Annual Report and Financial Statements

for the year ended 31 March 2023

The Wrekin
Housing Group

Contents

Board Members

Chair

Desmond Hudson

Deputy Chair, Senior Independent Director, Chair of Finance and Investment Committee and Chair of Old Park Services Limited

Deborah Griffiths

Chair of Strata Housing Services Limited

Shaun Davies

Chair of Old Park Services Limited

James Dickson	Retired 31 March 2023

Chair of Audit and Assurance Committee

Alan Hawkesworth

Chair of Customer Committee

Kevin Morgan	Appointed 01 March 2023

Chair of People and Nominations Committee (formerly Remuneration and Nominations Committee)

Iain Littlejohn	Appointed 01 August 2022

Other Board Members

Annette Shipley	Resigned 31 May 2022
Louise Burns	Appointed 01 July 2023
Alison Fisher	Retired 30 September 2022
Ravinder Kaur	Appointed 20 July 2022
Jane Moulder	Retired 31 March 2023
Simon Whitfield	Appointed 14 December 2022
Alan Yates	
Esther Wright	

Independent members

Enise Goring-Piskin	
Helen Hackney	
Laura Kirkham-Williams	Appointed 01 March 2023
Dinesh Murugesh-Warren	Appointed 14 December 2022
Dennis O'Higgins	Resigned 31 January 2023
Paul Riley	Appointed 01 April 2023
Sanaya Robinson	Resigned 31 July 2022
Roger Scott Dow	Appointed 01 March 2023
Chris Steele	Appointed 01 March 2023

Executive Directors

Group Chief Executive
Wayne Gethings

Executive Director of Finance
Jonathan Lamb

Executive Director of Operational Services
David Wells

Executive Director of Business Solutions
Janet Lycett

Company Secretary
James Jones (until 08.09.23) Janet Lycett (wef 09.09.23)

Advisors and Bankers

Registered office
Colliers Way, Old Park, Telford, TF3 4AW

Bankers
Barclays PLC
Corporate Banking, One Snow Hill, Snow Hill, Queensway, Birmingham, B4 6GN

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

Principal Solicitors
Devonshires LLP
30 Finsbury Circus, London, EC2M 7DT

Treasury Advisers
Chatham Financial Europe Ltd
12 St James's Square, London, SW1Y 4LB

Property Valuers
Savills (UK) Ltd
55 Colmore Row, Birmingham, B3 2AA

Tax advisors
Grant Thornton UK LLP
4 Hardman Square, Spinningfields, Manchester, M3 3EB

Executive summary

The last financial year has been a challenging time for everyone, including our customers, staff and the Wrekin Housing Group ('the Group') as an organisation.

It was a year which saw the highest levels of inflation for 40 years and the highest base rates of interest for 12 years, while people continued to experience the impact of the cost of living crisis.

However, despite these difficult conditions, we have achieved a number of important successes in our mission to make a difference to people's lives.

During 2022/23, our Money Matters Team supported customers facing financial difficulties by dealing with 2,736 referrals and securing nearly £5m in additional income for tenants.

The Group achieved an operating surplus of £21.4m during the financial year, an operating margin of 18.7%. Rent arrears remained low at 0.51%.

We also invested £17.2m in our homes to bring them up to the Decent Homes Standard for social housing set by the UK Government and through other planned programmes.

Meanwhile, a total of 479 new homes have also been delivered through our development programme.

Our financial health was reinforced when Standard & Poor's reconfirmed our A stable credit rating last August.

We were also recognised as a G1/V2 housing association in terms of our governance and financial viability by The Regulator of Social Housing.

Throughout this report, you will see that we have been able to manage our financial risks effectively against a very challenging operating environment.

We know there will be further pressures to come as we work to maintain the long-term financial health of the Group.

However, in doing so, we will not lose sight of our objectives of providing safe, energy efficient and sustainable homes, whilst maximising the social value of our services, delivering community benefits and working with our customers to meet their needs.

Wayne Gethings

Group Chief Executive

479

new homes have been delivered

£21.4m

worth of **operating surplus**

G1/V2

awarded by the housing regulators

Strategic report

Group overview

The Wrekin Housing Group provides affordable housing for those in housing need operating across Telford and Wrekin, Shropshire and Staffordshire. Through its subsidiary company Choices Housing Association the Group provides quality care services to its residents and also provides domiciliary care to those customers who are not residents.

Vision and values

The Group's vision is straightforward:

Everything we do involves **making a difference to people's lives**.

This vision is driven by our core employee values:

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.

Inspire Positive Change
We embrace innovation. We are not afraid to go the extra mile to provide even better services.

Strategic plan

Our detailed strategic plan 2020-2025 sets out seven main objectives that indicate the focus of our activities over that five-year period. 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 are shown on the following page.

Strategic pillars

Care and Support

We will create a sustainable care and support business giving us a platform for future growth.

We will only provide care and support services where we can ensure best quality and meet existing and future service user needs.

We will further develop and invest in the future operation and growth of sustainable care and support services alongside our core function of providing affordable homes.

Social Value

We will target our resources to strengthen economic resilience of customers and communities; supporting tenancy sustainment and strong communities.

We will maximise our social value footprint through our core service activities, defined as housing and care and in conjunction with our supply chain.

We will focus our social value strategy to support our overarching customer resilience objective.

We will provide a Wrekin Hardship Fund to provide a balanced spectrum of appropriate support and funding – from crises to long-term sustainability for customers.

Employer

We will be a fair and trusted employer, constantly supporting the development and skills of our people.

We will create fairness across the whole of the Group.

We will ensure equality around terms and conditions in the markets we operate.

We will aim to have a highly trained and adaptable work force.

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.

We will sustain investment in our existing performing homes and ensure all our properties have the ability to meet the needs of current and future customers.

We will ensure homes are 100% compliant in areas of landlord H&S and future environmental standards. We have no appetite for risk in the areas of H&S or compliance.

We will increase the availability of new homes in Shropshire and Staffordshire.

We will never put a customer into a property that they cannot sustain financially.

Customers

Through listening to our customers, we will understand their current and future needs better than any other.

We will have a relevant and inclusive Customer Committee and Customer Engagement Framework.

We will ensure there is a flexible range of ways for our customers to hold the group to account and work in partnership on service design.

We will use customer insight, intelligence and census data to shape our services.

Partners & stakeholders

We will be considered by our stakeholders to be trusted and collaborative, while ensuring we are the partner of choice.

We will identify and understand our stakeholders' perception of us while understanding stakeholder current and future needs.

We will identify areas of synergy.

We will ensure we are a partner of choice in our areas of operation.

Value for money

We will be relentless in our search for value and efficiency.

We will ensure we have a sound financial base to sustain quality at minimum cost. We will have in place the right finances at the right time to ensure business growth and understand efficiencies to the point where the services start to suffer.

Value for money

At Wrekin we consider value for money to be the bedrock of all our corporate pillars. The drive for efficiency across the Group ensures we have a sound financial base to sustain quality of our services at minimum cost. The Regulator of Social Housing published its 'Value for money metrics and reporting 2022' report which highlights the importance of social housing providers delivering value for money, by demonstrating the best use of their resources to achieve their objectives. This underpins the provision of good quality homes and services as well as delivery of new homes.

The challenging economic climate through 2022/23 has seen a reduction in operating margins and interest cover. In addition to the Regulator's value for money metrics, the Group also reports on its own suite of internal value for money metrics.

Value for money report

Set out below is our value for money report for 2022/23 which also forms our annual self-assessment. It shows our performance against both the Regulator's and our own Value for Money Metrics.

Development - Delivery of new homes

2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target
376 homes	**318 homes**	**376 homes**	**479 homes**	**338 homes**

The current Development Strategy, which began in 2020, is on course to deliver 2,316 new homes by 2026, having achieved 479 handovers in the financial year

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Development - Total income from property disposals

2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target
£8.8m	**£11.0m**	**£8.8m**	**£10.8m**	**£8.8m**

Income from property disposals includes income from asset renewal sales, together with sales under the Right to Buy and Right to Acquire legislation. In 2021/22 and 2022/23 numbers of sales have been lower than expected, however sales values have been significantly higher than target.

Asset Management - Rent loss from voids

2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target
1.18%	**1.13%**	**1.18%**	**1.01%**	**1.18%**

Our void level at the end of the year had improved when compared to 2021/22. At the beginning of the 2022/23 year, our Extra Care settings were still subject to intermittent outbreaks of Covid. As through the pandemic, our priority is the safety of our customers and employees, therefore reletting of vacant units was restricted during these outbreaks. Increased compliance requirements have placed additional demand on our resources which has impacted the turnaround time of vacant units. The whole void process (keys in to keys out) will be subject to a service review in 2023/24 as the Group continues its drive for efficiency in all business areas.

Asset Management - Average relet times

2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target
17 days	**31.2 days**	**17 days**	**25.4 days**	**17 days**

The average time it took us to re-let properties has reduced by six days compared to 2021/22. Whilst general needs properties have moved closer to pre-pandemic levels, lettings in our Extra Care and Retirement Living (corridor schemes) settings remained adversely affected in the early part of 2022/23. This was due to controlling COVID infection through restricting new lettings to ensure the safety of our customers and employees working in those settings. There is still some work to do to get back to pre-pandemic levels. The process is now subject to a Positive Change review where the whole process from 'keys in to keys out' is being scrutinised. This review is expected to have a positive impact in reducing the average relet time and bringing it back in line with the Group's target of 17 days.

Asset Management - Gas servicing

2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target
100%	**100%**	**100%**	**100%**	**100%**

The Group maintained its excellent level of compliance performance again in 2022/23, with 100% of properties having a valid gas certificate. Our full range of compliance performance metrics are shown on page 17.

Customers - Rent collection

2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target
100.0%	**101.1%**	**100%**	**100.5%**	**100%**

During the year, the Group has seen a switch for some of its customers moving from legacy benefits to Universal Credit, with those on Universal Credit representing a larger proportion than previous years. In order to support our customers through the current cost of living crisis, the Group has redesigned its service to bring support around debt advice and fuel costs. We continue to actively engage in activities designed to make more tenancies financially stable as costs spiral in all areas for our customers. It is therefore really positive to see total rental income collected continue to exceed target as we recover former tenant debt and other tenancy related debts.

Customers - Arrears levels

2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target
0.50%	**0.55%**	**0.50%**	**0.51%**	**0.5%**

Our arrears level dropped by 0.04% in what was an extremely challenging year financially for our customers. The increased focus by the Group in providing support through our Money Matters, Debt Advice, Tenancy Sustainment and Energy Advice teams has seen a total of 2,736 referrals, with the teams successfully achieving financial outcomes for our customers of £4.834m. Eviction is always a last resort for us here at Wrekin and during 2022/23, evictions remained far lower than pre-pandemic levels at 13 (pre pandemic generally around 45 per year).

Customers - Repairs completed same day

32,000

repairs were completed during 2022/23

80%

of repairs were completed on the same day they were reported, which was in line with 2021/22

During 2023/24, we will be reviewing our repairs service delivery model to ensure it is still fit for purpose given the lifestyle changes and working patterns of many of our customers.

Customer involvement

In 2023/24, the number of ways for customers to get involved will continue to increase and the Customer Committee will play a key role in overseeing compliance with consumer standards. This will include reviewing self-assessments about services, tenant satisfaction measure performance, complaints performance and customer feedback; all driving improvement to services and assurance of our ongoing compliance. The new satisfaction measures will include the following:

- Overall satisfaction with services
- Satisfaction with repairs
- Satisfaction with time taken to complete most recent repair
- Satisfaction that the home is well-maintained
- Satisfaction that the home is safe
- Satisfaction that the landlord listens to tenant views and acts upon them
- Satisfaction that the landlord keeps tenants informed about things that matter to them
- Agreement that the landlord treats tenants fairly and with respect
- Satisfaction with the landlord's approach to handling complaints
- Satisfaction that the landlord keeps communal areas clean and well-maintained
- Satisfaction that the landlord makes a positive contribution to neighbourhoods
- Satisfaction with the landlord's approach to handling anti-social behaviour

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Performance against the RSH VfM metrics

The following tables provide details of our performance against the RSH's VfM metrics and future plans and targets over the next two years.

Reinvestment

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
6.3%	**10.0%**	**14.2%**	**10.6%**	**10.2%**	**5.0%**

The Group continues to outperform the sector average. Capital investment in our existing stock amounted to £7.9m in 2022/23. At 31 March 2023, 80% of the Group's stock was rated EPC band C or above. Our intention is to achieve 100% by 2025. The Board agreed to extend the current development strategy for one additional year to 2026.

New Supply (social)

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
1.6%	**2.4%**	**4.4%**	**3.6%**	**2.6%**	**4.3%**

As a result of the Group's extensive development programme, 479 new homes were completed during the year. We plan to deliver a further 1,216 new homes by 2026.

New Supply (non-social)

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
0.0%	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

The Group has not delivered any of this type of housing over the last five financial years. We see ourselves very much as a provider of social housing. The Group Board have not included this type of development in its strategy.

Gearing

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
47.0%	**67.0%**	**65.4%**	**66.6%**	**66.6%**	**66.1%**

The Group's gearing percentage has always been higher than the sector average as a result of two factors. Firstly, being an LSVT organisation it has carried a higher level of debt than 'traditional' housing associations having borrowed significantly to fund the initial transfer and subsequent major repairs programme. Secondly, we have engaged in significant development activity over the past 10 years and have borrowed further to support this.

EBITDA MRI (interest cover)

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
128.0%	**172.6%**	**129.9%**	**136.4%**	**129.9%**	**159.2%**

Inflated costs and high interest rates decreased the interest cover ratio. However, with higher than expected sales, the year end result was an improvement on budget. The continuing effect of inflation and high interest rates will continue to dampen performance in 2023/24, and this has been amplified by the cap on rental income inflation.

Headline Social Housing Cost Per Unit

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
£4,600	**£4,011**	**£4,397**	**£4,470**	**£4,427**	**£4,571**

Inflation, particularly on energy costs and care agency fees, has increased the cost per unit by 10% from 2021/22, although the actual result was in line with expectations.

Operating Margin Social Housing

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
25.3%	**24.4%**	**24.1%**	**21.2%**	**25.6%**	**25.8%**

The margin was affected in 2022/23 by cost inflation, but with inflation expected to decrease over the year and an internal efficiency drive, the budget for 2023/24 brings a return to margins over 25%.

Operating Margin Overall

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
19.6%	**21.7%**	**20.5%**	**18.7%**	**21.5%**	**26.9%**

Whilst cost inflation dampened operating margin performance, the higher base rates of interest increased the cost of the Group's variable debt, further decreasing overall margin performance in 2022/23.

Return on Capital Employed

Global Accounts 2021/22 Sector Weighted Average	WHG 2021/22 Actual	WHG 2022/23 Budget	WHG 2022/23 Actual	WHG 2023/24 Budget	WHG 2024/25 Business Plan
2.9%	**3.2%**	**2.6%**	**2.7%**	**2.9%**	**3.6%**

Investment in the Group's assets (existing homes and new homes) continued in 2022/23 despite the economic environment, meaning that ROCE at 2.7% was in line with our budget. Lower margins have meant lesser performance compared with 2021/22, but we expect a return to c3% over the course of the next two years.

Care and Support

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, we reviewed our business-wide approach to Care and Support. The Board also 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. This review of services continued throughout 2022/23 with the focus placed on Learning Disability Care and Dementia Care services.

Of the 13 schemes managed by Choices Housing Association, 12 hold the CQC rating of Good (service is performing well and meeting expectations) and one holds the CQC rating of Outstanding (service is performing exceptionally well).

In terms of other safeguarding issues, although there were a number of reportable incidents in 2022/23, none resulted in prosecutions, improvement notices, or wider-ranging safeguarding investigations and there were no Duty of Candour breaches during the year.

Throughout 2022/23, the Group continued to face difficulties in recruiting specialist nursing staff and uncertainties over future commissioning of learning disability care services. During 2021/22, the Board took the decision to review the delivery of dementia care and learning disability registered care to ensure that the financial and operational risks associated with those areas of work are effectively managed. This review continues throughout 2023/24.

During 2022/23, Limewood Dementia Care unit continued to suffer a high rate of void loss as it struggled to recruit those specialist staff required. In February 2023 two local care homes were closed and as a result many of those residents moved into Limewood. As these residents were not at the higher end of care support needs, they could be accommodated within the existing staffing structure in place.

In June 2023 the Group exchanged contracts on the sale of Limewood. See note 35 for more information. Whilst the review of the provision of dementia care and learning disability registered care service is in progress the parent company, The Wrekin Housing Group Limited, will provide ongoing support as necessary.

Social Value

Employment, skills, training and volunteer opportunities

Our externally funded **Building Better Opportunities** programme came to an end in March 2023. Over the five years that Wrekin has been participating **we have supported 318 individuals**, usually those furthest from the job market, with:

318
supported

- 82 securing employment;
- 40 completing training; and
- 44 becoming volunteers to build confidence and skills.

In our role as a Cornerstone Employer we welcomed 80 work experience placements across the business, varying from occasional days, to a week, to a day per week for a full academic year. 70 staff are signed up as School Ambassadors, representing Wrekin at 31 school events and offering 214 staff volunteering hours during the year.

80
placements

Through our development schemes **we have supported 90 construction based apprenticeships** and 585 work experience weeks across our sites.

90
apprenticeships

Welfare, debt and energy advice

Maximising the social value of our services is a key priority within the corporate plan as the Group aims to benefit our customers and the communities it serves. Our Money Matters Team has provided expert income and benefit advice to ensure that customers are receiving all of the income they are entitled to. Supporting our customers to manage their expenditure, including the interaction with our Debt Advice Team, is all focused on sustaining tenancies. During 2022/23 we opened a referral pathway specifically for Energy Advice, to support customers with rising energy costs.

Welfare Benefit Advisors

2,306
welfare benefit/tenancy sustainment referrals to the team

£4.2m
achieved financial outcomes

77% rent account balances positively impacted with 54% improving and 23% remaining stable

Debt Advisors

258
debt advice referrals to the team

£634k
achieved financial outcomes

13 evictions due to arrears and **0.51%** arrears at year end

Energy Advisors

172
energy advice referrals to the team

8
staff members qualified as Energy Advisors

And a two year grant from the Cadent Foundation to fund a FT Energy Advisor was successfully secured

Employer

During the year, the Group has continued to deliver on its People Strategy which focuses on its commitment to becoming an employer of choice. The strategy is underpinned by eight core themes which together shape our work on being a caring, inclusive and trusted employer where employees are highly engaged, supported and rewarded.

In April 2022, our Employee Forum was established, comprising 15 staff representatives from across all areas of the Group. The forum has given employees a voice on matters which affect staff and they have successfully contributed to; the opening of staff hubs across the region, the implementation of rewards and recognition schemes, the establishment of a mental health working group. The forum has also contributed to the development of new policies which are focused on improving work life balance and supporting health and wellbeing in the workplace.

During 2022/23, we employed 307 new starters and 54 colleagues gained internal promotion. We have continued to support employee development with over 11,000 hours of learning delivered and 32 members of staff supported financially with the attainment of qualifications through a learning contract.

Our work on Equality, Diversity & Inclusion (EDI) saw 48 employees sign up to Wrekin Allies and associated staff networks; Proud to be Me, Disability Positive and Heritage & Culture. Members meet regularly and raise awareness and education on a range of EDI topics, helping to create a truly inclusive culture. Over 800 staff received EDI awareness training this year and we are proud to have achieved the bronze award in Stonewall's Workplace Equality Index. Our important work on Equality, Diversity & Inclusion will continue in 2023/24 as we seek to achieve the Housing Diversity Network accreditation, review our recruitment policies and practices and roll out domestic abuse training for staff.

Asset Management

Here at Wrekin, we are committed to providing homes that are the best in terms of safety, energy efficiency and sustainability. During 2022/23, we invested £17.2m in our existing stock. At 31 March, 80% of our stock had an EPC rating of band C or above. It is our intention for all stock to have a rating of band C or above by 2025. All 13,184 of the Association's homes bar one met the Decent Homes Standard. The issue with this one has now been resolved.

Our focus on good quality safe homes has been seen through our continued strong performance in all areas of compliance. Working with expert partner organisations, we have continued to review our building safety and damp and mould approaches to ensure they are customer focussed and effective.

Following on from the Awaab Ishak tragedy in Rochdale, damp, mould and condensation is currently one of the highest priorities for the social housing sector. In March 2023, we engaged Pennington Choices to undertake an independent audit of the procedures for monitoring damp and mould. The audit acknowledged several areas of good practice but also identified areas for improvement and noted that addressing concerns of damp and mould within our customers' homes, as well as keeping those customers safe, is a key strategic and operational aim. As part of providing the Board with assurance that we are focussed on addressing issues of damp and mould, a Damp and Mould Policy will be presented to the Customer Committee in July 2023 for recommendation to the Board for approval. The Executive Management Team and Board now receive weekly updates on all damp and mould cases. As at May 2023 our performance is shown as follows:

2,045 / **16%**
properties / of stock **reporting damp**

1,811
properties where work is completed and issue resolved

Work in progress position at May 2023:

- **359** open repair commitments (may be more than one per property)
- **251** properties visited where work is in progress
- **112** properties appointed, not yet visited
- Longest open job: **230 days** (mould around bedroom window - access issue causing delay)
- Furthest future appointment: **18 July 2023** (Last part of sequence of work being undertaken. Tenant requested school summer holidays)

Most areas of compliance have maintained strong performance, with the majority of measures at 100%. Obtaining tenants' permission for carrying out electrical testing continues to be the primary problem. This process is subject to review with the intention that we will achieve the desired 100%. We have focused resources to ensure compliance with the new Fire Safety Act and Building Safety Act, and are now working with experts Pennington Choices to prepare our final building safety case reports and files for the Act.

Compliance performance 2022/23	Performance 2022/23 as at 31/03/2023		Performance 2021/22 as at 31/03/2022	
Indicator	**100%**	**Other**	**100%**	**Other**
Electrical Safety - Periodic test		99.07%		99.51%
Fire Safety - Periodic fire risk assessments	✓			99.70%
Fire Safety - Equipment servicing		99.64%	✓	
Heating Safety - Gas servicing	✓		✓	
Heating Safety - Non-gas	✓		✓	
Lift Safety - Communal lifts servicing	✓		✓	
Lift Safety - Communal lift insurance check	✓		✓	
Lift Safety - Home lifts servicing	✓		✓	
Lift Safety - Home lift insurance check		98.10%	✓	
Asbestos Safety - Periodic checks	✓		✓	
Asbestos Safety - Homes surveyed for asbestos	✓		✓	
Water Safety - Risk assessments & periodic checks	✓		✓	
Food Safety - Star ratings	1 location: 4 star 23 locations: 5 star		1 location: 4 star 23 locations: 5 star	

During the year, the Group completed 479 new homes. A total of 302 of these were Design and Build and 177 Section 106 units. The year has been very challenging for our contracting partners, so the Board is extremely pleased to confirm the highest number of new homes completed in any year to date.

During the year, we completed a wide range of developments, including the new 70 apartment Extra Care development at Springwood in Shifnal. It also includes the first 19 completed homes on our exciting 329 home partnership development at Granville, Donnington Wood Way in Telford, and completing 13 new homes at Portley Road in Dawley.

Our relationship with our key grant provider was also strengthened. We managed to more than double our forecast starts, and nearly double the amount of forecast grants drawn down during the financial year. These results, along with our recent clean audit result and our relationship management have ensured The Wrekin Housing Group is regarded as a trusted partner of Homes England.

All new homes will be compliant to the Futures Homes Standard (part L and F) regarding fuel conservation and ventilation.

Customers

Here at Wrekin, listening to the voice of our customers forms a significant part of our governance arrangements to ensure we continue to meet the needs of our most important stakeholders. During 2022/23, the Group continued with its ongoing commitment to understanding our customers' needs and work in partnership with them to design and improve its services. Recognising the need to continually challenge and improve the approach, Wrekin remodelled how it listens to the customers' feedback in order to improve services. This included introducing new ways to get involved, such as more online and community-based opportunities.

A new, tenant-led Customer Committee was introduced to oversee Customer Voice work and compliance with the Consumer Standards in March 2023. As a formal part of the Group's Governance Structure, the committee gives assurance to the Board on Customer Voice being used to shape services and adherence to the Consumer Standards. Going forwards, Task and Finish Groups will be set up to deliver scrutiny reviews and service improvement recommendations from a customer point of view.

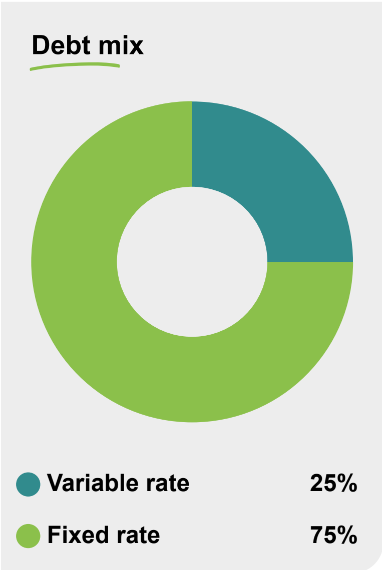
Partners and Stakeholders

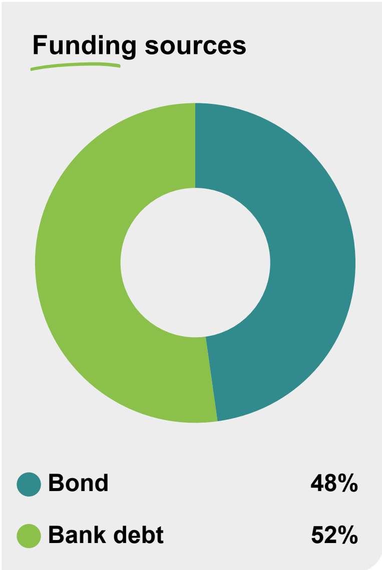
We understand the perception that our identified stakeholders have of us. We are considered by our stakeholders to be a trusted and collaborative partner of choice. We will continue to work with all our partners and stakeholders to deliver projects, developments and initiatives that make a difference to the lives of our customers and the communities they live in.

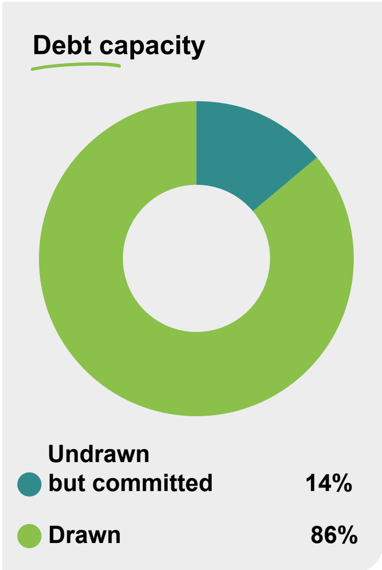
Our capital structure

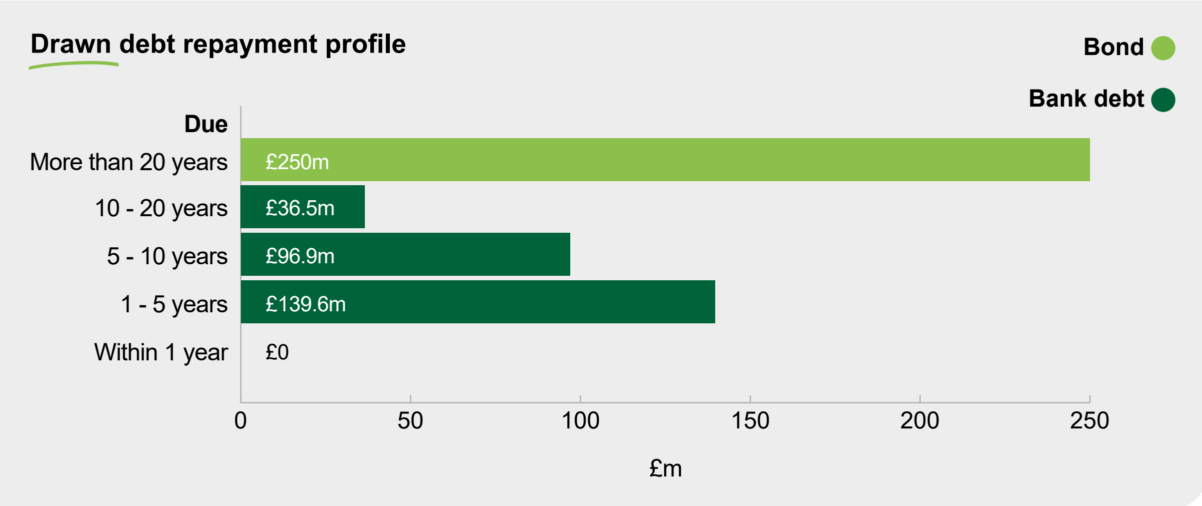
The Wrekin Housing Group's activities are funded through a mix of bank loans and a corporate bond issued on debt capital markets. All loans are held by the parent company, The Wrekin Housing Group Limited.

As at 31 March 2023, we have drawn loans amounting to £523m (£250m from the 2019 bond, and £273m from bank loans). We also have the ability to draw down another £83m from committed but undrawn variable rate bank loans. Overall, the Group's borrowings were 75% fixed rate, and 25% from variable rate loans. Our treasury activities are intended to manage risk (rather than generate profit) and so our treasury management operates within a framework of policies, procedures and delegated authorities. The Group's counterparties (with which excess funds are deposited in mixed-term vehicles) are all traditional, high street banks, with a triple-A credit rating to ensure the safety of its assets.









Covenant compliance

The Group complied with all of 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. This is to ensure that the organisation always has a significant amount of headroom over and above the required compliance levels. This should enable the organisation to deal with negative economic impacts that might adversely affect its financial performance without triggering an actual covenant breach.

Economic uncertainty

Wrekin is currently operating in an economic environment that is volatile, uncertain and complex. A cost of living crisis is affecting all parts of the UK economy. Inflation continues to be at the highest rate in around 40 years, far above the Bank of England 2% target (March 2023 – 10.1% CPI). Energy prices and food costs are the main drivers, and this is impacting both the business and our customers. As a response, the Bank of England have raised the base rate of interest to the highest point in over a decade (June 2023 – 5%, with further rises likely) in an attempt to reduce the level of inflation, which increases the Group's cost of borrowing and the pressure on our customers. Although it appears that a previously projected recession will now be avoided for 2023-2024, growth will remain stubbornly low and the differential between our customer's earnings and outgoings will likely grow over the coming year.

The effect of these economic trends for us at Wrekin is two-fold. Firstly, there is a growing cost of living crisis that directly affects our customers, most of whom are in the lower income brackets of our local communities. With increased costs affecting their household budgets, and wages and benefits that have not risen to the same degree, there is a squeeze on incomes. Clearly, this offers a direct risk to our ability to maintain income collection rates and increases the risk of arrears and bad debts.

Secondly, there is a direct impact on the Group's activities as materials and contract costs continue to rise, at the same time as our borrowing costs also increase. Particular examples of this include our energy costs and the cost of development activity or asset improvements.

There are limited ways in which the Group can manage the underlying causes of these risks, given that high inflation is a world-wide trend, but we are proactive in managing the effects of these risks.

Stress testing the financial plans has shown that there is a high degree of financial resilience in our activities, and we are able to manage sustained, extreme and multi-faceted sequences of negative events. Over 70% of our loans are long-term fixed rate loans. Wrekin is also actively managing contracts to ensure inflation is controlled as far as possible and costs are kept low. Asset management and development teams are also proactive in identifying contractors that could be in financial jeopardy, moving quickly to secure our assets and support them where it is sensible to do so.

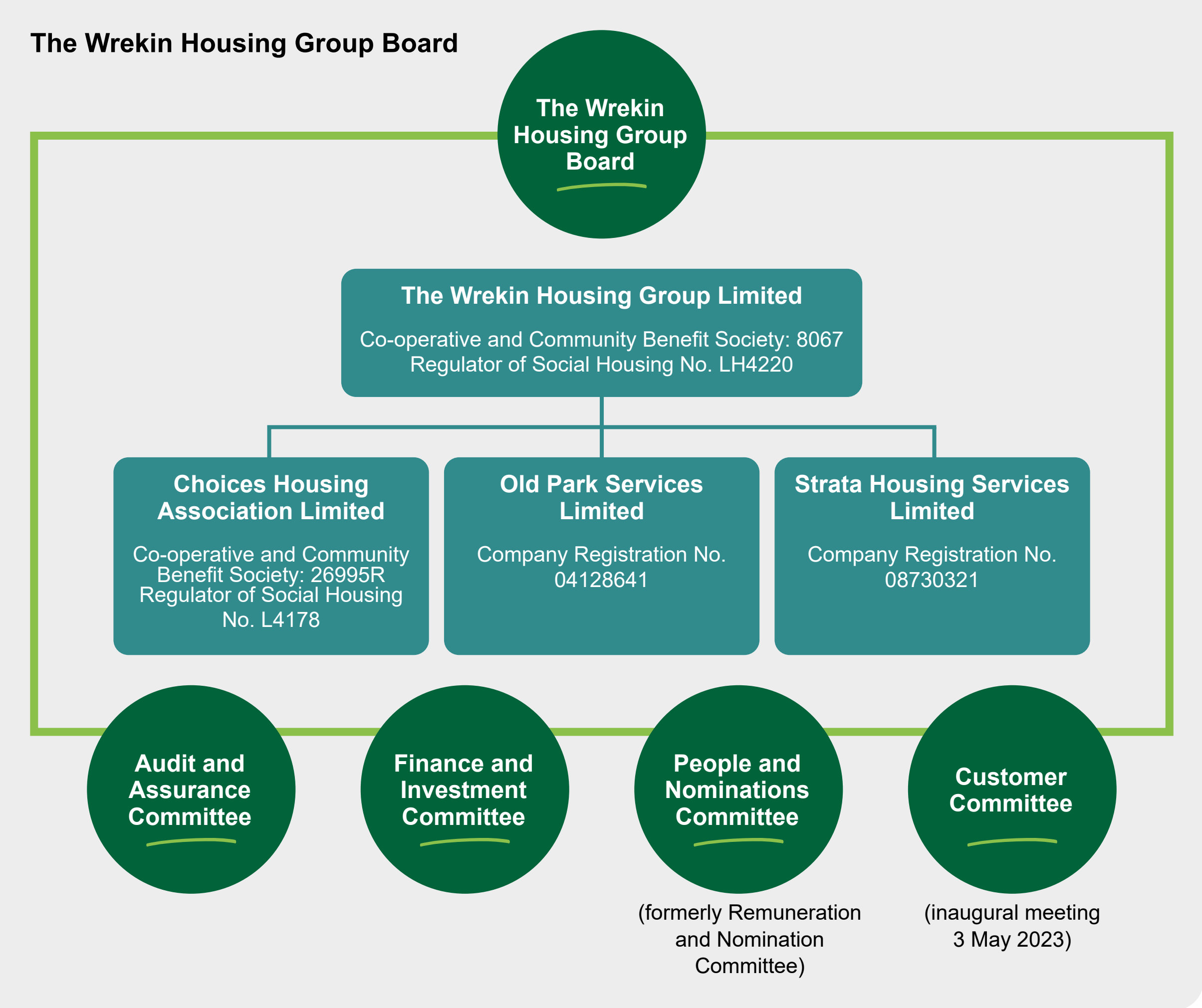
The impact on customers is also managed closely with the Money Matters Team working to identify and engage early with customers who are likely to be suffering financial difficulties. We signpost such customers to organisations that can help, or provide customers with training and support to get back into employment. Managing customers who are in arrears or likely to go into arrears is also a key part of our management of risk and has proven successful in the past.

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 30 September 2024. 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 2023, Wrekin had loan and bond facilities totalling £606 million. At that date £83m of loan finance remained undrawn. We have a long-term business plan which shows that the remaining undrawn amount will be committed to our development programme during the period through to 31 March 2026. At all times during that forecast period we have cash in hand of at least £15m.
- 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 that pushes the forecast to breaking point to ensure the Board better understands the key drivers. Building on the current tough economic environment, 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 scenarios, such that, post-mitigation, 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.
- Inflation risk in relation to energy supply, materials costs and labour availability is a key area of concern. International drivers (wholesale cost of energy, the war in Ukraine, supply chain issues, monetary policies) have been exacerbated by Brexit and the recovery from the pandemic, and the impact is felt most keenly in our development and asset management programmes. Whilst the business plan has forecast a peak of inflation in 2023, stress testing also pushed inflationary pressures beyond that assumption, continuing the disruption to the natural hedge between cost and income that the cap on rental income inflation introduced for 2023/24. The results were mitigated through the Group's financial flexibility, to ensure, post-mitigation, covenants were met. Rising inflation is a key financial risk and will continue to be monitored with the 30-year financial forecasts being updated quarterly.
- The business plan includes investment in our homes to bring the EPC standards up to level 'C' by 2025, which will meet the government target of 2030. A stress test was performed to include the current estimate to bring the stock in line with the zero-carbon agenda between 2030 and 2050, showing that this additional expenditure is affordable under current projections.
- Development continues in the projection to 2030, delivering an estimated 2,700 new additional homes. The cost assumptions for this activity were stress tested and the business has the financial capacity to deliver this within current covenant terms.

Governance

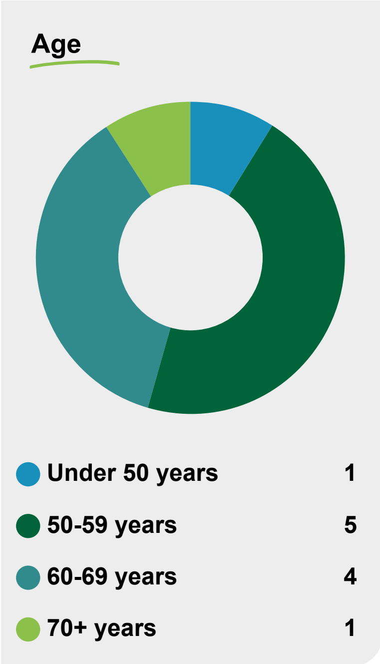


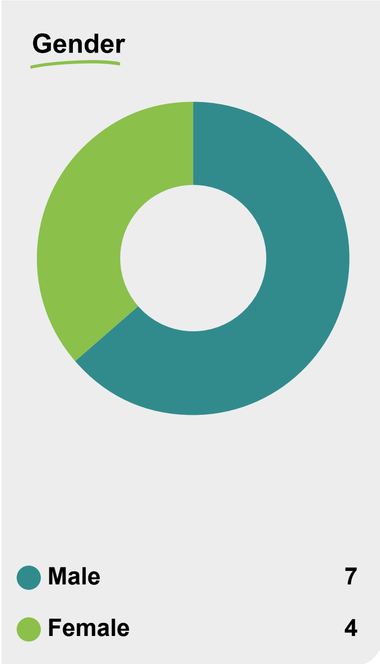
The Group is currently managed by a board of eleven members consisting of ten independent members and one member nominated by the Borough of Telford and Wrekin. One of the ten independent members is a tenant board member who is the chair of the newly formed Customer Committee. There is one coterminous board that oversees the activities of both the parent company and Choices Housing Association to ensure that risks and the additional obligations of the Care Quality Commission are managed effectively. Old Park Services Limited and Strata Housing Services Limited have their own boards which report back to the Group Board. The Board will meet a minimum of four times a year.

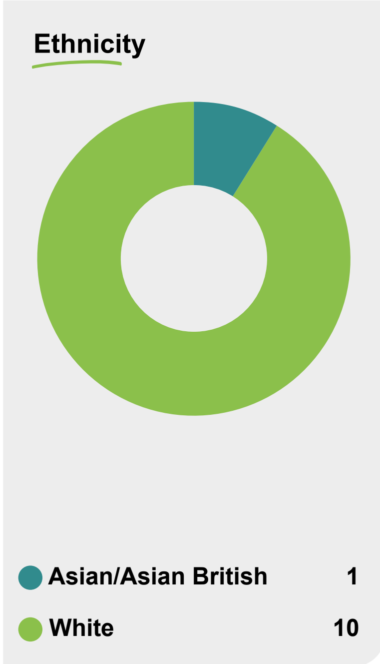
The Group Board exercises control and formulates the long-term strategic direction of the Group whilst ensuring compliance with legal and regulatory requirements both directly and through delegation to its committees and the boards of its subsidiary companies.

The Board continues to ensure that it attracts the right mix of skills and experience to enable it to discharge its role effectively. The performance of the Board, its members and committees are appraised annually on both an individual and collective basis.

A summary of the diversity of the Board during 2022/23 is shown on the following page.







Audit and Assurance Committee

The Audit and Assurance Committee is composed of three members of the Group Board and one independent member. The committee meets four times a year. The Committee advise the Group Board on whether the organisation has robust risk management, internal control and assurance frameworks in place.

The Committee provides assurance to Group Board that there is a transparent procedure in place for the selection and appointment of both external and internal auditors. It has oversight of the annual audit plan and periodically reviews specialist audits undertaken by independent third-party auditors.

Finance and Investment Committee

The Finance and Investment Committee is composed of four group board members and one independent member. The Committee has a specific focus on finance and treasury management given the Group has listed capital market debt and a number of bilateral bank finance arrangements included in its debt portfolio. The Committee also has a focus on asset management and development. The Committee meets four times a year.

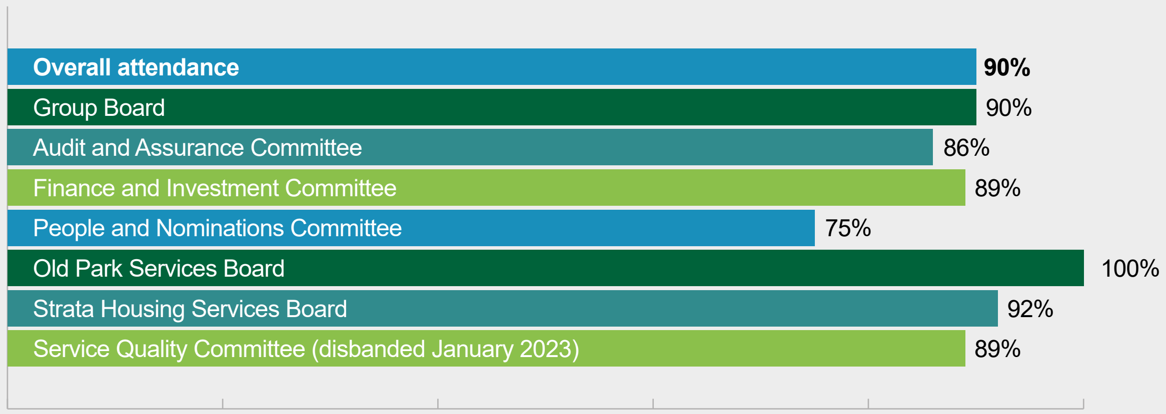
People and Nominations Committee (formerly Remuneration and Nominations Committee)

During 2022/23, there was a fundamental review of the terms of reference for our Remuneration and Nominations Committee. This resulted in that Committee being given responsibility for providing assurance to the Board on the effective strategic delivery of our People Strategy and EDI responsibilities as an employer. This also resulted in a name change for the Committee - to the People and Nominations Committee. The Committee is composed of three Group Board members and will meet four times a year.

Customer Committee

A fundamental review of Wrekin's customer voice and tenant engagement framework was completed during 2022/23. Significant changes are being implemented across 2023/24 to support improved arrangements that will deliver greater Board assurance around the Consumer Standards compliance and an improved approach to meet the future regulatory standards. This resulted in the replacement of the Service Quality Committee and the Customer Voice Panel with a fully refreshed Customer Committee. The Committee comprises eight members, three of which are Group Board members including the Tenant Chair who also holds a full NED role on the Wrekin Group Board. The rest of the Committee members are Wrekin tenants. The wider improvements add value in how we listen to our customers and also in our compliance with the NHF Code of Governance. The Committee will meet six times a year.

Board member attendance by Board and Committee



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 People and Nominations Committee. It is the Board that 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 People 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.

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 three to six months depending on the role.

Non-executive board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2023. 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	£7,750	Kevin Morgan	£646
James Dickson	£7,750	Jane Moulder	£6,600
Alison Fisher	£5,250	Dinesh Murugesh-Warren	£898
Enise Goring-Piskin	£3,000	Dennis O'Higgins	£2,500
Deborah Griffiths	£11,000	Sanaya Robinson	£1,250
Helen Hackney	£3,000	Roger Scott-Dow	£250
Alan Hawkesworth	£7,800	Annette Shipley	£1,292
Desmond Hudson	£17,000	Christopher Steele	£250
Ravinder Kaur	£5,413	Simon Whitfield	£898
Laura Kirksham-Williams	£250	Esther Wright	£7,750
Iain Littlejohn	£5,167	Alan Yates	£6,600
		Total	**£102,312**

Risk Management and Risk Assurance

The Board of The Wrekin Housing Group reviewed and approved its Risk Management Framework in September 2022. The framework sets out our risk management approach. It details the roles of the Board, Audit and Assurance Committee and the leadership team in terms of how we manage, monitor and report on our risk management activities. The methods of gaining and reporting on risk assurance are also covered. The Board's Statement of Risk Appetite was reviewed in March 2023. As at May 2023, there were two strategic risks outside of the Board's risk appetite: counterparty risk and the care service risk.

Appropriate focus is given to the identification of emerging risks. The Executive Management Group and Audit and Assurance Committee regularly review sector intelligence and emerging risks. Notable issues that present future potential risks to the business include: the cost-of-living crisis, the macroeconomic outlook, access to labour and skills, decarbonisation of the housing stock, enhanced consumer regulation/customer expectations as set out in the Social Housing (Regulation) Bill, national reputational issues resulting from poor quality social housing (damp and mould, for example) and the enhanced health and safety requirements following the Grenfell fire contained in the Fire Safety Act and the Building Safety Act.

Top strategic risks, presenting the greatest threats to the Group, are reported at every Board meeting and Audit & Assurance Committee. Details of some of the most significant strategic risks, and their related mitigation measures, are outlined on the following pages (as presented to Group Board in March 2023).

Risk Area

Income collection

(including the impact of the cost-of-living crisis and the managed migration to Universal Credit)

Nature of risk

Significant reductions in income collection risk the non-delivery of the Business Plan and the Strategic Plan.

Key controls
The income management and performance framework is the key tool by which income is managed. Regular reporting to EMG and Board, including the monitoring of golden rules and triggers ensures Board oversight. Budget and business plans assumptions around income are extensively stress tested. There is mandatory support for customers heading into arrears and active profiling high level debtors to engage and support earlier. Expert Money Matters Team provide advice and support to customers. Energy and fuel poverty is now a core theme in our debt advice service. We actively monitor legislative and benefit changes which may impact income collection.

Risk Area
Treasury management

Nature of risk
Inability to draw on existing loans in support of the approved business plan. 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.

Key controls
The Board and F&I Committee receive regular and extensive treasury reporting, including; covenant compliance projections, liquidity projections, annual business plans and future funding requirements, stress testing exercises, capital market intelligence, security positions and unencumbered stock levels, annual asset sales and development programme activity. The Board sets a golden rule and trigger point for the loan covenants higher than the funder tests. In addition, the external treasury advisors regularly engage with Board members to discuss our treasury position and plans. We have an ongoing project to get unencumbered assets ready for charging to ensure future borrowing capacity. The Assets and Liabilities Register tracks the Group's ability to comply with wider loan conditions. The Group has a robust Treasury Management Policy and wider financial policies which are regularly reviewed. The Group publishes quarterly investor updates on the website.

Risk Area
ICT provision and cyber-crime

Nature of risk
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.

Key controls
All Group IT devices require 2-factor login authentication, with backup verification procedures and systems. The IT approach is underpinned by a series of documents, including the GDPR policies and procedures, the ICT Strategy, the Information Security Policy, and the IT and Business Continuity Plan. The Group's data is encrypted both at rest and in transit, and device encryption and remote device management procedures support this. We have in place extensive

firewalls, protective systems software, and security hardening through compulsory registration and mandatory usage of multi-factor authentication at all user levels. The network is segmented and internet access controls are also in place and regularly maintained. User passwords have to meet a high bar for strength and complexity. Vendor software releases and patches are applied rapidly and monitored. There is an automated email threat analysis system in place, that identifies, blocks and quarantines potential threats. Employee training and awareness is also maintained for cyber security, GDPR and fraud awareness. These security measures are regularly tested through security penetration exercises, the results of which are reported to Board.

Risk Area

Employee and Board resources

Nature of risk
The Group fails to attract and/or retain and develop good employees and Board members and this lack of capacity affects our ability to deliver our plans.

Key controls
The Group manages this through the People Strategy. This umbrella strategy covers a wide array of actions including a market-related pay and condition review, a training and development plan, apprenticeship and training programmes, the Wrekin Leadership Development programme, employee succession planning and an action plan to meet the NHF Code of Governance 2020 at Board level. In addition, we have internal policies to ensure ongoing risk management, including an EDI policy and the Health and Wellbeing Policy. The People and Nominations Committee reports to Group Board which increases the focus on the strategic delivery of people-related matters.

Risk Area

Poor financial performance or adverse economic conditions

Nature of risk
Failure to meet income or expenditure budgets may impact surpluses and covenant performance. Adverse economic conditions may also cause under performance against financial plans and strategic objectives.

Key controls
Financial performance is heavily monitored by the Board. It approves the annual budget and business plan (including the stress testing exercise), and receives quarterly reports on financial performance and projections against the budget across the Group's activities. The Board has set golden rules and triggers on financial performance, particularly around the loan covenants. The Group has standing orders and financial prevention controls in place, and all staff receive regular fraud awareness training. The Group monitors economic conditions in which we operate and regularly report these to Board and Finance and Investment Committee.

Risk Area

Counterparty risk

Nature of risk
Delivery of the development programme, planned programme or other key supplies or services are threatened by counterparties going out of business.

Key controls
The Group has a Counterparty Risk Policy in place. This ensures there is a process for monitoring and acting on counterparty risk associated primarily with the asset investment and development programmes. The Group tracks the financial performance of the main contractors and suppliers, with automated credit checking reports for them (top 10 suppliers to assets programme, and all development contractors). All development contractors supply warranties with insolvency cover (or enhanced retentions and deposits where not available). Clerks of Works are used on every design and build scheme to monitor for signs of financial difficulty. The Group also monitors the value and concentration of current contracts with each contractor to limit risk.

Risk Area

Delivery of the Development Programme

Nature of risk
Failure to deliver the planned level of new build homes may put the business plan at risk.

Key controls
We monitor progress of the development programme across the year and report progress to Finance and Investment Committee quarterly. The business plan is updated quarterly, and reports are presented to Board by exception, particularly on development delivery. A monthly development delivery monitoring report is presented to the Executive Team. The Development Team meet weekly to discuss pipeline activity with the Director of Development. There is a development procedure manual in place to ensure schemes are managed consistently. Board has approved flexibility to extend delivery of the current programme by a year to March 2026 based on current market conditions.

Risk Area

Care Service

(Customer service element - not health & safety risks)

Nature of risk
Failure to deliver high quality care that meets agreed standards or service users' needs and affects reputation and satisfaction measures. Ongoing viability may be at risk.

Key controls
The risk is managed through the Care and Support Strategy and the Monitoring Board. The Group uses continuous improvement teams and focus groups to evaluate quality of care. Regular Duty of Candour reports are presented to Executive Team meetings. In addition, internal performance and compliance inspections are performed, and staffing levels are regularly monitored and reported to the Customer Committee. Care standards and process are subject to annual audits, and a quarterly audit/measures report is presented to the Audit & Assurance Committee.

Health and safety

The Board is acutely aware of its obligations in all aspects of health and safety. The board prioritises the health and safety of residents, service users, personnel, and contractors and it takes a "zero tolerance" stance to non-compliance.

The Group has developed extensive health and safety policies and procedures, analyses risk assessments on a regular basis, and ensures that any required actions resulting from those risk assessments are carried out. We provide adequate health and safety training and instruction to our employees, and have received a number of accolades in recognition of our commitment to high standards in this area.

The Board gets frequent reports on health and safety performance and issues, including any reportable occurrences and all areas of property safety, as well as the findings of audits conducted by independent third-party specialists. The performance against key indicators is displayed on page 17.

Environmental, Social and Governance Reporting

The Group adopted the Sustainability Reporting Standard for Social Housing in 2021, and published our first ESG report in 2022 covering performance in the 2021-22 financial year. We have a focus on delivering safe, energy efficient and sustainable homes, alongside investing in our communities and customers to help them meet current and future challenges.

Performance for 2022-23 will be the subject of an updated report, but the headline facts include £56.7m of social impact created by the business, achieved through 15,849 social value outcomes, including improving employment prospects, grants to the community and supporting those in need.

Employability	**Social impact**	**Outcomes**
Creating employment opportunities for the unemployed	£425,270	39
Developing skills and building confidence	£3,288,825	1,823
Stimulating local economic growth	£250,202	71
Inclusion		
Enabling people to connect and play active roles in society	£563,751	297
Enabling people to maximise income potential	£5,843,006	68
Securing, maintaining & sustaining homes	£4,788,244	1,383
Wellbeing		
Helping people to live independently	£2,383,221	1,523
Improving physical and mental wellbeing	£2,299,731	475
Reducing social care needs and hospital attendance	£23,772,164	4,550
Resilience		
Fostering a sense of community	£3,424,788	1,039
Providing a safe environment	£616,137	983
Treating people fairly and equally	-	1,654
Environmental Sustainability		
Building and providing efficient homes	£9,015,639	1,944
Minimising impact on the environment	£24,468	-
Total	**£56,695,446**	**15,849**

Investing in our homes is equally important in ensuring the Group is ready for the challenges of the future. During the year, we invested £17.2m in our existing homes, and £72.9m in building new homes in our communities. Looking to the future, we have also published a road map to net zero carbon, which identified how the homes and activities of Wrekin will be carbon neutral by 2050.

Net zero carbon road map

Our strategy is a high-level one that sets out the road map for Wrekin on our journey towards being a net zero carbon business by 2050

Key achievements in 2022/23 and plans for the future:

- To build nine new homes per week during our current plan to 2026. All the building envelopes of our new homes are now being constructed to Future Homes Standards, making them zero-carbon-ready. Planning to install PV systems in our new homes from 2025 onwards.
- Created a consultation group for residents, to help identify barriers to retrofitting their homes, and develop plans to remove these barriers.
- Installed EV charging facilities at our head office, and all new employee lease cars have to be either hybrid or electric vehicles.
- Review the options for installing EV charging facilities across our larger communal and commercial buildings.
- Reduced CO2 output through various measures including commercial building rationalisation and monitoring fleet telematics.
- Delivered Carbon Awareness training for support staff at our commercial and corporate buildings.
- Delivered a grant-funded retrofit project on our 55 worst energy efficiency-performing homes to develop learning and knowledge on the PAS retrofit standard and tenant impact.

2022
Register staff for EPC and retrofit assessment training.

2023
Procure a retrofit framework to enable energy improvement methods to be undertaken.

2025
Survey all 1,600 SAP band D and lower homes and undertake retrofit work to achieve band C. Business and communal electricity to be purchased from zero carbon and all waste recycled. All new homes to be zero carbon ready and built off the gas grid.

2026
A total of ten per cent of commercial fleet to be electrically powered, with charging in key locations. All heating staff to have new heating technology training and be TrustMark registered trades.

2028
Survey all 12,500 homes and complete a retrofit assessment (property plan).

2030
Undertake work to lift SAP 2012 C rated homes to band A or B, targeting fuel-poor first. Start installing solar PV where required and all new fleet to be electric from 2030.

2035
Start converting all heating systems including communal from mains gas to electric or hydrogen heating (whichever is preferred at the time).

2040
All new homes to be one hundred percent net zero carbon and undertake work to lift SAP 2012 B rated homes to band A.

2050
All housing stock and offices to meet band A or B, electrically heated and carbon offsetting applied to achieve zero carbon status.

- Procure contractors to undertake energy efficiency measures going forwards.
- Currently testing technologies for heating and powering our homes in the future.

Business performance

Statement of Comprehensive Income

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Turnover	103.0	97.5	95.7	92.1	95.6
Operating costs	(83.8)	(76.3)	(73.6)	(68.0)	(66.8)
Gain on disposal of housing properties	2.0	2.8	1.6	3.7	1.0
Gain/(loss) on revaluation of investment properties	0.2	2.6	2.5	-	0.3
Operating Surplus	**21.4**	**26.6**	**26.2**	**27.8**	**30.1**
Net interest costs	(18.2)	(15.7)	(15.9)	(69.7)	(19.0)
Taxation	-	-	(0.1)	-	-
Surplus/(deficit) for the year	**3.2**	**10.9**	**10.2**	**(41.9)**	**11.1**
Actuarial gain/(loss) in respect of pension schemes	49.2	8.8	(7.3)	(5.3)	(0.9)
Total comprehensive income for the year	**52.4**	**19.7**	**2.9**	**(47.2)**	**10.2**

*In 2019/20, the Group completed a refinancing exercise resulting in £52.1m of breakage costs

Statement of Financial Position

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Intangible assets	-	0.1	0.3	0.3	-
Housing properties	764.4	703.3	653.9	618.1	581.8
Investment properties	19.8	19.6	16.9	14.4	14.4
Other fixed assets	3.9	4.2	4.5	4.7	5.0
Net current assets	8.0	13.8	20.4	67.0	15.8
Long term creditors	(678.3)	(630.2)	(599.7)	(621.0)	(495.0)
Pension liability	(10.0)	(55.4)	(60.6)	(50.7)	(42.1)
Reserves	**107.8**	**55.4**	**35.7**	**32.8**	**79.9**

The following paragraphs highlight key features of Wrekin's financial position at 31 March 2023, discussed further in subsequent sections.

The Group recorded an operating surplus for the year of £21.4m (2022:£26.6m) with most areas of the business making a positive contribution to the result despite the volatility of the current economic environment. The £5.3m reduction is in part due to the significant increase in the valuation of investment properties experienced in 2021/22 (£2.7m) that was not repeated in 2022/23 (£0.2m) as house prices stabilised following changes in market conditions. The impact of the significant cost of borrowing caused a reduction in the number of Right to Buy and Right to Acquire applications with

35 total sales completing in year compared with 53 in 2021/22. This reduction resulted in £0.8m less surplus on disposal of housing assets. Whilst the Group's turnover grew by £5.5m, operating costs grew by £7.5m. This shortfall can be attributed to the increased deficit suffered within the Group's care subsidiary Choices Housing Association.

Net funding costs increased by £2.5m from 2021/22. Interest rates on variable debt rose from a weighted average of 1.51% in March 2022 to 4.98% in March 2023. This was due to the increases made by the Bank of England to the base rate of interest, which in turn inflated the SONIA rate (the base rate of interest for our variable rate revolving facilities) throughout the year.

After net funding costs of £18.2m, the Group achieved a surplus on ordinary activities before taxation of £3.2m.

Total comprehensive income for 2022/23 of £52.4m includes actuarial gains on the pension scheme of £49.2m (2022: £8.8m) resulting from changes to assumptions based on economic market indicators as at 31 March 2023. A full triennial valuation of the scheme was completed as at March 2022. More detail is disclosed in note 11 of these accounts.

The principal movement in the Group's balance sheet relates to the net increase in housing properties of £61.1m. A total of 479 new homes were completed in the year securing £13.6m of Homes England Grant Funding. In addition, the group invested £7.9m in its existing stock. At 31 March 2023 all bar one property met the Decent Homes Standard. Work continues to ensure all stock is rated EPC band C or above by 2025.

Social Housing lettings

Our operating margin on social housing lettings reduced by 3.2% from 2021/22. Whilst we could levy a rent increase greater than that seen in recent years, the rising cost of inflation impacted heavily, particularly in the areas of supply chain relating to our repairs service and utility costs. During the year, the three-year electricity contract procured in 2019 came to an end, meaning we were exposed to the volatility of the utilities market on renewal. The renewal resulted in an additional £1m in respect of the cost of electricity supplies across all locations. Due to the volatility, only a one-year contract was procured in anticipation of some stabilisation in the utilities market. Indicative prices are demonstrating a reduction going forward.

The cap on the 2023/24 rent increase for social rents means there will be another financially challenging year ahead, with cost inflation likely to exceed the permitted rent increase. These factors have been modelled through significant stress testing of our business plan and we aim to achieve an operating margin of around 25% in the next two years.

We continue to undertake service reviews to drive efficiency. The newly formed Customer Committee will scrutinise these service reviews resulting in service improvement recommendations that will continue to demonstrate value for money.

Rent increases	**2022/23**	**2021/22**	**2020/21**	**2019/20**	**2018/19**
CPI	3.1%	0.5%	1.7%	2.4%	3.0%
Rent increase/(decrease)	4.1%	1.5%	2.7%	3.4%	(1.0%)

*Final year of government imposed rent reductions

Non-social housing activity

We continue to engage in activities beyond social housing, the main activity being care services delivered through our care subsidiary Choices Housing Association Limited. The year was a challenging year for the company as we emerged from the impact of the Covid pandemic. Recruiting specialist dementia care staff became increasingly difficult as the year progressed, resulting in insufficient staff to permit full occupancy of our 59-bed dementia care unit, Limewood. Void levels remained unusually high (17-22) for most of the year, only reducing to eight units in February 2023 when two residential care homes close to Limewood ceased to operate and those residents moved in as a result.

Trading activities undertaken by our trading subsidiary Old Park Services continued to perform well, resulting in an operating profit of £311k that will pass to the parent in 2023/24 by way of Gift Aid.

Our small portfolio of market rented properties (132 units in number) also made a positive contribution to the year end result as demand for these homes remained high.

Housing properties

At 31 March 2023, the Group owned 13,299 housing properties (2022: 13,051), a net increase of 248, 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 £764.4m (2022: £703.4m).

Pension costs

Wrekin participates in the Shropshire County Pension Fund (SCPF), a career average salary defined benefit scheme. We made the decision to close the scheme to new entrants with effect from 1 September 2020. We have contributed to the scheme in accordance with levels, set by the actuaries, of 17% of pensionable pay in the year to 31 March 2022 in respect of future service benefits. For 2023/24 the employer contribution rate will increase to 20%. During the year, the association made a lump sum payment of £396,600 in respect of past service deficits. The annual lump sum payment will be £30,400 in 2023/24.

The net actuarial gain in the year was £49.186m (2022: £8.856m gain). The movement year on year is due to the shifts in actuarial assumptions caused by general economic conditions, and in particular to a rise in the expectations related to future inflation, increasing future pension payments, and to an increase 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.

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. 2022/23 was the eighteenth year of the strategy. During 2022/23, the Group sold 82 properties (2022: 77). A further 35 (2022: 53) properties were sold under the Right to Buy and Right to Acquire provisions, and 1 sale of shared ownership stock was completed.

First tranche shared ownership sales were completed on 39 units generating a surplus of £1.2m (2021/22: £0.5m).

During the year, Wrekin added 479 new homes to its stock. The 479 new homes are a combination of traditional development and section 106 planning gains.

The Group's current business plan projects that the future development programme will add a further 1,216 new build units to its stock by 2026, 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 to generate further funds for investment into its core activities. Old Park Services delivered a surplus of £311,000 (2022: £623,000) available to be paid back to the parent company via gift aid in the 2023/24 financial year.

Wrekin continued to use its development subsidiary company, Strata Housing Services Limited, to provide development services to the Group, which has already saved £5.8m 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 £1.226m (2022: £1.093m) available to be paid back to the parent company via gift aid in the 2023/24 financial year.

The provision of care services continued through the subsidiary company, Choices Housing Association. The organisation has found the recovery from the impact of Covid-19 and the suspension at Limewood a challenge, with voids at Limewood remaining unusually high for the majority of the year. Choices delivered a final deficit of £2,876,000 (2022: deficit £1.353m). In the light of these continuing deficit results, the Board took the decision to sell Limewood. Contracts on the sale were exchanged in June 2023 with a target date for completion of September 2023.

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 £14.1m 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 1,216 properties by 2026 while continuing to dispose of older, expensive to maintain properties.

Current commitments of £152m as disclosed in note 27 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.

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.

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 2022. 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/V2 rating and has the required register of assets and liabilities in place.

The strategic report was approved by the board on 13 September 2023 and signed on its behalf by:

Chair

Desmond Hudson

Report of the Board

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

Registration

The 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.

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.

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.

Regulatory Judgements

In November 2022 as part of the annual stability check, the regulator of Social Housing revised the Group's grading to G1/V2 from the previous G1/V1. It was one of a significant number of organisations who received such a revision to their viability gradings as a consequence of turbulence in the external economic environment, reducing the capacity of the sector to deal with additional downside risks. Whilst the V2 grading indicates that the Group is still compliant with the Regulatory Viability Standard, it remains an aspiration for it to regain the V1 rating by continuing its prudent approach to financial planning and the effective deployment of mitigating actions to rebuild capacity in its business plan.

NHF Code of Governance

The Board confirms that, having adopted the NHF Code of Governance (2020) in April 2021, the Group complies with the requirements of that code.

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. Also, for maintaining a satisfactory system of internal controls over the Group's books of account and transactions and 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 Board completed a fundamental review of its customer voice and tenant engagement framework during 2022/23. Significant changes are being implemented across 2023/24 to support improved arrangements that will deliver greater board assurance around the Consumer Standards compliance and an improved approach to meet the future regulatory standards. This resulted in the replacement of the Service Quality Committee and the Customer Voice Panel with a fully refreshed Customer Committee. The majority of the Committee members are Wrekin Housing Group Tenants and the Tenant Chair also holds a full Non- Executive Director role on the Group Board. The wider improvements add value to how we listen to our customers and also in our compliance with the NHF Code of Governance.

Insurance of directors and officers

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

Going concern

The economic environment over the past year has exerted significant pressure on the Group's activities and customers. Inflation has risen to the highest level in 40 years, pushing up the cost of nearly every area of the business. Interest rates have also risen to the highest level in the past decade, making the funding that supports the business more expensive. As a response to the cost of living crisis for our customers, our income has been capped, reducing the organisation's ability to meet higher costs with higher levels of income. These factors all exert pressure on the financial performance of the Group, reducing margins and decreasing the business' capacity to sustainably fund investment in new and existing homes.

The organisation has assessed its resilience to these factors as part of its business planning cycle, and gone further to stress test its assumptions going forwards. This included subjecting the financial plans to extreme combinations of pressures, including significantly higher inflation, lower income, worsening operational performance, more costly investment requirements, and more. After considering the potential impact of the current economic pressures, the Board has a reasonable expectation that the Group has adequate resources and capacity to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. 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.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and has been in place throughout the period commencing 1 April 2022 up to the date of approval of the report and financial statements. The risk assessments are updated quarterly and are reported to the Board.

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:

Identification and evaluation of 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.

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 range 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 monthly 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.

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 2022/23.

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 2022/23

Management Action priority

High	**0%**
Medium	**35%**
Low	**65%**

Internal Audit Reports 2022/23

Assurance opinions

Substantial assurance	**11**
Reasonable assurance	**4**
Advisory only	**4**

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 organisation is responsible. Fraud awareness training commenced this year and going forward this will be rolled out 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 organisation has not identified or become aware it has been subject to any instances of fraud.

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

Disclosure of information to auditors

So far as each of the directors of the organisation is aware, at the time this report is approved:

- There is no relevant audit information of which the organisation's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditors

A resolution to re-appoint Beever and Struthers as external auditors will be proposed at the annual general meeting.

Annual general meeting

The annual general meeting will be held on 27 September 2023 at The Wrekin Housing Group, Colliers Way, Old Park, Telford, TF3 4AW.

The report of the Board was approved by the Board on 13 September 2023 and signed on its behalf by:

Company Secretary

Janet Lycett

Statement of the responsibilities of the Board

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 2022. 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 13 September 2023 and signed on its behalf by:

Chair

Desmond Hudson

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

Opinion

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 2023 which comprise the Statement of Comprehensive Income – Group and Association, the Statement of Financial Position – Group and Association, Changes in Reserves – Group and Association, the Consolidated Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2023 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We were first appointed as auditor of The Wrekin Housing Group Limited by the Board for the period ending 31 March 2022. The period of total uninterrupted engagement for the Group is for three financial years ending 31 March 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

Materiality for the Group financial statements as a whole was set at £1,803k, determined with reference to a benchmark of Group Turnover (of which it represents 1.75%). We consider Group turnover to be the most appropriate benchmark and more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Group. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed which was 75% and £1,352k for the Group.

We set materiality for each component of the Group based on a percentage of turnover, dependent on the size and our assessment of the risk of material misstatement of that component. Materiality for the parent association financial statements as a whole was set at £1,575k, determined with reference to a benchmark of Association Turnover (of which it represents 1.75% and we ensured it was at a level to ensure that the risk of errors exceeding Group materiality was appropriately mitigated). The parent association performance materiality was 75% and £1,181k.

We agreed to report to the Audit and Assurance Committee any corrected or uncorrected identified misstatements exceeding £90k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

Key audit matters

Housing Properties – capitalisation of new build development costs

Group and Association

The risk – significant risk high value

Development is a key activity for the parent Association. Judgements as to whether expenditure is capital or revenue in nature is an area that has a key impact on our audit approach. Our overall assessment of misstatement is therefore that housing property additions is a significant risk within our audit approach. The Group recognised additions of £69.4m for properties under development. Refer to page 53 (basis of accounting) and page 75 (financial disclosures).

Our response

Our procedures included the following:

- **Test of detail:** We agreed a sample of capital additions in the year to invoice or certificate and evaluated key controls over capitalisation. We tested a sample of revenue expenditure items and checked that they were not capital.
- **Review against accounting standards:** We reviewed amounts capitalised in our sample testing against requirements in FRS 102 and guidance in the Statement of Recommended Practice 2018.
- **Test of detail:** We considered the assessment of whether there was any evidence of impairment, in particular; for schemes under development.
- **Test of detail:** We confirmed that accruals have been made for significant development expenditure incurred up to 31 March 2023 but not yet invoiced.
- **Test of detail:** We reviewed the policy on overhead capitalisation and that the costs capitalised are directly attributable to developments.

Our results

We noted no material exceptions through performing these procedures.

Going Concern – financial performance, treasury management, loan covenants and macro economic conditions

Group and Association

The risk – significant risk high value

The Group posted a full year surplus of £3.2m before actuarial gains on pension schemes. At 31 March 2023 the Group had borrowings of £540.4m. Refer to page 53 (basis of accounting) and page 83 (financial disclosures).

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

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

Our response

Our procedures included the following:

- **Confirmation of value:** We agreed loan balances to the accounting records and to external confirmation from the funders. We agreed the bond opening position to the prior year signed financial statements and supporting workings. We reviewed the calculation of amortisation during the year. We agreed loan balances to the accounting records and to external confirmation from the funders, alongside confirming drawdowns and repayments.
- **Test of detail:** We tested the detailed calculations for loan covenant compliance prepared by management, both for the year ended 31 March 2023 and projected future performance.
- **Review of business plan:** We have reviewed the Group's long term financial plans and covenant projections, and the underlying assumptions, to assess the Group's ability to service and repay the debt, including the availability of funding.
- **Review of stress testing:** We have reviewed the stress testing of the business plan and considered the potential impact on the financial statements, as well as on the Group's financial viability into the foreseeable future and its status as a going concern.

Our results

Our audit work concluded that all loan covenants calculations, as prepared by management, were met at 31 March 2023 and are expected to be met in the longer term.

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

Defined Benefit Pension Scheme

Group and Association

The risk – significant risk high value

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

The effect of these matters is that we determined that the defined benefit pension scheme obligation has a high degree of estimation uncertainty. Refer to page 55 (accounting policies) and pages 69 to 72 (financial disclosures).

Our response

Our procedures included the following:

- **Assessing the credentials of the schemes' actuaries:** We reviewed the credentials of the scheme actuaries to assess that they are appropriately experienced and skilled advisors appointed to undertake the pension scheme valuations.
- **Confirmation of value:** We challenged, with the support of our own auditor's expert, the key assumptions and actuarial methodology applied to calculate the liability, including the discount rate, inflation rate and mortality/life expectancy to ensure they are consistent with wider sector expectations and that the sensitivity of the liability to changes in certain assumptions is adequately disclosed.
- **Assessment of asset values:** We reviewed the split of assets held in the scheme and movements in the asset valuations, as well as reviewing the controls report for the custodians of the fund.
- **Confirmation of reporting:** We agreed the relevant accounting entries and reviewed the disclosures and the notes to the accounts to ensure they comply with Section 28 of FRS 102.

Our results

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. We evaluated management's assessment of the Group's ability to continue as a going concern within the key audit matter on page 42.

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 39, 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 Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association's members, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Statutory Auditor:

14/9/23

Date:

One Express
1 George Leigh Street
Manchester
M4 5DL

Consolidated Statement of Comprehensive Income

	Note	2023 £'000	2022 £'000
Turnover	3	103,045	97,496
Operating costs	3	(83,779)	(76,335)
Gain on disposal of housing properties	4	1,958	2,786
Movement in the fair value of assets	17	204	2,662
Operating surplus	6	21,428	26,609
Interest receivable and similar income	7	432	19
Interest payable, financing and similar costs	8	(18,667)	(15,724)
Surplus on ordinary activities before taxation		3,193	10,904
Tax on surplus on ordinary activities	12	37	(71)
Surplus for the year		3,230	10,833
Actuarial gain in respect of pension schemes	11	49,186	8,856
Total comprehensive income for the year		52,416	19,689

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 13 September 2023 and signed on its behalf by:

Chair	**Board Member**	**Secretary**
Desmond Hudson	Deborah Griffiths	Janet Lycett

Association Statement of Comprehensive Income

	Note	2023 £'000	2022 £'000
Turnover	3	89,997	84,215
Operating costs	3	(68,073)	(62,258)
Gain on disposal of housing properties	4	1,958	2,786
Movement in the fair value of assets	17	204	2,662
Gift aid covenanted from subsidiary	33	1,776	1,437
Operating surplus	6	25,862	28,842
Interest receivable and similar income	7	373	18
Interest payable, financing and similar costs	8	(18,652)	(15,709)
Surplus on ordinary activities before taxation		7,583	13,151
Tax on surplus on ordinary activities	12	(11)	(7)
Surplus for the year		7,572	13,144
Actuarial gain in respect of pension schemes	11	49,186	8,856
Total comprehensive income for the year		56,758	22,000

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 13 September 2023 and signed on its behalf by:

Chair	**Board Member**	**Secretary**
Desmond Hudson	Deborah Griffiths	Janet Lycett

Consolidated Statement of Changes in Reserves

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance at 31 March 2021	34,868	846	35,714
Surplus for the year	10,833	-	10,833
Other comprehensive income for the year	8,856		8,856
Balance at 31 March 2022	54,557	846	55,403
Surplus for the year	3,230	-	3,230
Other comprehensive income for the year	49,186	-	49,186
Balance at 31 March 2023	106,973	846	107,819

Association Statement of Changes in Reserves

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance at 31 March 2021	34,871	846	35,717
Surplus for the year	13,144	-	13,144
Other comprehensive income for the year	8,856	-	8,856
Balance at 31 March 2022	56,871	846	57,717
Surplus for the year	7,572	-	7,572
Other comprehensive income for the year	49,186	-	49,186
Balance at 31 March 2023	113,629	846	114,475

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

	Note	2023 £'000	2022 £'000
Non-Current Assets			
Intangible Assets	13	20	84
Housing properties	14	764,411	703,354
Investment properties	17	19,813	19,609
Other tangible fixed assets	15	3,897	4,169
		788,141	727,216
Current assets			
Stock		497	233
Properties for sale	18	2,175	2,296
Debtors	19	4,004	7,379
Cash and cash equivalents	20	31,166	33,990
		37,842	43,898
Creditors: amounts falling due within one year	21	(29,856)	(30,047)
Net current assets		7,986	13,851
Total assets less current liabilities		796,127	741,067
Creditors: amounts falling due after more than one year	22	(678,263)	(630,222)
Pension liability	11	(10,045)	(55,442)
Total net assets		107,819	55,403
Capital and reserves			
Revenue reserve	26	106,973	54,557
Restricted reserve	26	846	846
Group's funds		107,819	55,403

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 13 September 2023 and signed on its behalf by:

Chair	**Board Member**	**Secretary**
Desmond Hudson	Deborah Griffiths	Janet Lycett

Association Statement of Financial Position

	Note	2023 £'000	2022 £'000
Non-Current Assets			
Intangible Assets	13	20	84
Housing properties	14	771,047	708,771
Investment properties	17	19,813	19,609
Other tangible fixed assets	15	2,900	3,096
		793,780	731,560
Current assets			
Stock		459	199
Properties for sale	18	2,175	2,296
Debtors	19	5,920	8,255
Cash and cash equivalents	20	24,347	25,934
		32,901	36,684
Creditors: amounts falling due within one year	21	(25,052)	(26,031)
Net current assets		7,849	10,653
Total assets less current liabilities		801,629	742,213
Creditors: amounts falling due after more than one year	22	(677,109)	(629,054)
Pension liability	11	(10,045)	(55,442)
Total net assets		114,475	57,717
Capital and reserves			
Revenue reserve	26	113,629	56,871
Restricted reserve	26	846	846
Association's funds		114,475	57,717

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 13 September 2023 and signed on its behalf by:

Chair	**Board Member**	**Secretary**
Desmond Hudson	Deborah Griffiths	Janet Lycett

Consolidated Statement of Cash Flows

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	28	40,149	41,954
Cash flow from investing activities			
Purchase of tangible fixed assets		(80,810)	(65,777)
Proceeds from the sale of tangible fixed assets		3,161	4,479
Grants received		15,596	19,320
Interest received		380	19
		(61,673)	(41,959)
Cash flow from financing activities			
Interest and other finance costs paid		(18,800)	(13,449)
New secured loans		37,500	37,500
Repayment of borrowings		-	(23,000)
		18,700	1,051
Net change in cash and cash equivalents		(2,824)	1,046
Cash and cash equivalents at beginning of year		33,990	32,944
Cash and cash equivalents at end of year		31,166	33,990

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 2022. 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 30 September 2024. For this reason, it continues to adopt the going concern basis in the financial statements.

Judgements and key sources of estimation uncertainty

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:

- **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 25.
- **Categorisation of housing properties:** Management have reviewed the intended use of all housing properties. In determining the intended use, management has considered if the asset is held for social benefit or to earn commercial rentals. Management have concluded that market rented properties are investment properties. These properties have been valued by external valuers on the basis of open market value and could be sold with vacant possession within a short time period.
- **Impairment:** The Group has identified a cash generating unit (CGU) for impairment assessment purposes at a property scheme level.

Note 2 continues overleaf

- **Development expenditure:** The Group capitalises development expenditure in respect of new developments of social and affordable housing. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Other key sources of estimation and assumptions:

- **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 2023 was £132m, (please see note 14). Accumulated depreciation on other fixed assets at 31 March 2023 was £10.2m, (please see note 15).
- **Impairment of non-financial assets:** 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 no triggers for impairment were identified.
- **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. Sensitivity analysis is detailed in note 11. The liability at 31 March 2023 was £10.045m.

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 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 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.

Housing property disposals

Gains or losses arising on the disposal of housing properties (including the sale of properties under the 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.

Note 2 continues overleaf

Corporation tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The Association and Choices Housing Association Limited have charitable status and are therefore not subject to corporation tax on the surplus arising from charitable activities. Provision is made for the tax liabilities which arise on the surplus arising on the Association's non-charitable activities. Provision is also made for any tax liabilities that arise within Old Park Services Limited and Strata Housing Services Limited.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date.

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.

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 are capitalised when they either replace a component that has been treated separately for depreciation purposes or are improvement 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.

Note 2 continues overleaf

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 are 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.

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.

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.

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

Grants released on the sale of a property may be repayable but are normally available to be recycled and 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.

Note 2 continues overleaf

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 nil, 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:

Component	Depreciable Life (Years)
Structure	100
Roof	60
Boiler	15
Heating System	30
Kitchen	20
Bathroom	30
Windows	30
Doors	25
Electrics	40
Consumer units	30
Solar Panels	20
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:

Freehold buildings	25 years
Sheltered scheme furniture, fixtures and fittings	5 years
Computers and office equipment	1 to 3 years
Plant, machinery and vehicles	5 years

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 organisation 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.

Note 2 continues overleaf

Stock

Stocks are materials held on vans for use by tradesmen. 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 transaction price. 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.

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 the transaction price, 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 2022 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.

3

3. Turnover, operating costs and operating surplus

Continuing activities (Group)

Group	2023 Turnover £'000	2023 Operating costs £'000	2023 Operating surplus £'000	2022 Turnover £'000	2022 Operating costs £'000	2022 Operating surplus £'000
Social housing lettings	81,058	(63,873)	17,185	77,170	(58,332)	18,838
Other social housing activities:						
Renting & letting of garages	778	(106)	672	769	(137)	632
Leaseholder service charges & communal repairs	440	(440)	-	479	(479)	-
Shared ownership 1st tranche sales	2,603	(1,416)	1,187	1,712	(1,179)	533
Other	559	(1,127)	(568)	624	(1,060)	(436)
	85,438	(66,962)	18,476	80,754	(61,187)	19,567
Activities other than social housing:						
Care activities	6,025	(11,693)	(5,668)	5,649	(10,673)	(5,024)
Other revenue government grants	52	-	52	438	-	438
Third party repairs contracts	1,994	(1,483)	511	2,064	(1,448)	616
Market rented properties	881	(147)	734	851	(124)	727
Community centres and social enterprise	66	(226)	(160)	60	(85)	(25)
Furniture recycling and waste management	683	(1,068)	(385)	676	(846)	(170)
Other non social housing activities	293	(237)	56	359	(261)	98
Gain on disposal of assets held for sale	7,609	(1,963)	5,646	6,645	(1,691)	4,954
Loss on disposal of other fixed assets	4	-	4	-	(20)	(20)
Gain/(loss) on disposal of housing properties	-	-	1,958	-	-	2,786
Movement in the fair value of assets	-	-	204	-	-	2,662
Total Operating Surplus	103,045	(83,779)	21,428	97,496	(76,335)	26,609

Note 3 continues overleaf

Continuing activities (Association)

Association	2023 Turnover £'000	2023 Operating costs £'000	2023 Operating surplus £'000	2022 Turnover £'000	2022 Operating costs £'000	2022 Operating surplus £'000
Social housing lettings	76,754	(62,796)	13,958	72,730	(57,584)	15,146
Other social housing activities:						
Renting & letting of garages	778	(106)	672	769	(137)	632
Leaseholder service charges & communal repairs	440	(440)	-	479	(479)	-
Shared ownership 1st tranche sales	2,603	(1,416)	1,187	1,712	(1,179)	533
Other	559	(1,127)	(568)	624	(1,060)	(436)
	81,134	(65,885)	15,249	76,314	(60,439)	15,875
Activities other than social housing:						
Property lease income-group companies	1,166	-	1,166	1,150	-	1,150
Other revenue government grants	-	-	-	1	-	1
Community centres and social enterprise	66	(225)	(159)	60	(85)	(25)
Furniture recycling and waste management	-	-	-	4	(32)	(28)
Other non social housing activities	22	-	22	41	-	41
Gain on disposal of assets held for sale	7,609	(1,963)	5,646	6,645	(1,691)	4,954
Loss of disposal of other fixed assets	-	-	-	-	(11)	(11)
Gain on disposal of housing properties	-	-	1,958	-	-	2,786
Movement in the fair value of assets	-	-	204	-	-	2,662
Gift aid covenanted from subsidiaries	-	-	1,776	-	-	1,437
Total Operating Surplus	89,997	(68,073)	25,862	84,215	(62,258)	28,842

Note 3 continues overleaf

Particulars of income and expenditure from social housing lettings (Group)

Group	General needs housing 2023 £'000	Supported housing & housing for older people 2023 £'000	Total 2023 £'000	Total 2022 £'000
Rents receivable net of identifiable service charges	55,695	15,643	71,338	67,385
Service charge income	1,250	6,994	8,244	7,751
Amortised government grants	1,210	2	1,212	1,074
Other revenue government grants	264	-	264	960
Turnover from social housing lettings	58,419	22,639	81,058	77,170
Management	(6,676)	(3,745)	(10,421)	(9,045)
Service charge costs	(2,798)	(10,293)	(13,091)	(10,903)
Routine maintenance	(13,196)	(3,482)	(16,678)	(15,493)
Rent losses from bad debts	(155)	(47)	(202)	(141)
Major repairs expenditure	(7,828)	(1,511)	(9,339)	(7,680)
Depreciation of housing properties	(11,837)	(2,305)	(14,142)	(13,350)
Impairment of housing properties	-	-	-	(1,720)
Operating costs on social housing lettings	(42,490)	(21,383)	(63,873)	(58,332)
Operating surplus on social housing lettings	15,929	1,256	17,185	18,838
Void losses	424	1,577	2,001	2,476

Note 3 continues overleaf

Particulars of income and expenditure from social housing lettings (Association)

Association	General needs housing 2023 £'000	Supported housing & housing for older people 2023 £'000	2022 £'000	2022 £'000
Rents receivable net of identifiable service charges	55,695	11,512	67,207	63,113
Service charge income	1,250	6,823	8,073	7,585
Amortised government grants	1,210	-	1,210	1,072
Other revenue government grants	264	-	264	960
Turnover from social housing lettings	58,419	18,335	76,754	72,730
Management	(6,676)	(3,539)	(10,215)	(8,840)
Services	(2,828)	(9,890)	(12,718)	(10,789)
Routine maintenance	(13,196)	(3,012)	(16,208)	(15,094)
Rent losses from bad debts	(155)	(47)	(202)	(141)
Major repairs expenditure	(7,828)	(1,511)	(9,339)	(7,680)
Depreciation of housing properties	(11,837)	(2,277)	(14,114)	(13,320)
Impairment of housing properties	-	-	-	(1,720)
Operating costs on social housing lettings	(42,520)	(20,276)	(62,796)	(57,584)
Operating surplus on social housing lettings	15,899	(1,941)	13,958	15,146
Void losses	424	298	722	765

4. Surplus on sale of housing assets

Group and Association	Right to Buy Sales £'000	Right to Acquire Sales £'000	Low Cost Home Ownership Sales £'000	Total 2023 £'000	Total 2022 £'000
Disposal proceeds	739	2,375	38	3,152	4,480
Carrying value of fixed assets	(247)	(927)	(20)	(1,194)	(1,694)
	492	1,448	18	1,958	2,786

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5. Accommodation in management

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

Group	2022 No.	2023 Additions	2023 Disposals	2023 Other	2023 No.
Social housing					
General needs housing at social rent	8,151	73	(217)	(12)	7,995
General needs housing at affordable rent	2,306	328	(30)	4	2,608
Supported housing at social rent	1,394	-	-	2	1,396
Supported housing at affordable rent	679	70	-	-	749
Low cost home ownership	293	8	-	22	323
Residential care homes	96	-	-	-	96
Non-social housing					
Market rented	132	-	-	-	132
Total owned	13,051	479	(247)	16	13,299
Social housing managed for others					
Registered care homes	29	-	-	-	29
Other social housing	35	-	(12)	-	23
Total owned or managed	13,115	479	(259)	16	13,351
Properties where the Group had residual freehold interest	629	-	(50)	11	590
	13,744	479	(309)	27	13,941
Accommodation in development at year end	1,010	479	-	-	1,489

Note 5 continues overleaf

Of the total properties owned, 19 (2022: 19) were managed by third parties.

Association	2022 No.	2023 Additions	2023 Disposals	2023 Other	2023 No.
Social housing					
General needs housing at social rent	8,151	73	(217)	(12)	7,995
General needs housing at affordable rent	2,306	328	(30)	4	2,608
Supported housing at social rent	1,375	2	-	-	1,377
Supported housing at affordable rent	679	70	-	-	749
Low cost home ownership	293	8	-	22	323
Non-social housing					
Market rented	132	-	-		132
Total owned	12,936	481	(247)	14	13,184
Social housing managed for others					
Other social housing	35	-	(12)	-	23
Total managed	12,971	481	(259)	14	13,207
Properties where the Group had residual freehold interest	629	11	(50)	-	590
	13,600	492	(309)	14	13,797
Accommodation in development at year end	1,010	479	-	-	1,489

6. Operating surplus

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

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Gain on disposal of housing properties	(1,958)	(2,786)	(1,958)	(2,786)
Gain on disposal of other fixed assets	4	20	-	11
Amortisation of intangible assets	85	241	85	241
Depreciation of housing properties	14,142	13,350	14,114	13,320
Depreciation of other tangible fixed assets	642	717	492	558
Impairment of housing properties	-	1,720	-	1,720
Operating lease charges	1,965	1,823	1,810	1,681
Auditor's remuneration (excluding VAT):				
for audit services	98	89	68	62
for non-audit services	-	-	-	-

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7. Interest receivable and similar income

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Interest received from temporary investments with banks and building societies	424	18	365	17
Other interest receivable	8	1	8	1
	432	19	373	18

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8. Interest payable, financing costs and similar charges

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Loans repayable within five years	4,540,	2,145	4,525	2,130
Loans wholly or partly repayable in more than five years	11,742	11,160	11,742	11,160
Funders security/facility fee	784	1,118	784	1,118
Valuer's fee	82	54	82	54
Defined benefit pension charge	1,518	1,247	1,518	1,247
Other interest payable	1	-	1	-
	18,667	15,724	18,652	15,709

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9. Employees

Average monthly number of employees expressed in full time equivalents
(calculated based on a standard working week of 36 hours)

		Group		Association
	2023	**2022**	**2023**	**2022**
	No.	**No.**	**No.**	**No.**
Office staff	392	379	383	352
Trades and retail employees	196	206	196	190
Scheme managers, estate officers and cleaners	67	65	67	65
Care	318	316	-	-
	973	966	646	607

Staff costs

		Group		Association
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	29,839	27,502	20,785	18,502
Social security costs	2,801	2,542	2,143	1,862
Other pension costs	4,939	5,141	4,701	4,914
	37,579	35,185	27,629	25,278

Note 9 continues overleaf

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

	Group		Association	
	2023	**2022**	**2023**	**2022**
	No.	**No.**	**No.**	**No.**
£60,001 - £70,000	8	6	6	6
£70,001 - £80,000	5	2	5	2
£80,001 - £90,000	3	4	3	4
£90,001 - £100,000	2	-	2	-
£100,001 - £110,000	3	3	3	3
£120,001 - £130,000	-	2	-	2
£130,001 - £140,000	2	1	2	1
£140,001 - £150,000	1	-	1	-
£150,001 - £160,000	-	1	-	1
£180,001 - £190,000	-	1	-	1
£190,001 - £200,000	1	-	1	-
Total	25	20	23	20

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10. Key management personnel, board members and executive directors

Expenses paid during the period to board members amounted to £7,547 (2021: £821).

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 £883,113 (2022: £840,243).

	2023	2022
Executive directors	**£'000**	**£'000**
Basic salary	577	551
Benefits in kind (car provision)	30	28
Pension contributions	95	90
	702	669
Employer's social security contributions	78	71
Total	780	740
Board members		
Fees	102	99
Social security contributions	1	1
	103	100

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.

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 £193,632 (2022: £186,375). 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.

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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 2022 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2023, by a qualified independent actuary.

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 2022 were £2,430,000 (2022: £2,502,000) and the employer's contribution rate was fixed at 17% of pensionable pay until 31 March 2022 with regard to future service benefits. For the 2023/24 year this rate will increase to 20%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2022/23 was £396,600, and will be £30,400 in 2023/24. 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 2022 valuation, deficit contributions will be £146,700 in 2023/24 and £153,100 in 2024/25. The deficit contributions will be revised on receipt of the March 2025 valuation.

Principal actuarial assumptions

	31 March 2023 % per annum	31 March 2022 % per
Rate of increase in salaries	3.2	3.8
Rate of increase in pensions in payment	2.8	3.4
Discount rate	4.9	2.8
Inflation assumption	2.7	3.3

Mortality Assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2022 and March 2023 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:

	2023 No. of years	2022 No. of years
Retiring today:		
Males	22.2	22.9
Females	24.5	25.1
Retiring in 20 years:		
Males	23.5	24.1
Females	26.3	26.7

Note 11 continues overleaf

Amounts recognised in the Statement of Financial Position:

	2023 £'000	2022 £'000
Fair value of employer assets	108,856	111,590
Present value of funded liabilities	(118,901)	(167,032)
Net liability	(10,045)	(55,442)

Analysis of the amounts charged to the Statement of Comprehensive Income:

	2023 £'000	2022 £'000
Net interest cost	1,518	1,247
Current service cost	4,606	4,840
Administration expenses	95	74
Amount charged to operating costs	4,701	4,914
Total amount recognised in the Statement of Comprehensive Income	6,219	6,161

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

	2023 £'000	2022 £'000
Opening scheme liabilities	(167,032)	(164,677)
Current service cost	(4,606)	(4,840)
Interest cost	(4,639)	(3,435)
Contribution by members	(847)	(866)
Benefits paid	3,513	3,091
Actuarial gain	54,710	3,695
Closing scheme liabilities	(118,901)	(167,032)

Note 11 continues overleaf

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

	2023 £'000	2022 £'000
Opening fair value of plan assets	111,590	104,038
Interest income	3,121	2,188
Contributions by the employer	2,430	2,502
Contribution by members	847	866
Benefits paid	(3,513)	(3,091)
Administration expenses	(95)	(74)
Actuarial (loss)/gain	(5,524)	5,161
Closing fair value of plan assets	108,856	111,590

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

	2023	2022
Equities	51.1%	50.6%
Bonds	18.8%	18.9%
Property	3.3%	3.7%
Cash	0.5%	1.7%
Other	26.3%	25.1%

Note 11 continues overleaf

Sensitivity Analysis

Disclosure Item	None	0.5% p.a. discount rate	0.25% p.a. inflation	0.25% p.a. pay growth	1 Year increase in life expectancy	+1% change in 2021/22 investment returns	-1% change in 2021/22 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	118,901	108,922	124,352	119,867	121,248	118,901	118,901
Assets	(108,856)	(108,856)	(108,856)	(108,856)	(108,856)	(109,943)	(107,769)
Deficit	10,045	66	15,496	11,011	12,392	8,958	11,132
Projected service cost for next year	1,974	1,683	2,140	1,974	2,024	1,974	1,974
Projected net interest cost for next year	433	(61)	700	481	548	380	486

The table above shows the sensitivity of the results of the calculations to changes in the actuarial assumptions used.

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12. Taxation

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Current tax				
UK corporation tax on surplus for the year	298	344	10	8
Adjustments in respect of prior years	(335)	(273)	1	(1)
Total current tax	(37)	71	11	7
Total tax on results on ordinary activities	(37)	71	11	7
Surplus/(deficit) on ordinary activities before tax	3,193	10,904	7,583	13,151
Theoretical tax at corporation tax rate of 19% (2022: 19%)	607	2,072	1,441	2,499
Effects of:				
Income not taxable for tax purposes	(10,125)	(9,633)	(18,093)	(17,107)
Expenses not deductible for tax purposes	9,816	7,905	16,662	14,616
Adjustments to tax in respect of prior periods	(335)	(273)	1	(1)
Total tax charge	(37)	71	11	7

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.

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13. Intangible fixed assets

Group and Association	Computer Software £'000	Total £'000
Cost		
At 1 April 2022	976	976
Additions	21	21
At 31 March 2023	997	997
Amortisation		
At 1 April 2022	892	892
Charged in year	85	85
At 31 March 2023	977	977
Net book value		
At 31 March 2022	84	84
At 31 March 2023	20	20

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14. Fixed assets - 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 2022	736,630	69,940	18,004	-	824,574
Improvements to existing properties	7,884	-	-	-	7,884
Additions	3,519	69,399	58	-	72,976
Change of tenure	(3,965)	(883)	3,965	883	-
Schemes completed	66,205	(66,205)	883	(883)	-
Transfer to assets held for sale	(2,331)	-	(1,679)	-	(4,010)
Disposals - properties	(2,566)	-	(264)	-	(2,830)
Disposals - components	(2,173)	-	-	-	(2,173)
At 31 March 2023	803,203	72,251	20,967	-	896,421
Depreciation and impairment					
At 1 April 2022	119,782	-	1,438	-	121,220
Change of tenure	(176)	-	176	-	-
Charged in year	13,965	-	177	-	14,142
Released on disposal - properties	(325)	-	-	-	(325)
Released on disposal - components	(2,173)	-	-	-	(2,173)
Transfer to assets held for sale	(791)	-	(63)	-	(854)
At 31 March 2023	130,282	-	1,728	-	132,010
Net book value					
At 31 March 2022	616,848	69,940	16,566	-	703,354
At 31 March 2023	672,921	72,251	19,239	-	764,411

Included in the depreciation charge for the year is £509k of accelerated depreciation on components disposed before the end of their useful economic lives (2022: £706k). Additions to existing properties include component replacements and improvements. Initially, the book value of stock transfer units comprised only land and buildings. Component replacements in these units do not therefore result in the de-recognition of any book value of replaced components.

Note 14 continues overleaf

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 2022	741,513	69,939	18,127	-	829,579
Improvements to existing properties	7,879	-	-	-	7,879
Additions	3,577	70,537	58	-	74,172
Change of tenure	(3,965)	(883)	3,965	883	-
Schemes completed	67,343	(67,343)	883	(883)	-
Transfer to assets held for sale	(2,331)	-	(1,679)	-	(4,010)
Disposals – properties	(2,566)	-	(264)	-	(2,830)
Disposals – components	(2,173)	-	-	-	(2,173)
At 31 March 2023	809,277	72,250	21,090	-	902,617
Depreciation and impairment					
At 1 April 2022	119,370	-	1,438	-	120,808
Change of tenure	(176)	-	176	-	-
Charged in year	13,937	-	177	-	14,114
Released on disposal - properties	(325)	-	-	-	(325)
Released on disposal - components	(2,173)	-	-	-	(2,173)
Transfer to assets held for sale	(791)	-	(63)	-	(854)
At 31 March 2023	129,842	-	1,728	-	131,570
Net book value					
At 31 March 2022	622,143	69,939	16,689	-	708,771
At 31 March 2023	679,435	72,250	19,362	-	771,047

Included in the depreciation charge for the year is £509k of accelerated depreciation on components disposed before the end of their useful economic lives (2022: £706k). Additions to existing properties include component replacements and improvements. Initially, the book value of stock transfer units comprised only land and buildings. Component replacements in these units do not therefore result in the de-recognition of any book value of replaced components.

Note 14 continues overleaf

Expenditure on works to existing properties

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts capitalised – component replacement and improvement works	7,884	7,274	7,879	7,235
Amounts charged to Statement of Comprehensive Income	9,339	7,680	9,339	7,680
Total	17,223	14,954	17,218	14,915

Social housing grant (SHG)

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Total accumulated SHG receivable at 31 March:				
Recognised in the Statement of Comprehensive Income	9,113	8,733	8,361	7,201
Held as deferred income	128,186	114,923	127,018	113,742
	137,299	123,656	135,379	120,943

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 no triggers for impairment were identified. In 2021/22 an impairment charge of £1.7m was made in respect of a redevelopment scheme known as High Street Wellington. 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.

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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 2022	9,563	1,304	3,236	357	14,460
Additions	50	33	254	42	379
Disposals	-	(428)	(258)	(45)	(731)
At 31 March 2023	9,613	909	3,232	354	14,108
Depreciation and impairment					
At 1 April 2022	6,134	1,256	2,606	295	10,291
Charged in year	291	47	274	30	642
Depreciation on disposals	-	(428)	(258)	(36)	(722)
At 31 March 2023	6,425	875	2,622	289	10,211
Net book value					
At 31 March 2022	3,429	48	630	62	4,169
At 31 March 2023	3,188	34	610	65	3,897

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 2022	4,977	3	2,769	247	7,996
Additions	50	-	254	-	304
Disposals	-	-	-	(44)	(44)
At 31 March 2023	5,027	3	3,023	203	8,256
Depreciation and impairment					
At 1 April 2022	2,560	3	2,142	195	4,900
Charged in year	205	-	273	14	492
Depreciation on disposals	-	-	-	(36)	(36)
At 31 March 2023	2,765	3	2,415	173	5,356
Net book value					
At 31 March 2022	2,417	-	627	52	3,096
At 31 March 2023	2,262	-	608	30	2,900

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 each entity is detailed on page 34. 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/ (deficit) for the year**	**Reserves**
Choices Housing Association	100	(£2,876,000)	£39,000
Old Park Services Limited	100	£375,000	£426,000
Strata Housing Services Limited	100	£1,210,000	£864,000

17. Investment properties: non-social housing properties held for letting

Group and Association	**2023 £'000**	**2022 £'000**
At 1 April	19,609	16,947
Increase in value	204	2,662
At 31 March	19,813	19,609

Investment properties were valued at 31 March 2023 on an open market value basis. 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. The valuation is undertaken by external RICS advisers, Hammond Chartered Surveyors. The properties are leased to the Group's subsidiary company Old Park Services Limited.

18. Properties held for sale

Group and Association	**2023 £'000**	**2022 £'000**
Completed shared ownership properties	395	194
Properties held for sale - asset renewal strategy	1,780	2,102
	2,175	2,296

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19. Debtors

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Rent and service charges receivable	1,475	1,571	1,052	934
Less: provision for bad and doubtful debts	(989)	(819)	(801)	(642)
	486	752	251	292
Prepayments and accrued income	2,342	5,385	2,199	5,147
Other debtors	959	743	679	497
Trade debtors	191	362	35	30
Other taxation and social security	26	137	9	-
Amounts owed by group undertakings	-	-	2,747	2,289
	4,004	7,379	5,920	8,255

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

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20. Cash and cash equivalents

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	10,615	7,436	4,296	921
Short-term bank deposits	20,550	19,542	20,050	18,001
Cash held as collateral*	1	7,012	1	7,012
	31,166	33,990	24,347	25,934

*Cash held in charged bank accounts as collateral against the bond. The Group provided this cash collateral to enable sales of its retained bond to be completed during the year ended 31 March 2022, in advance of property security being put in place, to ensure that the Group took advantage of propitious market conditions.

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21. Creditors: Amounts falling due within one year

		Group		Association
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	12,854	12,029	3,625	2,398
Rent and service charges received in advance	3,848	3,476	3,848	3,476
Other taxation and social security	951	1,076	544	629
Pension contributions due	269	275	269	274
Social housing grant received in advance	2,250	3,869	2,250	3,869
Accruals	3,812	4,089	3,352	3,407
Interest payments due	4,098	3,613	4,098	3,613
Deferred income	86	79	76	69
Holiday pay accrual	230	230	230	230
Deferred grant income (note 23)	1,224	1,086	1,210	1,073
Other creditors	234	225	226	208
Amounts owed to Group undertakings	-	-	5,324	6,785
	29,856	30,047	25,052	26,031

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

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22. Creditors: Amounts falling due after more than one year

		Group		Association
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Debt (note 25)	540,415	505,027	540,415	505,027
Recycled capital grant fund (note 24)	701	1,553	701	1,553
Deferred grant income (note 23)	137,147	123,642	135,993	122,474
	678,263	630,222	677,109	629,054

23. Deferred grant income

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
At 1 April	124,728	110,533	123,547	109,337
Grant received in the year	14,987	16,348	14,986	16,348
Transfer to recycled capital grant fund	(120)	(1,066)	(120)	(1,066)
Released to income in the year	(1,224)	(1,087)	(1,210)	(1,072)
At 31 March	138,371	124,728	137,203	123,547
Amounts to be released within one year	1,224	1,086	1,210	1,073
Amounts to be released in more than one year	137,147	123,642	135,993	122,474
	138,371	124,728	137,203	123,547
Social Housing Grant	128,186	114,923	127,018	113,742
Other grant	10,185	9,805	10,185	9,805
	138,371	124,728	137,203	123,547

24. Recycled capital grant fund

Group and Association	2023 £'000	2022 £'000
At 1 April	1,553	530
Grants recycled	120	1,066
Interest accrued	1	-
Acquisition of dwellings for letting	(973)	(43)
Balance at 31 March	701	1,553

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

25. Debt analysis

Group and Association	**2023 £'000**	**2022 £'000**
Due after more than one year		
Bond financing	250,000	250,000
Discount and premium	1,522	1,594
Amortised cost of issue	(1,273)	(1,322)
Carrying value of bond	250,249	250,272
Bank loans amortised cost	290,166	254,755
	540,415	505,027
Repayable in		
One year or more but less than five years	139,600	116,610
After five years	400,815	388,417
	540,415	505,027

Total debt of £540.4m is comprised of £523.0m drawn funds and £17.4m amortised bond premiums and capitalised bank fees. 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 2023 the Association had total loan facilities available of £356m (2022: £356m) of which £83m (2021: £120.5m) was undrawn. £141m of this facility is fixed for periods of between 3 and 17 years at fixed rates of interest ranging from 4.126% to 7.25%. The instalments fall to be repaid in the period 2026 to 2040. £215m of this facility is variable at a rate of SONIA plus credit adjustment spread (CAS) plus margin and is repayable between four and seven years.

The bond is a £250m, long-dated instrument 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, giving an all-in cost of funds of 1.92%. In November 2021, the final £25m was issued at 95 bps over Gilt, giving an all-in cost of funds of 1.962%. At 31 March 2023, the £250m 2019 bond was priced at 62.831p and therefore valued at £157m.

26. 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 2023, the revenue reserve included £10,045,000 in respect of the defined benefit pension liability (2022: £55,442,000).

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.

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27. Financial commitments

Group and Association	2023 £'000	2022 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	88,066	99,563
Expenditure authorised by the board but not contracted for	64,262	85,430
	152,328	184,993

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
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Within one year	1,181	1,002	1,136	966
Two to five years	1,779	657	1,779	657
	2,960	1,659	2,915	1,623

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

Association	2023 £'000	2022 £'000
Within one year	490	490
Two to five years	1,960	1,960
Later than five years	8,330	8,820
	10,780	11,270

The lease receivable relates to the lease of the Limewood Dementia Unit from the Association to Choices Housing Association Limited. The lease has 22 years to run (2022: 23 years). The lease cost per annum is £490k.

28. Cash flow from operating activities

	2023 £'000	2022 £'000
Surplus for the year	3,230	10,833
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	14,784	14,067
Amortisation of intangible fixed assets	85	241
Impairment of housing properties	-	1,720
Write-off of components following demolition of properties	(8)	9
(Increase)/decrease in stock	(264)	45
Increase in properties held for sale	3,278	2,824
Decrease in debtors	226	65
Increase in creditors	1,698	568
Government grants utilised in the year	(1,224)	(1,087)
Pension costs less contributions payable	2,271	2,412
Adjustments for investing and financing activities:		
Net gain on the sale of tangible fixed assets	(1,958)	(2,786)
Movement in fair value of investment properties	(204)	(2,662)
Interest payable	18,667	15,724
Interest receivable	(432)	(19)
Net cash generated from operating activities	40,149	41,954

29. Analysis of changes in net debt

	At 01 April 2022 £'000	Cash flows £'000	Other non-cash movements £'000	At 31 March 2023 £'000
Cash at bank and in hand	7,436	3,179	-	10,615
Cash held as collateral	7,012	(7,011)	-	1
Money market deposits at call, seven day or monthly floating rates	19,542	1,008	-	20,550
	33,990	(2,824)	-	31,166
Bank loans due greater than one year	(254,755)	(37,500)	2,089	(290,166)
Bond finance due greater than one year	(250,272)	-	23	(250,249)
Total	(471,037)	(40,324)	2,112	(509,249)

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30. Financial assets and liabilities

Categories of financial assets and liabilities

Group	2023 £'000	2022 £'000
Financial assets that are debt instruments measured at amortised cost	32,802	35,829
Financial liabilities measured at amortised cost	(561,413)	(524,984)
	(528,611)	(489,155)

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.

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	2023 £'000	2022 £'000
Fixed rate	408,964	411,435
Floating rate	131,451	93,592
Total borrowings	540,415	505,027

The floating rate financial liabilities comprise bank loans that bear interest rates based on SONIA plus a credit adjustment spread and contracted margins.

The fixed rate financial liabilities have a weighted average interest rate of 3.70% (2022: 3.70%) and the weighted average period for which it is fixed is 19 years (2022: 20 years).

The debt maturity profile together with applicable interest rates is disclosed in note 25.

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	2023 £'000	2022 £'000
Expiring in more than two years	83,000	120,500

31. Contingent liabilities

The Group and Association had no contingent liabilities to disclose at 31 March 2023 (2022: £nil).

32. 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	2023 £'000	2022 £'000
Old Park Services Limited	Recharge of staff and operating costs (Reviive and void contract service)	719	609
	Recharge of staff and operating costs (third party repairs services)	1,811	1,775
Strata Housing Services Limited	Recharge of staff costs (development services)	857	969
Choices Housing Association Limited	Recharge of staff and operating costs	1,531	1,061

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	2023 £'000	2022 £'000
Old Park Services Limited	Property leases	676	660

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

Entity	Service	2023 £'000	2022 £'000
Old Park Services Limited	Provision of energy supplies	71	63
Strata Housing Services Limited	Provision of development services	49,287	47,185
Choices Housing Association Limited	Provision of care services	2,177	1,836

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.

Note 32 continues overleaf

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

Old Park Services Limited	£1,082,401	(2022: £1,515,174)
Strata Housing Services Limited	£239,628	(2022: £245,579)
Choices Housing Association Limited	£1,424,873	(2022: £528,340)

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

Old Park Services Limited	£114,601	(2022: £117,548)
Strata Housing Services Limited	£5,209,530	(2022: £6,513,855)
Choices Housing Association Limited	£nil	(2022: £153,623)

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33. Gift aid

Association	**2023 £'000**	**2022 £'000**
Gift aid received from Old Park Services Limited	631	568
Gift aid received from Strata Housing Services Limited	1,145	869
	1,776	1,437

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34. 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. (2022: 10)

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35. Non-adjusting post balance sheet event

On 14 June 2023 the group exchanged contracts on the sale of Limewood Dementia Care Unit to a private registered care provider. The asset is owned by parent company, The Wrekin Housing Group Limited and leased to its subsidiary, Choices Housing Association Limited. The unit will continue to operate fully through to the expected completion date of 30 September 2023.