Warwickshire Rural Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2023

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2023

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ASSOCIATION INFORMATION

For the year ended 31 March 2023

Board of Management

Chair:	**Mrs Ruth Bagley**
Vice-Chair:	**Mrs Ann Lattimore**
	Mr Derek Harvey
	Mrs Emma Harper (resigned 14th September 2022)
	Mrs Deanna von Anrep
	Mr Steven Shanahan
	Miss Kate Warburton
	Mr Liam Preston (joined 2nd November 2022)
	Mr Marc Leppard (joined 2nd November 2022)
	Mr Tony Hopkin (joined 2nd November 2022)
	Mr Nick Cullen (joined 2nd November 2022)
Registered Office:	**Warwickshire Rural Housing Association**
	c/o WRCC
	University of Warwick
	Wellesbourne Campus
	Warwick
	CV35 9EF
Auditor:	**KPMG LLP**
	One Snowhill
	Snow Hill Queensway
	Birmingham
	B4 6GH
Banker:	**Barclays Bank PLC**
Secretary:	**Mr Richard Mugglestone**

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

ANNUAL REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2023

Principal Activities
The business of providing good quality, well-managed housing, including Social Housing, as well as the associated facilities, amenities and services necessary to help house, assist and serve people in housing need, enabling vibrant communities to thrive in rural Warwickshire.

Review of the Year
Despite the pressures in the economy, rising costs, and challenging supply chains and labour markets, throughout 2022/23 Warwickshire Rural Housing Association continued to deliver against its key Business Plan objectives, and to contribute to the provision of affordable village homes in the County.

During the period, the Association remained committed to partnership working with other organisations and agencies, particularly from a development perspective. In this context, progress continues to be made with a healthy planned programme of new developments. The Association completed the construction of seven new Passivhaus homes in the village of Bearley and continued work to extend the Association's development activities beyond Stratford District with enabling work bringing forward opportunities for more homes across Warwickshire districts.

The planned growth is seen as positive given the challenging operating environment and the limitations on the levels of capital grant. The Association remains in a robust financial position, and the consolidation of existing loans is enabling finance to be raised which will assist in maintaining development objectives.

The Association continues to perform well in relation to the key housing management activity of arrears management with targets being exceeded. The performance remains particularly positive, keeping rental arrears between 0.52% and 0.8% during the year despite the impact of the recovery from the pandemic on top of Welfare Reforms, growing pressures on residents' income and the 'cost of living crisis.' The Association has been successful in engaging and supporting residents at an early stage and has invested in additional staff to increase this support. A focus remains on residents' satisfaction with the repairs service and contractors' performance as some targets around job completion have not been met.

Having adopted a new Five Year Plan, new objectives and targets in late 2019/20, the Board has continued to pursue the plan in the context of the impact of Covid-19, the war in Ukraine and a worsening economic environment. The Board has a series of working groups to drive forward improvement on several themes:

- Equality, Diversity and Inclusivity – to develop comprehensive policy and practice across the activities of the Association
- Residents' engagement – to develop meaningful resident engagement ensuring that the Association is accountable to and influenced by its customers
- Repairs – to improve delivery of repairs and refurbishment, and consider the balance between refurbishment and new development. This group has picked up leadership of the Association's pursuit of decarbonisation and development of its Asset Management Strategy
- Rules and Governance – to update the Service Level Agreements and the Association's governance arrangements and align them with the NHF Model Rules and Code of Governance
- Finance – to improve financial reporting and planning and the use of resources that best deliver the Association's objectives and financial viability. To consider the balance of investment needed to bring older properties up to current standard and build new properties, whilst balancing the needs of current and potential future residents.

In addition, the Board continues to refine its reporting and monitoring processes, including that in relation to Health and Safety in order to provide increased assurance in relation to its obligations and emerging consumer regulation. The Board receive regular reports on complaints and, despite following the sector wide trend of increasing numbers of complaints, they are being handled in line with policy and changes are made to processes and service delivery as a result of learning lessons. There has been a particular focus on any damp and mould issues that have been raised or discovered and a revised policy and process has dealt with any issues quickly and effectively.

Review of the Year (continued)
We recognise that the future will continue to be challenging and the risks to the business will need to be managed. In this regard, the known risks to the business have been assessed and the impacts of the pandemic, the cost of living crisis, Welfare Reform and potential rent restrictions in particular will need to be addressed, but we remain confident that the Association is in a strong position to do this.

Overall, the Board of Management is satisfied with the progress the Association continues to make and is able to report a total comprehensive income of £554,515 for the year (compared to £784,207 in 2021/22).

During the year, the comprehensive servicing arrangements with Midlands Rural Housing have continued, and this has seen the Association's Business Plan objectives delivered, with continued operating efficiencies and financial benefits. The cost and service sharing model allows the Association to draw upon the knowledge, skills and rural housing experience of staff coordinated by Midlands Rural Housing along with three other independent Rural Housing Associations. The costs are recharged to each Association proportionately and the model provides both efficiency and expertise for the full range of services required by a Housing Association. Work has continued to review and update the servicing arrangements to ensure strong governance and effective and efficient working practices.

Value for Money
Delivering Value for Money (VfM) is integral to the way the Association operates and this is overseen directly by the Board. A key part of delivering our services as efficiently as possible is understanding the costs and main drivers, setting targets for key financial measures and understanding how our costs compare to our peers.

The Sector Scorecard comprises a number of indicators; mostly taken from our financial accounts across 5 categories (Business health, Development, Outcomes delivered, Effective asset management and Operating efficiencies). It allows us to track our progress with delivering savings and surpluses and demonstrate how we are controlling costs whilst still delivering our core services and developing new homes.

We apply a commercial approach to our decision making and our efficient operating model, which sees us procuring services from Midlands Rural Housing, helps us to focus our attention on the activities that support the achievement of our corporate objectives.

We have continued to increase our focus on environmental and social objectives illustrated by our delivery of high environmental standards for construction and utilities upgrades and by our recent work on inclusivity and diversity and resident engagement.

We delivered strong performance against the key measures in the Sector Scorecard during the year and our key figures are explained below. In comparison to the previous year, all indicators have been adversely influenced as a result of the pension costs on the Social Housing Pension Scheme (SHPS) shared pension scheme. In 2021/22 pension costs decreased. Pension costs typically fluctuate years on year. The Association remained committed to Modern Methods of Construction, investment in staff, maintaining and upgrading our homes, and supporting our residents.

<u>Unit Costs</u>
Our unit costs continue to be similar to the other housing associations served by MRH with a total social housing cost per unit of £3,650 (21/22 = £2,145). An increase has been seen year on year as a result of the pension costs on the SHPS shared pension scheme. Costs per unit are slightly higher than the RHA peer group average of £3,169 per unit due to higher levels of development which included the scheme at Bearley being built to Passivhaus standards. In addition, the Association owns all of its stock whereas the other RHAs have at least a proportion of managed stock in their portfolios.

It should be noted that unit costs are greatly impacted each year due to swings in the pensions costs on the SHPS shared pension scheme; this can be a positive or negative impact on unit costs and it makes year on year or sector comparisons challenging.

Value for Money (continued)

Business Health

As a responsible landlord, we aim to balance the delivery of quality services to our existing customers with the provision of new homes to meet growing demand. We are a "profit for purpose" organisation; aiming to maximise the operating margin on our core social housing activities whilst maintaining customer satisfaction. Surpluses are then reinvested back into the capital reinvestment in our existing properties and the development of new homes to meet the diverse range of housing need within our geographical area of operation. During the year, the Association invested additional resources into its housing management service to provide support to residents in challenging times and also launched a Customer Support Fund in response to the 'cost of living crisis.' The number and scale of individual arrears has been maintained at a low level to the benefit of residents and the Association.

2022/23 also saw another increase in the Association's investment in existing stock with heating system replacements and insulation upgrades improving the energy efficiency of homes. Successful bids were made to the Social Housing Decarbonisation Fund to further commit the Association to improvements to existing stock. In the next two years we will start on our first 51 homes from a target of 173 requiring improvements to be above EPC level C by 2030.

Our results for 2022/23 saw us achieve an overall operating margin of 25.3% which is slightly higher than the RHA peer group average of 22.4%. This is as a result of effective operational performance on our core social housing activities, particularly through low bad debts and rent loss as a result of our robust income collection strategy.

Whilst there are significant pressures on our finances from the challenging operating environment, the operating margins on our core social housing lettings remain strong. We aim to increase our income each year by developing new homes to generate additional rental income and the robust management of our empty properties.

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) measures our ability to generate sufficient cash from our operating activities to meet our interest commitments. Comparability with other providers is difficult due to variability in risk appetite, development strategy, and treasury policies. Our EBITDA MRI stands at 335.3% (against the RHA peer group average of 237.4%) due to strong operating surpluses and demonstrates that we are generating sufficient funds to more than meet our interest commitments. We have sufficient headroom in our loan covenants and are confident that we can continue to meet the obligations placed upon us by our funders. As with other indicators it has been influenced as a result of pension costs on the SHPS shared pension scheme as well as increased spend on the maintenance of our homes.

Development Capacity and Outcomes Delivered

Whilst aware that development has a negative impact on our financial viability and gearing, with each new property developed having a negative Net Present Value, the Board is committed to the provision of new homes and is committed to innovation and high environmental standards. This is carefully balanced with the need to reinvest in our existing properties to maintain standards for our residents. Each year we reinvest through our rolling programme of capital maintenance such as windows, kitchens, bathrooms and heating systems. Reinvestment will fluctuate year on year depending on the profile of spend on both the replacement of capital components and also the timing of spend on new developments.

Effective Asset Management

Return on Capital Employed decreased to 1.8% which is similar to the RHA peer group average of 1.7%. In 2022/23 a number of factors meant that the Association's surplus was lower than in previous years; mainly due to pension costs and provisions included in the accounts. ROCE performance may well remain below the sector average due to the majority of the Association's homes being developed on rural exception sites where build costs are higher due to the need to put in place services and access without being able to charge the corresponding increase in higher rent. The Association's figure is similar to that of the Rural Housing Association peer group average due to the relatively high cost of developing in rural areas. The Association experiences higher build costs in delivering the Modern Methods Of Construction and the higher environmental standards that WRHA is committed to within its Strategic Plan.

Value for Money (continued)
Similarly, the Association invests in new and more energy efficient heating systems and insulation without being able to reflect the cost benefit to residents in the rent. Although we note that in the current and projected context of rapidly increasing energy prices such improvements may only mitigate some part of utility cost increase rather than reduce costs.

The VfM metrics provided for the regulator are shown in the table below. The peer group is the other independent Rural Housing Associations from the East and West Midlands who procure services from Midlands Rural Housing. To be able to compare our metrics with a wider peer group, we have now joined a smaller housing association benchmarking group. The apparent downturn in the performance against indicators for the year can be explained as a result of increased pension costs on the SHPS shared pension scheme. This is explained at note 19.

Regulator Metrics	WRHA 2023	WRHA 2022	Trend	2023 Peer Group
Operating Margin	25.3%	47.5%	↓	22.4%
EBITDA MRI % Interest Cover	335.3%	245.6%	↑	237.4%
Units Developed as % of Units Owned	1.2%	0.5%	↔	2.3%
Gearing	19.5%	21.9%	↑	21.8%
Reinvestment %	1.1%	1.8%	↔	4.2%
Return on Capital Employed	1.8%	3.2%	↓	1.7%
Headline Social Housing Unit Cost	£ 3,650	£ 2,145	↓	£ 3,169

↑ Indicator has improved ↔ Indicator has stayed within 1% of prior year ↓ Indicator has worsened

Board Members
The Board of Management of the Association during the period are as stated on page 2.

Each member of the Board of Management holds one fully paid share of £1 in the Association. New Board members acquire their share on appointment.

Liability Insurance
The Association has taken out liability insurance on behalf of the members of the Board of Management.

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

[redacted]

Ruth Bagley
Chair
13th September 2023

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

STATEMENT OF INTERNAL CONTROLS ASSURANCE

For the year ended 31 March 2023

The Board of Management has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The Board of Management recognises that no system of Internal control can provide absolute assurance against or eliminate all risk of failure to achieve business objectives.

In meeting Its responsibilities, the Board of Management has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes regular evaluation of the nature and e>ctent of risk to which the Association is exposed and is consistent with best practice principles as required by the regulator. In this conte>ct, the Board of Management understands that there are no regulatory concerns that would lead to the Regulator of Social Housing intervening in the affairs of the Association.

The Board of Management is also able to confirm that there have been no reported cases of fraud during 2022/23, and that the necessary policies and procedures are in place for dealing with and reporting such matters.

The processes adopted by the Board of Management In reviewing the effectiveness of the system of Internal control, together with some of the key elements of the control framework include:

Identification and evaluation of key risks

The Association undertakes a comprehensive annual review of its risk map, which is linked into business objectives and firmly embedded in the Internal control system. On-going monitoring and reporting mechanisms assist in the delivery of the Risk management action plan.

Monitoring and corrective action

The Board of Management receives regular management reports on all aspects of the work of the Association, together with proposals on corrective action when required. The annual report on assurance from the Secretary assists in the consideration of effectiveness of systems in place, as do any reports received from e>cternal sources such as Homes England and The Regulator of Social Housing.

Control environment and procedures

Midland Rural Housing manages the operations of the Association under a formal service agreement. There is a comprehensive set of policies and procedures documenting all aspects of the Association's work including standing orders, delegated authority, treasury management strategy, budgetary information and fraud prevention.

Information and financial reporting systems

There is regular reporting of key performance indicators to assess progress towards the achievement of key business objectives and targets.

Financial reporting procedures include detailed annual budgets and quarterly management accounts. These are approved by the Board of Management, who also review key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Internal Audit who provided independent verification to the Board of Management reviews the Internal control framework under a three-year rolling programme.

The Board of Management confirms that there are on-going processes for maintaining sound systems of Internal control and for managing significant risks. These processes have been in place throughout the period, up to the date of the signing of the financial statements and they are regularly reviewed in conjunction with Midlands Rural Housing.

On behalf of the Board of Management

[redacted]

Ruth **Bagley**
Chair
13th September 2023

INDEPENDENT AUDITOR'S REPORT TO WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2023

Opinion

We have audited the financial statements of Warwickshire Rural Housing Association Limited ("the Association") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of the Association's affairs as at 31 March 2023 and of the income and expenditure of the Association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board as to the Association's high-level policies and procedures to prevent and detect fraud, and the Association's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the majority of revenue streams are routine transactions with non-complex recognition criteria.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the association-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to an unexpected account combinations.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit

The potential effect of these laws and regulations on the financial statements varies considerably.

The association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related Co-operative and Community Benefit Societies Act legislation) and requirements imposed by the Regulator for Social Housing and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2023

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Association's Board are responsible for the other information, which comprises the Report of the Board. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the report of the board;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board' responsibilities

As explained more fully in their statement set out on page 8, the Association's Board are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2023

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association for our audit work, for this report, or for the opinions we have formed.

VSewell

Victoria Sewell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Suite 23
BLOCK
Royal William Yard
Plymouth
PL1 3RP

September 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Turnover	3	3,134,314	2,983,321
Operating costs	3	(2,340,997)	(1,566,924)
Operating surplus	3	793,317	1,416,397
Interest receivable and similar income	8	2,923	259
Interest payable and similar charges	9	(456,466)	(464,021)
Movement in fair value of financial instruments		214,741	(168,428)
Surplus for the year	5	554,515	784,207
Total comprehensive income for the year		554,515	784,207

Turnover is derived from continuing activities.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Note	2023 £	2022 £
Tangible fixed assets			
Housing properties	11	40,955,912	41,101,714
Net book value tangible fixed assets		40,955,912	41,101,714
Current assets			
Trade and other debtors	12	44,833	502,049
Cash and cash equivalents		3,812,102	3,293,701
Total current assets		3,856,935	3,795,750
Creditors: amounts falling due within one year	13	(1,407,430)	(1,185,228)
Net current assets		2,449,505	2,610,522
Creditors: amounts falling due after one year	14	(31,184,481)	(32,045,814)
Net assets		12,220,936	11,666,422
Capital and reserves			
Called up share capital	20	18	19
Revenue reserves		12,220,918	11,666,403
Total funds		12,220,936	11,666,422

These financial statements were approved by the board of directors on 13 September 2023 and were signed on its behalf by:

Ruth Bagley Chair

[redacted]

Ann Lattimore Board Member

[redacted]

Richard Mugglestone (Oct 3, 2023 16:33 GMT+1)

Richard Mugglestone Secretary

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital	Revenue reserve	Total equity
	£	£	£
Balance at 1 April 2022	19	11,666,403	11,666,422
Total comprehensive income for the period			
Surplus for the year	(1)	554,515	554,514
Balance at 31 March 2023	18	12,220,918	12,220,936
Balance at 1 April 2021	19	10,882,196	10,882,215
Total comprehensive income for the period			
Surplus for the year	-	784,207	784,207
Balance at 31 March 2022	19	11,666,403	11,666,422

WARWICKSHIRE RURAL HOUSING ASSOCIATION LIMITED

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Cashflows from operating activities			
Operating surplus for the year	3	793,317	1,416,397
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	11	613,919	571,270
Loan amortisation charges		14,021	14,021
Deferred government grants	17	(157,146)	(157,146)
Pensions costs less contributions payable	19	(265,932)	131,907
Decrease/(increase) in trade & other debtors		457,215	(480,049)
Increase/(decrease) in trade and other creditors		230,754	(32,689)
Net cash from operating activities		**1,686,148**	**1,463,711**
Cashflows from investing activities			
Interest received		2,923	259
Acquisition of tangible fixed assets		(459,350)	(721,051)
Capitalised development expenditure		(8,767)	-
Net cash from investing activities		**(465,194)**	**(720,792)**
Cashflow from financing activities			
Proceeds from new loan		-	1,700,596
Interest paid		(219,348)	(624,307)
Repayment of borrowings		(483,205)	(451,606)
Net cash from financing activities		**(702,553)**	**624,683**
Net change in cash and cash equivalents		518,401	1,367,602
Cash and cash equivalents at start of period		3,923,701	1,926,099
Cash and cash equivalents at end of period		**3,812,102**	**3,293,701**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 LEGAL STATUS

The Association is incorporated under the Co-operative and Community Benefit Society Act 2014. The company registration number is IP26636R. It is registered with The Regulator of Social Housing (registration number L3881). Its principal place of business is Memorial House, Stenson Road, Coalville and it is a Public Benefit Entity.

2 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements of the association are prepared in accordance with Financial Reporting Standard 102 - the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed later in this note.

Measurement convention

The financial statements are prepared on historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Association prepares a 5 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2023 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The board, after reviewing the association budgets for 2023/24 and the association's medium term financial position as detailed in the 5-year business plan, is of the opinion that, taking account of severe but plausible downsides, the association has adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities give significant headroom for committed spend and other forecast cash flows that arise;
- The Association's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

The board believe the association has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Classification of financial instruments by the Association

In accordance with FRS102.22, financial instruments issued by the Association are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Association to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Association; and

b) where the instrument will or may be settled in the Association's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Association's own equity instruments or is a derivative that will be settled by the Association's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basic financial instruments

Tenant arrears, trade and other debtors

Tenants arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Housing properties

Costs include the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:-

	years
Structure	150 years
Boilers	15 years
Kitchens	20 years
Windows and doors	20 years
Roofs	50 years
Bathrooms	30 years
Other components	30 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant changes since the last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Housing properties (continued)

Non component works to existing properties

The amount of expenditure incurred, which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-today repairs to housing properties is charged to the profit and loss account in the period in which it is incurred.

Interest capitalised

Development schemes are charged with interest by the developing agents. Commercial rates of interest are used for this calculation and the charge is arrived at by considering interest earned on capital grants received in advance, thereby reducing the interest chargeable once scheme costs exceed capital grants received. In certain cases the interest earned on the capital grants received in advance exceeds the interest payable and this is included in the income and expenditure account as interest receivable.

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Social housing grant

Social housing grant is initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the statement of comprehensive income as income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost. On disposal of properties, all associated social housing grant is transferred to either the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Properties held for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial assets is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit.

Fixed Assets

The Association's internal controls are designed to identify where the value of property, plant and equipment and work in progress as held on the Statement of Financial Position is more than the lower of cost or net realisable value. Where there is evidence of impairment, fixed assets are written down to the recoverable amount, this is likely to be the value in use of the asset based on its service potential. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell. The resulting impairment loss is recognized as expenditure in income and expenditure.

Employee benefits

Defined benefit plans

The Pensions Trust Social Housing Pension Scheme

The association participates in The Pensions Trust Social Housing Pension Scheme via Joint Contracts of Employment with Midlands Rural Housing and Village Development Association Ltd (MRH) and three other rural housing associations. The entire assets and liabilities of this pension scheme is declared in the accounts of MRH.

The share of the liability for deficit contribution payments between the association and MRH are then declared in the Association's accounts. Changes in the liability are charged to the Statement of Comprehensive Income and as Movement in fair value of financial instruments.

Termination benefits

Termination benefits are recognised when the Association is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event , that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Taxation

Tax on the profit or loss for the year comprises current tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sale are recognised on practical completions. Other income is recognised as receivable on the delivery of the services provided.

Expenses

Operating Costs

Operating costs represent the costs and overheads associated with delivering the services rendered.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest receivable and similar income include interest receivable on funds invested.
Interest income and interest payable are recognised in surplus as they accrue.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Key Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the financial reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on the amounts recognised in the financial statements.

The recoverability of rent arrears and trade debtors

The estimate for rent arrears and trade debtors relates to the recoverability of the outstanding balances at the reporting date. For rental arrears experience shows that the longer a debt is outstanding the greater the likelihood that the debt will not be recovered in full. Based on this a provision for bad and doubtful arrears debts is estimated based on 50% of the value of current tenant arrears and 100% of former tenant arrears. Trade Debtors are reviewed on an individual balance basis and a provision created for bad and doubtful debts based on the on the age and likely recoverability of the debt.

Impairment of property values

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at a scheme level whose cash income can be separately identified.

Factors taken into consideration in reaching the decision as to whether there are indicators of impairment of housing properties are;

- The development programme
- Government policy, regulation or legislation
- Demand
- Market Value
- Obsolescence

No triggers for impairment have been identified.

Value of schemes in development

The Association capitalises development expenditure in accordance with the accounting policy earlier in this note. Initial capitalisation is based on management's judgement that the development scheme is confirmed, usually when board approval has taken place. In determining if an approved scheme is likely to cease, management monitors the development programme and considers if changes have occurred that result in an impairment.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Key Judgements, Estimates and Assumptions (continued)

Defined benefit pensions liabilities
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plan, such estimates are subject to significant uncertainty. Further details are given in Note 20.

The Association's liability under the defined benefit scheme is its share of the deficit contribution payments arising under the plan. This creates a financial instrument for the association which is measured at fair value. This fair value is subject to an estimate of the discount rate.

Categorisation of assets and investment property
The Association has undertaken a detailed review of the intended use of off housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rents. The categorisation of assets is based on this intended use review.

Apportionment of Management Expenses
Direct administration and operating costs have been apportioned to the Income and Expenditure Account on the basis of actual expenditure incurred. Finance and administration costs are further apportioned on the basis of charges levied by the Managing Agents.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

3 SOCIAL HOUSING	Turnover	Operating costs / Cost of Sales	Operating surplus	Turnover	Operating costs / Cost of Sales	Operating surplus
		2023			2022	
		£			£	
Social housing lettings						
General needs	2,936,806	(2,259,734)	677,072	2,811,608	(1,521,079)	1,290,529
Low cost home ownership	137,217	(81,072)	56,145	131,782	(45,845)	85,937
	3,074,023	(2,340,806)	733,217	2,943,390	(1,566,924)	1,376,466
Other social housing activities						
Managed properties	-	(191)	(191)	-	-	-
Other	60,291	-	60,291	39,931	-	39,931
	60,291	(191)	60,100	39,931	-	39,931
Total social housing	3,134,314	(2,340,997)	793,317	2,983,321	(1,566,924)	1,416,397
Operating surplus			**793,317**			**1,416,397**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	General Needs	Low cost home ownership	2023 Total	2022 Total
	£		£	£'000
3 SOCIAL HOUSING				
Rent receivable net of identifiable service charges	2,693,679	99,194	2,792,873	2,664,267
Service charges receivable	105,214	18,790	124,004	121,977
Net rents receivable	**2,798,893**	**117,984**	**2,916,877**	**2,786,244**
Amortised government grant	137,913	19,233	157,146	157,146
Total income from lettings	**2,936,806**	**137,217**	**3,074,023**	**2,943,390**
Expenditure on lettings activities:				
Management	993,114	36,571	1,029,685	230,089
Services	102,338	13,057	115,395	121,394
Routine maintenance	370,887	1,744	372,631	377,835
Planned maintenance	206,377	1,440	207,817	252,442
Bad debts	1,688	(329)	1,359	13,894
Depreciation of housing properties	585,330	28,589	613,919	571,270
Total expenditure on lettings	**2,259,734**	**81,072**	**2,340,806**	**1,566,924**
Operating surplus on lettings	**677,072**	**56,145**	**733,217**	**1,376,466**
Void losses	22,114	-	22,114	13,158

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4 HOUSING STOCK	2023 Number	2022 Number
Social housing accommodation		
General needs rented	433	426
Affordable rented	59	59
Low cost home ownership	102	102
Total social housing managed	594	587
Total housing stock	**594**	**587**
Housing units awaiting transfer from development agents (inc above)	**7**	**-**
Housing units in development pipeline	**-**	**7**

5 EXPENSES AND AUDITORS' REMUNERATION	2023 £	2022 £
Included in profit are the following:		
Depreciation of housing properties	613,919	571,270
Auditor's remuneration:		
Audit of these financial statements	9,435	8,250

6 STAFF NUMBERS AND COSTS	2023 Number	2022 Number

The Association has entered into Joint Contracts of Employment with staff previously employed by Midlands Rural Housing and Village Development Association Limited (MRHA) as sole employer. Management and development services are provided under a management contract by MRHA.

The average number of persons employed by the Association during the year, analysed by category, was as follows:

	2023 Number	2022 Number
Office staff	9	9
	9	9

Payments to MRHA under the above contract during the year were as follows:	2023 £	2022 £
Staff costs	415,885	386,678
Finance processing/accounting costs	388,477	(326,493)
Other recharges	64,568	58,250
	868,930	118,435

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£	£

7 BOARD MEMBERS

Nil remuneration was payable to members of the Board of Management during the period (2022: Nil)

The number of people serving on the Board during the year was 11 (2022: 9)

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2023	2022
Bank interest receivable	2,923	259

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
Repayable to Development Agents	(48,000)	7,983
Repayable to bank and building societies	508,350	455,879
Loans amortised costs adjustment	(3,884)	159
	456,466	464,021

The interest payable above includes a credit of £3,884 (2022: £159) in respect of FRS102 Basic Financial Instruments amortised cost valuation method.

10 TAXATION

No liability to taxation arises on the Association in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

11 TANGIBLE FIXED ASSETS

	------------------------------Housing properties------------------------------			
	Under construction	Social housing letting	Low cost home ownership	Total housing properties
Cost		£		
1 April 2022	122,961	43,090,871	3,360,755	46,574,587
Additions	25,634	-	-	25,634
Replacement components	-	442,482	-	442,482
Schemes completed in the year	(27,520)	25,320	2,200	-
Disposals	-	(107,718)	-	(107,718)
31 March 2023	121,075	43,450,955	3,362,955	46,934,985
Accumulated depreciation				
1 April 2022	-	5,093,477	379,396	5,472,873
Provision in the year	-	587,251	26,668	613,919
Eliminated on disposal	-	(107,719)	-	(107,719)
31 March 2023	-	5,573,009	406,064	5,979,073
Net book value				
31 March 2023	121.075	37,877,946	2,956,891	40,955,912
31 March 2022	122,961	37,997,394	2,981,359	41,101,714

	2023	2022
	£	£
Additions to housing properties incudes:		
Direct administration costs	-	-

There were no other fixed assets held under finance lease at the year-end (2022: £nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

12 TRADE AND OTHER DEBTORS

	2023 £	2022 £
Current tenant arrears	5,848	42,309
Former tenant arrears	3,502	5,885
Prepayments and accrued income	45,047	28,599
Other debtors	-	439,811
Less provision for bad and doubtful debts	(9,564)	(14,555)
Total debtors	44,833	502,049
Due within one year	44,833	502,049

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
Loans and overdrafts (see note 15)	467,822	485,090
Trade creditors	308,952	310,340
Rent received in advance	176,790	165,427
Accruals and deferred income	60,950	125,214
Interest payable to development agents	82,595	48,000
Other creditors	276,331	-
Pension deficit contributions (see note 19)	33,990	51,157
	1,407,430	1,185,228

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2023	2022
Loans and overdrafts (see note 15)	11,337,192	11,792,614
Deferred government grants (see note 17)	19,818,056	19,975,202
Recycled capital grant fund (see note 18)	2,232	2,232
Pension deficit contributions (see note 19)	27,001	275,766
	31,184,481	32,045,814

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£	£
15 LOANS		
Bank loans	10,857,027	11,241,515
Building Societies	947,987	1,036,189
	11,805,014	12,277,704

Loans are repayable at varying rates of interest in instalments due as follows:

In one year or less	467,822	485,090
Between one and two years	474,870	488,062
Between two and five years	1,562,105	1,573,310
In more than five years	9,300,217	9,731,242
	11,805,014	12,277,704

The association has loans that are classified as both basic (measured at amortised cost) and non-basic (measured at fair value) under FRS102. The non-basic loans are a result of clauses with a NatWest bank loan where the loans are repayable on demand.

The fair value loans are measured using a discounted cash flow of future payments with a discount rate of 0% (2022: 5.40%).

The carrying value of the loans by category are summarised below;

Measured at amortised cost	11,805,014	12,270,255
Measured at fair value	-	7,449
	11,805,014	**12,277,704**
Fair value (loss)/gain on loans included in statement of comprehensive Income	-	(41)

The loan valuations above include an increase of £353,239 (2022: £357,164) in respect of FRS102 Basic Financial Instruments amortised cost valuation method.

	At 1 April 2022	Cash flows	Other non-cash changes	At 31 March 2023
	£	£	£	£
16 ANALYSIS OF CHANGES IN NET DEBT				
Cash and cash equivalents	3,293,701	518,401	-	3,812,102
<u>Borrowings</u>				
Debt due within one year	(485,090)	485,090	(467,822)	(467,822)
Debt due after one year	(11,792,614)	(12,400)	467,822	(11,337,192)
	(12,277,704)	472,690	-	(11,805,014)
Total Net Debt	(8,984,003)	991,091	-	(7,992,912)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

17 DEFERRED GOVERNMENT GRANTS

	Social housing grant	Other government grant	Total
	£	£	£
At 1 April 2022	17,658,339	2,316,863	19,975,202
Released to income in the year	(140,507)	(16,639)	(157,146)
At 31 March 2023	17,517,832	2,300,224	19,818,056

18 RECYCLED CAPITAL GRANT

	Recycled capital grant fund
	£
At 1 April 2022	2,232
At 31 March 2023	2,232

19 EMPLOYEE BENEFITS

<u>The Pensions Trust - Social Housing Pension Scheme</u>

As detailed in Note 6 employees are employed on Joint Contracts of Employment with Midlands Rural Housing and Village Development Association Limited (MRH). MRH participates in The Pensions Trust - Social Housing Pension Scheme. The entire assets and liabilities of this pension scheme is declared in the accounts of MRH.

A legal agreement is in place between the 5 entities involved in the joint contracts of employment which sets out how the pension costs of those jointly employed staff will be met by each entity. In line with this agreement the association therefore has a liability for its share of the deficit contribution payments arising under the plan. Under FRS102 Section 11 this creates a financial instrument between the association and MRH. This is separately declared within Note 13 - Creditors: amounts falling due within one year and Note 14 - Creditors: amounts falling due after one year, and is summarised below.

	2023	2022
	£	£
Total pension deficit contributions	60,991	326,923

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£	£
20 SHARE CAPITAL		
Share capital		
Allotted, issued and fully paid at 1 April and 31 March	18	19

At 31 March 2023, the Association had 18 ordinary shares (2022: 19) in issue, with each share having a nominal value of £1. The shares have no rights to dividends nor to any share of assets of the Association in the event of it ceasing to operate.

21 CAPITAL COMMITMENTS

	2023	2022
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,765,521	1,765,521
Sources of Funding		
Social Housing Grants	413,000	413,000
Other Government Grants	485,000	485,000
New Loan Facilities	867,521	867,521
Capital expenditure that has been authorised by the Board of Management but has yet been contracted for	7,915,000	9,763,000
Sources of Funding		
Social Housing Grants	2,861,000	3,680,000
Other Government Grants	1,290,000	1,290,000
New Loan Facilities	3,764,000	4,793,000

22 RELATED PARTIES

Board Member, Mr Derek Harvey, was also on the Board of Midlands Rural Housing and Village Development Association Limited.

Payments made during the year to Midlands Rural Housing and Village Development Association Limited on an arm's length basis in respect of staff costs, finance processing, accounting, development and other recharges are as disclosed in Note 6.