gains or losses relating to financial instruments; and
 - Exposure to, and management of, financial risks.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Association and its subsidiaries. All intra-group transactions and balances and income and expenditure are eliminated on consolidation.

Going Concern

After making enquiries the board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, in making this assessment the Board have considered the period to 31 March 2023. For this reason, it continues to adopt the going concern basis in the financial statements. The principal factors that the board have considered in determining that the going concern basis of preparation remains appropriate are as follows:

- At 31 March 2021 the Group had loan and bond facilities totalling £606 million. At that date £110m of loan finance and £25m of retained bond finance were undrawn. The Group has a long-term business plan which shows that the remaining undrawn amount will be committed to its development programme during the period through to 31 March 2023. The base case shows sufficient cash headroom available to the Group at 31 March 2023.

Notes to the financial statements (continued)

2 Accounting policies (continued)

- The business plan also shows that the Group is able to service these debt facilities whilst continuing to comply with lenders' covenants.
- A comprehensive set of stress tests have been run on the plan – both in terms of the normal suite of scenarios that are tested regularly and additional tests to model the potential impact of a third wave of COVID-19. These stress tests explore the vulnerability of the business to a range of factors arising from different scenarios, including reduced income, increased costs, reduced availability of funding and a downturn in the property market. Mitigating actions have been identified for all of these such that covenant requirements are met. A range of actions are available to the Group including modifying the development programme to match with available funding should one of the scenarios materialise, and managing the level and timing of expenditure to offset adverse impacts on the Group's operating surplus.
- No assumption has been made that further government support would be required to mitigate the impact of future costs relating to COVID-19.
- The Group continues to monitor closely the effect on customers of the withdrawal of furlough arrangements on unemployment levels, and although based on experience during 2020 only a small impact is anticipated, nevertheless the Group maintains prudent levels of impairment provisions in its business plan.
- Whilst to some extent risks in relation to materials costs and labour availability have been observed to crystallise in the first half of 2021, potentially caused by Brexit and other global supply issues, these are well within the heightened levels of expenditure modelled in the Group's stress testing.
- The business plan includes additional costs in the two years to 31 March 2023 in relation to the re-phasing of repairs and maintenance that could not be completed in the year ended 31 March 2021 due to the impacts of COVID-19. Whilst these costs result in a slight reduction in the level of anticipated surplus over that period, all covenant requirements continue to be met including with the overlay of the stress scenarios described above.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements have been made include:

Significant management judgements

Classification of Loans as basic

Management have considered the terms of the group's lending arrangements and concluded that they meet the definition of basic financial instruments, and are therefore held at amortised cost. Please see note 26 debt analysis.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Estimation uncertainty

Impairment

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised in the statement of comprehensive income. During the year an impairment charge of £2.4m (2020:£nil) was made in respect of two redevelopment schemes, Pauls Moss (£2.1m) and Portley Road (£0.3m). The charge relates to the carrying value of existing properties on the sites that are planned to be demolished as part of the new development where the recoverable amount is considered to be £nil. Based on this assessment, management are satisfied that there are no other impairment triggers that would require a more detailed review.

In the light of COVID 19 additional emphasis has been placed on consideration of factors that might indicate an impairment trigger that would require a more detailed review. Information has been reviewed with regard to:

- Current developments of new properties
- Current demand for properties across the various types held by the group
- Current state of local property markets and affordability factors with regard to Right to Buy and Right to Acquire sales, disposals under the group's Asset Renewal Strategy and sales of first tranches and subsequent staircasing sales on shared ownership properties (the group is not involved in any developments for outright market sale)
- Current levels of income collection with regard to rents
- Current levels of delivery of responsive, cyclical and planned maintenance services.

This consideration has revealed that:

- Demand for all categories of property managed by the group remains strong. After a short pause at the start of the lockdown period the lettings service resumed to normal operation. Whilst the number void properties is higher at the end of the financial year due to vacant units arising in Extra Care schemes during the pandemic, the Group anticipates the number of void properties will be in line with pre-COVID levels now that restrictions have been lifted.
- Again, after limiting our repairs services to essential responsive repairs during the early weeks of lockdown, the responsive repairs service is now operating normally and there is no backlog of repairs to complete. Having been limited to essential compliance work in the early period of lockdown, cyclical and planned maintenance programmes were reduced to complete 75% of the programme during the year. Decent homes standards continued to be met and no provisions for non-compliance were made.
- Demand from customers to purchase properties under the Right to Buy and Right to Acquire provisions has remained at similar levels to those experienced in recent years. Although sales under the group's asset renewal strategy were paused during the early months of 2020/21, they resumed in October 2020 and demand and sale values achieved remained at pre-COVID levels.
- With regard to shared ownership properties, the group does not rely on selling such properties, instead developing all its properties as either rented stock or as a "rent now, buy later" product under its In Reach brand. Similar numbers of customers have exercised their option to purchase shares in these properties during 2020/21 as in previous years.
- Income collection remained strong with no deterioration in the arrears or bad debt position compared with previous years.

Notes to the financial statements (continued)

2 Accounting policies (continued)

- All the group's current development scheme sites were fully operational from May 2020, with no significant cost increases or delays arising as a result of COVID 19.

Based on this assessment, management are satisfied that there are no impairment triggers that would require a more detailed review.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation on housing properties at 31 March 2021 was £110.6m, (please see note 14). Accumulated depreciation on other fixed assets at 31 March 2021 was £11m, (please see note 15.).

Valuation of investment properties

Management reviews its valuation of investment properties at each reporting date, based on formal valuation reports or an update to those reports based on market conditions. The value of investment properties at 31 March 2021 was £16.9m, (please see note 17). These properties have been valued by external valuers on the basis of open market value as they are market-rented properties, rather than social housing properties, which could be sold with vacant possession within a short time period. The market value is based upon an analysis of comparable transactions which have taken place in the area, and the valuer's background knowledge of the local market.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 11). The liability at 31 March 2021 was £60.6m.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year net of any voids in respect of housing and garages, service charges to leaseholders in respect of services provided and communal repairs, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and income from government grants. Turnover also includes income from the delivery of care services to individuals. Income from property sales, the disposal of assets held for sale and other fixed assets and income from services provided to third parties through the trading subsidiary is also recognised as turnover.

Rental income is recognised from the point properties or garages become available for letting. Service charge income is recognised when service charge expenditure is incurred as this is the point at which the services have been provided. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Income from leaseholder service charges is recognised from the point the lease is assigned. Income from care services is recognised at the point of delivery to the service user. Income from first tranche sales, sales of properties, sales of assets held for sale and sales of other fixed assets is recognised at the point of legal completion of the sale. Income from services provided to third parties through the trading subsidiary is recognised at the point of delivery of the service.

Income from care activities is recognised when the activities in question have been delivered under the contractual arrangements with commissioning authorities, where service users are funded by such bodies, or individuals, where they pay for their own care. Income from trading activities, which form the largest part of the Group's non-social housing activities, is recognised at the point that goods and services have been delivered under the terms of the relevant contract.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Housing property disposals

Gains or losses arising on the disposal of housing properties (including the sale of properties under the Voluntary Right to Buy, Right to Buy and Right to Acquire schemes) are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the operating surplus/deficit for the year. Any capital grant associated with properties sold is to be recycled through the Recycled Capital Grant Fund (RCGF).

Value added tax

The Group's main income stream, being rent, is exempt for VAT purposes. The majority of expenditure is subject to VAT, which it is unable to reclaim – this expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain other activities, and this is credited to the statement of comprehensive income.

Corporation tax

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets in respect of temporary differences are only recognised where there is an expectation of sufficient future taxable profits to utilise the deductible temporary differences. Sufficient taxable profits are assumed to arise where there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse:

- in the same period as the expected reversal of the deductible temporary differences or
- in periods into which a tax loss arising from the deferred tax asset can be carried back or forward

Deferred tax assets are only recognised for unused tax losses or unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.

Sufficient taxable profits are assumed to arise where there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse:

- in the same period as the expected reversal of the deductible temporary differences or
- in periods into which a tax loss arising from the deferred tax asset can be carried back or forward

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax is measured on an undiscounted basis.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in income and expenditure, other comprehensive income or reserves depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously

Interest payable, financing and similar costs

Interest payable, financing and similar costs are charged to the statement of comprehensive income using the effective interest rate method.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

Pensions

The Group participates in the Shropshire County Pension Fund (SCPF). This is a defined benefit career average salary pension scheme administered by Shropshire County Council in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. The assets of the scheme are invested and managed independently of the finances of the Group.

For the SCPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets in the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Disposal proceeds fund

With effect from 7 April 2017 there is no longer a requirement for net proceeds from the disposal of property under voluntary purchase grant and statutory right to acquire legislation and regulations to be included within a disposal proceeds fund. The balance in the fund at 7 April 2017 will continue to attract interest which is calculated on a daily basis with the interest rate applied being determined by the level of total deposits. The fund can be applied for specific purposes ranging from acquisition of dwellings for letting, to the repair or improvement of vacant dwellings or buildings otherwise subject to demolition. The fund may be repayable, at the discretion of the Homes England, in certain specific circumstances. The fund is included within creditors until such time that all funds have been applied. As at 31 March 2021 all funds have been applied (see note 24).

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions.

Gift aid donation

The Association received charitable donations from its wholly owned subsidiaries, Old Park Services Limited and Strata Housing Services Limited, during the year. This has been accounted for as income in the Association's statement of comprehensive income for the year.

Gift aid is recognised at the earlier of the point there is a legal obligation or when paid. Amounts recognised in the current and prior financial period have been recognised on payment.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in the net rental income over

the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying value to its recoverable amount. Where the carrying value of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the group, its recoverable amount is its fair value less costs to sell.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Investment properties

Investment properties consist of market rented residential properties. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in value recognised in the statement of comprehensive income. These properties have been valued by external valuers on the basis of open market value as they are market-rented properties, rather than social housing properties, which could be sold with vacant possession within a short time period. The market value is based upon an analysis of comparable transactions which have taken place in the area, and the valuer's background knowledge of the local market.

Government grants

Government grants include grants receivable from Homes England and its predecessor bodies, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model. Grant is allocated to the land and structure components of the associated asset in proportion to their cost.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and the funds will be received.

Grant due from the funding bodies or received in advance is included as a current asset or liability.

Grant released on the sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the recognition criteria are satisfied is recognised as a liability.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis over its estimated useful economic life. Freehold land is not depreciated. The structural components of its housing properties are depreciated at the following annual rates:

Dwelling Type	Assessed Depreciable Life (Years) – by period of construction				
	Pre-1945	1945-1964	1965-1974	1975-1984	Post 1985
General needs flats & maisonettes	80	90	100	100	120
General needs houses & bungalows & shared ownership houses	80	100	100	100	120
High rise flats	N/A	80	100	N/A	N/A
Sheltered flats & maisonettes	80	100	100	100	120
Sheltered houses & bungalows	80	100	100	100	120

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

Component	Depreciable Life (Years)
Roof	60
Boiler	15
Heating System	30
Kitchen	20
Bathroom	30
Windows	30
Doors	25
Electrics	40
Consumer units	30
Solar Panels	30
Air Source Heat Pumps	30

Other fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Notes to the financial statements (continued)

2 Accounting policies (continued)

Freehold land and buildings	4%
Sheltered scheme furniture, fixtures and fittings	20%
Computers and office equipment	10%-33%
Plant, machinery and vehicles	20%

Leased assets

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provision for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Stock

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

Loans

Loans, which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102, are recognised initially at the present value of the future cash flows discounted by original effective interest rate. Loans are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the principal is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

Loan modifications

In the event of a modification to loan terms, the present value of future cash flows under the existing loan is compared to the present value of future cash flows under the modified loan. Both are discounted by the original effective interest rate and if the difference is 10% or more then the modification is assessed as being a substantial modification.

If there is a substantial modification, then the loan is derecognised and the modified loan is subsequently recognised at the present value of the future cash flows discounted by the market rate of interest as at the modification date with the movement from the carrying value of the loan before modification recognised as an income or expense. Transaction costs associated with the modification

Notes to the financial statements (continued)

2 Accounting policies (continued)

are capitalised by deducting them from the present value to derive the carrying value of the loan. That carrying value is then subsequently amortised using the effective interest rate method.

If there is a non-substantial modification, then the carrying value of the loan is adjusted, to the present value of the future cash flows under the modified loan discounted at the original effective interest rate, with the movement from the carrying value of the loan before modification recognised as an income or expense. The carrying value of the loan is then subsequently amortised using the effective interest rate method.

Where each tranche is replaced by a similar tranche, each tranche within a syndicate loan is assessed for modification individually and deemed to be the unit of account. Where tranches are combined or lack comparability with the equivalents before modification, then the previous loan is deemed to be legally extinguished and is then accounted for as a substantial modification.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash and cash equivalents in the Group's Statement of Financial Position consist of cash at bank, in hand, deposits and short-term investments which can be accessed instantly.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Segmental reporting

For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the executive management group. In line with the segments reported to the CODM, the presentation of these financial statements and accompanying notes are in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019 and is considered appropriate. Management consider the Regulator's Accounting Direction Note A and B to be the same information for the purposes of IFRS8 segmental reporting, as required by the SORP 3.8.

Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The CODM do not review disaggregated financial information of assets and liabilities at this level of operating segment. Segmental information is disclosed in note 3.

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus

Group - continuing activities

	2021 Turnover £'000	2021 Operating costs £'000	2021 Operating surplus £'000	2020 Turnover £'000	2020 Operating costs £'000	2020 Operating surplus £'000
Social housing lettings	76,242	(56,103)	20,139	73,533	(48,876)	24,657
Other social housing activities:						
Renting & letting of garages	782	(133)	649	792	(353)	439
Leaseholder service charges & communal repairs	467	(467)	-	525	(525)	-
Shared ownership 1 st tranche sales	1,546	(1,006)	540	2,031	(1,324)	707
Other	635	(1,090)	(455)	777	(1,300)	(523)
	<u>79,672</u>	<u>(58,799)</u>	<u>20,873</u>	<u>77,658</u>	<u>(52,378)</u>	<u>25,280</u>
Activities other than social housing:						
Care Activities	5,705	(10,064)	(4,359)	6,080	(11,032)	(4,952)
Other revenue government grants	1,067	-	1,067	-	-	-
Third party repairs contracts	1,741	(1,110)	631	609	(467)	142
Market rented properties	839	(130)	709	837	(107)	730
Community centres and social enterprise	50	(182)	(132)	195	(201)	(6)
Furniture recycling and waste management	332	(4,170)	(838)	835	(1,731)	(896)
Other non social housing activities	387	(318)	69	690	(715)	(25)
Gain on disposal of assets held for sale	5,916	(1,660)	4,256	5,189	(1,319)	3,870
Loss on disposal of other fixed assets	-	(171)	(171)	-	(12)	(12)
Total	<u>95,709</u>	<u>(73,604)</u>	<u>22,105</u>	<u>92,093</u>	<u>(67,962)</u>	<u>24,131</u>

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

	Association - continuing activities			
	2021	2021	2021	2020
	Turnover	Operating costs	Operating surplus	Turnover
	£'000	£'000	£'000	£'000
Social housing lettings	70,268	(55,008)	15,260	67,417
Other social housing activities:				
Renting & letting of garages	782	(133)	649	792
Leaseholder service charges & communal repairs	467	(467)	-	525
Shared ownership 1 st tranche sales	1,546	(1,006)	540	2,031
Other	635	(1,090)	(455)	777
	<u>73,698</u>	<u>(57,704)</u>	<u>15,994</u>	<u>71,542</u>
				<u>(52,649)</u>
				<u>18,893</u>
Activities other than social housing:				
Property lease income-group companies	1,135	-	1,135	1,121
Other revenue government grants	137	-	137	-
Community centres and social enterprise	50	(182)	(132)	195
Furniture recycling and waste management	128	(353)	(225)	232
Other non social housing activities	30	(15)	15	107
Gain on disposal of assets held for sale	5,916	(1,660)	4,256	5,189
Loss on disposal of other fixed assets	-	(168)	(168)	-
	<u>81,094</u>	<u>(60,082)</u>	<u>21,012</u>	<u>78,386</u>
				<u>(54,589)</u>
Total				<u>23,797</u>

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group	General needs housing 2021 £'000	Supported housing and housing for older people 2021 £'000	Total 2021 £'000	Total 2020 £'000
Rents receivable net of identifiable service charges	50,820	16,067	66,887	64,809
Service charge income	1,257	6,503	7,760	7,830
Amortised government grants	980	2	982	894
Other Revenue government grants	608	5	613	-
Turnover from social housing lettings	53,665	22,577	76,242	73,533
Management	(8,014)	(2,343)	(10,357)	(8,959)
Services	(1,999)	(8,447)	(10,446)	(8,801)
Routine maintenance	(11,202)	(2,607)	(13,809)	(13,406)
Rent losses from bad debts	(23)	2	(21)	(218)
Major repairs expenditure	(4,802)	(946)	(5,748)	(5,454)
Depreciation of housing properties	(11,039)	(1,624)	(12,663)	(12,038)
Impairment of housing properties	(2,439)	-	(2,439)	-
Write-off of components following demolition of properties	(620)	-	(620)	-
Operating costs on social housing lettings	(40,138)	(15,965)	(56,103)	(48,876)
Operating surplus on social housing lettings	13,527	6,612	20,139	24,657
Void losses	474	903	1,377	620

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Association	General needs housing 2021 £'000	Supported housing and housing for older people 2021 £'000	Total 2021 £'000	Total 2020 £'000
Rents receivable net of identifiable service charges	50,820	10,259	61,079	59,047
Service charge income	1,257	6,339	7,596	7,478
Amortised government grants	980	-	980	892
Other revenue government grants	608	5	613	-
Turnover from social housing lettings	53,665	16,603	70,268	67,417
Management	(8,015)	(2,081)	(10,096)	(7,805)
Services	(2,029)	(7,914)	(9,943)	(10,036)
Routine maintenance	(11,282)	(2,226)	(13,508)	(13,625)
Rent losses from bad debts	(23)	2	(21)	(218)
Major repairs expenditure	(4,802)	(946)	(5,748)	(5,454)
Depreciation of housing properties	(11,039)	(1,594)	(12,633)	(12,009)
Impairment of housing properties	(2,439)	-	(2,439)	-
Write-off of components following demolition	(620)	-	(620)	-
Operating costs on social housing lettings	(40,249)	(14,759)	(55,008)	(49,147)
Operating surplus on social housing lettings	13,416	1,844	15,260	18,270
Void losses	474	446	920	427

Notes to the financial statements (continued)

4 Surplus on sale of housing assets

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Disposal proceeds	2,940	6,015	2,940	5,662
Carrying value of fixed assets	(1,276)	(2,341)	(1,276)	(2,158)
	<u>1,664</u>	<u>3,674</u>	<u>1,664</u>	<u>3,504</u>

During the year 2 (2020:25) properties were sold under the Voluntary Right to Buy-Midlands Pilot. The value of receipts identified for use to fund one for one replacement is £2.278m (2020:£2.156m).

5 Accommodation in management

Accommodation in management for each class of accommodation was as follows:

	Group		Association	
	2021 No.	2020 No.	2021 No.	2020 No.
General needs housing	10,507	10,420	10,507	10,420
Supported housing	2,099	2,087	2,080	2,068
Shared ownership	268	269	268	269
Residential Care Homes	96	96	-	-
Total owned	<u>12,970</u>	<u>12,872</u>	<u>12,855</u>	<u>12,757</u>
Accommodation managed for others	71	93	42	56
Total Managed	<u>13,041</u>	<u>12,965</u>	<u>12,897</u>	<u>12,813</u>
Properties where the Group had residual freehold interest	<u>648</u>	<u>643</u>	<u>648</u>	<u>643</u>
	<u>13,689</u>	<u>13,608</u>	<u>13,545</u>	<u>13,456</u>
Accommodation in development at year end	<u>628</u>	<u>542</u>	<u>628</u>	<u>542</u>

Of the total properties owned, 19 (2020: 31) were managed by third parties.

Notes to the financial statements (continued)

6 Operating surplus

The operating surplus is arrived at after charging/ (crediting):

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Gain on disposal of housing properties	(1,664)	(3,674)	(1,664)	(3,504)
Loss on disposal of other fixed assets	171	12	168	6
Amortisation of intangible assets	249	178	249	178
Depreciation of housing properties	12,663	12,019	12,633	11,990
Depreciation of other tangible fixed assets	685	696	521	465
Impairment of housing properties	2,439	-	2,439	-
Operating lease charges	1,959	2,051	1,801	1,879
Auditor's remuneration (excluding VAT):				
for audit services	185	215	130	178
for non-audit services:				
-Tax advice	-	11	-	11
-Tax compliance & iXBRL tagging	-	11	-	11
-Other assurance services	-	57	-	57

7 Interest receivable and similar income

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Interest received from temporary investments with banks and building societies	64	267	62	246
Other interest receivable	1	3	1	3
	<u>65</u>	<u>270</u>	<u>63</u>	<u>249</u>

8 Interest payable, financing costs and similar charges

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	13,587	13,707	13,586	13,707
Funders security/facility fee	1,135	3,018	1,135	3,018
Valuer's fee	25	127	25	127
Breakage Costs	-	52,067	-	52,067
Defined benefit pension charge	1,187	1,025	1,187	1,025
Other interest payable	21	21	9	10
	<u>15,955</u>	<u>69,965</u>	<u>15,942</u>	<u>69,954</u>

Note that a correction has been made of a drafting error in the 2020 Group figures for Loans and bank overdrafts (re-stated: £13,707,000; previously £15,482,000) and Funders security / facility fee (re-stated: £3,018,000; previously £1,243,000). The overall Group and Association figures are unaffected.

Notes to the financial statements (continued)

9 Employees

	Group		Association	
	2021 No.	2020 No.	2021 No.	2020 No.
Average monthly number of employees expressed in full time equivalents: (calculated based on a standard working week of 36 hours)				
Office staff	369	359	341	329
Trades employees	207	207	182	180
Scheme managers, estate officers and cleaners	54	52	54	52
Care	344	343	-	-
	<u>974</u>	<u>961</u>	<u>577</u>	<u>561</u>

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Staff costs:				
Wages and salaries	27,472	26,613	17,707	16,740
Social security costs	2,476	2,323	1,761	1,618
Other pension costs	4,174	4,857	3,891	4,594
	<u>34,122</u>	<u>33,793</u>	<u>23,359</u>	<u>22,952</u>

The following full time equivalent numbers of staff, including executive directors, received emoluments, including compensation for loss of office, of:

	Group		Association	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001-£70,000	10	7	9	7
£70,001-£80,000	3	3	3	2
£80,001-£90,000	3	4	3	4
£90,001-£100,000	-	1	-	1
£100,001-£110,000	4	2	4	2
£110,001-£120,000	1	-	1	-
£120,001-£130,000	1	-	1	-
£130,001-£140,000	1	-	1	-
£140,001-£150,000	-	1	-	1
£180,001-£190,000	-	1	-	1
£200,001-£210,001	1	-	1	-
Total	<u>24</u>	<u>19</u>	<u>23</u>	<u>18</u>

Notes to the financial statements (continued)

10 Key management personnel, board members and executive directors

Expenses paid during the period to board members amounted to £495 (2020: £10,565).

The aggregate amount of the total cost of key management personnel to the business (including benefits in kind and pension contributions) during the year was £859,940 (2020: £529,785).

	2021 £'000	2020 £'000
Executive directors		
Basic salary	599	357
Benefits in kind (car provision)	25	24
Pension contributions	80	35
	<u>704</u>	<u>416</u>
Employer's social security contributions	78	47
	<u>782</u>	<u>463</u>
Total		
	<u>782</u>	<u>463</u>
Board members		
Fees	82	66
Social Security Contributions	1	1
	<u>83</u>	<u>67</u>

The pension costs disclosed in the table above represent the employer contributions in respect of the key management personnel. The actuary for the Local Government Pension Scheme does not provide details of current or past service cost on an individual member basis and, therefore, the disclosure represents the contributions payable only rather than the total amount charged to operating costs in respect of the key management personnel.

In 2019/20 the Executive Management Group consisted of the Group Chief Executive and the Executive Director of Finance for the majority of the year. In February 2020 two additional Executive Directors were appointed, being the Executive Director of Operational Services and the Executive Director of Business Solutions.

All Board member fees were met by The Wrekin Housing Group Limited. Disclosure of fees paid to individual board members is included within the Report of the Board.

The emoluments of the highest paid director, the Group Chief Executive were £205,982 (2020: £183,127). The Group Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual arrangement for the Group Chief Executive.

11 Pensions

Group

The Group participates in the Shropshire County Pension Fund which is a defined benefit career average salary pension scheme. Triennial actuarial valuations are performed by a qualified actuary using the "projected unit" method. The most recent formal valuation of the Fund was completed as at 31 March 2019 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2021, by a qualified independent actuary.

Notes to the financial statements (continued)

11 Pensions (continued)

The Group made the decision to close the scheme to new entrants with effect from 1 September 2020. New employees are offered membership of a Smart defined contribution pension with employer contributions ranging from 10-14%.

Contributions

The employer's contributions to the Shropshire County Pension Fund (SCPF) by the Group for the year ended 31 March 2021 were £2,495,000 (2020: £2,345,000) and the employer's contribution rate was fixed at 17% of pensionable pay until 31 March 2021 with regard to future service benefits. For the 2021/22 year this rate will remain at 17%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2020/21 was £367,400, and will be £381,800 in 2021/22. The Group will continue to make additional lump sum payments in line with the deficit contribution schedule, as agreed with the SCPF, payable over 22 years. As a result of the 2019 valuation, deficit contributions will increase at a rate of 3.9% per annum over the recovery period.

Principal actuarial assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Rate of increase in salaries	3.2	2.6
Rate of increase in pensions in payment	2.8	2.2
Discount rate	2.1	2.4
Inflation assumption	2.7	2.1

Mortality Assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2020 and March 2021 are based on the PA92 series. The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2021 No. of years	2020 No. of years
Retiring today:		
Males	23	22.9
Females	25.1	25.0
Retiring in 20 years:		
Males	24.3	24.2
Females	26.7	26.6

Notes to the financial statements (continued)

11 Pensions (continued)

Amounts recognised in the statement of financial position:

	2021 £'000	2020 £'000
Fair value of employer assets	104,038	86,283
Present value of funded liabilities	<u>(164,677)</u>	<u>(137,023)</u>
Net liability	<u>(60,639)</u>	<u>(50,740)</u>

Analysis of the amounts charged to the statement of comprehensive income:

	2021 £'000	2020 £'000
Net interest cost	<u>1,187</u>	<u>1,025</u>
Current service cost	3,816	4,068
Administration expenses	75	75
Past service cost	-	451
Amount charged to operating costs	<u>3,891</u>	<u>4,594</u>
Total amount recognised in the statement of comprehensive income	<u>5,078</u>	<u>5,619</u>

Reconciliation of opening and closing balances of the present value of scheme liabilities:

	2021 £'000	2020 £'000
Opening scheme liabilities	(137,023)	(132,517)
Current service cost	(3,816)	(4,068)
Interest cost	(3,267)	(3,291)
Contribution by members	(865)	(839)
Past service cost	(-)	(451)
Benefits paid	2,626	2,638
Actuarial (loss) / gain	<u>(22,332)</u>	<u>1,505</u>
Closing scheme liabilities	<u>(164,677)</u>	<u>(137,023)</u>

Notes to the financial statements (continued)

11 Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets:

	2021 £'000	2020 £'000
Opening fair value of plan assets	86,283	90,357
Interest income	2,080	2,266
Contributions by the employer	2,495	2,345
Contribution by members	865	839
Benefits paid	(2,626)	(2,638)
Administration expenses	(75)	(75)
Actuarial gain / (loss)	15,016	(6,811)
	<u>104,038</u>	<u>86,283</u>
Closing fair value of plan assets	<u>104,038</u>	<u>86,283</u>

Major categories of plan assets as a percentage of total plan assets:

	2021	2020
Equities	49.3%	50.0%
Bonds	20.7%	22.3%
Property	3.8%	4.3%
Cash	0.3%	1.3%
Other	25.9%	22.1%

Sensitivity Analysis

Disclosure Item	None	0.1% p.a. discount rate	0.1% p.a. inflation	0.1% p.a. pay growth	1 Year increase in life expectancy	+1% change in 2019-20 investment returns	-1% change in 2019-20 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	(164,677)	(161,771)	(167,635)	(165,218)	(169,539)	(164,677)	(164,677)
Assets	104,038	104,038	104,038	104,038	104,038	105,062	102,994
Deficit	(60,639)	(57,733)	(63,597)	(61,180)	(65,501)	(59,615)	(61,683)
Projected service cost for next year	4,867	4,738	5,003	4,867	5,028	4,867	4,867
Projected net interest cost for next year	1,247	1,243	1,309	1,258	1,349	1,225	1,269

Notes to the financial statements (continued)

12 Taxation

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current Tax				
UK corporation tax on surplus for the year	271	152	(1)	16
Adjustments in respect of prior years	(149)	(153)	(13)	(5)
Total current tax	<u>122</u>	<u>(1)</u>	<u>(14)</u>	<u>11</u>
Total tax on results on ordinary activities	<u>122</u>	<u>(1)</u>	<u>(14)</u>	<u>11</u>
Surplus/(deficit) on ordinary activities before tax	10,399	(41,911)	10,036	(41,684)
Theoretical tax at corporation tax rate of 19% (2020: 19%)	1,976	(7,963)	1,907	(7,920)
Effects of:				
Income not taxable for tax purposes	(11,087)	(13,636)	(16,084)	(16,127)
Expenses not deductible for tax purposes	9,382	21,751	14,176	24,063
Adjustments to tax in respect of prior periods	(149)	(153)	(13)	(5)
Total tax charge	<u>122</u>	<u>(1)</u>	<u>(14)</u>	<u>11</u>

The government has announced an increase in the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. As the group has charitable status with HMRC the majority of its income is exempt from corporation tax. The directors do not consider the announced increase in the rate will have any material impact on the financial statements.

Notes to the financial statements (continued)

13 Intangible fixed assets

Group and Association	Computer Software £'000	Total £'000
Cost		
At 1 April 2020	1,493	1,493
Additions	218	218
	<u>1,711</u>	<u>1,711</u>
At 31 March 2021	<u>1,711</u>	<u>1,711</u>
Amortisation		
At 1 April 2020	1,154	1,154
Charged in year	249	249
	<u>1,403</u>	<u>1,403</u>
At 31 March 2021	<u>1,403</u>	<u>1,403</u>
Net book value		
At 31 March 2020	<u>339</u>	<u>339</u>
At 31 March 2021	<u>308</u>	<u>308</u>

Notes to the financial statements (continued)

14 Fixed assets - housing properties

Housing Properties

Group	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
Cost					
At 1 April 2020	663,113	39,421	14,102	-	716,636
Improvements to existing properties	6,159	-	-	-	6,159
Additions	603	48,049	26	995	49,673
Change of tenure	(1,630)	-	1,630	-	-
Schemes completed	35,682	(35,682)	995	(995)	-
Transfer to assets held for sale	(941)	-	(954)	-	(1,895)
Transfer to investment properties	(25)	-	-	-	(25)
Disposals - properties	(4,177)	-	(4)	-	(4,181)
Disposals - components	(1,839)	-	-	-	(1,839)
At 31 March 2021	<u>696,945</u>	<u>51,788</u>	<u>15,795</u>	<u>-</u>	<u>764,528</u>
Depreciation and impairment					
At 1 April 2020	97,532	-	1,011	-	98,543
Change of tenure	(51)	-	51	-	-
Impairment	2,439	-	-	-	2,439
Charged in year	12,511	-	152	-	12,663
Released on disposal - properties	(968)	-	(1)	-	(969)
Released on disposal - components	(1,839)	-	-	-	(1,839)
Transfer to assets held for sale	(284)	-	-	-	(284)
At 31 March 2021	<u>109,340</u>	<u>-</u>	<u>1,213</u>	<u>-</u>	<u>110,553</u>
Net book value					
At 31 March 2020	<u>565,581</u>	<u>39,421</u>	<u>13,091</u>	<u>-</u>	<u>618,093</u>
At 31 March 2021	<u>587,605</u>	<u>51,788</u>	<u>14,582</u>	<u>-</u>	<u>653,975</u>

Included in the depreciation charge for the year is £564k of accelerated depreciation on components disposed before the end of their useful economic lives (2019: £390k)

Notes to the financial statements (continued)

14 Fixed assets – housing properties (continued)

Housing Properties

Association	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
Cost					
At 1 April 2020	666,019	39,421	14,208	-	719,648
Improvements to existing properties	6,136	-	-	-	6,136
Additions	614	48,889	26	1,012	50,541
Change of tenure	(1,630)	-	1,630	-	-
Schemes completed	36,523	(36,523)	1,012	(1,012)	-
Transfer to assets held for sale	(941)	-	(954)	-	(1,895)
Transfer to investment properties	(25)	-	-	-	(25)
Disposals – properties	(4,164)	-	(4)	-	(4,168)
Disposals – components	(1,839)	-	-	-	(1,839)
At 31 March 2021	<u>700,693</u>	<u>51,787</u>	<u>15,918</u>	<u>-</u>	<u>768,398</u>
Depreciation and impairment					
At 1 April 2020	97,150	-	1,011	-	98,161
Change of tenure	(51)	-	51	-	-
Impairment	2,439	-	-	-	2,439
Charged in year	12,481	-	152	-	12,633
Released on disposal - properties	(958)	-	(1)	-	(959)
Released on disposal - components	(1,839)	-	-	-	(1,839)
Transfer to assets held for sale	(284)	-	-	-	(284)
At 31 March 2021	<u>108,938</u>	<u>-</u>	<u>1,213</u>	<u>-</u>	<u>110,151</u>
Net book value					
At 31 March 2020	<u>568,869</u>	<u>39,421</u>	<u>13,197</u>	<u>-</u>	<u>621,487</u>
At 31 March 2021	<u>591,755</u>	<u>51,787</u>	<u>14,705</u>	<u>-</u>	<u>658,247</u>

Included in the depreciation charge for the year is £564k of accelerated depreciation on components disposed before the end of their useful economic lives (2019: £391k)

Notes to the financial statements (continued)

14 Fixed assets – housing properties (continued)

Group and Association

Expenditure on works to existing properties

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts capitalised – component replacement	6,159	7,677	6,136	7,651
Amounts charged to statement of comprehensive income	5,748	5,454	5,748	5,454
Total	<u>11,907</u>	<u>13,131</u>	<u>11,884</u>	<u>13,105</u>

Social housing grant (SHG)

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Total accumulated SHG receivable at 31 March:				
Recognised in the statement of comprehensive income	7,011	6,069	6,256	5,323
Held as deferred income	102,543	90,987	101,347	89,777
	<u>109,554</u>	<u>97,056</u>	<u>107,603</u>	<u>95,100</u>

Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2018. During the year an impairment charge of £2.4m (2020:£nil) was made in respect of two redevelopment schemes, Pauls Moss (£2.1m) and Portley Road (£0.3m). The charge relates to the carrying value of existing properties on the sites that are planned to be demolished as part of the new development where the recoverable amount is considered to be £nil.

Notes to the financial statements (continued)

15 Tangible fixed assets - other

Group	Freehold buildings and land £'000	Sheltered scheme furniture, fixtures and fittings £'000	Computers and office equipment and furniture £'000	Plant, machinery and vehicles £'000	Total £'000
Cost					
At 1 April 2020	9,678	1,308	3,979	321	15,286
Additions	-	82	507	45	634
Disposals	(322)	(104)	(-)	(7)	(433)
At 31 March 2021	<u>9,356</u>	<u>1,286</u>	<u>4,486</u>	<u>359</u>	<u>15,487</u>
Depreciation and impairment					
At 1 April 2020	5,720	1,264	3,346	240	10,570
Charged in year	289	52	305	39	685
Depreciation on disposals	(136)	(96)	(1)	(5)	(238)
At 31 March 2021	<u>5,873</u>	<u>1,220</u>	<u>3,650</u>	<u>274</u>	<u>11,017</u>
Net book value					
At 31 March 2020	<u>3,958</u>	<u>44</u>	<u>633</u>	<u>81</u>	<u>4,716</u>
At 31 March 2021	<u>3,483</u>	<u>66</u>	<u>836</u>	<u>85</u>	<u>4,470</u>

Notes to the financial statements (continued)

15 Tangible fixed assets – other (continued)

Association	Freehold buildings and land £'000	Sheltered scheme furniture, fixtures and fittings £'000	Computers and office equipment and furniture £'000	Plant, machinery and vehicles £'000	Total £'000
Cost					
At 1 April 2020	5,092	21	3,512	229	8,854
Additions	-	-	507	26	533
Disposals	(322)	-	-	-	(322)
At 31 March 2021	<u>4,770</u>	<u>21</u>	<u>4,019</u>	<u>255</u>	<u>9,065</u>
Depreciation and impairment					
At 1 April 2020	2,316	21	2,888	175	5,400
Charged in year	205	-	302	14	521
Depreciation on disposals	(136)	-	(1)	-	(137)
At 31 March 2021	<u>2,385</u>	<u>21</u>	<u>3,189</u>	<u>189</u>	<u>5,784</u>
Net book value					
At 31 March 2020	<u>2,776</u>	<u>-</u>	<u>624</u>	<u>54</u>	<u>3,454</u>
At 31 March 2021	<u>2,385</u>	<u>-</u>	<u>830</u>	<u>66</u>	<u>3,281</u>

16 Investment in subsidiaries

At the year end the Association had three wholly owned subsidiaries, Choices Housing Association Limited, Old Park Services Limited and Strata Housing Services Limited. These financial statements consolidate the results of those entities. It holds one £1 ordinary share in each company which equates to a 100% holding. The principal activity of Choices Housing Association is the provision of registered care and supported housing for adults with a learning disability. The principal activity of Old Park Services Limited is to provide housing and property related services and associated software to other social landlords. The principal activity of Strata Housing Services Limited is the provision of development services to its parent company, The Wrekin Housing Group Limited. The Association has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them. Old Park Services Limited and Strata Housing Services Limited are non-regulated companies. The registered office is the same for all group companies.

Company	%	Surplus for the year	Reserves
Choices Housing Association	100	£599,000	£4,268,000
Old Park Services Limited	100	£487,000	£638,000
Strata Housing Services Limited	100	£809,000	£575,000

Notes to the financial statements (continued)

17 Investment properties

Group and Association	2021 £'000	2020 £'000
At 1 April	14,412	14,412
Transfer from housing properties	25	21
Disposals	(9)	-
Increase / (decrease) in value	<u>2,520</u>	<u>(21)</u>
At 31 March	<u>16,948</u>	<u>14,412</u>

Investment properties are non-social housing properties held for letting which were valued at 31 March 2021. The investment properties comprise 117 units known as the Hedgerows development, 6 flats at The Red House Priorslee, and 10 houses on a new mixed tenure development in Herefordshire known as Well Gardens. All properties are managed by the Association's wholly owned subsidiary company Old Park Services Ltd. A full external valuation of these properties was completed at 31 March 2021 by Butters John Bee. These properties have been valued on the basis of open market value as they are market-rented properties, rather than social housing properties, which could be sold with vacant possession within a short time period. The market value is based upon an analysis of comparable transactions which have taken place in the area, and the valuer's background knowledge of the local market.

18 Properties held for sale

Group and Association	2021 £'000	2020 £'000
Completed shared ownership properties	170	410
Properties held for sale- asset renewal strategy	<u>1,992</u>	<u>2,572</u>
	<u><u>2,162</u></u>	<u><u>2,982</u></u>

Notes to the financial statements (continued)

19 Debtors

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Rent and service charges receivable	1,232	1,403	822	762
Less: provision for bad and doubtful debts	(726)	(744)	(613)	(623)
	506	659	209	139
Prepayments and accrued income	7,955	4,682	7,768	4,529
Other debtors	729	999	552	861
Trade debtors	132	110	54	54
Other Taxation and Social Security	720	68	-	-
Amounts owed by group undertakings	-	-	3,066	2,932
	<u>10,042</u>	<u>6,518</u>	<u>11,649</u>	<u>8,515</u>

There are no special payment terms, interest or security arrangements in place with regard to amounts owed by group undertakings.

20 Cash and cash equivalents

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	14,391	25,546	10,852	20,712
Short-term bank deposits	11,541	11,786	10,000	10,000
Cash held as collateral*	7,012	41,634	7,012	41,634
	<u>32,944</u>	<u>78,966</u>	<u>27,864</u>	<u>72,346</u>

*Cash held in charged bank accounts as collateral against the bond and against potential mark to market costs associated with one of the loans that was carried forward from the previous debt portfolio. The Group initially provided cash collateral to enable the refinancing transaction to be completed during the year ended 31 March 2020, in advance of property security being put in place to ensure that the Group took advantage of propitious market conditions. During the year ended 31 March 2021 that cash collateral has been largely replaced with property security, freeing up those cash balances for use in the business.

Notes to the financial statements (continued)

21 Creditors: Amounts falling due within one year

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade creditors	8,249	6,853	2,397	2,181
Rent and service charges received in advance	3,292	2,873	3,292	2,873
Other taxation and social security	1,248	669	839	529
Pension contributions due	309	237	273	237
Social housing grant received in advance	3,400	1,496	3,400	1,496
Accruals	3,538	3,106	3,134	2,813
Interest Payments Due	3,470	3,428	3,470	3,428
Deferred Income	118	94	93	94
Disposal proceeds fund (note 24)	-	1,734	-	1,734
Holiday pay accrual	230	156	230	156
Deferred grant income (note 23)	993	906	979	892
Other creditors	208	192	192	181
Amounts owed to group undertakings	-	-	7,479	3,560
	<u>25,055</u>	<u>21,744</u>	<u>25,778</u>	<u>20,174</u>

Included within accruals is £3.470m (2020: £3.248m) relating to loan & bond interest. There are no special payment terms, interest or security arrangements in place with regard to amounts owed to group undertakings.

22 Creditors: Amounts falling due after more than one year

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Debt (note 26)	489,649	523,228	489,649	523,228
Recycled capital grant fund (note 25)	530	184	530	184
Deferred grant income (note 23)	109,540	97,625	108,358	96,429
	<u>599,719</u>	<u>621,037</u>	<u>598,537</u>	<u>619,841</u>

Notes to the financial statements (continued)

23 Deferred grant income

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
At 1 April	98,531	89,024	97,321	87,623
Grant received in the year	13,492	10,714	13,492	10,714
Transfer to recycled capital grant fund	(478)	(118)	(478)	(118)
Released to income in the year	(1,012)	(1,089)	(998)	(898)
	<u>110,533</u>	<u>98,531</u>	<u>109,337</u>	<u>97,321</u>
At 31 March				
Amounts to be released within one year	993	906	979	892
Amounts to be released in more than one year	109,540	97,625	108,358	96,429
	<u>110,533</u>	<u>98,531</u>	<u>109,337</u>	<u>97,321</u>
SHG	102,543	90,987	101,347	89,777
Other grant	7,990	7,544	7,990	7,544
	<u>110,533</u>	<u>98,531</u>	<u>109,337</u>	<u>97,321</u>

24 Disposals proceeds fund

Group and Association	2021	2020
	£'000	£'000
At 1 April	1,734	2,214
Interest accrued	9	9
Acquisition of dwellings for letting	-	(489)
Transfer to grant received in advance	(1,743)	-
	<u>-</u>	<u>1,734</u>
Balance at 31 March		
The above balance is disclosed as follows:		
	2021	2020
	£'000	£'000
Amounts due within one year	-	1,734
Amounts due after more than one year	-	-
	<u>-</u>	<u>1,734</u>

The balance of £1.743m at March 2021 remains committed with the prior approval of Homes England. The Regulator of Social Housing's power to recover Disposal Proceeds Funds ceased on 6 April 2020. The balance on the fund has been transferred to social housing grant received in advance see note 21.

Notes to the financial statements (continued)

25 Recycled capital grant fund

Group and Association	2021 £'000	2020 £'000
At 1 April	184	184
Grants recycled	478	118
Interest accrued	-	-
Acquisition of dwellings for letting	(132)	(118)
	<u>530</u>	<u>184</u>
Balance at 31 March	<u>530</u>	<u>184</u>

Withdrawals from the recycled capital grant fund have been used for the purchase and development of new housing schemes for letting.

26 Debt analysis

Group and Association	2021 £'000	2020 £'000
Due after more than one year		
Bond Financing	225,000	200,000
Discount and premium	(1,225)	(4,336)
Amortised cost	(1,326)	(1,409)
	<u>222,449</u>	<u>194,255</u>
Carrying value of bond	222,449	194,255
Bank loans amortised cost	267,200	328,973
	<u>489,649</u>	<u>523,228</u>
Repayable in		
One year or more but less than two years	-	-
Two years or more but less than five years	99,970	123,695
After five years	389,679	399,533
	<u>489,649</u>	<u>523,228</u>

The bank loans are secured by fixed charges on individual properties and by a floating charge over the assets of the Association. At 31 March 2021 the Association had total loan facilities available of £356m (2020: £356m) of which £110m (2020: £50m) was undrawn. £141m of this facility is fixed for periods of between 5 and 19 years at fixed rates of interest ranging from 4.126% to 7.25%, and is fully drawn. The instalments fall to be repaid in the period 2026 to 2040. £215m of this facility, of which £105m is drawn, is variable at a rate of LIBOR + margin and is repayable between 2 & 5 years.

The bond is a £250m, long-dated bond issued via the debt capital markets, maturing in 2048 and with a coupon rate of 2.5%. The bond is listed on the London Stock Exchange. £200m was issued on day one, with £50m initially retained for future issue. The bond was issued at 148bps over Gilt, giving an all-in cost of funds of 2.607%. In August 2020 the Group issued a further £25m of its retained bond. It was issued at 108bps over Gilt, generating a premium of £3.1m and overall cash inflow of £28.1m, and giving an all-in cost of funds of 1.92%.

Note that a correction has been made to the figures for 31 March 2020, increasing the amortised cost for the bond to (£1,409,000) (previously published (£809,000)), thereby reducing the carrying value of the bond to £194,255,000 (previously £194,855,000), offset by an uplift to Bank Loans amortised cost

Notes to the financial statements (continued)

to £328,973,000 (previously £328,373,000). There is no impact on the total amounts due at 31 March 2020.

27 Reserves

Revenue reserves include all retained surpluses and deficits in relation to current and prior periods, and any fair value movement on the valuation of Investment properties.

At 31 March 2021, the revenue reserve included £60,639,000 in respect of the defined benefit pension liability (2020: £50,740,000).

Restricted reserves relate to the agreement with the former English Partnerships that The Wrekin Housing Group Limited retains all receipts from the sale of housing assets on the Woodside estate for reinvestment in the regeneration of the estate.

28 Financial commitments

Group and Association	2021 £'000	2020 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	53,082	45,373
Expenditure authorised by the board but not contracted for	192,055	52,365
	<u>245,137</u>	<u>97,738</u>

The above commitments reflect the continuation of the Group's Asset Renewal and Development Programme. The commitments will be financed through a combination of borrowings, which are available for draw-down under existing loan arrangements, social housing grant, expected shared ownership sales proceeds, property sales under the Group's Asset Renewal Strategy and cash generated from operating activities.

Operating leases

The future minimum lease payments of leases are as set out below. Leases relate to office accommodation and vehicles.

The future minimum operating lease payments are as follows:	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	1,027	912	985	849
Two to five years	1,129	1,503	1,129	1,503
	<u>2,156</u>	<u>2,415</u>	<u>2,114</u>	<u>2,352</u>

Notes to the financial statements (continued)

28 Financial commitments (continued)

The Association had lease receivables under non-cancellable operating leases as follows:

Association	2021	2020
Amounts receivable as lessor are as follows:	£'000	£'000
Within one year	490	490
Two to five years	1,960	1,960
Later than five years	9,310	9,800
	<u>11,760</u>	<u>12,250</u>

The lease receivable relates to the lease of the Limewood Dementia Unit from the Association to Choices Housing Association Limited. The lease has 24 years to run (2020: 25 years). The lease cost per annum is £490k.

29 Cash flow from operating activities

	2021	2020
	£'000	£'000
Surplus/(Deficit) for the year	10,277	(41,910)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	13,348	12,715
Amortisation of intangible fixed assets	249	178
Impairment of Housing Properties	2,439	-
Write-off of components following demolition of properties	620	-
Increase in stock	(30)	(43)
Increase in properties held for sale	2,431	2,804
Decrease/(Increase) in debtors	945	1,691
Increase/(decrease) in creditors	(24)	1,758
Government grants utilised in the year	(1,012)	(1,089)
Pension costs less contributions payable	1,396	2,249
Adjustments for investing and financing activities:		
Net gain on the sale of tangible fixed assets	(1,664)	(3,674)
Movement in fair value of investment properties	(2,520)	21
Interest payable	15,955	69,965
Interest receivable	(65)	(270)
	<u>42,345</u>	<u>44,395</u>
Net cash generated from operating activities		

Notes to the financial statements (continued)

30 Analysis of changes in net debt

	At 01 April 2020 £'000	Cash flows £'000	Other non- cash movements £'000	At 31 March 2021 £'000
Cash at bank and in hand	25,546	(11,155)	-	14,391
Cash held as collateral	41,634	(34,622)	-	7,012
Money market deposits at call, seven day or monthly floating rates	11,786	(245)	-	11,541
	<u>78,966</u>	<u>(46,022)</u>	-	<u>32,944</u>
Overdraft facility repayable on demand	-	-	-	-
Bank loans due within one year	-	-	-	-
Bank loans due greater than one year	(328,973)	60,000	1,773	(267,200)
Bond finance due greater than one year	(194,255)	(28,111)	(83)	(222,449)
	<u>(444,262)</u>	<u>(14,133)</u>	<u>1,690</u>	<u>(456,705)</u>
Total				

Of the £41,634,000 cash held as collateral against the Group's Bank loans and Bond finance at 1 April 2020, £34,622,000 was replaced during the year ended 31 March 2021 by increasing the level of security attributable to fixed charges on individual properties, thereby releasing this cash to be utilised to fund development and for other purposes within the Group.

Note that a correction has been made to the 1 April 2020 figures for bank loans due greater than one year to £328,973,000 (previously £328,373,000) and to Bond finance due greater than one year to £194,255,000 (previously £194,855,000). There is no impact on the total amounts due as at 1 April 2020.

31 Financial assets and liabilities

Categories of financial assets and liabilities

Group	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost	34,311	80,734
Financial liabilities measured at amortised cost	<u>(505,114)</u>	<u>(536,963)</u>
	<u>(470,803)</u>	<u>(456,229)</u>

Financial assets that are debt instruments measured at amortised cost comprise short term debtors, cash deposits on money markets at call and cash at bank.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, interest payments due, other creditors and debt.

Notes to the financial statements (continued)

31 Financial assets and liabilities (continued)

Interest rate Risk profile

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

Group	2021 £'000	2020 £'000
Fixed rate	385,992	359,995
Floating rate	103,657	163,233
Total borrowings	<u>489,649</u>	<u>523,228</u>

The floating rate financial liabilities comprise bank loans that bear interest rates based on LIBOR plus margins.

The fixed rate financial liabilities have a weighted average interest rate of 3.79% (2020: 3.88%) and the weighted average period for which it is fixed is 21 years (2020: 21 years).

The debt maturity profile together with applicable interest rates is disclosed in note 26.

Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

Group	2021 £'000	2020 £'000
Expiring in more than two years	<u>135,000</u>	<u>100,000</u>

32 Contingent liabilities

The Group and Association had no contingent liabilities to disclose at 31 March 2021 (2020: £nil).

Notes to the financial statements (continued)

33 Related parties

During the year, the Association recharged amounts to its wholly owned subsidiaries. Choices Housing Association Limited is registered with the Social Housing Regulator. Old Park Services Limited and Strata Housing Services Limited are both unregistered entities. The amounts were as follows:

Entity	Cost	2021 £'000	2020 £'000
Old Park Services Limited	Recharge of staff and operating costs (Reviive and void contract service)	1,036	1,116
	Recharge of staff and operating costs (third party repairs services)	1,440	1,005
Strata Housing Services Limited	Recharge of Staff Costs (development services)	935	1,125
Choices Housing Association Limited	Recharge of staff and operating costs	988	783

All costs are recharged on an actual cost basis.

During the year the following services were supplied by the parent to the unregistered entities:

Entity	Service	2021 £'000	2020 £'000
Old Park Services Limited	Property leases	644	629

During the year the following services were supplied by the subsidiary entities to the parent:

Entity	Service	2021 £'000	2020 £'000
Old Park Services Limited	Void contract service-Reviive brand	580	563
	Provision of energy supplies	61	55
Strata Housing Services Limited	Provision of development services	36,368	23,205
Choices Housing Association Limited	Provision of care services	1,856	2,103

Notes to the financial statements (continued)

33 Related parties (continued)

There are no other related party transactions to disclose that have not been disclosed elsewhere in these financial statements. Please see note 10 for details of executive and board remuneration.

As at the 31st March the amounts owed to the association by subsidiary entities was as follows:

Old Park Services Limited	£1,476,133	(2020: £1,756,995)
Strata Housing Services Limited	£1,116,088	(2020: £296,007)
Choices Housing Association Limited	£473,610	(2020: £879,226)

As at the 31st March the amounts owed by the association to subsidiary entities was as follows:

Old Park Services Limited	£545,858	(2020: £307,511)
Strata Housing Services Limited	£6,617,754	(2020: £2,825,121)
Choices Housing Association Limited	£314,889	(2020: £427,491)

34 Gift aid

Association	2021 £'000	2020 £'000
Gift aid received from Old Park Services Limited	165	461
Gift aid received from Strata Housing Services Limited	554	280
	<u>719</u>	<u>741</u>

35 Non-equity share capital

When the Association registered as a Co-operative and Community Benefit Society its rules were drafted such that there is a single class of shareholder. Each share has the nominal value of £1 and carries no right to any interest, dividend or bonus. The independent shareholders are the board members. There are 10 shares in issue. (2020: 8)