

Annual Report and  
Financial Statements  
The Wrekin Housing Group  
Limited

---

**For the year ended 31 March 2022**

## Contents

Report of the board	3-20
Strategic report	21-56
Statement of responsibilities of the board	57
Independent auditor's report to the members of The Wrekin Housing Group Limited	58-64
Statement of comprehensive income	65-66
Statement of changes in reserves	67
Statement of financial position	68-69
Statement of cash flows	70
Notes to the financial statements	71-109

## Report of the Board

The board presents its report and audited financial statements for the year ended 31 March 2022.

### Board and committee members

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

	Boards				Committees			
	Wrekin Housing Group Ltd	Choices Housing Association Ltd (coterminous with WHG since September 2020)	Old Park Services Ltd	Strata Housing Services Ltd	Audit & Assurance	Finance & Investment	Remuneration & Nominations	Service Quality
Desmond Hudson – Chair	✓	✓				✓	✓	
Shaun Davies – Chair Strata Housing Services Ltd	✓	✓		✓				✓
James Dickson - Chair Old Park Services Limited	✓	✓	✓		✓			✓
Alison Fisher - Chair Audit and Assurance Committee.	✓	✓	✓		✓			
Enise Goring-Piskin – Independent Member of Service Quality Committee (Appointed 6 July 2021)								✓
Deborah Griffiths - Chair Finance and Investment Committee. Deputy Chair & Senior Independent Director	✓	✓				✓		
Helen Hackney – Independent Member of Service Quality Committee (Appointed 6 July 2021)								✓
Alan Hawkesworth	✓	✓			✓	✓		
Ravinder Kaur (appointed 20 July 2022)	✓	✓						✓
Iain Littlejohn (appointed 1 August 2022)	✓	✓					✓	
Jane Moulder	✓	✓	✓				✓	
Dennis O’Higgins – Independent Member of Audit & Assurance Committee					✓			
Sanaya Robinson – Independent Member of Audit & Assurance Committee					✓			
Annette Shipley - Chair Remuneration and Nominations Committee (resigned 31 <sup>st</sup> May 2022)	✓	✓					✓	
Esther Wright - Chair Service Quality Committee	✓	✓	✓				✓	✓
Alan Yates (appointed 2 April 2021)	✓	✓		✓		✓		

## Report of the Board

### Executive and secretary

Name	Position
Wayne Gethings	Group Chief Executive
Jonathan Lamb	Executive Director of Finance
David Wells	Executive Director of Operational Services
Janet Lycett	Executive Director of Business Solutions
Catherine Rogerson (Resigned 30th March 2022) James Jones (Appointed 30th March 2022)	Company Secretary

### Bankers and advisors

Bankers	Barclays PLC	Corporate Banking, One Snowhill, Snow Hill Queensway, Birmingham B4 6GN
External Auditors	Beever and Struthers	St George's House 215-219 Chester Road Manchester M15 4JE
Principal Solicitors	Devonshires LLP	30 Finsbury Circus, London, EC2M 7DT
Treasury Advisors	Chatham Financial Europe Ltd	12 St James's Square, London, SW1Y 4LB
Property Valuers	Savills (UK) Ltd	55 Colmore Row, Birmingham, B3 2AA

### Registration

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

### Insurance of directors and officers

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

# Report of the Board

## **Principal activity**

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

## **Business review**

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

## **Group structure and active companies at 31 March 2022**

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

The Group's subsidiaries are:

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

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

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

## **Governance**

The Group is currently managed by a board of eleven members consisting of nine independent members and one member nominated by the Borough of Telford and Wrekin. The chair is one of the independent board members.

There is one co-terminous board that oversees the activities of both the parent company and Choices Housing Association. This arrangement ensures that risks and the additional obligations of the Care Quality Commission are managed effectively and that the care and support activities receive the right focus within the Group.

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

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

## Report of the Board

The Group Board currently has the following committees in operation:

- Audit and Assurance Committee
- Finance and Investment Committee
- Remuneration and Nominations Committee
- Service Quality Committee

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

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

The Board continues to ensure that it attracts the right mix of skills and experience to enable it to discharge its role effectively. As part of the annual appraisal process, a Board Skills and Competency Framework has been established. The performance of the Board, its members and committees are appraised annually on both an individual and collective basis.

### Group Board

During the year the Board met 4 times and held 3 strategy/away days. The Board sets the Group’s strategy, monitors the Group’s performance against its approved plans and objectives and receives regular updates on operational and financial performance, development activity, risk management and health and safety. As mentioned above, the Board delegates some of its responsibilities to committees, chaired by board members, and reports from each committee and the boards of subsidiary companies, are presented to the Board at each meeting.

Group Board – Key Areas of Focus 2021/22	
<p>Specific topics:</p> <ul style="list-style-type: none"> <li>• Approval of various policies</li> <li>• HOS Complaints Handling Code</li> <li>• Issue of £25m retained bond</li> <li>• Social Value Strategy</li> <li>• Modern Slavery Statement</li> <li>• Review of assets and liabilities register</li> <li>• Various development site approvals</li> <li>• Strategic competitor analysis</li> <li>• Consumer Standards pathway</li> <li>• Net zero carbon strategy</li> </ul>	<p>Updates/Recurring items:</p> <ul style="list-style-type: none"> <li>• Covid update</li> <li>• Strategic plan update</li> <li>• Annual business plan approval</li> <li>• Annual budget approval</li> <li>• Annual accounts approval</li> <li>• Strategic risk management</li> <li>• Health and safety performance and compliance</li> <li>• Financial performance</li> <li>• Governance reporting updates</li> <li>• Operational performance</li> <li>• Asset management activity</li> <li>• Development programme update</li> <li>• Customer Voice Panel feedback</li> <li>• Care and Support Strategy update</li> <li>• Assessment against Regulatory Standards and NHF Codes of Practice</li> </ul>

## Report of the Board

<p>Group Board Strategy Events – Key Areas of Focus 2021/22</p>	
<ul style="list-style-type: none"> <li>• Corporate Ambition to 2025-30</li> <li>• Net zero carbon-strategic direction</li> <li>• Future growth and potential merger &amp; acquisition appetite</li> <li>• Performance of the Board</li> <li>• Review of 5 year Strategic Plan and risk appetite</li> <li>• Consumer Standards and the Effectiveness Review of the Customer Voice Panel</li> </ul>	

### **Audit and Assurance Committee**

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

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

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

## Report of the Board

Audit and Assurance Committee – Key Areas of Focus 2021/22	
<p>Specific topics:</p> <ul style="list-style-type: none"> <li>• Business Continuity</li> <li>• Deep Dives of individual strategic risks</li> <li>• Review Risk Management Framework and Risk Appetite Statement</li> <li>• Retendering of External Audit Services</li> <li>• Review of specialist care audit arrangements</li> </ul>	<p>Updates/recurring items:</p> <ul style="list-style-type: none"> <li>• Internal audit work plan</li> <li>• External audit plan</li> <li>• Internal audit updates and specific audit reports</li> <li>• Annual internal audit report and opinion</li> <li>• Group annual accounts and external audit findings</li> <li>• Risk management updates</li> <li>• Detailed health and safety performance and compliance reports</li> <li>• Detailed Care and Support performance and compliance reports</li> <li>• Statutory compliance calendar</li> <li>• Annual insurance renewal</li> <li>• Probity Report (including Fraud Registers and Whistle-blowing)</li> <li>• Annual internal control framework review</li> <li>• Performance and Effectiveness of the committee, internal and external audit</li> <li>• Policy Review Schedule</li> <li>• Agenda Framework</li> <li>• Review of Terms of Reference</li> </ul>

### Finance and Investment Committee

This committee concentrates on finance, treasury management, asset management and development and met four times during the year and also held an additional five workshops covering the following areas: finance, zero carbon, development appraisal modelling, value for money and the budget process. The Committee was set up following the successful completion of the Group’s refinancing exercise in October 2019, as it was felt that additional focus was required for matters related to financial performance and treasury management activity, given that the Group’s debt portfolio now includes listed capital market debt and a number of bilateral bank finance arrangements, replacing the Group’s previous single syndicated loan facility. The additional funding secured under the refinancing exercise is to finance further development activity over the life of the current strategic plan and so scrutiny of this area was also included in the remit of the committee. The committee is composed of Group Board members and meets with the executive management, other senior managers and external advisors as necessary.



## Report of the Board

Finance and Investment Committee – Key Area of Focus 2021/22	
<p>Specific topics:</p> <ul style="list-style-type: none"> <li>• Asset Management Strategy-deep dive reviews</li> <li>• Sundry Debt Management &amp; Recovery Policy</li> <li>• Treasury Management Policy</li> <li>• Rent &amp; Service Charge Policy</li> <li>• Funding market update</li> <li>• External review of rent standard compliance</li> <li>• Development Appraisal Model – Assumptions and Scheme Approval Delegations</li> <li>• Covid impacts on the Supply Chain</li> <li>• Rent Increases 2022/23</li> <li>• Value for Money Work Plan</li> <li>• Transition from LIBOR to SONIA</li> <li>• Building Safety Legislation</li> </ul>	<p>Updates/recurring items:</p> <ul style="list-style-type: none"> <li>• Management accounts</li> <li>• Development programme update</li> <li>• Asset management update</li> <li>• Annual budget</li> <li>• Annual business plan update</li> <li>• Treasury Dashboard</li> <li>• Annual Agenda Framework</li> <li>• Review of Terms of Reference</li> <li>• Performance &amp; Effectiveness of the Committee</li> </ul>

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee met twice during 2021/22. The purpose of the committee is to have oversight of the recruitment of board members, and oversight of the appointment and ongoing appraisal of the Group Chief Executive, make recommendations to the Group Board on the remuneration of the Executive Management Group and the brief within which executive management can negotiate staff salaries.

Remuneration and Nominations Committee – Key Areas of Focus 2021/22	
<p>Specific topics:</p> <ul style="list-style-type: none"> <li>• Board Member Tenure and Renewal</li> <li>• Development of People Strategy</li> <li>• Review of Board and Committee Membership</li> <li>• Equality, Diversity &amp; Inclusion Strategy</li> </ul>	<p>Updates/recurring items:</p> <ul style="list-style-type: none"> <li>• Annual pay award</li> <li>• Board member recruitment</li> <li>• Committee Agenda Framework</li> <li>• Review of Terms of Reference</li> <li>• Performance &amp; Effectiveness of the Committee</li> </ul>

# Report of the Board

## Service Quality Committee

The Service Quality Committee which held its inaugural meeting in January 2021, met 4 times during 2021/22 and is responsible for reviewing and monitoring the Group’s service quality and outcomes. The committee’s oversight relates to four themes:

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

Service Quality Committee – Key Area of Focus 2021/22	
<p>Specific topics:</p> <ul style="list-style-type: none"> <li>• Building Safety – new regulations</li> <li>• Care and Support Services</li> <li>• ASB and Domestic Abuse accreditation</li> <li>• Damp and Condensation</li> <li>• Money Matters and Debt Advice Service</li> </ul>	<p>Updates/recurring items:</p> <ul style="list-style-type: none"> <li>• Building Safety</li> <li>• Operational Performance – Housing Management, Repairs &amp; Maintenance, Customer Contact Centre, Planned Programme/Decent Homes</li> <li>• Detailed Care and Support performance and compliance reports</li> <li>• Annual Agenda Framework</li> <li>• Review of Terms of Reference</li> <li>• Performance &amp; Effectiveness of the Committee</li> </ul>

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

## Report of the Board

Name	Group Board	Audit and Assurance Committee	Finance and Investment Committee	Remuneration and Nominations Committee	Service Quality Committee
Desmond Hudson	4 of 4 (Chair)	-	4 of 4	2 of 2	-
Shaun Davies	3 of 4	-	-	-	3 of 4
James Dickson	4 of 4	4 of 4	-	-	4 of 4
Alison Fisher	4 of 4	4 of 4 (Chair)	-	-	-
Enise Goring-Piskin (Appointed 6 July 2021)*	-	-	-	-	3 of 3
Deborah Griffiths	4 of 4	-	4 of 4 (Chair)	-	-
Helen Hackney (Appointed 6 July 2021)*	-	-	-	-	3 of 3
Alan Hawkesworth	4 of 4	4 of 4	3 of 4	-	-
Jane Moulder	4 of 4	-	-	2 of 2	-
Dennis O'Higgins	-	4 of 4	-	-	-
Sanaya Robinson	-	4 of 4	-	-	-
Annette Shipley	2 of 4	-	-	2 of 2 (Chair)	-
Esther Wright	2 of 4	-	-	1 of 2	3 of 4 (Chair)
Alan Yates (Appointed 2 <sup>nd</sup> April 2021)*	3 of 4	-	4 of 4	-	-

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

## Report of the Board

### Remuneration of board members and executive directors

#### Policy

The board is responsible for setting the Group's remuneration policy for its executive directors on the advice of the Remuneration and Nominations Committee. 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 Remuneration and Nominations Committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the executive directors. Basic salaries are set having regard to each executive director's responsibilities and pay levels for comparable positions.

#### Pensions

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

#### Other benefits

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

#### Service contracts

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

#### Non-executive board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2022. 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
James Dickson	£7,750
Alison Fisher	£9,000
Enise Goring-Piskin	£2,250
Deborah Griffiths	£11,000
Helen Hackney	£2,250
Alan Hawkesworth	£6,600
Desmond Hudson	£17,000
Jane Moulder	£6,600
Dennis O'Higgins	£3,000
Sanaya Robinson	£3,000
Annette Shipley	£7,750
Esther Wright	£7,750
Alan Yates	£6,575
<b>Total</b>	<b>£98,275</b>

## Report of the Board

### **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 and for maintaining a satisfactory system of internal controls over the Group's books of account and transactions and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The current co-regulation framework has a strong resident element with the Customer Assurance Panel overseeing performance, the Tenant Auditors examining aspects of the Group's processes and the Tenants' Panel being the representative body involved in policy development as well as general consultation. The Customer Voice Panel ensures that customers have direct access to the board. The Panel reports regularly to the Group Board and some Group Board members serve as members of the Customer Voice Panel alongside the customer members. The Group is reviewing its approach to Customer Voice across 2022/23 to ensure it can deliver against all the key consultative, engagement and co-regulation requirements outlined in the Social Housing Bill and the future regulatory pathway.

### **Internal controls assurance**

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

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2021 up to the date of approval of the annual report and financial statements. The Board is satisfied that the current internal control framework is appropriate for the size and complexity of the Group and that it is adequate and effective.

The board receives and considers reports from management on risk management and control arrangements during the year. The arrangements adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

#### **Identifying and evaluating key risks**

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

## Report of the Board

### **Control environment and internal controls**

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

### **Financial and operational performance reporting**

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

- Reporting of operational performance against a suite of key performance indicators throughout the year. The indicators cover housing management, care services, repairs and maintenance, health and safety and customer satisfaction.
- Preparation of strategic plans, underpinned by detailed budgets for the year ahead and forecasts for subsequent years, all of which are reviewed and approved by the Board.
- Sensitivity analysis of key risks and uncertainties included in the financial forecasts and stress testing of complex, multivariate scenarios.
- Monthly budget reviews with budget holders and detailed 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 2021/22.

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.

## Report of the Board

<b>Internal Audit Reports 2021/22 – Assurance opinions</b>	<b>Number of Reviews</b>
Substantial Assurance	11
Reasonable Assurance	4
Partial Assurance	-
No Assurance	-
Advisory only	4

<b>Internal Audit Reports 2021/22 – Management action priority</b>	
High	0%
Medium	35%
Low	65%

### **Health and safety**

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

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

The Board receives regular reports on health and safety matters, including any reportable incidents and all aspects of property safety, together with the results of audits carried out by independent third party specialists. Performance against key indicators is shown below. In most areas, performance has improved with the majority of measures at 100%. At the year-end there was one fire risk assessment outstanding. This related to a building leased to a third party and, whilst it is not the Group’s responsibility to complete the assessment, this situation has been closely monitored to ensure third party compliance and the work has been completed since the year end.

## Report of the Board

### Health and safety (continued)

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

Indicator	Performance 2021/22- as at 31/03/2022	Performance 2020/21- as at 31/03/2021
Electrical Safety - Periodic Test	99.51%	98.90%
Fire Safety - Periodic Fire Risk Assessments	99.70%	100.00%
Fire Safety - Equipment Servicing	100.00%	100.00%
Heating Safety - Gas Servicing	100.00%	100.00%
Heating Safety - Non-Gas	100.00%	100.00%
Lift Safety - Communal Lifts Servicing	100.00%	100.00%
Lift Safety - Communal Lift Insurance Check	100.00%	100.00%
Lift Safety - Home Lifts Servicing	100.00%	98.18%
Lift Safety - Home Lift Insurance Check	100.00%	99.19%
Asbestos Safety - Period checks	100.00%	100.00%
Asbestos Safety - Homes surveyed for asbestos	100.00%	100.00%
Water Safety - Risk assessments & periodic checks	100.00%	100.00%
Food Safety – Star Ratings	1 location 4 star 58 locations 5 star	1 location 4 star 58 locations 5 star

### Anti-fraud and corruption

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

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

During the year the Group 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.



## Report of the Board

### Care quality and safeguarding

The Group is committed to providing quality services in all its care and support activities which are regulated by the Care Quality Commission. During 2020/21 the Group reviewed its business wide approach to Care and Support and the Board approved a new cohesive strategy which created an ambition to merge the range of different Care and Support services, and the teams employed to support them, into a single Care and Support portfolio.

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).

During 2021/22 there was a significant whistleblowing concern raised by a member of agency staff regarding the provision of care at Limewood Dementia Care Unit, managed by the Group's subsidiary company Choices Housing Association. The concern was referred to Safeguarding, the Care Quality Commission, the host local authority (Staffordshire County Council (SCC)) and MLCSU (NHS Midlands & Lancashire Commissioning Support Unit). Limewood was placed under a quality assurance process by both SCC and MLCSU. This took effect from 6<sup>th</sup> May 2021, resulting in a suspension of new admissions.

On 10<sup>th</sup> June 2021 SCC removed its suspension following a positive monitoring visit by the Provider Incident Response Team.

On 10<sup>th</sup> December 2021 the MLCSU partially lifted its suspension; Limewood could admit one Tier 0 or Tier 1 resident per week with CHC oversight, these being residents with lower level care needs.

On 28<sup>th</sup> April 2022 the MLCSU fully lifted its suspension with no restrictions or conditions attached following a number of positive quality monitoring visits.

The suspension had a significant financial impact on Limewood as a result of the unit carrying a high level of voids for the full year. Following the lifting of the suspension the unit has continued to experience difficulty in recruiting nurses with suitable qualifications to enable the provision of higher-level care and therefore still carries a higher level of voids than usual. A review of nursing terms and conditions has been undertaken and a recruitment drive to recruit nurses with the appropriate qualifications to deliver this type of care continues.

The 2021/22 year continued to be difficult for all Care and Support providers as a result of the global coronavirus pandemic. The Group suffered from extended staff isolation periods and several COVID outbreaks across many of its homes, resulting in the reliance on agency staff which had a further significant financial impact on the business.

In terms of other safeguarding issues, although there were a number of reportable incidents in 2021/22, none resulted in prosecutions, improvement notices, or wider-ranging safeguarding investigations and there were no Duty of Candour breaches during the year.

Given the financial position of Limewood, the difficulties faced in recruiting nursing staff and the uncertainties over future commissioning of learning disability care services, the Board took the decision during 2021/22 to review the delivery of dementia care and learning disability registered care within the Group to ensure that the financial and operational risks associated with those areas of work are effectively managed. Whilst those plans are in progress the parent company, Wrekin Housing Group Limited, will provide ongoing support as necessary.

### **COVID-19**

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

## Report of the Board

### **COVID-19 (continued)**

During 2021/22 the Group continued to review and refine its operational delivery plans and largely delivered a 'business as usual' service. This was supported through the agile working arrangements that were put in place during 2020/21 and continued to be refined. The Group continued to prioritise the safety of its customers and staff. Whilst there were some areas of the planned maintenance programme that will be taken forward into 2022/23 the development programme has remained broadly on track.

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

Over the course of the last year the Group ensured that its Covid secure working policy and procedures remained effective. The PPE supply chain remained strong with sufficient stocks being retained to mitigate any unexpected pressures nationally. The Group continued to support staff if they were having to self-isolate and actively enabled staff to take the time to have the vaccine booster. It also offered access to free flu vaccines.

The Group did make use of the Coronavirus Job Retention scheme but ensured it had reviewed those services and posts affected and had mitigated the implication of the scheme ending.

For its customers the Group continued to work closely with relevant health and social care bodies, including Public Health England. During the last quarter of the year the Group faced significant pressures due to staffing absences caused by the Omicron variant. However, swift and focused management actions have continued to ensure the continuity of services and the safety of staff and customers.

During the year there has been a continued focus on supporting those customers who have experienced financial insecurity as a result of the pandemic. In particular this work has focused on those tenants who have become unemployed, lost support when the Coronavirus Job Retention Scheme (furlough) ended or have experienced other changes in circumstances that have impacted on their ability to pay their rent. These efforts have resulted in the Group maintaining the previous levels of collected rent during the pandemic and very effective communication and support was offered to those who may have otherwise faced enforcement action. This work continues as we now seek to support customers affected by the cost of living crisis.

### **Economic uncertainty**

The Group is operating in a current economic environment that is volatile, uncertain and complex. Inflation in the UK is at the highest rate in around 40 years, far above the Bank of England 2% target. This stems from worldwide trends following the pandemic and has been exacerbated by the economic shockwaves from the war in Ukraine. Energy wholesale prices increased substantially, food costs are increasing and supply chain issues (due to both the ongoing pandemic in China and fallout from Brexit in the UK) have resulted in inflation rates that the Bank of England have sought to control through its monetary policies. Off the back of a sustained period of quantitative easing (£2.3 trillion in 2020) and ongoing base interest rate rises (hitting 1% in May 2022, but likely to rise to around 2.5% in 2023) the Bank of England warned in May 2022 that its ability to reduce inflationary pressures further by these means was limited.

## Report of the Board

### **Economic uncertainty (continued)**

The effect of these economic trends for Wrekin Housing Group is two-fold. Firstly, there is a growing cost of living crisis that directly affects our customers, most of whom who 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 the group's 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 contracts become more expensive, and borrowing costs also increase. Particular examples of this include the Group's energy costs and the cost of development activity or asset improvements.

There are limited ways in which the Group can manage these risks, given that increasing inflation is a world-wide trend. However, stress testing the financial plans has shown that there is a high degree of financial resilience in the Group's activities, and we are able to manage sustained, extreme and multi-faceted sequences of negative events.

The Group is also proactive in managing these risks. Over 80% of the group's 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. A good example of this are the energy contracts, where fixed term pricing agreements are sought where possible, to reduce short-term inflation risk. Asset management and development teams are also proactive in identifying contractors that could be in financial jeopardy, moving quickly to secure our assets and provide financial assistance 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 31 March 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 2022 the Group had loan and bond facilities totalling £606 million. At that date £120m of loan finance remained undrawn. The Group has a long-term business plan which shows that the remaining undrawn amount will be committed to its development programme during the period through to 31 March 2024. At all times during that forecast period the Group has 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.

## Report of the Board

### Going concern (continued)

- A comprehensive set of stress tests have been run on the plan – both in terms of the normal suite of scenarios that are tested regularly and additional tests to model the potential impact of a recession and rising inflation. 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.
- No assumption has been made that further government support would be required to mitigate the impact of future costs relating to COVID-19.
- The Group continues to monitor closely the effect on customers of the relaxation of COVID-19 restrictions and the rising cost of living crisis. The Group maintains prudent levels of income and impairment provisions in its business plan to manage any impacts.
- Inflation risk in relation to energy supply, materials costs and labour availability is a key area of concern. International drivers (wholesale cost of energy, 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, disconnecting the natural hedge between cost and income. The results were mitigated through the Group's financial flexibility, to ensure post-mitigation covenants were met. Rising inflation will continue to be monitored and the business plan will be updated quarterly to review its impact.
- The business plan includes additional costs in the three years to 31 March 2025 in order to ensure all the Group's homes meet a minimum EPC rating of C, to comply with the Government's 2030 target. In addition, the business plan extends development activity through to 2030. As a result of these costs, margins and headroom above covenant levels are affected, but the Group continues to meet all responsibilities to its stakeholders.

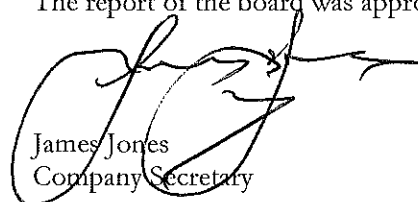
### Annual general meeting

The annual general meeting will be held on 28 September 2022 at The Wrekin Housing Group, Colliers Way, Old Park, Telford, TF3 4AW.

### Auditors

On 20 September 2021 the Group appointed Beever and Struthers as its auditors.

The report of the board was approved by the board on 22 August 2022 and signed on its behalf by:



James Jones  
Company Secretary

## Strategic Report

### **Background Information**

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

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

In total, the Group manages 13,115 properties (2021: 13,041), covering a wide range of accommodation. The Group also retains the freehold interest in 629 properties (2021: 648) occupied by leaseholders as a result of previous sales under Right to Buy or Right to Acquire legislation or the Group's Asset Renewal Strategy. Therefore, the total number of properties in which the Group had an interest at 31 March 2022 was 13,744 (2021: 13,689).

The Group has operated a local housing model since 2002 a feature of which has been a network of local housing offices around our operating areas. Whilst we remain committed to the principles of local area working and being fully accessible to our tenants, the impact of the Covid pandemic and the long closure of these offices caused us to rethink our accommodation requirements. A review is underway and will be completed during 2022/23. This will form part of a wider review of our Housing Management service to tenants that will seek closer engagement with tenants about the community they live in, as well their individual tenancies.

The Housing Management Teams are responsible for the 10,457 general needs properties (2021: 10,375), 293 shared ownership properties (2021: 268) and 629 leasehold properties (2021: 648).

A specialist team is responsible for supported housing, branded as Retirement Living, which provides 2,073 (2021: 2,099) units of supported housing and housing for older people, again under the management of a general manager. This group of properties also includes the Group's nine Extra Care schemes.

The Group's portfolio of over 2,000 garages is managed by a separate team and has a turnover of £769,000 (2021: £782,000). 133 market-rented properties are managed for the Group by its commercial trading subsidiary, Old Park Services Limited.

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

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

The Group has a turnover of £97.5m (2021: £95.7m) and employs a workforce of 966 full time equivalent staff (2021: 974 full time equivalents).

For more than a decade the Group has pursued an ambitious development programme, delivered by means of its Asset Renewal Strategy, whereby the proceeds of sale of uneconomic properties are used to fund the development of new properties. Between 2008/09 and 2020/21 the Group disposed of 1,790 of these uneconomic properties. This generated sale proceeds of £118.9m for reinvestment in new development.

## Strategic Report

The Group also has a strong track record in securing government grant and raising private finance. This has meant that, over the same timeframe, it has been able to invest £526m in new development, delivering 4,884 new homes, an overall replacement rate of 2.73 new homes for every property sold.

Delivery of the Asset Renewal Strategy continued in 2021/22, with a further 77 properties sold, raising proceeds of £6.6m, and 318 new homes completed. The number of properties actually owned by the Group increased by 81 overall in 2021/22. The number of properties it manages on behalf of other parties reduced by 7 during the year. The Group disposed of its freehold interest in 28 properties occupied by leaseholders but acquired 9 new leaseholders following the disposal of properties under the Asset Renewal Strategy. As a result of all of the above changes the total number of properties in which the Group had an interest increased by 55 in 2021/22.

### **Strategic Plan 2020-2025**

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

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

That vision is driven by our core values:

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

Our detailed strategic plan 2020-2025 sets out seven main objectives that indicate the focus of our activities over 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" of the plan, together with the related deliverables, are set out below, along with an assessment of progress to date against each one.

#### **Objective 1 – Care and Support-**

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

## Strategic Report

Deliverable	Progress to Date
The Group Board will have made a decision on the organisation's future strategic role in care.	Completed
Develop a new service 'vision' for each Extra Care housing scheme and implementation plan to achieve the Board's objectives.	Extra Care vision received by Group Board in November 2021. Extra Care Strategy to be approved and implemented December 2022.

### Objective 2 – Social Value- We will create jobs and promote economic growth in our locality, maximising the social value of our services and delivering wider community benefits

- Maximising our social value footprint through our core activities, defined as housing and care
- Defining our commitment through our Corporate Social Responsibility Policy, our Social Investment Strategy and Social Return on Investment reporting

Deliverable	Progress to Date
Deliver the Group Social Investment Strategy and capture and monitor its social impact through the annual Social Value Report.	<p>A new Social Value Strategy was approved by the Board in September 2021 identifying the following priorities:</p> <ul style="list-style-type: none"> <li>- Employability</li> <li>- Inclusion</li> <li>- Resilience</li> <li>- Wellbeing</li> <li>- Environment</li> </ul> <p>This Strategy replaced the Social Investment Strategy and Corporate Responsibility Policy.</p> <p>The Group supported 1,000 referrals to its Tenancy Sustainment team, completed 1,978 tenancy sustainment assessments and also 670 referrals to the Group's Money Matters and debt Advice teams.</p>
Provide training and apprenticeships to 80 people by 2022	<p>On track to achieve objective – Apprenticeships continued through 2021/22.</p> <p>During 2021/22 the Group supported 80 Kick-start placements and 120 apprentice and work placement opportunities</p>

# Strategic Report

## Objective 3 - Employer

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

Deliverable	Progress to Date
Achieve employee satisfaction of 80% across the Group by 2022	The group scoped and launched its staff survey early in 2022/23.  The Group created a staff forum in April 2022 comprising 15 employees elected by their peers
Achieve Investors in People Platinum by 2022	On track to achieve objective together with a refreshed People Strategy.

## Objective 4 – Asset Management

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

Deliverable	Progress to Date
Invest £13.1m annually in our existing homes on average until 2025	£11.9m invested in 2020/21 and a further £9.5m invested in 2021/22 due to the reprofiling of the programme during the pandemic. On target to achieve objective by 2025.
Ensure that all properties have a SAP rating of C or above by 2025	At 31 March 2022 78.1% of properties had a SAP rating of C or above, with plans to achieve band C for the majority of homes by 2025.
Achieve 100% compliance with landlord and health and safety responsibilities	During 2021/22 we completed over 26,000 property related safety checks with just 66 overdue at the end of the year. The overdue checks were: <ul style="list-style-type: none"> <li>• 61 overdue electrical testing. All installations are modern with up to date protective devices fitted to protect against faults.</li> <li>• 1 Oil Heating Service</li> <li>• 3 Electrical Heating Services</li> <li>• 1 Fire Risk Assessment (in a Building Leased to a third party, and whilst not the Group's responsibility to complete, it is monitored to ensure third party compliance)</li> </ul>



## Strategic Report

### Objective 4 – Asset Management (continued)

Deliverable	Progress to Date
Add 500 new homes per year on average from 2021/22 to 2024/25 through development and acquisition. A further 1,721 homes will be provided by March 2025.	Actual delivery from April 2020 to end of March 2022 was 595 homes which is 58 below target. This is due to the challenging operating conditions experienced during the pandemic by our partner developers.
Increase the Group's total number of properties for rent from 12,629 in 2019 to 14,218 by 2025	On track to deliver objective by 2025

### Objective 5 - Customers

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

Deliverable	Progress to Date
Introduce a new customer engagement model that is representative of our customers by December 2020	<p>The Covid19 Pandemic has resulted in a delay in achieving this deliverable, while at the same time progressing many elements, particularly digital elements, at a faster speed.</p> <p>The model for the refreshed customer engagement structure was presented to the Board in June 2022 and a revised customer engagement plan is now in place.</p> <p>New methods of engagement are quickly showing a broader range of customer involvement.</p> <p>The Continuous Improvement Team has also been reviewed and aligned to new priorities. The newly formed Customer Voice and Value Team was fully staffed by the end of 2021/22.</p>

## Strategic Report

Deliverable	Progress to Date
Have an increased customer involvement base in place by 2022	<p>A wider breadth of customer engagement was achieved during 2021/22 through the extended use of Customer Experience Software and the introduction of the Services Quality Committee and Independent Committee Members with lived customer experience.</p> <p>Steady progress is being made on bringing in new customers with 100 added through one piece of work. They are building their knowledge and we aim to move at least 10 through to the much more involved phase.</p>
Maintain overall customer satisfaction at 92% or above	<p>In 2021/22 the Group achieved 84% satisfaction overall compared to 87% in 2020/21, this is after moving to a more digital method of recording responses. Reports across the sector have seen a c.3-5% decrease (HouseMark).</p> <p>The Group's Net promoter average of 49% is deemed strong performance as per the scale shown below.</p>

### Objective 6 – Partners and Stakeholders

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

Deliverable	Progress to Date
Have a named individual to engage with each stakeholder who is of strategic importance by 2024	On track to achieve objective – a further piece of work will be completed in 2022/23 to retest in a post-covid environment

## Strategic Report

### Objective 7 – Value for Money

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

Deliverable	Progress to Date
Reduce certain cost categories each year until 2024	Target has been revised to take account of the increase in costs that will arise from Health and Safety legislation post Grenfell and Carbon reduction legislation.
Have unit costs that are comparable to others	On track to achieve objective – no outlying VFM metrics in 2021/22

### Principal risks and uncertainties

The main strategic risks that could prevent the Group achieving its objectives are considered and reviewed on a regular basis by the executive and leadership teams, committees (Audit & Assurance Committee in particular) and Group Board. Scrutiny is consistent with the Group's Risk Management Framework (formally reviewed in September 2021). The Framework sets out the Group's strategy for dealing with risk appetite, explains how risk is managed across the Group and defines the processes to test the Group's resilience to risk. The Framework explicitly links risk management to the delivery of the Strategic Plan, Business Plan and operational objectives. Risks are recorded and assessed in terms of their impact and probability, with greater weighting given to impact. Top strategic risks, presenting the greatest threats to the Group, are reported at every Group Board meeting and Audit & Assurance Committee, together with the key controls in place to manage the risks, the assurances evidencing that the risk is being effectively managed and the future risk actions. The potential cumulative impact of strategic risks is considered, with the combined impact of the strategic financial risks measured through a comprehensive suite of stress tests and potential mitigations. The pandemic provided an extremely thorough test of the Group's risk management and business continuity processes and resilience and this has been successfully navigated. The Group uses the 'Three Lines of Defence Model' to assess the assurances given to Group Board in managing risks.

The Board reviewed its Statement of Risk Appetite in March 2022. Its risk appetite is 'minimal' with regard to protecting customers and staff, managing reputation, embracing the regulatory framework and providing quality care services. The Board's risk appetite in maintaining financial resilience and ensuring quality, resilience and continuity of services is 'cautious'. In some other areas, the Board has a greater appetite to accept risk, for example, in the area of successful service transformation, as long as effective controls and mitigation measures are in place to manage risk.

The Group has 19 risks on its Strategic Risk Register, which are tightly aligned to the Sector Risk Profile, last issued by the Regulator of Social Housing in October 2021. The register recognises that the Group has many risks in common with others in the sector, but it also takes account of the Group's particular risk exposure. The risk scores are regularly reviewed. As at May 2022, there are only two strategic risks outside of the Board's risk appetite (ten are at risk appetite level and seven are below risk appetite levels). The two risks outside of risk appetite are:

## Strategic Report

- Counterparty risk: Realistically, the higher likelihood of this risk crystallising may well continue for some time given the macro-economic outlook, although the Group has only suffered limited direct impact so far. The risk will continue to be closely monitored. To seek further 3rd line of defence assurance, counterparty management has been included in the 2022/23 Internal Audit Plan. Ultimately it may be necessary to adjust the Group's risk appetite rating and target risk score to reflect the ongoing issues.
- Care Service risk: There will be a six-monthly deep-dive report to Audit & Assurance Committee to ensure that the significant progress already made to move this risk to match the Board's risk appetite is being maintained. A report by the Executive Director of Operational Services was presented to the May 2022 Audit & Assurance Committee. It outlined the multiple layers of monitoring of this risk.

Appropriate focus is given to the identification of emerging risks. The Group Head of Risk & Policy completes a fortnightly report to the Executive Management Group that identifies sector intelligence and emerging risks. A synopsis is included in the strategic risk update for Audit & Assurance Committee and Group Board. As a result, the Strategic Risk Register is updated to reflect emerging risks as appropriate to ensure that risk management is a dynamic process. Notable issues that present potential risks to the business include: the cost of living crisis, the macroeconomic outlook, the decarbonisation of the housing stock, enhanced consumer regulation/customer expectations and the enhanced health and safety requirements following the Grenfell fire contained in the Fire Safety Act and the Building Safety Act. The Queen's Speech outlined two bills in particular that present potential risks to the Group: the Social Housing (Regulation) Bill and the Levelling Up and Regeneration Bill.

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

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

## Strategic Report

Key Risk Area	Issue	Mitigation
Income Collection (including the impact of the cost of living crisis and the managed migration to Universal Credit)	Significant reductions in income collection risk the non-delivery of the Business Plan and Strategic Plan. This could present liquidity issues and a potential breach of funders' covenants/loan terms which in turn could lead to a financing issue linked to the treasury management risk and refinancing difficulties.	<ul style="list-style-type: none"> <li>Income management framework</li> <li>Regular reporting to the executive and Board</li> <li>Monitoring of golden rules and triggers</li> <li>Extensive stress testing</li> <li>Mandatory support for customers heading into arrears</li> <li>Expert Money Matters Team advice and support provided to customers</li> </ul>
Treasury management	Inability to draw on existing loans in support of the approved business plan either due to breach of loan terms, the requirements of a Public Interest Entity or external factors e.g. banking sector issues or property market volatility or collapse. Inability to refinance on favourable terms or in a timely manner or inability to raise additional finance to support the development programme. In extreme default the risk to the business is that loans are immediately repayable.	<ul style="list-style-type: none"> <li>Assets and liabilities register monitoring</li> <li>Covenant compliance and liquidity monitoring, including golden rules and triggers</li> <li>Robust Treasury Management Policy and financial policies</li> <li>Reports from external treasury advisors</li> <li>Insider information process</li> <li>External stock valuations</li> <li>Monitoring against budgets and Business Plan</li> <li>Extensive Business Plan stress testing and mitigations identified</li> <li>Monitoring of development programme and property sales</li> <li>Robust and considered approach to the mitigation of emerging risks/requirements to meet Government targets to decarbonise the Group's housing stock</li> </ul>
Care Service (Customer service element - not health & safety risks)	Failure to deliver high quality care that meets agreed standards or service users' needs and expectations impacts on our customer satisfaction rating, reputation and future demand for our services. This then impacts upon the future viability of the service.	<ul style="list-style-type: none"> <li>Care and Support Strategy</li> <li>Internal performance, compliance inspection and internal audit tools</li> <li>Third party inspections/reports</li> <li>Continuous improvement teams, focus groups and executive reporting</li> <li>Regular monitoring and reporting of staffing levels</li> <li>Duty of Candour policy and reporting</li> </ul>

## Strategic Report

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

## Strategic Report

Key Risk Area	Issue	Mitigation
Regulatory failure	Regulatory failure puts the organisation in a position which could lead to prosecution, regulatory intervention, loss of finance and risk to reputation.	<ul style="list-style-type: none"> <li>• Compliance calendar</li> <li>• Monitoring of compliance with new NHF code, RSH and CQC requirements</li> <li>• Internal control framework/Risk Management Framework</li> <li>• Governance action plan</li> <li>• Fraud prevention controls</li> <li>• Assessments against the Governance &amp; Viability Standard.</li> </ul>
GDPR and data protection	Failure to comply with the General Data Protection Regulations could have a significant financial impact on the Group and its customers and lead to a loss of reputation for the Group and regulatory action	<ul style="list-style-type: none"> <li>• Robust GDPR policies and procedures</li> <li>• Privacy notices</li> <li>• Ongoing training and awareness programmes, including regular bulletins to all staff</li> <li>• Additional e-mail controls</li> <li>• Working from Home Policy</li> </ul>
Pension fund	As an active member of the LGPS, the Group is potentially exposed to continuing increases in pension costs above the rate of inflation. Closure of the scheme could have a negative effect on staff morale, recruitment and retention. Other adverse financial conditions could potentially trigger the cessation provisions of the membership agreement.	<ul style="list-style-type: none"> <li>• Pension cost monitoring</li> <li>• Stress testing scenarios</li> <li>• Deficit contribution plan</li> <li>• Reports from independent external consultants</li> <li>• New defined contribution pension scheme (Smart Pension) in place and no new LGPS scheme admissions</li> </ul>
Data Integrity	Inadequate or incorrect collection, entry or analysis of data leads to regulatory censure /downgrade and potential consequent damage to reputation with other stakeholders. Poor data integrity leads to incorrect conclusions being drawn from data with potential consequent decline in performance and impact on customers and reputation.	<ul style="list-style-type: none"> <li>• Robust check and review procedures, including monthly data audit check on compliance</li> <li>• Scrutiny and challenge mechanisms carried out by specialist Business Information Analyst (dedicated resource)</li> <li>• Robust procedures for data capture and production of information</li> <li>• Detailed summary of development appraisals included in reports</li> </ul>

## Strategic Report

Key Risk Area	Issue	Mitigation
Employee and Board Resources	The Group fails to attract and/or retain good employees and Board members and this lack of capacity affects our ability to deliver our plans	<ul style="list-style-type: none"> <li>• People Strategy and robust HR policy framework</li> <li>• Governance Plan</li> <li>• Training and Development Plan/apprenticeship programme/succession planning</li> <li>• Board members skills, competencies and behaviour framework, appraisal process and succession plan</li> <li>• Regular reviews of pay and conditions</li> </ul>
Rent setting	Errors in the application of the Rent Standard and other regulatory guidance on rents leads to incorrect rents being set, leading to regulatory intervention and impacts on our tenants and reputation	<ul style="list-style-type: none"> <li>• Board approval process</li> <li>• Robust Rent Setting Policy and procedures</li> <li>• RSH Stability Check process</li> <li>• Third party checks/validation</li> </ul>
Customer service delivery	Inadequate customer service impacts on the ability to achieve the Group's Strategic Plan and leads to reputational and regulatory risks.	<ul style="list-style-type: none"> <li>• Framework for new ideas and the Wrekin Learning Model</li> <li>• Social Housing (Regulation) Bill implementation plan</li> <li>• Customer surveys and customer journey mapping (CX feedback system)</li> <li>• Robust Complaints Policy and procedures</li> <li>• Business continuity plans</li> <li>• Customer Voice Panel/CAP scrutiny/Co-Regulation Group</li> <li>• Service Quality Committee</li> <li>• Robust approach to the mitigation of emerging risks/requirements of enhanced consumer regulation and consumer expectations</li> <li>• EDI action plan</li> </ul>



## Strategic Report

Key Risk Area	Issue	Mitigation
Poor financial performance or adverse economic conditions	Failure to collect enough cash or overspend will not return the surplus required to deliver objectives and may breach covenants. Adverse economic conditions may also cause under-performance against financial plans and strategic objectives	<ul style="list-style-type: none"> <li>• Management accounting processes</li> <li>• Monitoring and reporting against budget and business plan</li> <li>• System of golden rules and triggers</li> <li>• Close monitoring of macro-economic conditions</li> <li>• Stress testing scenarios and mitigation plan</li> <li>• Monitoring of commercial activities through Old Park Services Board</li> <li>• Fraud prevention controls</li> <li>• System thinking measures and reviews</li> </ul>
Delivery of the Development Programme	If the development programme is not delivered due to risks of increasing build costs, supply chain issues, increased competition for S106 bids, lack of opportunities, planning issues, schemes not as appraised and changes in demand then there is a risk to the delivery of the business plan and strategic objectives.	<ul style="list-style-type: none"> <li>• Development Procedure Manual</li> <li>• Weekly development pipeline meetings</li> <li>• Monthly development delivery monitoring report to EMG</li> <li>• Monitoring reports to Finance and Investment Committee</li> <li>• Robust policies and procedures</li> <li>• Robust cost monitoring</li> </ul>

### Business Performance

The following paragraphs highlight key features of the Group's financial position at 31 March 2022, discussed further in subsequent sections.

The Group recorded a strong operating surplus for the year of £26.6m (2021:£26.3m) and most areas of the business contributed to the strong operating result despite the ongoing challenges of the pandemic. The £0.3m increase year on year was due to a combination of factors. The Group's turnover grew by £1.8m, behind growth in operating costs of £2.7m. During the year the group identified impairments to its development scheme at High Street Wellington amounting to £1.7m in respect of the carrying value of the existing properties on the sites that are planned to be demolished as part of the new development, where the recoverable amount is deemed to be £nil. In addition £30k of abortive development costs relating to initial investigation costs of schemes that have not become part of the programme were written off in the year and form part of operating costs. The surplus on the sale of right to buy / right to acquire units increased by £1.1m as more tenants exercised their rights. The value of non-social housing properties increased by £2.7m. This increase in value represents an uplift of 16% due to changes in market conditions.

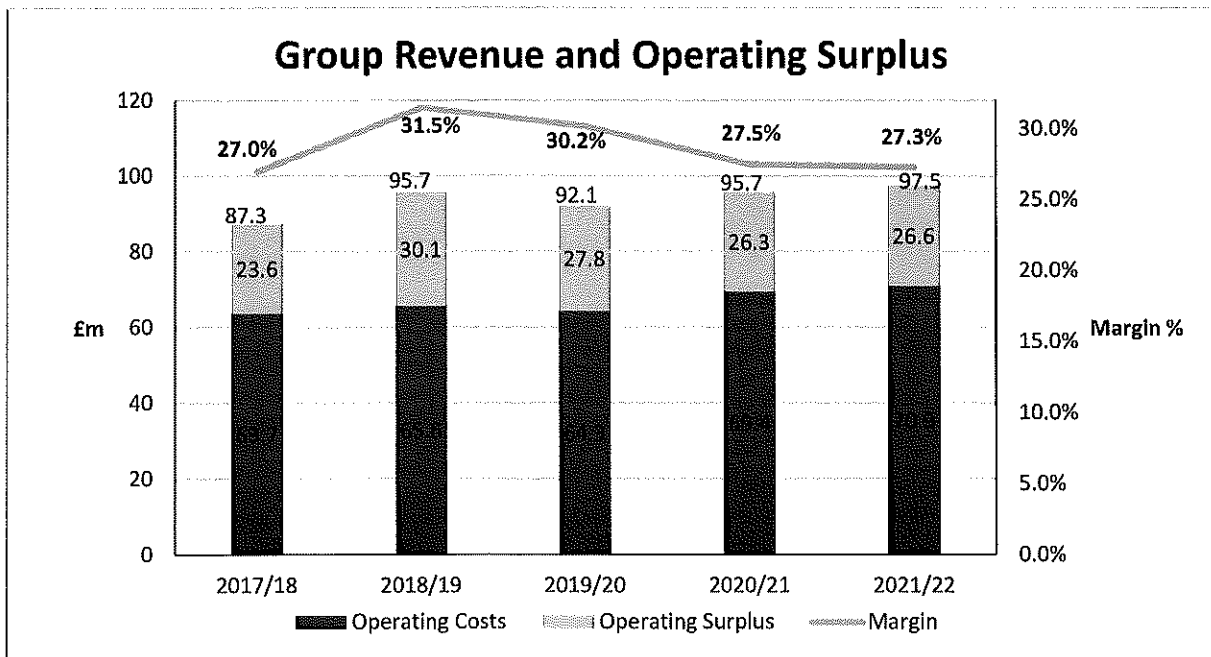
After net funding costs of £15.7m the Group achieved a surplus on ordinary activities before taxation of £10.9m. Total comprehensive income for 2021/22 of £19.7m includes actuarial gains on the pension scheme of £8.9m (2021: loss £7.3m) resulting from changes to assumptions based on economic market indicators as at 31 March 2022, discussed below and in note 11 of these accounts.

## Strategic Report

### Business Performance (continued)

The principal movement in the Group's balance sheet, also seen in the Group's cashflow, relates to the net increase in housing properties of £49.4m, funded through the utilisation of cash and cash equivalents in place as at 31 March 2021, as described in detail under the cash flow heading later in this section.

#### Group revenue and operating surplus



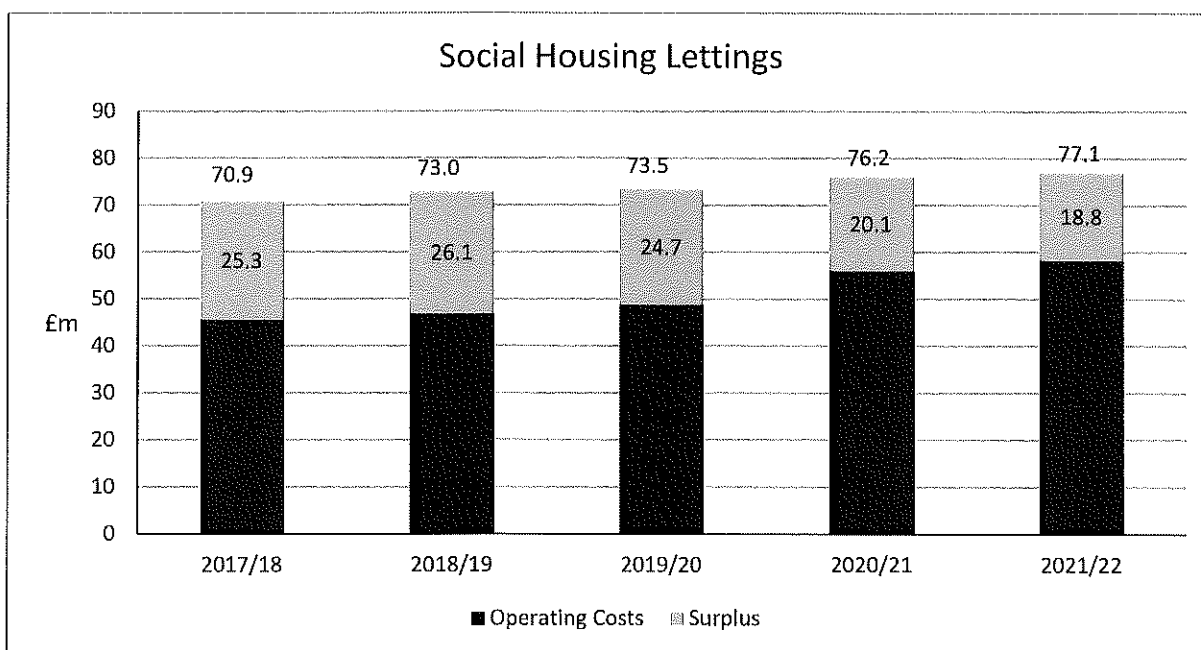
In overall terms Group revenue has slightly increased over the last three years and 2021/22 saw increased performance relative to the previous two years. The figures from 2018/19 onwards include revenue from property sales under the asset renewal strategy. As a result, there is some volatility due to sales activity in the years from 2018/19 to 2021/22. The increase in revenue in 2021/22 of £1.8m includes an increase of £0.7m, to £6.6m, in asset renewal property sales, an increase of £0.9m in revenue from social housing lettings and other activities underpinned by growth in the number of properties and inflationary rises, and an increase of £0.2m in income from shared ownership first tranche sales.

Over the same period good operating surpluses have been delivered with margins remaining consistent. Cost increases have included an uplift of £0.7m in depreciation of the growing number of housing properties, incremental costs related to provision of PPE to ensure safe working practices for our employees and the customers we serve during the pandemic, and other inflationary rises.

## Strategic Report

### Business Performance (continued)

#### Social housing lettings



Social housing lettings income includes income from the Group's general needs and retirement living properties together with the property-related income from its extra care schemes (delivered under the Shire Living brand) and from its more specialist care settings. Income from the delivery of care services is included under non-social housing activities. Income from social housing lettings has continued to increase over the last five years even after the application of the 1% rent reductions until 2019/20, due to the positive impact of new properties coming through from the development programme. Over the five-year period strong underlying surpluses on social housing lettings have been broadly maintained, again despite the 1% rent reductions, reflecting the Group's successful control of relevant operating costs. However, the surplus for 2021/22 has been reduced by the one-off impact of £1.7m impairment charges to a redevelopment of one of our sites, as shown in note 3 of the accounts. From 1 April 2020, rent was permitted to be increased by CPI + 1%, which when combined with growth in the number of properties, allowed income to partly offset cost increases in the year.

Changes to rent levels over the last five years are shown below.

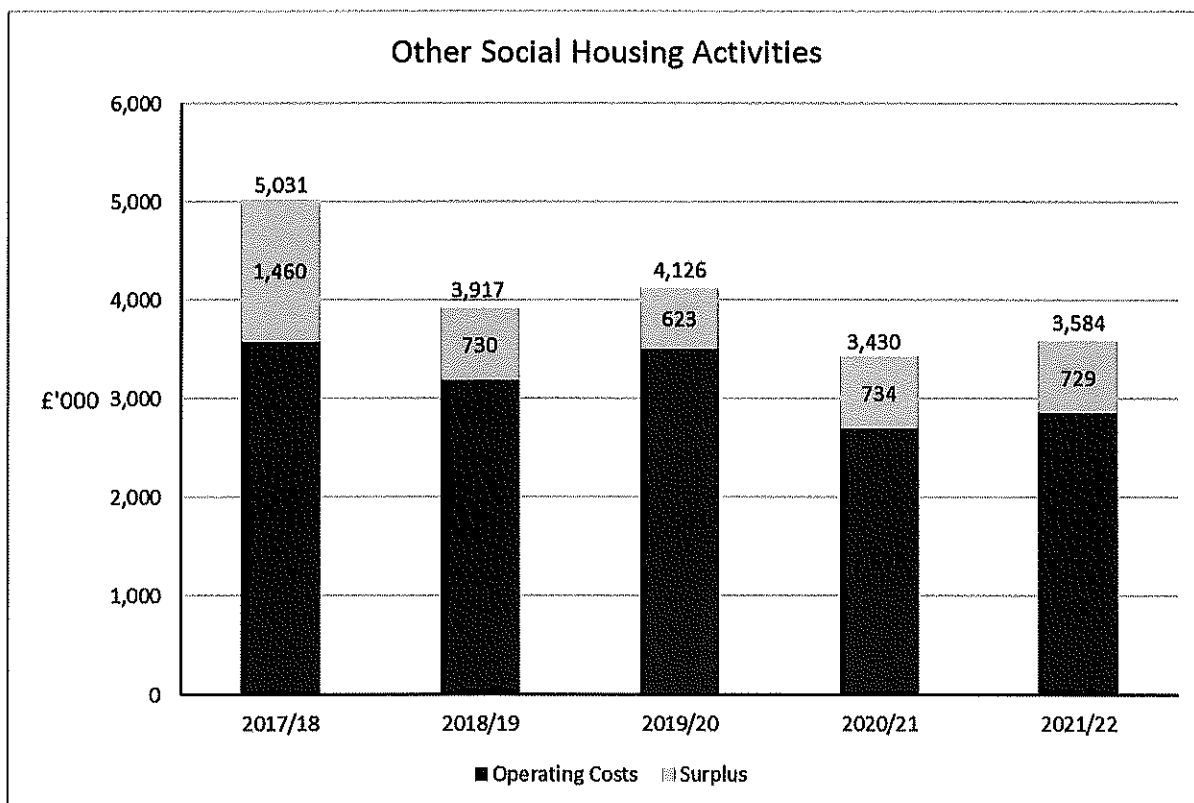
	2017/18	2018/19	2019/20	2020/21	2021/22
CPI	1.0%	3.0%	2.4%	1.7%	0.5%
Rent Increase/(Decrease)	(1.0%)	(1.0%)	(1.0%)	2.7%	1.5%

Whilst 2021/22 continued to be a challenging year due to the pandemic and many of the Group's residents were presented with financial difficulty, the Board, after detailed consideration, including assessment of changes to weekly rent, agreed to implement the rent increase to ensure the provision of services going forward. The group continued to offer support to those in need through its Money Matters Team, ensuring, wherever possible, residents were accessing all financial support available. Income collection remained in line with previous years with the Group continuing to keep its arrears levels at 0.55% of rent due.

## Strategic Report

### Business Performance (continued)

#### Other social housing activities



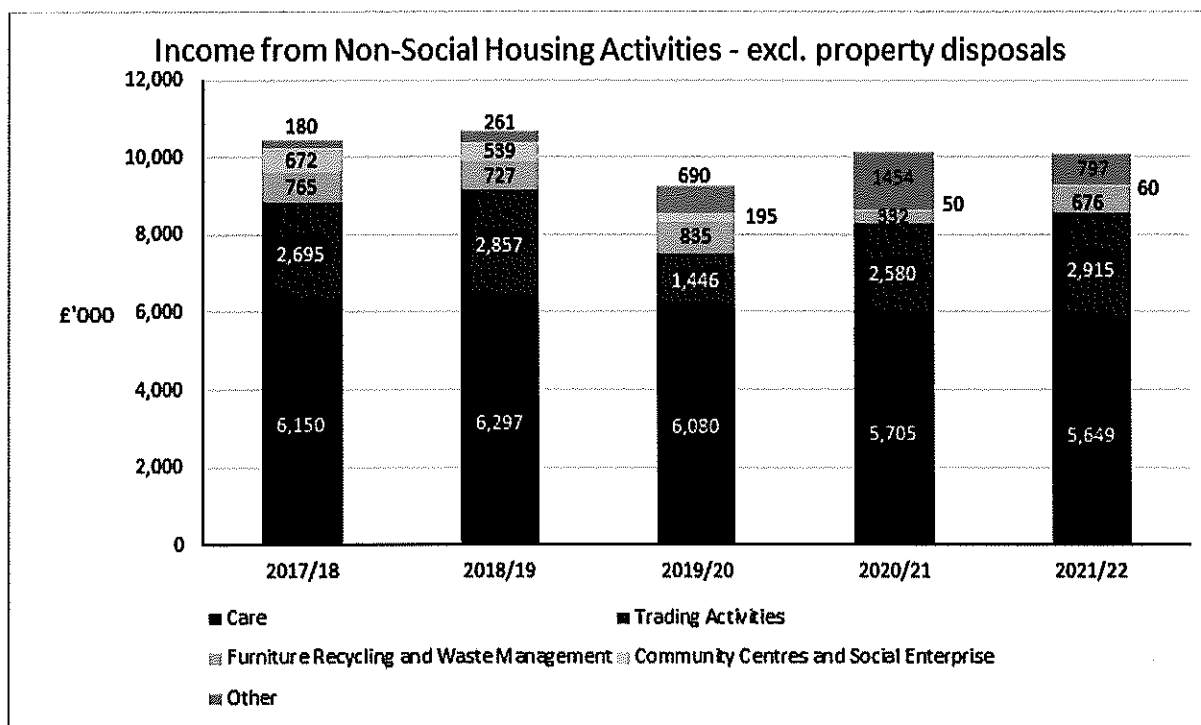
Other social housing activities include the letting of garages, the provision of services to the Group's leaseholders, shared ownership first tranche sales and, from 2018/19 onwards, the delivery of specialist housing services. The fluctuations in overall levels of activity over the five-year period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

2017/18	2018/19	2019/20	2020/21	2021/22
£900,000	£532,000	£707,000	£540,000	£533,000

## Strategic Report

### Business Performance (continued)

#### Non-social housing activities



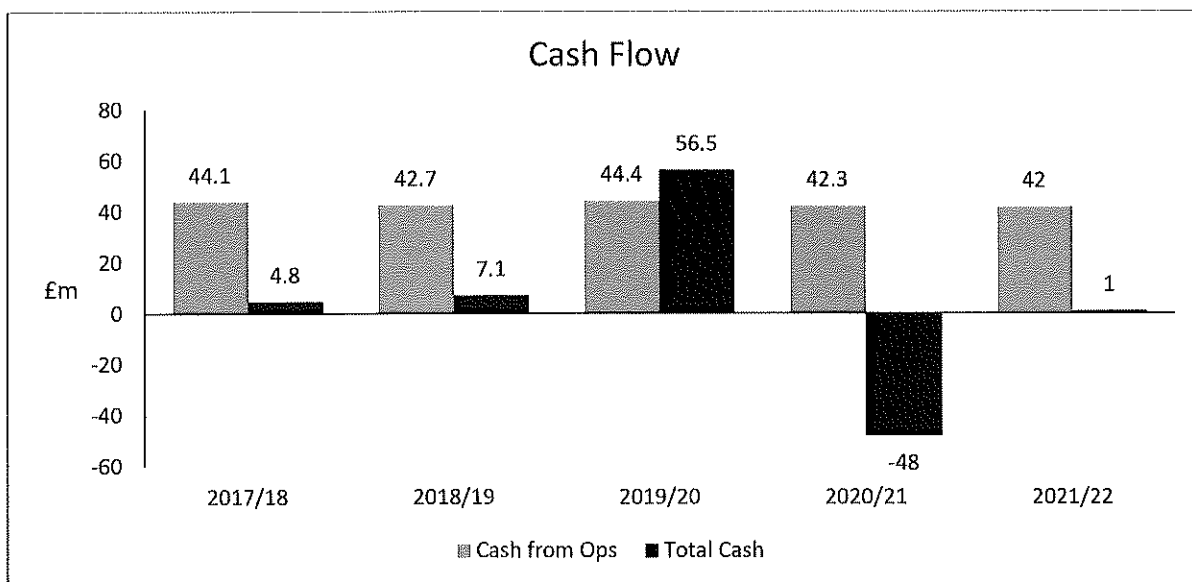
Non-social housing activities includes:

- Care services provided on behalf of the Group by Choices Housing Association. This includes care delivered in Choices' own registered care homes for people with learning disabilities, at the Limewood dementia care home and services delivered to residents of the Group's extra care schemes.
- Delivering care activities continued to be challenging due to the ongoing pandemic. Whilst additional costs were incurred in recruiting additional staff to ensure continuity of service (in respect of providing cover for staff who had to self-isolate) and providing regular testing of all front-line staff, some of these costs were offset by increases in income from commissioners.
- The figure of £0.8m for Other includes £0.4m in respect of grants from Health Commissioners to support the ongoing costs of the pandemic incurred within the subsidiary company, Choices Housing Association.
- Trading activities delivered for the Group by its trading subsidiary, Old Park Services Limited. These include the sale of software and repairs services to other registered providers, alarm and property services to non-tenants and management of the Group's small portfolio of market-rented properties. The reduction in 2019/20 relates largely to one third party repair contract ending with another housing association, before a different contract commenced in 2020/21.
- During the year the activities of the former South Shropshire Furniture Scheme were merged with those of the Reviive brand including furniture recycling and waste management contracts. Income from these activities continued to be curtailed as a result of the Covid-19 Pandemic.
- Community Centres and social enterprise activities delivered under the Group's former FUSE and South Shropshire Furniture Scheme brands. It includes the operation of community facilities in Stafford and Ludlow. During the year the leases were terminated on sites in Ludlow due to the impact of the Covid-19 Pandemic and the group ceased using these brand names.

## Strategic Report

### Business Performance (continued)

#### Cash Flow

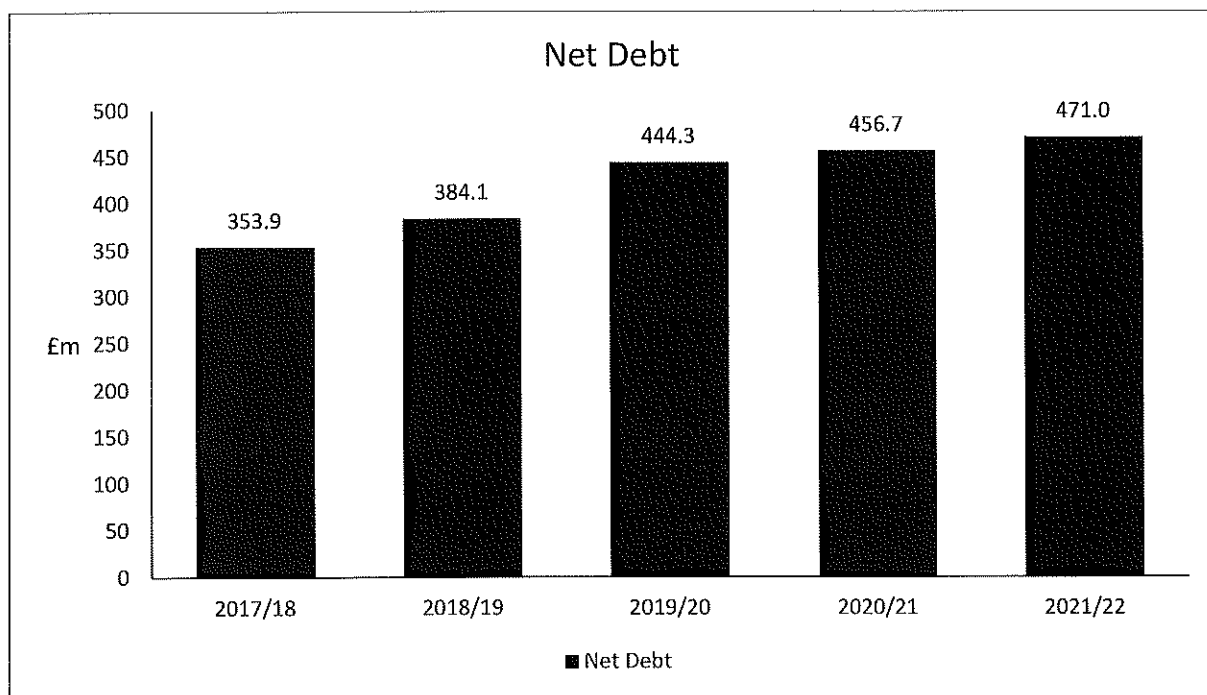


There was a cash inflow from operating activities this year of £42.0m (2021: £42.3m), reflecting the continued strength of the Group's operations. Once again, the Group's operating costs were well controlled, outperforming budget in many areas. The Group made an increased investment in its homes in 2021/22, with increased development activity and continued improvements and maintenance for the existing stock. This is illustrated through the £62.8m spent on new housing development schemes, partly mitigated by the receipt of £19.3m in grants, and £7.3m cash invested in our existing homes ensuring they meet the Decent Homes standard. In November 2021 the Group sold the final £25m retained element of the 2019 Bond, using that cash to repay £23m of drawn variable rate RCFs. Interest costs on the Group's debt portfolio totalled £13.4m for 2021/22. The 2021/22 year end cash balance included £7.0m that was held in charged bank accounts as cash collateral against the debt portfolio (2021: £7.0m).

## Strategic Report

### Business Performance (continued)

#### Net Debt



At the end of 2021/22, net debt stood at £471.0m, up slightly from £456.7m at the end of 2020/21. The general increase over the five years reflects debt drawn to support the Group's property asset growth and the refinancing exercise in 2019/20.

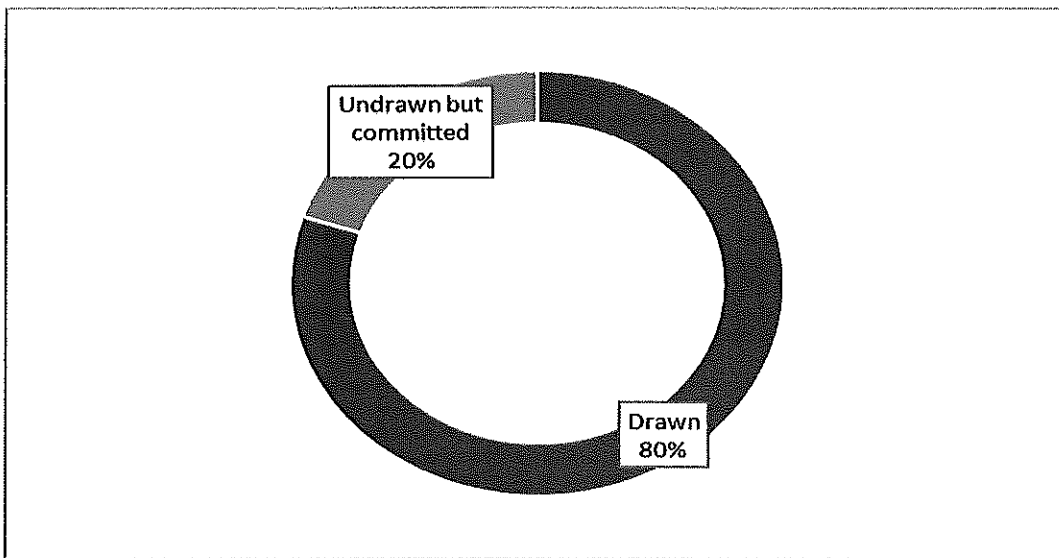
## Strategic Report

### Business Performance (continued)

#### Treasury management

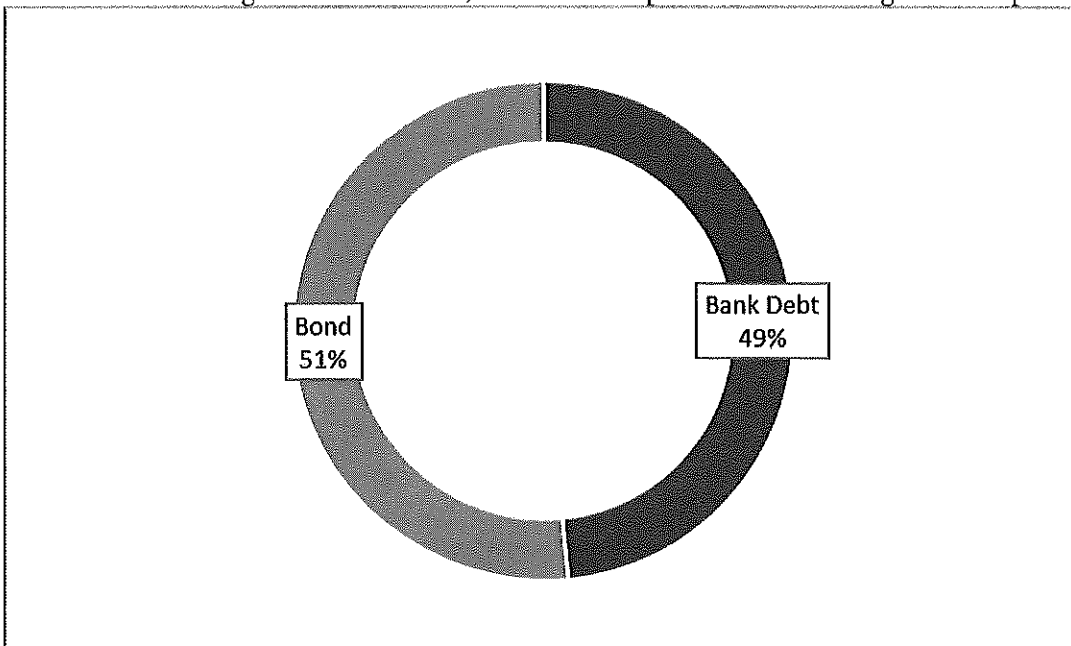
As at 31 March 2022, the Group had committed facilities of £606m (no change from 2021) and had drawn £485.5m of those facilities. This included the sale of the final £25m of retained bond from the 2019 2.5% coupon issue, which was traded on 10 November 2021 at 95bps over gilts, for an all-in rate of 1.962%.

As a result, the Group had undrawn but immediately available facilities of £120.5m which provides a strong liquidity position for the Group to fund future plans.



#### Debt mix

In order to manage treasury risk, the Group diversifies the source of its funding, with 49% (£235.5m) of the drawn funds coming from bank debt, whilst the capital market funding makes up 51% (£250m).





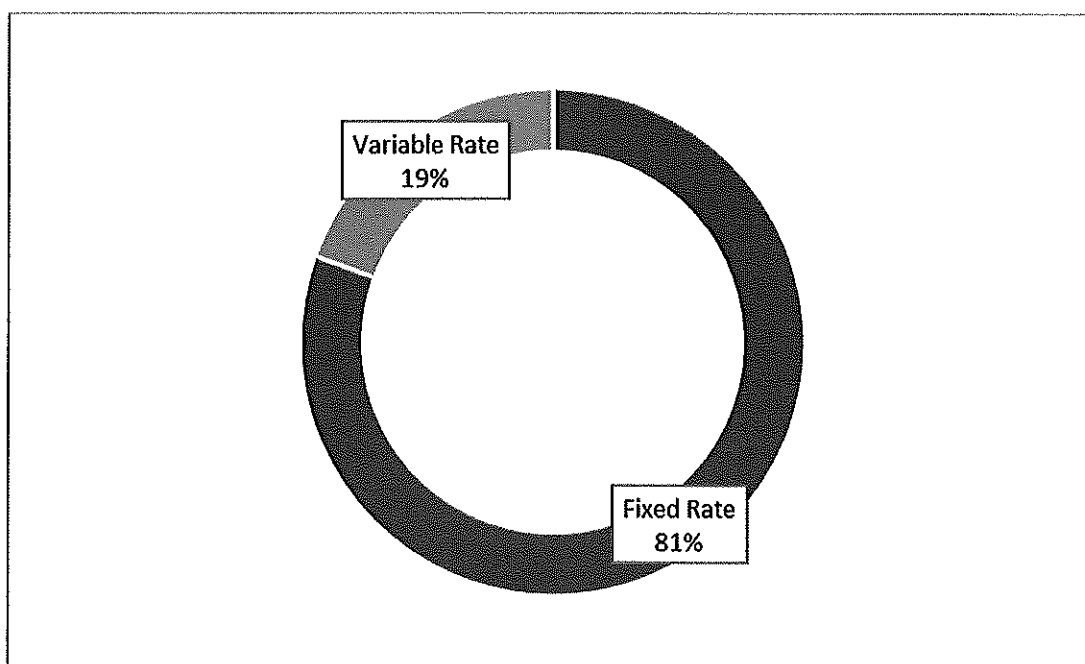
## Strategic Report

### Business Performance (continued)

The fixed rates of interest range from 2.5% to 7.25% (nominal rates including margins) and these rates have been factored into the Group's long-term business plan. The variable rates of interest are based on margins of between 0.8% and 1.25% above the reference rate. During 2021/22 the reference rate was LIBOR which ranged from 0.0358% in April 2021 to 0.12825% in November 2021. LIBOR partly tracked the Bank of England base rate of interest which rose during the year from 0.1% in April 2021 to 0.5% by March 2022.

However, LIBOR was terminated in December 2021 as a reference rate, and therefore during 2021/22 the Group concluded deals with its bank lenders to transfer the reference rate from LIBOR to SONIA. The agreements included Credit Adjustment Spreads (CAS) to ensure the move from LIBOR to a different reference rate favoured neither party, since SONIA has historically been lower than LIBOR. The CAS for each bank lender was agreed as a historical five-year median of the difference between LIBOR and SONIA. All the agreements were in place for January 2022 for the Group's bank lenders.

In addition, in order to manage interest rate risk, the Group's treasury management policy requires that the fixed interest proportion of drawn debt is a minimum of 65%. As at 31 March 2022, £391m of the drawn debt total (£485.5m) was from fixed rate loans. This equated to 81% of the portfolio and therefore met the treasury management requirement.

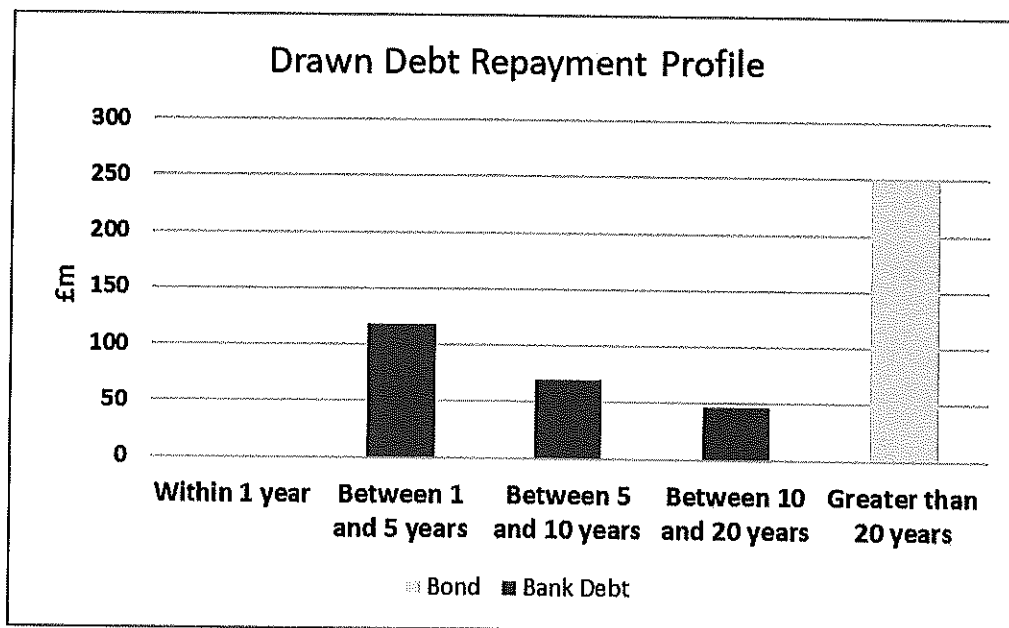


## Strategic Report

### Business Performance (continued)

#### Debt maturity

The Group's debt portfolio has a range of maturity dates in order to manage refinancing risk. There are no facilities approaching maturity in the next 12 months. However, there are £118m of bank debts due between one and five years' time which represent medium-term refinancing risk.



In addition to undrawn funds of £120.5m the Group has capacity to further increase borrowing if required. In terms of potential asset cover for security purposes, there are over 1,300 unencumbered assets in the Group portfolio, representing significant borrowing headroom.

#### Covenant compliance

The Group complied with all its loan covenants during the year and at the year end. It also complied with the internal Golden Rules, set up by the Board in its approved treasury management policy, which are tighter than the actual loan covenant requirements, to ensure that the organisation always has a significant amount of headroom over and above the required compliance levels. This should enable the organisation to deal with many negative economic impacts that might adversely affect its financial performance without triggering an actual covenant breach.

#### Housing properties

At 31 March 2022 the Group owned 13,051 housing properties (2021: 12,970), a net increase of 81, 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 £703.4m (2021: £654.0m). Whilst housing properties are stated at historic cost, the Association obtained valuations of various batches of properties during the year in relation to loan debt coverage. The valuations were carried out by independent professional valuers, Savills (L&P) Limited Chartered Surveyors. In total, 12,104 of the Group's properties were valued at a total of £675m on a mixture of the Existing Use Value-Social Housing (EUV-SH) and Market Value-subject to Tenancy (MV-T) valuation bases. This covered the loan portfolio of £606m. None of these valuations highlighted any indicators of impairment.

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

## Strategic Report

### **Business Performance (continued)**

#### **Housing properties (continued)**

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

During 2020/21 the Group was successful in gaining £1m funding to install 79 solar PV and battery storage systems to trial some of the emerging technology which will be required to achieve zero carbon. This project was completed during 2021/22.

#### **Pension costs**

The Group participates in the Shropshire County Pension Fund (SCPF), a career average salary defined benefit scheme. The Group made the decision to close the scheme to new entrants with effect from 1 September 2020. The Group has contributed to the scheme in accordance with levels, set by the actuaries, of 17% of pensionable pay in the year to 31 March 2022 in respect of future service benefits. For 2022/23 the employer contribution rate will remain at 17%. During the year the Association made a lump sum payment of £381,800 in respect of past service deficits. The annual lump sum payment will be £396,600 in 2022/23 and increases each year thereafter by 3.9%.

The net actuarial gain in the year was £8.856m (2021: £7.316m loss). The movement year on year is due to the shifts in actuarial assumptions caused by general economic conditions, and in particular is due to a rise in the expectations related to future inflation, increasing future pension payments, and to a fall in the discount rate, further increasing the present value of future pension payments. Sensitivity to these and other assumptions is shown in note 11 of these accounts.

#### **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. 2021/22 was the seventeenth year of the strategy. During 2021/22 the Group sold 77 properties (2021: 73). A further 53 (2021: 38) properties were sold under the Right to Buy and Right to Acquire provisions, and 3 sales of shared ownership stock transfer units were completed. Other movements in stock, including demolitions for redevelopment, resulted in a reduction of 104 units.

During the year the Group added 318 properties to its stock. This was achieved by means of a combination of traditional development and section 106 planning gains. Following a minor interruption to a number of development sites in 2020/21 as a consequence of the Covid-19 pandemic, some of the development schemes were re-phased. This has resulted in a shortfall against target of 58 units in 2021/22.

The Group's current business plan projects that the future development programme will add a further 1,721 new build units to the Group's stock over the next 3 years, through a mixture of traditional development and section 106 and off the shelf acquisitions, based on the current approved business plan.

## Strategic Report

### **Business Performance (continued)**

#### **Performance of subsidiary companies**

The Group maintained its strong reputation for quality across the sector. This has allowed it to continue to sell maintenance services to other registered providers, together with maintenance and alarm services to non-tenants, to generate further funds for investment into its core activities, with Old Park Services delivering a surplus of £623,000 (2021: £563,000) available to be paid back to the parent company via gift aid in the 22/23 financial year.

The Group continued to use its development subsidiary company, Strata Housing Services Limited, to provide development services to the Group, which has already saved the Group £5.4m 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 £1.145m (2021: £869,000) available to be paid back to the parent company via gift aid in the 22/23 financial year.

The provision of care services continued through the subsidiary company, Choices Housing Association. Covid-19 and the suspension at Limewood referred to above presented a difficult year. As a result of the ongoing pandemic the company received £438,000 of grant funding towards additional costs arising out of the pandemic and delivered a final deficit of £1,353,000 (2021: surplus £599,000).

#### **Future developments**

A key influence on the timing of borrowings is the rate at which planned maintenance and development activity takes place. The board has approved plans (i) to spend £13.4m 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 1,721 properties over the next 3 years while continuing to dispose of older, expensive properties.

Current commitments of £185m 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.

#### **Value for money report**

Set out below is our value for money report for 2021/22 which also forms our annual self-assessment. The report focusses both on our internal VFM metrics and the VFM metrics mandated by the Regulator of Social Housing.

#### **Internal VFM metrics**

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

## Strategic Report

### Value for money report (continued)

#### Delivery of new homes

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
251 homes	277 homes	376 homes	318 homes	376 homes	Objective 4 – Asset Management Objective 7 – Value for Money

Since 2018/19 there has been a gradual increase in the number of new homes completed. The number of new homes completed during 2021/22 was under the target of 376 homes by 58 units. With the successful completion of the refinancing exercise in October 2019, revised targets had been set based on the capacity available over the next three years. However, due to the COVID-19 pandemic projected completions over the 5 year development programme have been re-forecast to reflect the impact caused by the pandemic.

#### Total income from property disposals

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
£10.3m	£8.7m	£8.8m	£11.0m	£8.8m	Objective 4 – Asset Management Objective 7 – Value for Money

Income from property disposals includes income from sales under the Asset Renewal Strategy, together with sales under the Right to Buy and Right to Acquire legislation. Although there was a temporary halt on asset renewal sales at the beginning of 2020/21 and the number of sales achieved during the year was lower than target, the values achieved were significantly higher. Again in 2021/22 the number of sales was lower than target but value remained significantly higher. During the year the number of sales under the Right to Buy and Right to acquire legislation was greater than expected. This resulted in overall income from property disposals being £2.2m above target.

#### Overall customer satisfaction

The Group is now in to the second year of using the surveying platform CX-Feedback. It has proved to increase efficiency and outcomes. All tenants receive the STAR survey once a year, based on the anniversary of their tenancy start. CX-Feedback uses SMS text and email as the default methodology and immediately increased the volume of responses and the diversity of those who respond. The response rate at year end was 16%. During the year we surveyed 1,134 tenants. This is an 8% reduction on the previous year, however there are more surveys now being undertaken with CX-Feedback generally across all service areas and the Group has introduced fatigue settings to ensure our customers are not being oversampled. The number of tenants who responded is double the number compared to using the previous methodology of telephone surveys.

## Strategic Report

### Value for money report (continued)

Overall satisfaction of the service provided by the landlord.

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
95%	87%	88%	83%	92%	Objective 5 – Customers Objective 7 – Value for Money

Satisfaction levels have dropped which concurs with the nationwide trend. This also reflects the change in methodology which generally can result in a 5% to 10% drop in satisfaction levels. The main themes of dissatisfaction were around communication and requests for service. The Group is currently using the community engagement approach to understand differences between geographical areas and customer groups.

Despite this the overall satisfaction score is slightly above the peer group average. Based on peer group data from 2020/21, the Group is placed in the 2nd quartile.

Satisfaction with	2019/20	2020/21	2021/22
How the Group deals with repairs and maintenance	89%	90%	88%
Being treated fairly and with respect	96%	88%	84%
Neighbourhood as a place to live	91%	74%	76%

Satisfaction with repairs and maintenance has decreased in the year by 2%, with common themes being dissatisfaction in communication and repairs not completed right first time. There has also been a 4% drop in the satisfaction measure around being treated with fairness and respect; from the comments made this also suggest issues with communication. The recent introduction of the housing triage system is expected to have a positive impact on satisfaction.

The Group is committed to ensuring tenants are satisfied with the neighbourhood in which they live. The group has been committing resources into listening to tenants to ensure the right investment is focused in this key area which has resulted in a slight increase in satisfaction. There are still areas for improvement with regard to estates with unkept gardens and general rubbish.

The Group also introduced the Net Promoter question to its STAR survey last year, the question being: How likely would you be to recommend the Wrekin Housing Group to family or friends? The score at the end of 2021/22 was 49. The Net Promoter score question is a new style question which is not an average score. Benchmarking data received from Housemark indicates the Group would be in the 1st quartile; upper quartile being 45.9, sector median 32.2 and lower quartile 20 (source: Housemark 2020/21). Nationally and internationally, an excellent Net Promoter score is 50+, with world class at 60+.

## Strategic Report

### Value for money report (continued)

#### Repairs service delivery – repairs completed on day reported

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
79.0%	83.3%	85.0%	81.2%	85%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

The Group's Same Day repair service operates between the hours of 8am and 8pm Monday to Sunday, and lends itself to a customer calling us on a day they are at home and available for us to attend. The service has continued to encounter challenges this year, particularly from a resource perspective. The need for employees to self-isolate depending on the changing Government guidance and the short-term impact of staff absenteeism, has at times caused the service to be stretched and led to some delays. However, the service has performed remarkably well, remaining agile and responsive to the problems encountered, and has delivered a consistent and positive performance. Nationally the average number of days to complete a repair is 12.2 days (Housemark) across all repairs, while for the group this is 7.0 days.

#### Rent collection

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
101.4%	101.8%	100.0%	101.1%	100.0%	Objective 5 – Customers Objective 7 – Value for Money

During 2021/22 the Group has faced further challenges in income management. During this financial year some of the government support measures ceased, such as furlough and the rise in Universal Credit payment levels, leaving many families and single people struggling to meet all their payments.

Transition from legacy benefits to universal credit continued and the court process changed a number of times before settling back to a more familiar looking system later in the financial year. All of these added to the complexity of managing income and controlling arrears, despite the best efforts of our housing, money matters, debt advice and tenancy support teams.

It is therefore really positive to show an excellent collection rate in excess of 100%, meaning from a monetary perspective we not only gathered all of the rent due during the financial year but also collected some outstanding debt as well.

Moving forward into 2022/23 the well documented cost of living increases will place a great deal of pressure on our communities and tenants to make ends meet. We have redesigned part of our service to bring support around fuel costs to the fore and will be proactively engaging in activities designed to make more tenancies financially sustainable as costs spiral for other goods.

## Strategic Report

### Value for money report (continued)

#### Arrears levels

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
0.42%	0.47%	0.50%	0.55%	0.50%	Objective 5 – Customers Objective 7 – Value for Money

Our arrears percentage rose by 0.08% during what was a challenging year, as set out above. Our ability to take effective possession proceedings was restored during the year but our number of evictions at 14 were far lower than pre-pandemic levels (generally around 45 per annum). Whilst evictions are always a last resort for us, they do control the higher end of the arrears cases so less evictions will generally see an uplift in the total arrears percentage. The record level of support and debt and money advice given during 2021/22 has helped us to control arrears by working with those struggling to manage their income/debts and ultimately pay their rent.

Whilst arrears have risen slightly we remain one of the top performers, for both collection rate and arrears outstanding, across the Midlands and our approach, starting at pre-tenancy and then offering plenty of support with enforcement where absolutely necessary, continues to work well. The fact that we collected over 100% but saw current arrears go up slightly is due to some of the money collected being for former tenant arrears or other tenancy related debts.

#### Rent loss from voids

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
0.72%	1.42%	1.18%	1.13%	1.18%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

As we have returned to more normal processes around the management of void repairs and allocations, the amount of money lost while properties are void has dropped to c.£800k or 1.13% of the total rent due for the year. This is a positive development and we believe that further improvements being considered with regard to the process could lead to further reductions in void rent loss in 2022/23.



## Strategic Report

### Value for money report (continued)

#### Average relet times

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
14.57 days	33.54 days	17.00 days	31.2 days	17.00 days	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

Although there has been an improvement in average relet times compared to 2021/22, the impact of the pandemic has continued to adversely affect relet times. Lettings in our Retirement Living and Extra Care (corridor-schemes) have been a factor, as it was decided that controlling infection through restricting visitors and new lettings was important. Despite the controls in place, several schemes were subject to COVID outbreaks during the year resulting in a higher level of both letting time and rent loss through void properties compared to pre-pandemic times.

#### Gas servicing

2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual	2022/23 Target	Link to Strategic Plan
100%	100%	100%	100%	100%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

The Group maintained its excellent level of compliance performance again in 21/22, with 100% of properties having a valid gas servicing certificate. This was achieved despite the continuing challenges in relation to the pandemic with some customers self-isolating or fearful of having someone in their home. However, the situation was closely monitored, with servicing visits rearranged for dates after the self-isolation periods were completed and with customers reassured by the safe working practices and measures adhered to by the gas engineers. Activity in this area is now operating at normal levels.

#### Regulatory VFM metrics

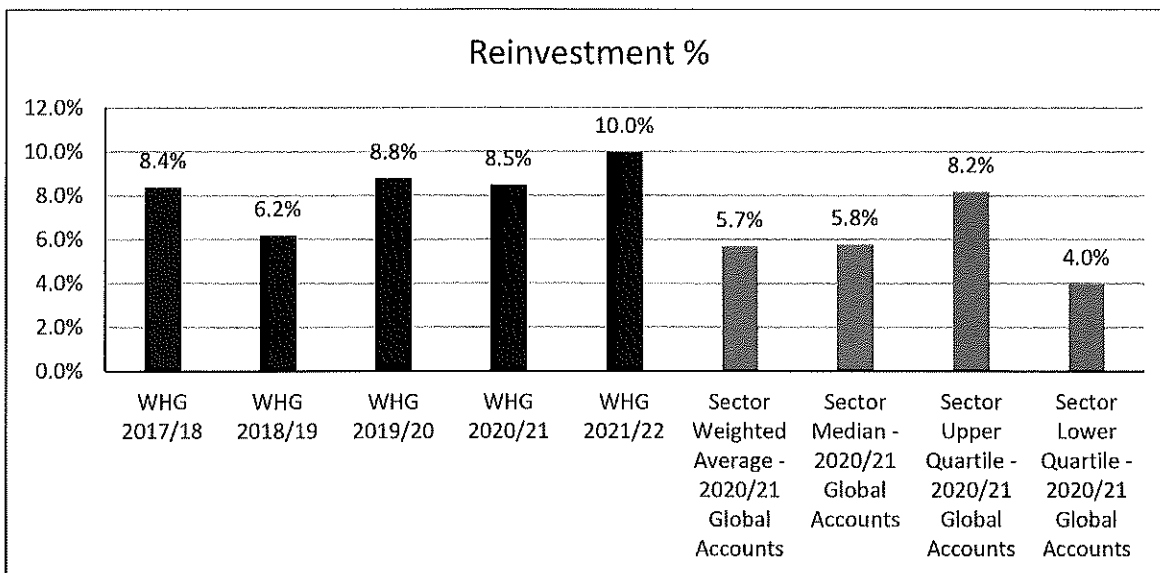
Our results against the Regulatory VFM metrics are set out below.

In addition to showing our own results over the period from 2017/18 to 2021/22, we have compared them to the sector weighted average, median and upper and lower quartile figures, as contained in the 2021 Global Accounts published by the Regulator.

# Strategic Report

## Value for money report (continued)

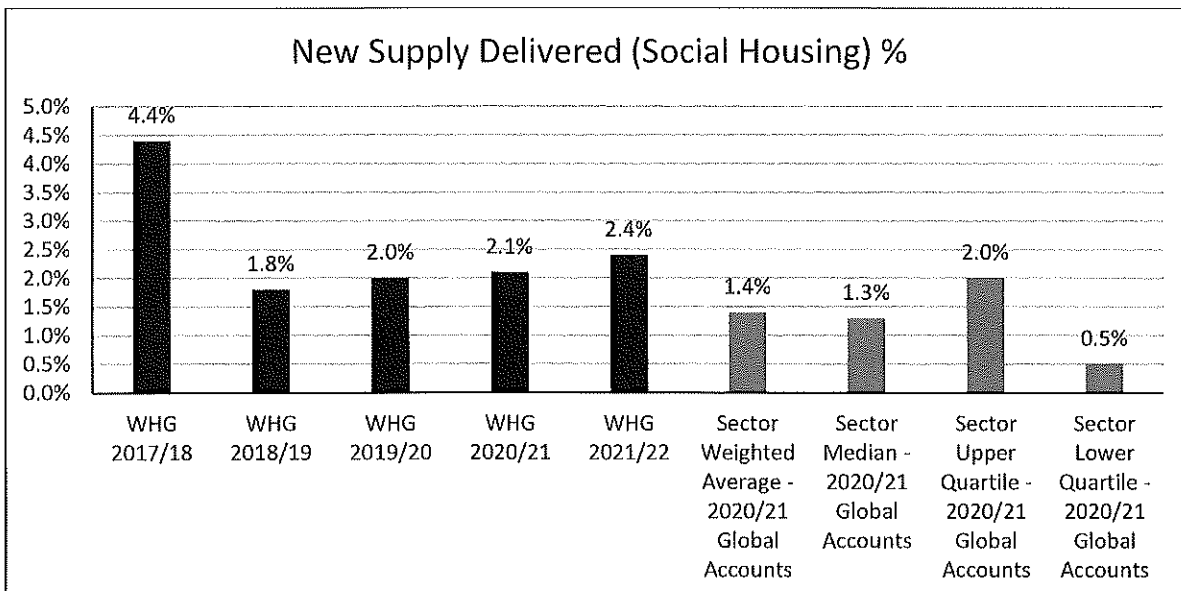
### Reinvestment %



The reinvestment percentage metric, which measures the level of investment in the Group’s new and existing stock, increased in 2021/22, to 10%, which is above the sector upper quartile level and the sector median and weighted average. This reflects the continued high level of investment in existing stock as part of the capitalised major repairs programme and the Group’s significant development activity.

During the year the Group spent £7.3m on improvements to existing properties (2021: £6.2m). The planned maintenance programme picked up some slippage from the prior years following pandemic-related delays to works although this had no impact on the group’s compliance with decent homes standards. As a result of sustained investment at this level over a number of years all the Group’s properties, apart from a small number that would have required remedial work had they not been earmarked for disposal or redevelopment under the asset renewal strategy, met the Decent Homes Standard. This has been the case for the last 13 years. The Group also invested £62.8m in new development in 2021/22 (2021: £49.7m).

### New supply delivered (social housing %)



## Strategic Report

### Value for money report (continued)

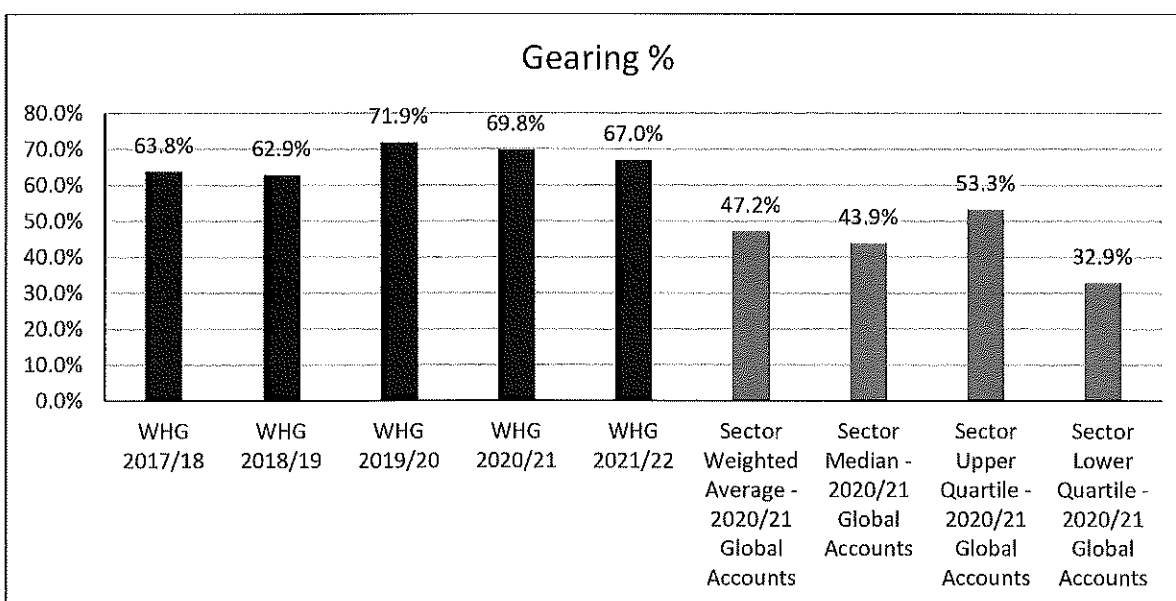
The Group delivered 318 new homes in 2021/22 (2021: 277), equating to a new supply percentage of 2.4% (2021: 2.1%), placing the Group above the sector upper quartile, the sector median and the sector weighted average.

This proportionate level of delivery has consistently placed the Group in the top bracket of developers among social housing providers in the last few years, in terms of annual growth in percentage terms. Development delivery increased from prior years as the Group worked towards the fulfillment of the development strategy to 2025. Under that strategy the Group plans to complete a further 1,721 homes over the period to 2024/25, with the majority of the funding currently agreed and committed.

### New Supply delivered (non-social housing) %

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

### Gearing %



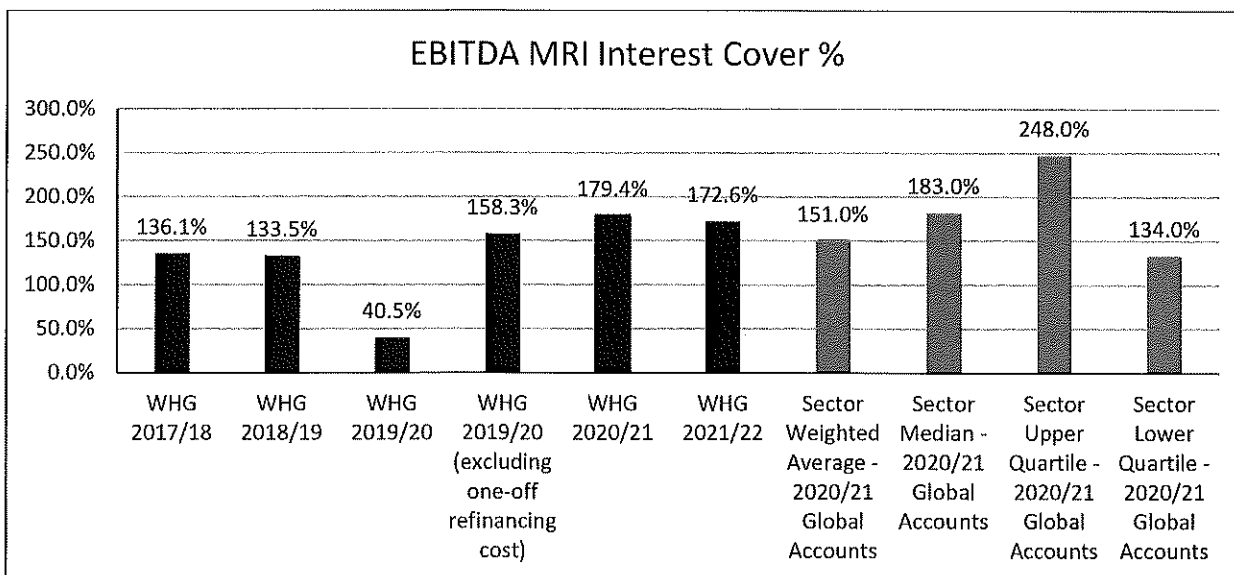
The Group's gearing percentage has always been higher than the sector median and upper quartile levels as a result of two things. Firstly, as an LSVT organisation, it has carried a higher level of debt than "traditional" associations since its inception, having borrowed significantly to fund that initial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

The increase in the gearing percentage in 2019/20 reflected the impact of the payment of breakage costs to terminate some fixed rate loans under the previous debt portfolio in order to gain more significant benefits under the new debt structure over the longer term. The gearing percentage in 2021/22 is lower than that of the previous year due to sustained levels of borrowing but increased levels of investment in our assets, and the Group's current business plan shows that the gearing percentage will gradually reduce over the medium-term as investment continues in the grant-led development programme only part-funded by debt.

## Strategic Report

### Value for money report (continued)

#### EBITDA MRI Interest Cover %



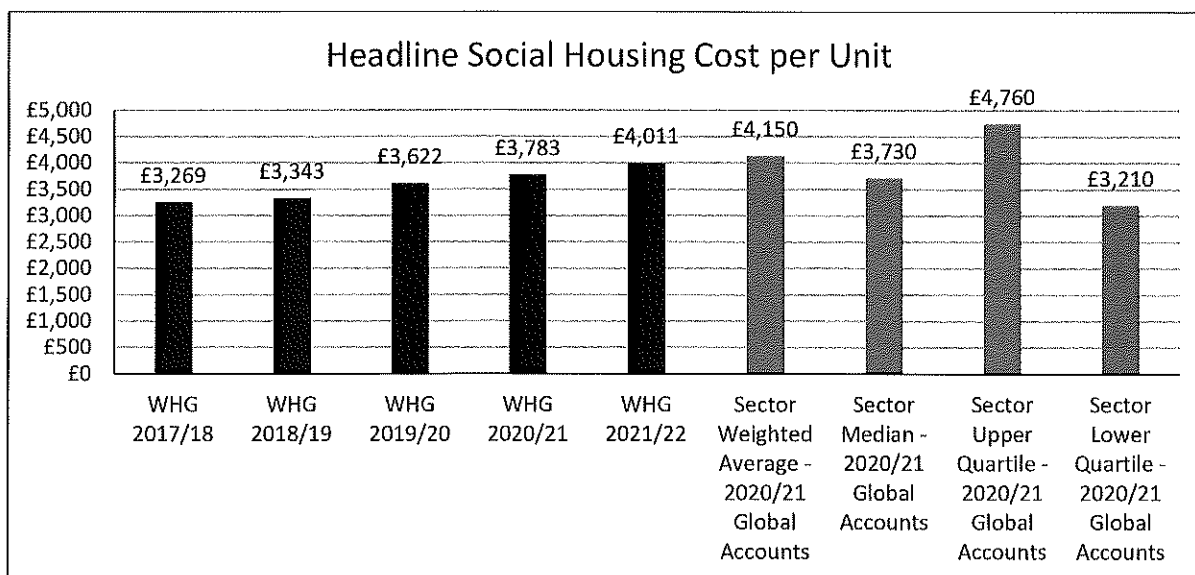
The position with regard to the EBITDA MRI interest cover percentage is similar to that shown by the gearing percentage. The Group's historical high level of borrowing as an LSVT and its high level of development activity (and consequent additional borrowing) means that this measure is not in the top bracket of peer performance. In 2021/22 the EBITDA MRI cover was 172.6%, just below the sector median. Whilst the overall level of debt remained fairly static from the prior year, the mix between fixed and variable rate debt in 2021/22 resulted in a slightly higher cost of interest. This is a result of using the proceeds from the November 2021 retained bond sale (£25m at a coupon of 2.5%) to repay slightly cheaper drawn variable debt and reduce the cost of carry.

As noted elsewhere in this report, during 2019/20 the Group completed a major refinancing exercise. As part of this exercise the Group paid breakage costs of £52.1m to terminate a number of existing fixed rate loans in order to secure the more significant long term benefits of the refinancing package. In the graph above the EBITDA (MRI) measure is calculated on two bases for 2019/20. The lower measure is using the figures as shown in the accounts (which is the method prescribed in the regulatory guidance). The higher figure shows the same calculation excluding the breakage costs to give an indication of the underlying EBITDA (MRI) position.

## Strategic Report

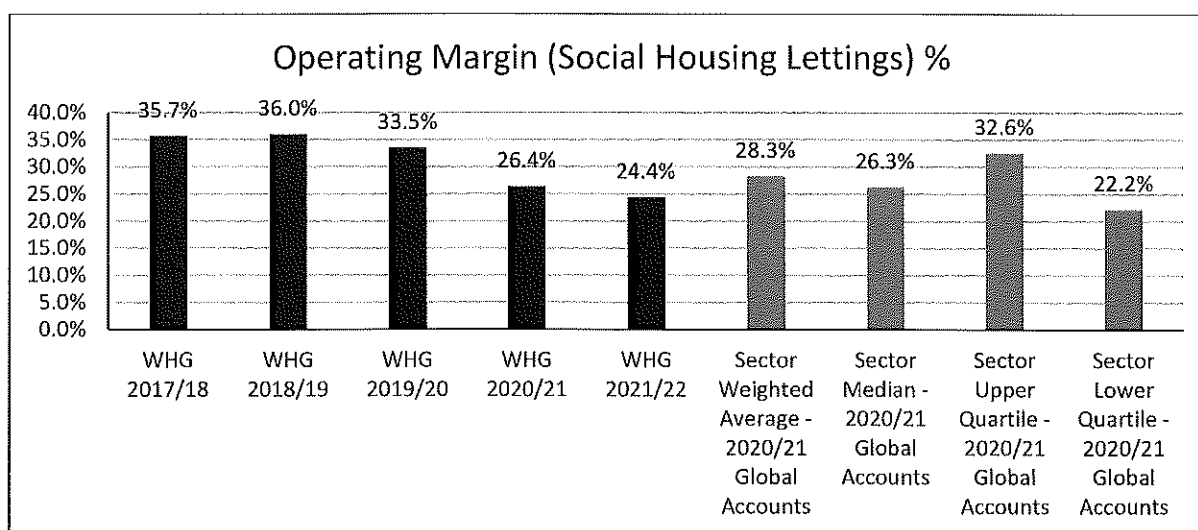
### Value for money report (continued)

#### Headline social housing cost per unit



Headline social housing costs per unit have increased in 2021/22 and are above the 2020/21 sector median level but below the upper quartile. The main reason for the increase over the prior year is due to the slowing of the planned programme works in 2020/21 due to the impact of the pandemic. During 2021/22 the programme returned to normal levels of activity without resulting in any backlog of works. Overall the 2021/22 performance is below the weighted average of the sector peers, demonstrating that the Group is very much in the 'average' banding on this measure.

#### Operating margin (social housing lettings) %

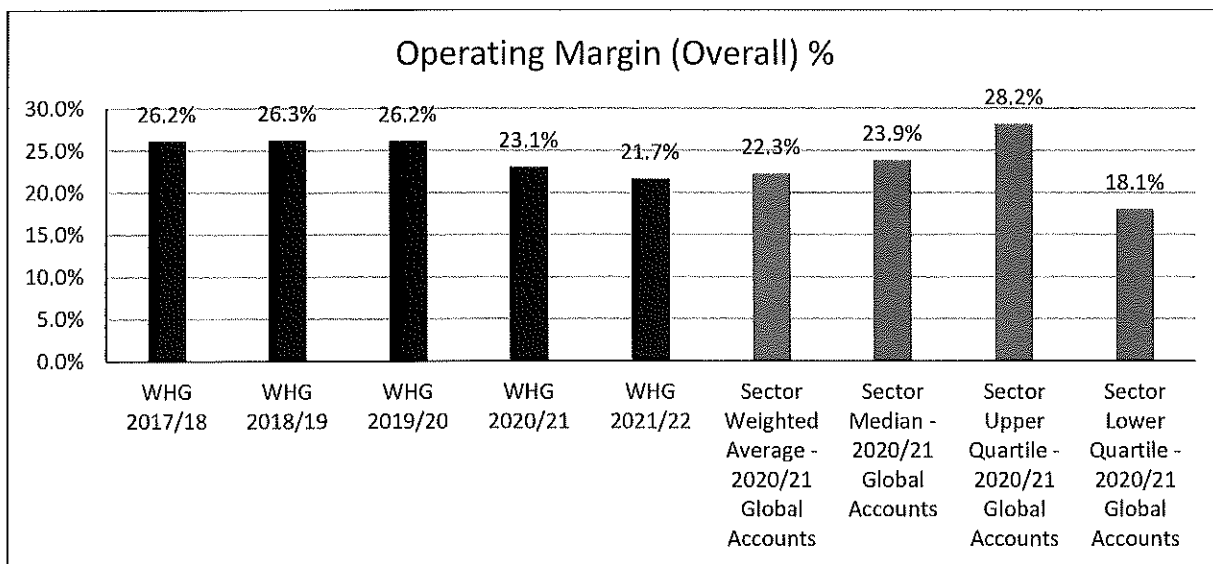


The operating margin on social housing lettings has reduced in 2021/22 to 24.4%, which is marginally below the sector median and weighted average for the year but still above the lower quartile performance. This indicates that the Group is operating in-line with its peers for the most part. However, margins have been squeezed since 2020/21 as a result of coming out of the pandemic and through rising inflation (energy costs and the war in Ukraine driving upward pressure), which will affect all peers in 2021/22 and beyond. Excluding the impact of the impairment charge of £1.7m relating to the High Street Wellington development scheme, this metric would be 26.6%, which is above the sector median level.

## Strategic Report

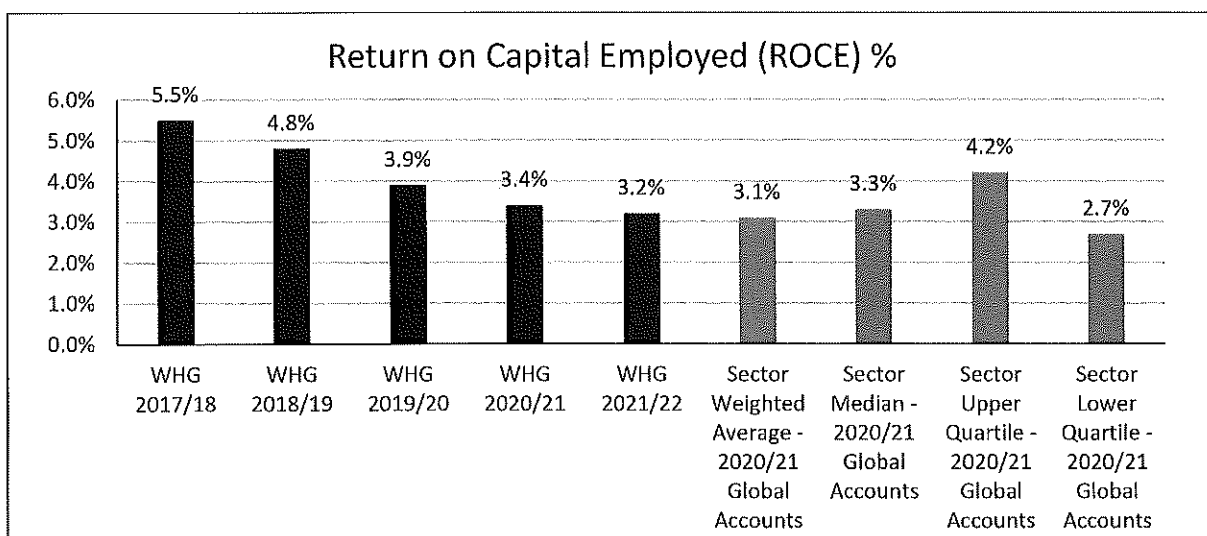
### Value for money report (continued)

#### Operating margin (overall) %



Performance is largely similar to social housing operating margins, as it is marginally below the median and weighted average but above the lower quartile. Given that the overall operating margin figure includes the Group's care activities, which have lower margins than those achievable on its social housing activities, this again indicates that the Group is operating efficiently when compared across the whole sector. Excluding the impact of the impairment charge of £1.7m relating to the High Street Wellington development scheme, this metric would be 23.5%, which is above the sector weighted average level and in line with the sector median level.

#### Return on capital employed (ROCE) %



Return on capital employed has slightly reduced over the past year but is in line with the sector median level and weighted average from 2020/21. This is because the overall operating margin has stayed relatively flat in 2021/22 on a slightly increased turnover, meaning that the operating margin is a lower percentage in absolute terms. Meanwhile, the net assets of the organisation (which represent the capital employed in the business) have increased as the organisation has made surpluses each year and invested in new and existing homes. The combination of these two factors has the direct consequence of reducing the ROCE ratio.

## Strategic Report

### **Value for money report (continued)**

#### **Delivering social value**

The Group contributes to the well-being of its tenants, its staff, the wider community and broader neighbourhoods in many ways. The Group adopted a new Social Value Strategy in 2021/22 which focuses our social value activity around five key priorities: Employability; Inclusion; Wellbeing; Resilience and Environment.

Recognising the economic impact of the pandemic, Brexit and the cost of living crisis on our tenants and customers the Group will continue to work to ensure that the impact of its activities is maximised. During 2021/22:

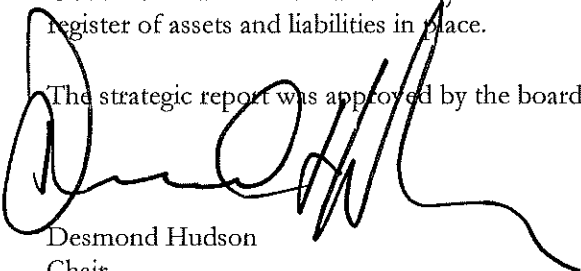
- Our Money Matters Team has provided expert income and benefit advice, to ensure that customers of the Group access the welfare benefits to which they are entitled, receive other financial support where available and are as well prepared as possible to cope with the impacts of welfare benefit reform. During 2021/22 the team successfully brought in more than £3.5m in additional benefits, income and discretionary and charitable support for our customers, engaging with 1,342 households and dealing with 1,743 referrals for support and advice. In addition, our Money Matters team undertake income checks and tenancy sustainment work with prospective and new tenants of the Group to ensure that they are ready to take on a tenancy and better equipped to sustain that tenancy over the longer term. The team undertake pre-tenancy assessments with prospective tenants, which include robust welfare benefit checks and budget and affordability discussions, ensuring they have the means and the skills to set-up and manage a home. In 2021/22 our Welfare Benefit Advisors and Tenancy Sustainment Officers carried out 757 income/benefit assessments, and a further 466 full affordability assessments.
- Wrekin Debt Advice supported 133 households with debt advice and support, achieving successful financial outcomes of over £413k.
- The Group is committed to supporting people towards employment as a major local employer and by providing a range of good quality work placements and training opportunities. During 2021/22 we provided 66 young people with Kickstart placements. To date 28 have gone on to secure employment, with 13 securing roles within the Group.
- Through our Building Better Opportunities programme we continue to offer mentoring, support, advice and guidance to those furthest from the job market. During 2021/22 we worked with 77 participants and achieved 12 employment and training outcomes.
- Wrekin became a Cornerstone Employer in 2021 in partnership with the Careers and Enterprise Company and the Marches Local Enterprise Partnership. Together we are actively supporting schools and colleges across our area with their careers programmes, raising aspirations and promoting the wide-ranging job and career opportunities within the housing and care sector whilst supporting our own workforce planning. To date 62 staff have volunteered their time to the School Ambassador scheme, donating 214 hours of volunteer time.
- Through the Revive brand operated via the Group's subsidiary Old Park Services Limited, we continued to provide affordable furniture to both tenants and the wider community, as well as recycling unwanted furniture to reduce the impact on the environment with regard to landfill and CO2 emissions. During the year the Revive brand provided 275 furniture packages to those in need, and diverted 293 tons of waste from landfill. Revive provided 11 volunteer placements and supported 5 individuals through the Government's Kickstart scheme.

## Strategic Report

### **Statement of compliance**

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

The strategic report was approved by the board on 22 August 2022 and signed on its behalf by



Desmond Hudson  
Chair



## Statement of responsibilities of the board

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

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

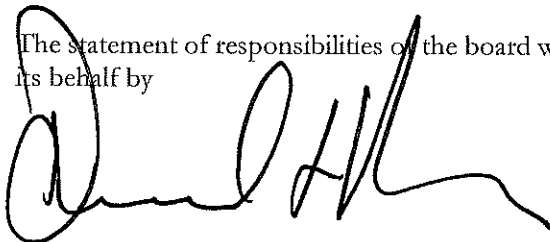
Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting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

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

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

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

The statement of responsibilities of the board was approved by the board on 22 August 2022 and signed on its behalf by



Desmond Hudson  
Chair

# 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 2022 which comprise the Consolidated and Association Comprehensive Income Statements, Consolidated and Association Statements of Financial Position, Consolidated and Association Statements of Changes in Reserves, 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 2022 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 2019.

## 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.

## Conclusions relating to going concern

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

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

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address these matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

### Housing Properties – capitalisation of new build development costs - parent Association risk

The parent Association's additions to properties under construction total £62.8m as at 31 March 2022 (2021: £49.0m).

Refer to page 76 (accounting policies) and page 95 (financial disclosures).

#### 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.

#### Our response

Our procedures included:

- **Test of detail:** We agreed a sample of capital additions in the year to invoice or certificate and evaluated key controls over.
- **Review against accounting standards:** We reviewed amounts capitalised in our sample testing against guidance in FRS 102 and 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 2022 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

Based on the audit procedures performed, we found the capitalisation of development costs to be acceptable.

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

- **Going concern - Financial Performance, Treasury Management, Loan Covenants and macro economic climate**

### The risk – significant risk high value

The Group posted a full year surplus of £10.8m before actuarial gains on pension schemes. At 31 March 2022 the Group had borrowings of £505.0m (refer to pages 72 and 79 (basis of accounting) and page 104 (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 agreed the bond tap of £25m including premium to supporting documentation and reviewed the calculation of amortisation during the year. We agreed loan balances to the accounting records and to external confirmation from the funders.
- **Test of detail:** We tested the detailed calculations for loan covenant compliance prepared by management, both for the year ended 31 March 2022 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 2022 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 remains comfortably within its funding covenants with adequate loan facilities.

We are therefore satisfied with management's assessment that the Group will remain a going concern.

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

## Defined Benefit Pension Scheme

### 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 pages 74 and 76 (accounting policies) and pages 89 to 92 (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 one of the small number of experienced, skilled advisors appointed to undertake the pension scheme valuations, as we place reliance on their valuation.
- **Confirmation of value:** We challenged, with the support of our own actuarial 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.
- **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.

## Our Application of Materiality and an Overview of the Scope of the Audit

Materiality for the Group financial statements as a whole was set at £1,950k, determined with reference to a benchmark of Group turnover (of which it represents 2%). We consider group turnover to be the most appropriate benchmark, and more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation that reinvests all surpluses generated from its activities within the Group and does not make any distributions of profit to external parties.

Materiality for the parent Association financial statements as a whole was set at £1,263k, determined with reference to a benchmark of Association turnover (of which it represents 2%).

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

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £97k, 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 team.

### **Other information**

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

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

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

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

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

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

## Responsibilities of the Board

As explained more fully in the Statement of Responsibilities of the Board set out on page 57, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, the National Housing Federation 2020 Code of Governance, tax legislation, health and safety legislation and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

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

- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias

### Use of our report

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

*Beever and Struthers*

Statutory Auditor: Beever and Struthers

Date: *16 September 2022*

Address: St George's House  
215/219 Chester Road  
Manchester  
M15 4JE

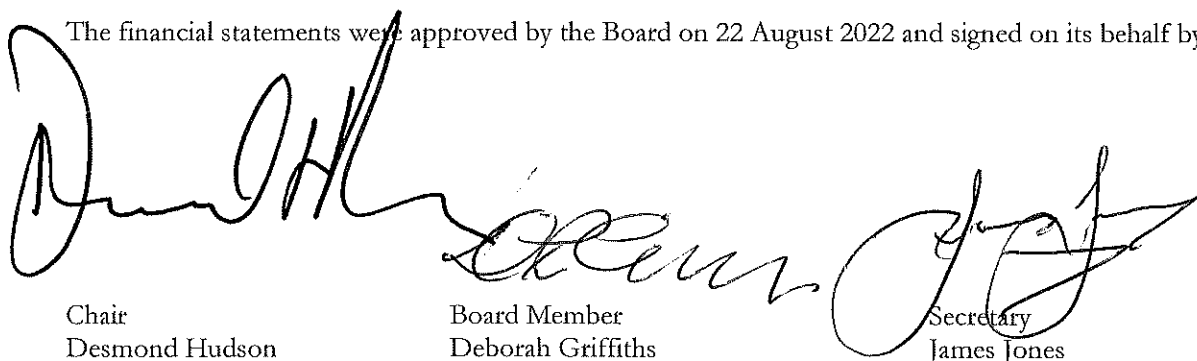


## Consolidated statement of comprehensive income

	Note	2022 £'000	2021 £'000
<b>Turnover</b>	3	97,496	95,709
Operating costs	3	(76,335)	(73,604)
Gain on disposal of housing properties	4	2,786	1,664
Movement in the fair value of assets	17	<u>2,662</u>	<u>2,520</u>
<b>Operating surplus</b>	6	26,609	26,289
Interest receivable and similar income	7	19	65
Interest payable, financing and similar costs	8	<u>(15,724)</u>	<u>(15,955)</u>
<b>Surplus on ordinary activities before taxation</b>		10,904	10,399
Tax on surplus /(deficit) on ordinary activities	12	<u>(71)</u>	<u>(122)</u>
<b>Surplus for the year</b>		<u>10,833</u>	<u>10,277</u>
Actuarial gain/(loss) in respect of pension schemes	11	<u>8,856</u>	<u>(7,316)</u>
<b>Total comprehensive income for the year</b>		<u>19,689</u>	<u>2,961</u>

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 22 August 2022 and signed on its behalf by:



Chair  
Desmond Hudson

Board Member  
Deborah Griffiths

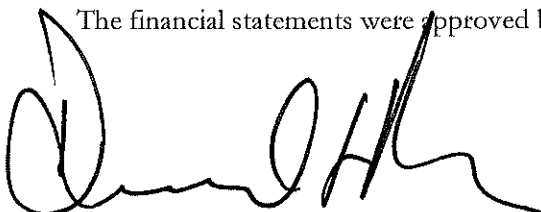
Secretary  
James Jones


## Association statement of comprehensive income


	Note	2022 £'000	2021 £'000
<b>Turnover</b>	3	84,215	81,094
Operating costs	3	(62,258)	(60,082)
Gain on disposal of housing properties	4	2,786	1,664
Movement in the fair value of assets	17	2,662	2,520
Gift aid covenanted from subsidiary	34	1,437	719
<b>Operating surplus</b>	6	28,842	25,915
Interest receivable and similar income	7	18	63
Interest payable, financing and similar costs	8	(15,709)	(15,942)
<b>Surplus on ordinary activities before taxation</b>		13,151	10,036
Tax on surplus on ordinary activities	12	(7)	14
<b>Surplus for the year</b>		13,144	10,050
Actuarial gain/(loss) in respect of pension schemes	11	8,856	(7,316)
<b>Total comprehensive income for the year</b>		22,000	2,734

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 22 August 2022 and signed on its behalf by:

  
 Chair  
 Desmond Hudson

  
 Board Member  
 Deborah Griffiths

  
 Secretary  
 James Jones

## Consolidated statement of changes in reserves

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance at 31 March 2020	31,907	846	32,753
Surplus for the year	10,277	-	10,277
Other comprehensive income for the year	(7,316)	-	(7,316)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	34,868	846	35,714
Surplus for the year	10,833	-	10,833
Other comprehensive income for the year	8,856	-	8,856
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	<u>54,557</u>	<u>846</u>	<u>55,403</u>

## Association statement of changes in reserves

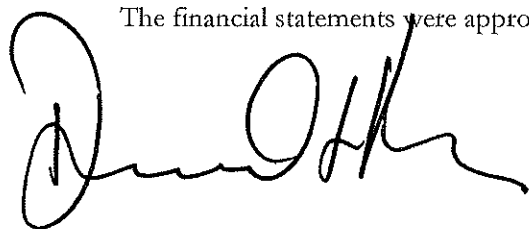
	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance at 31 March 2020	32,137	846	32,983
Surplus for the year	10,050	-	10,050
Other comprehensive income for the year	(7,316)	-	(7,316)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	34,871	846	35,717
Surplus for the year	13,144	-	13,144
Other comprehensive income for the year	8,856	-	8,856
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	<u>56,871</u>	<u>846</u>	<u>57,717</u>

The accompanying notes form part of these financial statements.


## Consolidated statement of financial position

		2022	2021
	Note	£'000	£'000
<b>Non-Current Assets</b>			
Intangible Assets	13	84	308
Housing properties	14	703,354	653,975
Investment properties	17	19,610	16,948
Other tangible fixed assets	15	4,169	4,470
		<u>727,217</u>	<u>675,701</u>
<b>Current assets</b>			
Stock		233	278
Properties for sale	18	2,296	2,162
Debtors	19	7,379	10,042
Cash and cash equivalents	20	33,990	32,944
		43,898	45,426
<b>Creditors: amounts falling due within one year</b>	21	<u>(30,048)</u>	<u>(25,055)</u>
<b>Net current assets</b>		<u>13,850</u>	<u>20,371</u>
<b>Total assets less current liabilities</b>		<u>741,067</u>	<u>696,072</u>
<b>Creditors: amounts falling due after more than one year</b>	22	(630,222)	(599,719)
<b>Pension liability</b>	11	<u>(55,442)</u>	<u>(60,639)</u>
<b>Total net assets</b>		<u>55,403</u>	<u>35,714</u>
<b>Capital and reserves</b>			
Revenue reserve	26	54,557	34,868
Restricted reserve	26	846	846
<b>Group's funds</b>		<u>55,403</u>	<u>35,714</u>

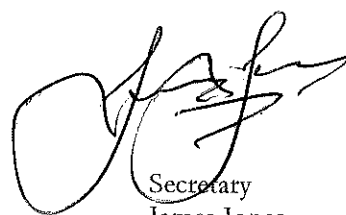
The financial statements were approved by the Board on 22 August 2022 and signed on its behalf by:



Chair  
Desmond Hudson



Board Member  
Deborah Griffiths



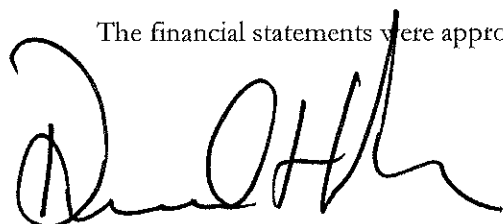
Secretary  
James Jones

The accompanying notes form part of these financial statements.

## Association statement of financial position

	Note	2022 £'000	2021 £'000
<b>Non-Current Assets</b>			
Intangible Assets	13	84	308
Housing properties	14	708,771	658,247
Investment properties	17	19,610	16,948
Other tangible fixed assets	15	3,096	3,281
		<u>731,561</u>	<u>678,784</u>
<b>Current assets</b>			
Stock		199	212
Properties for sale	18	2,296	2,162
Debtors	19	8,255	11,649
Cash and cash equivalents	20	25,934	27,864
		<u>36,684</u>	<u>41,887</u>
<b>Creditors: amounts falling due within one year</b>	21	<u>(26,032)</u>	<u>(25,778)</u>
<b>Net current assets</b>		<u>10,652</u>	<u>16,109</u>
<b>Total assets less current liabilities</b>		<u>742,213</u>	<u>694,893</u>
<b>Creditors: amounts falling due after more than one year</b>	22	(629,054)	(598,537)
<b>Pension liability</b>	11	<u>(55,442)</u>	<u>(60,639)</u>
<b>Total net assets</b>		<u>57,717</u>	<u>35,717</u>
<b>Capital and reserves</b>			
Revenue reserve	26	56,871	34,871
Restricted reserve	26	846	846
<b>Association's funds</b>		<u>57,717</u>	<u>35,717</u>

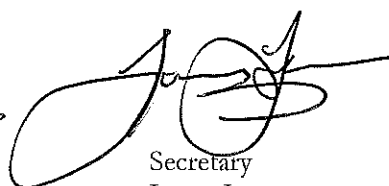
The financial statements were approved by the Board on 22 August 2022 and signed on its behalf by:



Chair  
Desmond Hudson



Board Member  
Deborah Griffiths



Secretary  
James Jones

The accompanying notes form part of these financial statements.

## Consolidated statement of cash flows

	Note	2022 £'000	2021 £'000
<b>Net cash generated from operating activities</b>	29	41,954	42,345
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(65,777)	(52,406)
Proceeds from the sale of tangible fixed assets		4,479	3,160
Grants received		19,320	9,113
Interest received		19	65
		<u>(41,959)</u>	<u>(40,068)</u>
<b>Cash flow from financing activities</b>			
Interest and other finance costs paid		(13,449)	(16,410)
New secured loans		37,500	28,111
Repayment of borrowings		(23,000)	(60,000)
		<u>1,051</u>	<u>(48,299)</u>
Net change in cash and cash equivalents		1,046	(46,022)
Cash and cash equivalents at beginning of year		<u>32,944</u>	<u>78,966</u>
Cash and cash equivalents at end of year		<u><u>33,990</u></u>	<u><u>32,944</u></u>

For year ended 31<sup>st</sup> March 2022 the total cash and cash equivalents includes £7.0m (2021: £7.0m) that was held in a charged bank account as cash collateral against the bond.

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### 1. Legal status

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

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

### 2. Accounting policies

#### Basis of accounting

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

The financial statements are presented in sterling (£).

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

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

#### Basis of consolidation

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

#### Going Concern

After making enquiries the board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the Board have considered the period to 31 March 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 2022 the Group had loan and bond facilities totalling £606 million. At that date £120m of loan finance remained undrawn. The Group has a long-term business plan which shows that the remaining undrawn amount will be committed to its development programme during the period through to 31 March 2024. At all times during that forecast period the Group has 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.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

- A comprehensive set of stress tests have been run on the plan – both in terms of the normal suite of scenarios that are tested regularly and additional tests to model the potential impact of a recession and rising inflation. 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.
- No assumption has been made that further government support would be required to mitigate the impact of future costs relating to COVID-19.
- The Group continues monitor closely the effect on customers of the relaxation of COVID-19 restrictions and the rising cost of living crisis. The Group maintains prudent levels of income and impairment provisions in its business plan to manage any impacts.
- Inflation risk in relation to energy supply, materials costs and labour availability is a key area of concern. International drivers (wholesale cost of energy, 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, disconnecting the natural hedge between cost and income. The results were mitigated through the Group's financial flexibility, to ensure post-mitigation covenants were met. Rising inflation will continue to be monitored and the business plan will be updated quarterly to review its impact.
- The business plan includes additional costs in the three years to 31 March 2025 in order to ensure all the Group's homes meet a minimum EPC rating of C, to comply with the Government's 2030 target. In addition, the business plan extends development activity through to 2030. As a result of these costs margins and headroom above covenant levels are affected, but the Group continues to meet all responsibilities to its stakeholders.

#### Critical accounting 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:

#### Significant management judgements

- **Classification of Loans as basic**  
Management have considered the terms of the group's lending arrangements and concluded that they meet the definition of basic financial instruments, and are therefore held at amortised cost. Please see note 25 debt analysis.



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

- **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**

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised in the statement of comprehensive income. During the year an impairment charge of £1.7m was made in respect of a redevelopment scheme known as High Street Wellington (2021: £2.4m re Pauls Moss scheme). The charge relates to the carrying value of existing properties on the site that are planned to be demolished as part of the new development where the recoverable amount is considered to be £nil. Based on this assessment, management are satisfied that there are no other impairment triggers that would require a more detailed review.

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

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

This consideration has revealed that:

- Demand for all categories of property managed by the group remains strong. Whilst the number of void properties increased during the pandemic, in respect of general needs properties these have now returned to normal. Lettings activity within Extra Care settings has remained above average during the year due to the ongoing impact of the pandemic across these settings.
- Following some limiting of service during the early stages of the pandemic the responsive repairs service is now operating normally and there is no backlog of repairs to complete. Cyclical and planned maintenance programmes also returned to normal during the year. Decent homes standards continued to be met and no provisions for non-compliance were made.
- Demand from customers to purchase properties under the Right to Buy and Right to Acquire provisions has remained at similar levels to those experienced in recent years. Sales under the group's asset renewal strategy continued during the year and demand and sale values achieved remained at pre-COVID levels.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

- With regard to shared ownership properties, the group does not rely on selling such properties, instead developing all its properties as either rented stock or as a “rent now, buy later” product under its In Reach brand. Similar numbers of customers have exercised their option to purchase shares in these properties during 2021/22 as in previous years.
- Income collection remained strong with no deterioration in the arrears or bad debt position compared with previous years.
- All the group’s current development scheme sites were fully operational during the year, with no significant cost increases or delays.

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

#### 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 2022 was £121.2m, (please see note 14). Accumulated depreciation on other fixed assets at 31 March 2022 was £10.3m, (please see note 15).
- **Valuation of investment properties**  
Management reviews its valuation of investment properties at each reporting date, based on formal valuation reports or an update to those reports based on market conditions. The value of investment properties at 31 March 2022 was £19.6m, (please see note 17). These properties have been valued by external valuers on the basis of open market value as they are market-rented properties, rather than social housing properties, which could be sold with vacant possession within a short time period. The market value is based upon an analysis of comparable transactions which have taken place in the area, and the valuer’s background knowledge of the local market.
- **Defined benefit obligation (DBO)**  
Management’s estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 11). The liability at 31 March 2022 was £55.4m.

#### 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.

## Notes to the financial statements (continued)

### **2 Accounting policies (continued)**

#### **Turnover and revenue recognition (continued)**

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

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

#### **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.

#### **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 change 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 current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Association and its subsidiaries operate and generate taxable income.

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, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits,
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Corporation tax (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair value of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting 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 which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

## Notes to the financial statements (continued)

### **2 Accounting policies (continued)**

#### **Housing properties (continued)**

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. Grant is allocated to the land and structure components of the associated asset in proportion to their cost.

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

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

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

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

#### **Other grants**

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Depreciation of housing properties

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

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

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

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

#### Other fixed assets

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

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

#### Leased assets

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

#### Properties for sale

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

#### Provision for liabilities

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

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

#### Stock

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

#### Loans

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

#### 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.

## Notes to the financial statements (continued)

### **2 Accounting policies (continued)**

#### **Creditors**

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

#### **Segmental reporting**

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

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



## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus

#### Group - continuing activities

	2022 Turnover £'000	2022 Operating costs £'000	2022 Operating surplus £'000	2021 Turnover £'000	2021 Operating costs £'000	2021 Operating surplus £'000
<b>Social housing lettings</b>	77,170	(58,332)	18,838	76,242	(56,103)	20,139
<b>Other social housing activities:</b>						
Renting & letting of garages	769	(137)	632	782	(133)	649
Leaseholder service charges & communal repairs	479	(479)	-	467	(467)	-
Shared ownership 1 <sup>st</sup> tranche sales	1,712	(1,179)	533	1,546	(1,006)	540
Other	624	(1,060)	(436)	635	(1,090)	(455)
	<u>80,754</u>	<u>(61,187)</u>	<u>19,567</u>	<u>79,672</u>	<u>(58,799)</u>	<u>20,873</u>
<b>Activities other than social housing:</b>						
Care Activities	5,649	(10,673)	(5,024)	5,705	(10,064)	(4,359)
Other revenue government grants	438	-	438	1,067	-	1,067
Third party repairs contracts	2,064	(1,448)	616	1,741	(1,110)	631
Market rented properties	851	(124)	727	839	(130)	709
Community centres and social enterprise	60	(85)	(25)	50	(182)	(132)
Furniture recycling and waste management	676	(846)	(170)	332	(1,170)	(838)
Other non social housing activities	359	(261)	98	387	(318)	69
Gain on disposal of assets held for sale	6,645	(1,691)	4,954	5,916	(1,660)	4,256
Loss on disposal of other fixed assets	-	(20)	(20)	-	(171)	(171)
Gain on disposal of housing properties	-	-	2,786	-	-	1,664
Movement in the fair value of assets	-	-	2,662	-	-	2,520
	<u>97,496</u>	<u>(76,335)</u>	<u>26,609</u>	<u>95,709</u>	<u>(73,604)</u>	<u>26,289</u>
<b>Total Operating Surplus</b>			<u>26,609</u>			<u>26,289</u>

## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus (continued)

	Association - continuing activities			
	2022	2022	2022	2021
	Turnover	Operating costs	Operating surplus	Turnover
	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>	72,730	(57,584)	15,146	70,268
<b>Other social housing activities:</b>				
Renting & letting of garages	769	(137)	632	782
Leaseholder service charges & communal repairs	479	(479)	-	467
Shared ownership 1 <sup>st</sup> tranche sales	1,712	(1,179)	533	1,546
Other	624	(1,060)	(436)	635
	<u>76,314</u>	<u>(60,439)</u>	<u>15,875</u>	<u>73,698</u>
<b>Activities other than social housing:</b>				
Property lease income-group companies	1,150	-	1,150	1,135
Other revenue government grants	1	-	1	137
Community centres and social enterprise	60	(85)	(25)	50
Furniture recycling and waste management	4	(32)	(28)	128
Other non social housing activities	41	-	41	30
Gain on disposal of assets held for sale	6,645	(1,691)	4,954	5,916
Loss of disposal of other fixed assets	-	(11)	(11)	-
Gain on disposal of housing properties	-	-	2,786	-
Movement in the fair value of assets	-	-	2,662	-
Gift aid covenanted from subsidiaries	-	-	1,437	-
	<u>84,215</u>	<u>(62,258)</u>	<u>28,842</u>	<u>81,094</u>
<b>Total Operating Surplus</b>				
				<u>25,915</u>
				<u>(60,082)</u>
				<u>15,260</u>
				<u>(55,008)</u>
				<u>(133)</u>
				<u>(467)</u>
				<u>(1,006)</u>
				<u>(1,090)</u>
				<u>15,994</u>
				<u>1,135</u>
				<u>137</u>
				<u>(132)</u>
				<u>(225)</u>
				<u>15</u>
				<u>4,256</u>
				<u>(168)</u>
				<u>1,664</u>
				<u>2,520</u>
				<u>719</u>

## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus (continued)

#### Particulars of income and expenditure from social housing lettings

Group	General needs housing 2022 £'000	Supported housing and housing for older people 2022 £'000	Total 2022 £'000	Total 2021 £'000
Rents receivable net of identifiable service charges	52,376	15,009	67,385	66,887
Service charge income	1,206	6,545	7,751	7,760
Amortised government grants	1,072	2	1,074	982
Other revenue government grants	950	10	960	613
<b>Turnover from social housing lettings</b>	<b>55,604</b>	<b>21,566</b>	<b>77,170</b>	<b>76,242</b>
Management	(6,857)	(2,188)	(9,045)	(10,357)
Services	(2,302)	(8,601)	(10,903)	(10,446)
Routine maintenance	(12,230)	(3,263)	(15,493)	(13,809)
Rent losses from bad debts	(142)	1	(141)	(21)
Major repairs expenditure	(6,441)	(1,239)	(7,680)	(5,748)
Depreciation of housing properties	(11,737)	(1,613)	(13,350)	(12,663)
Impairment of housing properties	(1,720)	-	(1,720)	(2,439)
Write-off of components following demolition of properties	-	-	-	(620)
<b>Operating costs on social housing lettings</b>	<b>(41,429)</b>	<b>(16,903)</b>	<b>(58,332)</b>	<b>(56,103)</b>
<b>Operating surplus on social housing lettings</b>	<b>14,175</b>	<b>4,663</b>	<b>18,838</b>	<b>20,139</b>
<b>Void losses</b>	<b>415</b>	<b>2,061</b>	<b>2,476</b>	<b>1,377</b>

## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus (continued)

#### Particulars of income and expenditure from social housing lettings

Association	General needs housing 2022 £'000	Supported housing and housing for older people 2022 £'000	Total 2022 £'000	Total 2021 £'000
Rents receivable net of identifiable service charges	52,376	10,737	63,113	61,079
Service charge income	1,206	6,379	7,585	7,596
Amortised government grants	1,072	-	1,072	980
Other revenue government grants	950	10	960	613
<b>Turnover from social housing lettings</b>	<b>55,604</b>	<b>17,126</b>	<b>72,730</b>	<b>70,268</b>
Management	(6,853)	(1,987)	(8,840)	(10,096)
Services	(2,332)	(8,457)	(10,789)	(9,943)
Routine maintenance	(12,230)	(2,864)	(15,094)	(13,508)
Rent losses from bad debts	(142)	1	(141)	(21)
Major repairs expenditure	(6,441)	(1,239)	(7,680)	(5,748)
Depreciation of housing properties	(11,737)	(1,583)	(13,320)	(12,633)
Impairment of housing properties	(1,720)	-	(1,720)	(2,439)
Write-off of components following demolition	-	-	-	(620)
<b>Operating costs on social housing lettings</b>	<b>(41,455)</b>	<b>(16,129)</b>	<b>(57,584)</b>	<b>(55,008)</b>
<b>Operating surplus on social housing lettings</b>	<b>14,149</b>	<b>997</b>	<b>15,146</b>	<b>15,260</b>
<b>Void losses</b>	<b>415</b>	<b>350</b>	<b>765</b>	<b>920</b>

## Notes to the financial statements (continued)

### 4 Surplus on sale of housing assets

#### Group & Association

	Right to Buy Sales	Right to Acquire Sales	Low Cost Home Ownership Sales	Total 2022	Total 2021
	£'000	£'000	£'000	£'000	£'000
Disposal proceeds	1,116	3,191	173	4,480	2,940
Carrying value of fixed assets	(464)	(1,172)	(58)	(1,694)	(1,276)
	<u>652</u>	<u>2,019</u>	<u>115</u>	<u>2,786</u>	<u>1,664</u>

### 5 Accommodation in management

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

Group	2021 No.	2022 Additions	2022 Disposals	2022 Other	2022 No.
<b>Social housing</b>					
General needs housing at social rent	8,351	7	(192)	(15)	8,151
General needs housing at affordable rent	2,024	296	(4)	(10)	2,306
Supported housing at social rent	1,420	-	(29)	3	1,394
Supported housing at affordable rent	679	-	-	-	679
Low cost home ownership	268	15	(3)	13	293
Residential Care Homes	96	-	-	-	96
<b>Non-social housing</b>					
Market rented	132	-	-	-	132
<b>Total owned</b>	<u>12,970</u>	<u>318</u>	<u>(228)</u>	<u>(9)</u>	<u>13,051</u>
<b>Social housing managed for others</b>					
Registered care homes	29	-	-	-	29
Other social housing	42	-	-	(7)	35
<b>Total owned or managed</b>	<u>13,041</u>	<u>318</u>	<u>(228)</u>	<u>(16)</u>	<u>13,115</u>
Properties where the Group had residual freehold interest	648	-	(28)	9	629
	<u>13,689</u>	<u>318</u>	<u>(256)</u>	<u>(7)</u>	<u>13,744</u>
Accommodation in development at year end	628	-	-	-	1,010

Of the total properties owned, 19 (2021: 19) were managed by third parties.

## Notes to the financial statements (continued)

### Accommodation in management (continued)

Association	2021 No.	2022 Additions	2022 Disposals	2022 Other	2022 No.
<b>Social housing</b>					
General needs housing at social rent	8,351	7	(192)	(15)	8,151
General needs housing at affordable rent	2,024	296	(4)	(10)	2,306
Supported housing at social rent	1,401	-	(29)	3	1,375
Supported housing at affordable rent	679	-	-	-	679
Low cost home ownership	268	15	(3)	13	293
<b>Non-social housing</b>					
Market rented	132	-	-	-	132
<b>Total owned</b>	<b>12,855</b>	<b>318</b>	<b>(228)</b>	<b>(9)</b>	<b>12,936</b>
<b>Social housing managed for others</b>					
Other social housing	42	-	-	(7)	35
<b>Total Managed</b>	<b>12,897</b>	<b>318</b>	<b>(228)</b>	<b>(16)</b>	<b>12,971</b>
Properties where the Group had residual freehold interest	648	-	(28)	9	629
	<u>13,545</u>	<u>318</u>	<u>(256)</u>	<u>(7)</u>	<u>13,600</u>
Accommodation in development at year end	628	-	-	-	1,010

## Notes to the financial statements (continued)

### 6 Operating surplus

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

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Gain on disposal of housing properties	(2,786)	(1,664)	(2,786)	(1,664)
Loss on disposal of other fixed assets	20	171	11	168
Amortisation of intangible assets	241	249	241	249
Depreciation of housing properties	13,350	12,663	13,320	12,633
Depreciation of other tangible fixed assets	717	685	558	521
Impairment of housing properties	1,720	2,439	1,720	2,439
Operating lease charges	1,823	1,959	1,681	1,801
Auditor's remuneration (excluding VAT):				
for audit services	107	185	62	130
for non-audit services:				
-Tax advice	-	-	-	-
-Tax compliance & iXBRL tagging	-	-	-	-
-Other assurance services	-	-	-	-

### 7 Interest receivable and similar income

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest received from temporary investments with banks and building societies	18	64	17	62
Other interest receivable	1	1	1	1
	<u>19</u>	<u>65</u>	<u>18</u>	<u>63</u>

### 8 Interest payable, financing costs and similar charges

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	13,305	13,587	13,290	13,586
Funders security/facility fee	1,118	1,135	1,118	1,135
Valuer's fee	54	25	54	25
Defined benefit pension charge	1,247	1,187	1,247	1,187
Other interest payable	-	21	-	9
	<u>15,724</u>	<u>15,955</u>	<u>15,709</u>	<u>15,942</u>

## Notes to the financial statements (continued)

### 9 Employees

	Group		Association	
	2022 No.	2021 No.	2022 No.	2021 No.
<b>Average monthly number of employees expressed in full time equivalents: (calculated based on a standard working week of 36 hours)</b>				
Office staff	379	369	352	341
Trades & retail employees	206	207	190	182
Scheme managers, estate officers and cleaners	65	54	65	54
Care	316	344	-	-
	<u>966</u>	<u>974</u>	<u>607</u>	<u>577</u>

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
<b>Staff costs:</b>				
Wages and salaries	27,502	27,472	18,502	17,707
Social security costs	2,542	2,476	1,862	1,761
Other pension costs	5,141	4,174	4,914	3,891
	<u>35,185</u>	<u>34,122</u>	<u>25,278</u>	<u>23,359</u>

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

	Group		Association	
	2022 No.	2021 No.	2022 No.	2021 No.
£60,001-£70,000	6	10	6	9
£70,001-£80,000	2	3	2	3
£80,001-£90,000	4	3	4	3
£100,001-£110,000	3	4	3	4
£110,001-£120,000	-	1	-	1
£120,001-£130,000	2	1	2	1
£130,001-£140,000	1	1	1	1
£150,001-£160,000	1	-	1	-
£180,001-£190,000	1	-	1	-
£200,001-£210,000	-	1	-	1
Total	<u>20</u>	<u>24</u>	<u>20</u>	<u>23</u>



## Notes to the financial statements (continued)

### **10 Key management personnel, board members and executive directors**

Expenses paid during the period to board members amounted to £821 (2021: £495).

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 £840,243 (2021: £859,940).

	2022	2021
	£'000	£'000
<b>Executive directors</b>		
Basic salary	550	599
Benefits in kind (car provision)	28	25
Pension contributions	90	80
	<u>668</u>	<u>704</u>
Employer's social security contributions	<u>71</u>	<u>78</u>
Total	<u><u>739</u></u>	<u><u>782</u></u>
<b>Board members</b>		
Fees	98	82
Social Security Contributions	<u>1</u>	<u>1</u>
	<u><u>99</u></u>	<u><u>83</u></u>

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

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 £186,375 (2021: £205,982). The Group Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual arrangement for the Group Chief Executive.

### **11 Pensions**

#### **Group**

The Group participates in the Shropshire County Pension Fund which is a defined benefit career average salary pension scheme. Triennial actuarial valuations are performed by a qualified actuary using the "projected unit" method. The most recent formal valuation of the Fund was completed as at 31 March 2019 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2022, by a qualified independent actuary. A valuation as at 31 March 2022 is underway, the results of which will be received late 2022.

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%.

## Notes to the financial statements (continued)

### 11 Pensions (continued)

#### Contributions

The employer's contributions to the Shropshire County Pension Fund (SCPF) by the Group for the year ended 31 March 2022 were £2,502,000 (2021: £2,495,000) 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 2022/23 year this rate will remain at 17%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2021/22 was £381,800, and will be £396,600 in 2022/23. The Group will continue to make additional lump sum payments in line with the deficit contribution schedule, as agreed with the SCPF, payable over 22 years. As a result of the 2019 valuation, deficit contributions will increase at a rate of 3.9% per annum over the recovery period. The deficit contributions will be revised on receipt of the March 2022 valuation.

#### Principal actuarial assumptions

	31 March 2022 % per annum	31 March 2021 % per annum
Rate of increase in salaries	3.8	3.2
Rate of increase in pensions in payment	3.4	2.8
Discount rate	2.8	2.1
Inflation assumption	3.3	2.7

#### Mortality Assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2021 and March 2022 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:

	2022 No. of years	2021 No. of years
Retiring today:		
Males	22.9	23.0
Females	25.1	25.1
Retiring in 20 years:		
Males	24.1	24.3
Females	26.7	26.7

## Notes to the financial statements (continued)

### 11 Pensions (continued)

#### Amounts recognised in the statement of financial position:

	2022 £'000	2021 £'000
Fair value of employer assets	111,590	104,038
Present value of funded liabilities	(167,032)	(164,677)
Net liability	<u>(55,442)</u>	<u>(60,639)</u>

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

	2022 £'000	2021 £'000
Net interest cost	<u>1,247</u>	<u>1,187</u>
Current service cost	4,840	3,816
Administration expenses	74	75
Past service cost	-	-
Amount charged to operating costs	<u>4,914</u>	<u>3,891</u>
Total amount recognised in the statement of comprehensive income	<u>6,161</u>	<u>5,078</u>

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

	2022 £'000	2021 £'000
Opening scheme liabilities	(164,677)	(137,023)
Current service cost	(4,840)	(3,816)
Interest cost	(3,435)	(3,267)
Contribution by members	(866)	(865)
Past service cost	(-)	(-)
Benefits paid	3,091	2,626
Actuarial (loss)/gain	3,695	(22,332)
Closing scheme liabilities	<u>(167,032)</u>	<u>(164,677)</u>

## Notes to the financial statements (continued)

### 11 Pensions (continued)

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

	2022 £'000	2021 £'000
Opening fair value of plan assets	104,038	86,283
Interest income	2,188	2,080
Contributions by the employer	2,502	2,495
Contribution by members	866	865
Benefits paid	(3,091)	(2,626)
Administration expenses	(74)	(75)
Actuarial gain/ (loss)	5,161	15,016
	<u>111,590</u>	<u>104,038</u>
Closing fair value of plan assets	<u>111,590</u>	<u>104,038</u>

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

	2022	2021
Equities	50.6%	49.3%
Bonds	18.9%	20.7%
Property	3.7%	3.8%
Cash	1.7%	0.3%
Other	25.1%	25.9%

#### Sensitivity Analysis

Disclosure Item	None	0.1% p.a. discount rate	0.1% p.a. inflation	0.1% p.a. pay growth	1 Year increase in life expectancy	+1% change in 2021/22 investment returns	-1% change in 2021/22 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	167,032	(2,948)	3,000	513	4,876	-	-
Assets	(111,590)	-	-	-	-	(1,117)	1,117
Deficit	55,442	(2,948)	3,000	513	4,876	(1,117)	1,117
Projected service cost for next year	4,550	(123)	127	10	149	-	-
Projected net interest cost for next year	1,517	(31)	84	15	137	(32)	32

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

## Notes to the financial statements (continued)

### 12 Taxation

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
<b>Current Tax</b>				
UK corporation tax on surplus for the year	344	271	8	(1)
Adjustments in respect of prior years	(273)	(149)	(1)	(13)
<b>Total current tax</b>	<u>71</u>	<u>122</u>	<u>7</u>	<u>(14)</u>
<b>Total tax on results on ordinary activities</b>	<u>71</u>	<u>122</u>	<u>7</u>	<u>(14)</u>
Surplus/(deficit) on ordinary activities before tax	10,904	10,399	13,151	10,036
Theoretical tax at corporation tax rate of 19% (2021: 19%)	2,072	1,976	2,499	1,907
Effects of:				
Income not taxable for tax purposes	(9,633)	(11,087)	(17,107)	(16,084)
Expenses not deductible for tax purposes	7,905	9,382	14,616	14,176
Adjustments to tax in respect of prior periods	(273)	(149)	(1)	(13)
<b>Total tax charge</b>	<u>71</u>	<u>122</u>	<u>7</u>	<u>(14)</u>

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

## Notes to the financial statements (continued)

### 13 Intangible fixed assets

Group and Association	Computer Software £'000	Total £'000
<b>Cost</b>		
At 1 April 2021	1,711	1,711
Additions	17	17
Disposals	(752)	(752)
	<u>976</u>	<u>976</u>
At 31 March 2022	<u>976</u>	<u>976</u>
<b>Amortisation</b>		
At 1 April 2021	1,403	1,403
Charged in year	241	241
Depreciation on Disposal	(752)	(752)
	<u>892</u>	<u>892</u>
At 31 March 2022	<u>892</u>	<u>892</u>
<b>Net book value</b>		
At 31 March 2021	<u>308</u>	<u>308</u>
At 31 March 2022	<u>84</u>	<u>84</u>

## Notes to the financial statements (continued)

### 14 Fixed assets - housing properties

#### Housing Properties

Group	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
<b>Cost</b>					
At 1 April 2021	696,945	51,788	15,795	-	764,528
Improvements to existing properties	7,274	-	-	-	7,274
Additions	2,134	60,670	7	-	62,811
Change of tenure	(2,097)	(1,373)	2,097	1,373	-
Schemes completed	41,145	(41,145)	1,373	(1,373)	-
Transfer to assets held for sale	(2,517)	-	(1,203)	-	(3,720)
Transfer to investment properties	-	-	-	-	-
Disposals - properties	(3,157)	-	(65)	-	(3,222)
Disposals - components	(3,097)	-	-	-	(3,097)
At 31 March 2022	<u>736,630</u>	<u>69,940</u>	<u>18,004</u>	<u>-</u>	<u>824,574</u>
<b>Depreciation and impairment</b>					
At 1 April 2021	109,340	-	1,213	-	110,553
Change of tenure	(76)	-	76	-	-
Impairment	1,720	-	-	-	1,720
Charged in year	13,193	-	157	-	13,350
Released on disposal - properties	(536)	-	(8)	-	(544)
Released on disposal - components	(3,097)	-	-	-	(3,097)
Transfer to assets held for sale	(762)	-	-	-	(762)
At 31 March 2022	<u>119,782</u>	<u>-</u>	<u>1,438</u>	<u>-</u>	<u>121,220</u>
<b>Net book value</b>					
At 31 March 2021	<u>587,605</u>	<u>51,788</u>	<u>14,582</u>	<u>-</u>	<u>653,975</u>
At 31 March 2022	<u>616,848</u>	<u>69,940</u>	<u>16,566</u>	<u>-</u>	<u>703,354</u>

Included in the depreciation charge for the year is £706k of accelerated depreciation on components disposed before the end of their useful economic lives (2021: £564k). Improvements to existing properties includes component replacements and enhancements. Initially, stock transfer units comprised only land and building components due to their low value. Component replacements in these units are treated as new and form part of this value.

## Notes to the financial statements (continued)

### 14 Fixed assets – housing properties (continued)

Housing Properties					
Association	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
<b>Cost</b>					
At 1 April 2021	700,693	51,787	15,918	-	768,398
Improvements to existing properties	7,235	-	-	-	7,235
Additions	2,173	61,776	7	-	63,956
Change of tenure	(2,097)	(1,373)	2,097	1,373	-
Schemes completed	42,251	(42,251)	1,373	(1,373)	-
Transfer to assets held for sale	(2,517)	-	(1,203)	-	(3,720)
Transfer to investment properties	-	-	-	-	-
Disposals – properties	(3,128)	-	(65)	-	(3,193)
Disposals – components	(3,097)	-	-	-	(3,097)
At 31 March 2022	<u>741,513</u>	<u>69,939</u>	<u>18,127</u>	<u>-</u>	<u>829,579</u>
<b>Depreciation and impairment</b>					
At 1 April 2021	108,938	-	1,213	-	110,151
Change of tenure	(76)	-	76	-	-
Impairment	1,720	-	-	-	1,720
Charged in year	13,163	-	157	-	13,320
Released on disposal - properties	(516)	-	(8)	-	(524)
Released on disposal - components	(3,097)	-	-	-	(3,097)
Transfer to assets held for sale	(762)	-	-	-	(762)
At 31 March 2022	<u>119,370</u>	<u>-</u>	<u>1,438</u>	<u>-</u>	<u>120,808</u>
<b>Net book value</b>					
At 31 March 2021	<u>591,755</u>	<u>51,787</u>	<u>14,705</u>	<u>-</u>	<u>658,247</u>
At 31 March 2022	<u>622,143</u>	<u>69,939</u>	<u>16,689</u>	<u>-</u>	<u>708,771</u>

Included in the depreciation charge for the year is £706k of accelerated depreciation on components disposed before the end of their useful economic lives (2021: £564k). Improvements to existing properties includes component replacements and enhancements. Initially, stock transfer units comprised only land and building components due to their low value. Component replacements in these units are treated as new and form part of this value.



## Notes to the financial statements (continued)

### 14 Fixed assets – housing properties (continued)

#### Group and Association

#### Expenditure on works to existing properties

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts capitalised – component replacement	7,274	6,159	7,235	6,136
Amounts charged to statement of comprehensive income	<u>7,680</u>	<u>5,748</u>	<u>7,680</u>	<u>5,748</u>
Total	<u>14,954</u>	<u>11,907</u>	<u>14,915</u>	<u>11,884</u>

#### Social housing grant (SHG)

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Total accumulated SHG receivable at 31 March:				
Recognised in the statement of comprehensive income	8,733	7,011	7,201	6,256
Held as deferred income	114,923	102,543	113,742	101,347
	<u>123,656</u>	<u>109,554</u>	<u>120,943</u>	<u>107,603</u>

#### Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2018. During the year an impairment charge of £1.7m (2021:£2.4m) 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.

## Notes to the financial statements (continued)

### 15 Tangible fixed assets - other

Group	Freehold buildings and land £'000	Sheltered scheme furniture, fixtures and fittings £'000	Computers and office equipment and furniture £'000	Plant, machinery and vehicles £'000	Total £'000
<b>Cost</b>					
At 1 April 2021	9,356	1,286	4,486	359	15,487
Additions	229	36	161	8	434
Disposals	(22)	(18)	(1,411)	(10)	(1,461)
At 31 March 2022	<u>9,563</u>	<u>1,304</u>	<u>3,236</u>	<u>357</u>	<u>14,460</u>
<b>Depreciation and impairment</b>					
At 1 April 2021	5,873	1,220	3,650	274	11,017
Charged in year	299	54	334	30	717
Depreciation on disposals	(38)	(18)	(1,378)	(9)	(1,443)
At 31 March 2022	<u>6,134</u>	<u>1,256</u>	<u>2,606</u>	<u>295</u>	<u>10,291</u>
<b>Net book value</b>					
At 31 March 2021	<u>3,483</u>	<u>66</u>	<u>836</u>	<u>85</u>	<u>4,470</u>
At 31 March 2022	<u>3,429</u>	<u>48</u>	<u>630</u>	<u>62</u>	<u>4,169</u>

## Notes to the financial statements (continued)

### 15 Tangible fixed assets – other (continued)

Association	Freehold buildings and land	Sheltered scheme furniture, fixtures and fittings	Computers and office equipment and furniture	Plant, machinery and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2021	4,770	21	4,019	255	9,065
Additions	229	-	161	-	390
Disposals	(22)	(18)	(1,411)	(8)	(1,459)
At 31 March 2022	<u>4,977</u>	<u>3</u>	<u>2,769</u>	<u>247</u>	<u>7,996</u>
<b>Depreciation and impairment</b>					
At 1 April 2021	2,385	21	3,189	189	5,784
Charged in year	213	-	331	14	558
Depreciation on disposals	(38)	(18)	(1,378)	(8)	(1,442)
At 31 March 2022	<u>2,560</u>	<u>3</u>	<u>2,142</u>	<u>195</u>	<u>4,900</u>
<b>Net book value</b>					
At 31 March 2021	<u>2,385</u>	<u>-</u>	<u>830</u>	<u>66</u>	<u>3,281</u>
At 31 March 2022	<u>2,417</u>	<u>-</u>	<u>627</u>	<u>52</u>	<u>3,096</u>

### 16 Investment in subsidiaries

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

Company	%	Surplus for the year	Reserves
Choices Housing Association	100	(£1,353,000)	£2,915,000
Old Park Services Limited	100	£611,000	£682,000
Strata Housing Services Limited	100	£1,093,000	£799,000

## Notes to the financial statements (continued)

### 17 Investment properties

Group and Association	2022 £'000	2021 £'000
At 1 April	16,948	14,412
Transfer from housing properties	-	25
Disposals	-	(9)
Increase/(decrease) in value	<u>2,662</u>	<u>2,520</u>
At 31 March	<u>19,610</u>	<u>16,948</u>

Investment properties are non-social housing properties held for letting which were valued at 31 March 2022. The investment properties comprise 117 units known as the Hedgerows development, 6 flats at The Red House Priorslee, and 10 houses on a new mixed tenure development in Herefordshire known as Well Gardens. All properties are managed by the Association's wholly owned subsidiary company Old Park Services Ltd. A full external valuation of these properties was completed at 31 March 2021 and a desktop valuation was completed at 31 March 2022, both by Butters John Bee. These properties have been valued on the basis of open market value as they are market-rented properties, rather than social housing properties, which could be sold with vacant possession within a short time period. The market value is based upon an analysis of comparable transactions which have taken place in the area, and the valuer's background knowledge of the local market.

### 18 Properties held for sale

Group and Association	2022 £'000	2021 £'000
Completed shared ownership properties	194	170
Properties held for sale- asset renewal strategy	<u>2,102</u>	<u>1,992</u>
	<u>2,296</u>	<u>2,162</u>

## Notes to the financial statements (continued)

### 19 Debtors

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Rent and service charges receivable	1,571	1,232	934	822
Less: provision for bad and doubtful debts	(819)	(726)	(642)	(613)
	752	506	292	209
Prepayments and accrued income	5,385	7,955	5,147	7,768
Other debtors	743	729	497	552
Trade debtors	362	132	30	54
Other Taxation and Social Security	137	720	-	-
Amounts owed by group undertakings	-	-	2,289	3,066
	7,379	10,042	8,255	11,649

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

### 20 Cash and cash equivalents

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	7,436	14,391	921	10,852
Short-term bank deposits	19,542	11,541	18,001	10,000
Cash held as collateral*	7,012	7,012	7,012	7,012
	33,990	32,944	25,934	27,864

\*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 years ended 31 March 2021 and 2022, in advance of property security being put in place to ensure that the Group took advantage of propitious market conditions.

## Notes to the financial statements (continued)

### 21 Creditors: Amounts falling due within one year

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade creditors	12,029	8,249	2,398	2,397
Rent and service charges received in advance	3,476	3,292	3,476	3,292
Other taxation and social security	1,076	1,248	629	839
Pension contributions due	275	309	274	273
Social housing grant received in advance	3,869	3,400	3,869	3,400
Accruals	4,090	3,538	3,408	3,134
Interest Payments Due	3,613	3,470	3,613	3,470
Deferred Income	79	118	69	93
Holiday pay accrual	230	230	230	230
Deferred grant income (note 23)	1,086	993	1,073	979
Other creditors	225	208	208	192
Amounts owed to group undertakings	-	-	6,785	7,479
	<u>30,048</u>	<u>25,055</u>	<u>26,032</u>	<u>25,778</u>

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

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

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Debt (note 25)	505,027	489,649	505,027	489,649
Recycled capital grant fund (note 24)	1,553	530	1,553	530
Deferred grant income (note 23)	123,642	109,540	122,474	108,358
	<u>630,222</u>	<u>599,719</u>	<u>629,054</u>	<u>598,537</u>

## Notes to the financial statements (continued)

### 23 Deferred grant income

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 April	110,533	98,531	109,337	97,321
Grant received in the year	16,348	13,492	16,348	13,492
Transfer to recycled capital grant fund	(1,066)	(478)	(1,066)	(478)
Released to income in the year	(1,087)	(1,012)	(1,072)	(998)
	<u>124,728</u>	<u>110,533</u>	<u>123,547</u>	<u>109,337</u>
At 31 March				
Amounts to be released within one year	1,086	993	1,073	979
Amounts to be released in more than one year	<u>123,642</u>	<u>109,540</u>	<u>122,474</u>	<u>108,358</u>
	<u>124,728</u>	<u>110,533</u>	<u>123,547</u>	<u>109,337</u>
SHG	114,923	102,543	113,742	101,347
Other grant	<u>9,805</u>	<u>7,990</u>	<u>9,805</u>	<u>7,990</u>
	<u>124,728</u>	<u>110,533</u>	<u>123,547</u>	<u>109,337</u>

### 24 Recycled capital grant fund

Group and Association	2022 £'000	2021 £'000
At 1 April	530	184
Grants recycled	1,066	478
Interest accrued	-	-
Acquisition of dwellings for letting	<u>(43)</u>	<u>(132)</u>
Balance at 31 March	<u>1,553</u>	<u>530</u>

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

## Notes to the financial statements (continued)

### 25 Debt analysis

Group and Association	2022 £'000	2021 £'000
<b>Due after more than one year</b>		
Bond Financing	250,000	225,000
Discount and premium	1,594	(1,225)
Amortised cost of issue	(1,322)	(1,326)
	<hr/>	<hr/>
Carrying value of bond	250,272	222,449
Bank loans amortised cost	254,755	267,200
	<hr/>	<hr/>
	505,027	489,649
	<hr/>	<hr/>
Repayable in		
One year or more but less than two years	-	-
Two years or more but less than five years	116,610	99,970
After five years	388,417	389,679
	<hr/>	<hr/>
	505,027	489,649
	<hr/>	<hr/>

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 2022 the Association had total loan facilities available of £356m (2021: £356m) of which £120.5m (2021: £110m) was undrawn. £141 m of this facility is fixed for periods of between 4 and 18 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 3 & 8 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 2022 the £250m 2019 bond was priced at 92.468p and therefore valued at £231.17m.

### 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 2022, the revenue reserve included £55,442,000 in respect of the defined benefit pension liability (2021: £60,639,000).

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.



## Notes to the financial statements (continued)

### 27 Financial commitments

Group and Association	2022	2021
	£'000	£'000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the accounts	99,563	53,082
Expenditure authorised by the board but not contracted for	85,430	192,055
	<u>184,993</u>	<u>245,137</u>

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

#### Operating leases

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

The future minimum operating lease payments are as follows:	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Within one year	1,002	1,027	966	985
Two to five years	657	1,129	657	1,129
	<u>1,659</u>	<u>2,156</u>	<u>1,623</u>	<u>2,114</u>

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

Association	2022	2021
Amounts receivable as lessor are as follows:	£'000	£'000
Within one year	490	490
Two to five years	1,960	1,960
Later than five years	8,820	9,310
	<u>11,270</u>	<u>11,760</u>

The lease receivable relates to the lease of the Limewood Dementia Unit from the Association to Choices Housing Association Limited. The lease has 23 years to run (2021: 24 years). The lease cost per annum is £490k.

## Notes to the financial statements (continued)

### 28 Cash flow from operating activities

	2022 £'000	2021 £'000
Surplus/(Deficit) for the year	10,833	10,277
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	14,067	13,348
Amortisation of intangible fixed assets	241	249
Impairment of Housing Properties	1,720	2,439
Write-off of components following demolition of properties	9	620
Decrease/(Increase in stock)	45	(30)
Increase in properties held for sale	2,824	2,431
Decrease/(Increase) in debtors	65	945
Increase/(decrease) in creditors	568	(24)
Government grants utilised in the year	(1,087)	(1,012)
Pension costs less contributions payable	2,412	1,396
<b>Adjustments for investing and financing activities:</b>		
Net gain on the sale of tangible fixed assets	(2,786)	(1,664)
Movement in fair value of investment properties	(2,662)	(2,520)
Interest payable	15,724	15,955
Interest receivable	(19)	(65)
<b>Net cash generated from operating activities</b>	<u>41,954</u>	<u>42,345</u>

### 29 Analysis of changes in net debt

	At 01 April 2021 £'000	Cash flows £'000	Other non- cash movements £'000	At 31 March 2022 £'000
Cash at bank and in hand	14,391	(6,955)	-	7,436
Cash held as collateral	7,012	-	-	7,012
Money market deposits at call, seven day or monthly floating rates	11,541	8,001	-	19,542
	<u>32,944</u>	<u>1,046</u>	-	<u>33,990</u>
Overdraft facility repayable on demand	-	-	-	-
Bank loans due within one year	-	-	-	-
Bank loans due greater than one year	(267,200)	10,501	1,944	(254,755)
Bond finance due greater than one year	(222,449)	(27,804)	(19)	(250,272)
<b>Total</b>	<u>(456,705)</u>	<u>(16,257)</u>	<u>1,925</u>	<u>(471,037)</u>

## Notes to the financial statements (continued)

### 30 Financial assets and liabilities

Categories of financial assets and liabilities

Group	2022 £'000	2021 £'000
Financial assets that are debt instruments measured at amortised cost	35,829	34,311
Financial liabilities measured at amortised cost	<u>(524,984)</u>	<u>(505,114)</u>
	<u>(489,155)</u>	<u>(470,803)</u>

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

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

#### 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	2022 £'000	2021 £'000
Fixed rate	411,435	385,992
Floating rate	<u>93,592</u>	<u>103,657</u>
Total borrowings	<u>505,027</u>	<u>489,649</u>

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% (2021: 3.79%) and the weighted average period for which it is fixed is 21 years (2021: 21 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	2022 £'000	2021 £'000
Expiring in more than two years	<u>120,500</u>	<u>135,000</u>

## Notes to the financial statements (continued)

### 31 Contingent liabilities

The Group and Association had no contingent liabilities to disclose at 31 March 2022 (2021: £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	2022 £'000	2021 £'000
Old Park Services Limited	Recharge of staff and operating costs (Reviive and void contract service)	609	1,036
	Recharge of staff and operating costs (third party repairs services)	1,775	1,440
Strata Housing Services Limited	Recharge of Staff Costs (development services)	969	935
Choices Housing Association Limited	Recharge of staff and operating costs	1,061	988

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	2022 £'000	2021 £'000
Old Park Services Limited	Property leases	660	644

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

Entity	Service	2022 £'000	2021 £'000
Old Park Services Limited	Void contract service-Reviive brand	0	580
	Provision of energy supplies	63	61
Strata Housing Services Limited	Provision of development services	47,185	36,368
Choices Housing Association Limited	Provision of care services	1,836	1,856

## Notes to the financial statements (continued)

### 33 Related parties (continued)

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

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

Old Park Services Limited	£1,515,174	(2021: £1,476,133)
Strata Housing Services Limited	£245,579	(2021: £1,116,088)
Choices Housing Association Limited	£528,340	(2021: £473,610)

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

Old Park Services Limited	£117,548	(2021: £545,858)
Strata Housing Services Limited	£6,513,835	(2021: £6,617,754)
Choices Housing Association Limited	£153,623	(2021: £314,889)

### 34 Gift aid

Association	2022 £'000	2021 £'000
Gift aid received from Old Park Services Limited	568	165
Gift aid received from Strata Housing Services Limited	869	554
	<u>1,437</u>	<u>719</u>

### 35 Non-equity share capital

When the Association registered as a Co-operative and Community Benefit Society its rules were drafted such that there is a single class of shareholder. Each share has the nominal value of £1 and carries no right to any interest, dividend or bonus. The independent shareholders are the board members. There are 10 shares in issue. (2021: 10)