Grant Thornton

Report and financial statements

Affordable housing provider

For the year ended 31 March 2022

Company (limited by guarantee) / Co-operative and Community Benefit society
Registered housing provider [Registered Company No: 1140880]

Foreword

Welcome to the Grant Thornton model accounts for the social housing sector under Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). These are applicable for housing associations with year ends from 31 December 2021 onwards – for many of you this will be 31 March 2022 and that is the year end modelled in these accounts.

We know many of you use these accounts to identify key reporting disclosures and as always, we have endeavoured to reflect these in these model accounts. This version includes those disclosures required that are commonly applicable as well as providing additional disclosures that you may want to consider for best practice. We acknowledge that best practice in the sector and the application of accounting standards is constantly developing and there may be detail in the disclosures that we have not covered in this version.

Whilst it is comforting to say that there are no new major accounting standards to grapple with this year, the sector faces significant pressures in its post Covid 19 recovery period which may have accounting and reporting ramifications. As housing associations work through repairs backlogs, upcoming fire and building safety and consumer regulations, the decarbonation challenge, not to mention, the increasingly higher cost bases with rising inflation and interest rates, it would be critical to explain all major changes in the front-end reports this year as well as planning for an efficient and smooth reporting process at year-end.

The implications of the macroeconomic pressures and sector challenges will affect the financial and narrative reporting, including any significant judgments and estimates disclosures to varying degrees.

As housing associations prepare for their 2021/22 annual accounts in a post pandemic brave new world, it has never been more important to be transparent in financial reporting and providing disclosures as specific to the organisation as possible.

Early and effective planning will help address the fact that preparation of the annual accounts may take longer this year especially where key judgments are involved, where additional consideration is required for climate-related matters or going concern reporting.

This year we have updated the model accounts for the new Accounting Direction 2022 and some incremental improvements to notes and accounting policies based on our sector experience. We also include some additional guidance on best practice in narrative and financial reporting from our observations and incorporating some of the key messages from the Financial Reporting Council where we consider these to be equally relevant to the housing sector. The main changes from the previous version have been listed in Appendix A to aid readers of these model accounts.

I hope you find the information included in our model accounts useful as you prepare for this year's reporting season.

Omadevi Jani
Head of Not-for-Profit Technical, Vice Chair of the Housing SORP Working Party and member of ICAEW Social Housing Sub-Technical Committee
T +44 (0)20 7728 2630
E omadevi.jani@uk.gt.com

Editor and Author
Omadevi Jani

Contributors
Debbie Watson
Daisy Yang

Guidance when using this document

These model accounts are intended as a guide for social housing associations preparing financial statements in accordance with:

- FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102),
- the Statement of Recommended Practice (SORP) for social housing providers 2018; and
- the Accounting Direction 2022.

Their preparation involved striking a balance between helpful guidance and burdensome detail. The disclosures illustrated, therefore, do not include all possible disclosures, as this would clearly make any guidance too unwieldy to be of wide, practical use. For this reason, they should not be used as a substitute for completing a disclosure checklist.

We have assumed in this model that Affordable Housing provider (AHP) does not have any listed debt and does not apply hedge accounting. Organisations with such instruments should consult directly with their auditors prior to preparing their financial statements.

Whilst every care has been taken in their preparation, users are advised to use these financial statements as a guide, in conjunction with the actual text of the standard and implementation guidance issued, together with relevant legislation, and to consult their professional advisers before concluding on accounting treatments and disclosures for their own transactions and circumstances.

Contents

Narrative reporting

Introduction

In this section of the model accounts, we have decided to highlight some considerations and areas of best practice to bear in mind when compiling narrative reports, rather than to issue "template-style" guidance, as we do not want to encourage boilerplate wording.

Some of the key themes and areas of consideration include a recap on regulatory and statutory requirements, changes to reporting requirements for example around climate change reporting, as well as seeking to achieve best practice in narrative reporting.

Narrative reporting

We use the term 'narrative reporting' to cover a series of reports that constitutes the front end of the annual report. The Housing SORP 2018 (section 4.2) requires a complete set of accounts to include:

- A report from the board – to include disclosures required by applicable legislation and regulation. For many[1], this will also include the strategic report. This is normally presented as a separate report, or as a section of the report from the board; and
- A statement of responsibilities of the board.

For most entities, the key document that should provide stakeholders with a holistic and meaningful picture of an entity's business model, strategy, development, performance, position and future prospects, is the strategic report.

A key way of ensuring that narrative reporting is not only compliant but achieves best practice is to focus on the objectives of these narrative reports, as set out in section 4.1 of the SORP:

- To provide information on the social landlord, insights into its main objectives and strategies, and principal risks it faces;
- To complement, supplement and provide context for the related financial statements.

Compliance with narrative reporting requirements

The current narrative reporting requirements for private registered providers (PRPs) of social housing are embodied in the Housing SORP 2018, the Accounting Direction (2022 early adopted for this model accounts) and, for those providers incorporated under the Companies Act, the Companies Act 2006.

Demonstrating transparency and compliance with the regulatory standards

The Accounting Direction effectively expands the narrative reporting requirements for PRPs[1] to include an assessment of:

- How it is achieving value for money in delivering its purpose and objectives in accordance with the Regulator's Value for Money Standard;
- Compliance with its chosen Code of Governance; and
- Compliance with the Governance and Financial Viability Standard, in the form of certificate of compliance (or the extent of non-compliance).

1 The Accounting Direction applies to PRPs in terms of the preparation of their accounts and to profit-making PRPs only in so far as their accounts relate to Social Housing Activities.

Value for Money (VfM) – transparency in reporting

The current VfM Standard has applied to all registered providers of social housing since 1 April 2018. The VfM Code of Practice (the Code) is designed to amplify the requirements in the VfM Standard (the Standard). Registered providers must have regard to the Code when assessing their compliance against the Standard.

Alongside the Standard and the Code, the Regulator of Social Housing ('the Regulator') published a Technical Note which sets out seven value for money metrics that registered providers are required to report against. The metrics do not form part of the Standard itself but are a separate tool for registered providers to demonstrate that they are making best use of their assets and resources to stakeholders, including tenants and the Regulator.

The VfM reporting should demonstrate how the provider is complying with the Standard, and in particular, compliance with the transparency requirements of the Standard. The published statement should explain what has been delivered in the year, including any future plans on how to optimise return on assets and VfM gains.

The reporting on VfM is required in the statutory accounts in a way that is clear, concise and appropriate to the registered provider's stakeholders. Registered providers must ensure that the reporting undertaken on VfM is at a group level, taking into account its organisational structure. In addition to the annual accounts, registered providers are free to report on VfM in any way they see fit, if they consider this will increase the transparency with stakeholders.

Going concern

Accounting standards require associations to make disclosures on the going concern basis of accounting and material uncertainties in their financial statements. In making their assessment of the association's ability to continue to adopt the going concern basis of accounting and material uncertainties, management must consider a period of at least 12 months from the date the financial statements are authorised for issue. [FRS 102 paragraphs 3.8 and 3.9]

In addition to this, most associations will prepare a strategic report, where appropriate, and the information in the strategic report should have a forward-looking orientation as required by the SORP. Further, the strategic report should provide the information necessary for users of the financial statements. [Housing SORP 4.6 and 4.7]

As a result of this, there should be disclosure on the going concern assessment in the strategic report as well as the basis of preparation in the accounting policies. Further details on what to consider including has been included within the accounting policies section of the model accounts.

Principal risks and uncertainty disclosures – the macroeconomic climate has shifted

The SORP 4.2 requires the strategic report to provide the information necessary for users of the financial statements to assess the principal risks and uncertainties faced by the association.

It is important to continually assess which risks are relevant to the association in the context of the current uncertain macroeconomic climate, taking into account the developing risks from the impact of a post Covid-19 world. Reporting on the principal risks and uncertainties should be closely linked, and where possible referenced, to all areas of the financial statements where uncertainties around specific risks exist. We discuss in turn some of the key risk areas that associations should consider as they prepare for this year's reporting.

There is additional focus on risk reporting under the new NHF Code of Governance 2020[2] which requires the annual report to include a statement about the risk management work of the board, including its understanding of principal and emerging risks and how these are being managed or mitigated.

2 Paragraph 4.3(8) of the NHF Code of Governance 2020

The post Covid-19 recovery period and impact on risk reporting

Compared to 2020/21 financial year end, we are now in a better position to deal with the risks arising from Covid-19, with the wide-spread vaccination and easing of social distancing rules in UK. However, Covid-19 would have remained a principal risk area for many housing associations in the financial year ending 31 March 2022, as some problems may have persisted throughout the 2021/22 financial year, such as having limited access to conduct regular safety checks, the withdrawal of government support, staff shortages and increasing cost of materials.

On the other hand, the sector is seeing more capital spend on catch-up repairs and maintenance work (which was previously delayed by Covid-19) as well as development of housing units for sale. For some housing associations, this may have put extra pressure on their cash flow and profitability, which is an additional risk factor to consider in the coming year.

Transparent reporting is critical as stakeholders wish to understand how risks have changed over time. It is important for the users of the accounts to understand how the board and management have responded in a post pandemic environment as well as understanding the impact this may have had on any risk profiles, including any emerging risks.

Reflecting on climate related risks

The upcoming reporting season presents a fresh opportunity for housing associations to consider the impact of climate-related risks on their accounts and narrative reporting. Not only should information in the annual report be transparent, but it should also be consistent with accounting assumptions made elsewhere in the accounts for instance in the accounting policies, significant judgments and estimates.

Many housing associations may still be in the very stages of identifying, planning and committing to climate change actions, which are yet to have any effect on the numbers in the accounts, and therefore the narrative in this regard should be clear. The key is coordination between the narrative reporting in the annual report and the amounts recorded in financial statements to aid the users understanding.

Cyber security and risk reporting

The other topical risk area is cyber security, particularly with hybrid working as well as the increasing use of digital platforms, associations need to provide clear reporting on how cyber related risks are being managed and what mitigation strategies are in place to deal with a potential cyber-attack.

Sector risk profile

In November 2021, the Regulator published its 2021 Sector Risk Profile. The report noted that whilst housing associations have responded well to Covid-19 in the past year, the public health and economic outlook remains unclear and the environment is still intensely uncertain. Housing associations will need to maintain a close watch on various sources of risk including;

- supply chain disruptions,
- increasing inflation and interest rates;
- ongoing shortages of materials and skills;
- weak operating margins from remedial safety works and;
- catch-up repairs and energy efficient improvements.

It is also crucial that Boards have a strategic approach to managing trade-offs between competing demands from various stakeholders.

Whilst not an exhaustive list by any means, we have highlighted some of the sector risks from the Regulator's report and how these may impact the principal risks and uncertainties reporting in the annual report:

- **Strategic choices** – Boards face a broad range of competing pressure and trade-offs in setting the strategic direction for their organisations and in utilising their limited financial resources. Boards must be able to clearly articulate their organisational purpose and be transparent in communicating their performance against the purpose, to manage the reputational risk inherent to strategic trade-offs.
- **Macroeconomic risk** – Facing a shortage of labour, supply chain disruption and significant volatility in inflation, the Boards must fully rstand their cost base and capital requirements, reflecting this in stress testing a range of assumptions and developing mitigation plans. Boards will also need to ensure emerging and longer-term labour, skills, and materials shortages are monitored and ensure that they do not undermine essential services.
- **Financing** – As housing associations are increasingly relying on debt to fund strategic objectives, this has resulted in weaker projected operating margins and lower interest cover. It is crucial that Boards understand and challenge the merits and risks of all financial products they employ and that they are fit for purpose. Boards must understand how higher than expected borrowing costs could impact financial viability.
- **Stock quality** – Boards must ensure an effective system for repairs and maintenance is in place to meet minimum standards and the needs of tenants. Boards must ensure that they have robust data on the quality of their stock and how this relates to evolving requirements from the review of Decent Homes Standard and the government's decarbonisationagenda.

The new NHF code of governance 2020

A code of governance is most effective when entities embrace the principles, use guidance where relevant, and are transparent with their practices and reporting. There is value in taking ownership of governance within an organisation – taking disclosure of governance to a new dimension of transparency beyond “boiler-plate” reporting.

The new NHF Code of Governance (‘Code’) was published in November 2020 and is the Code that is most commonly adopted in the sector. The Code was completely rewritten and is built around the key values that good governance is based on – accountability, integrity, openness, and equality, diversity and inclusion.

> The Accounting Direction 2022 states *“The code of governance that has been adopted by the PRP should also be disclosed.”*

The Code is simplified with four key principles each with a set of requirements with which organisations adopting the code must comply, or give a reasoned explanation as to why they do not.

Getting ready for this year’s reporting season

This year, a statement of compliance with the new Code will first appear for those with a 31 March 2022 year end. It is expected that housing associations will have taken the 2021-22 financial year to embed compliance with the Code. Where the housing association is non-compliant with any of the requirements of the Code at the date of assessment, i.e. 31 March 2022, this must be explained in the annual report. The NHF Code of Governance provides additional guidance on compliance and some of the areas that housing associations may need to consider as part of year end reporting.

For example, there may be an alternative approach to the requirements set out in the Code which may be justified in a specific instance, if it results in stronger or more appropriate governance in the context of the particular association, and still supports compliance with the relevant overarching principle.

Likewise, some organisations may justify a commitment to achieving compliance with a particular requirement over a specified period of time because of the need to sustain good governance through a period of transition (for instance in matters of board renewal).

Departures from a requirement can be justified so long as there is evidence of proper consideration of why an exception is necessary and of how the relevant overarching principle is observed through other means.

There are several new expectations set out in the Code; including on equality, diversity and inclusion, organisational culture and the renewal of board members. This year, additional time should be set aside to review the changes to the Code as well as any related reporting requirements or disclosures of non-compliance.

> The NHF Code of Governance 2020 checklist and guidance – This should help with your compliance assessment and we suggest that housing associations make use of the checklist to be best prepared in demonstrating to the board and their auditors in how they have met the requirements of the Code and any areas of non-compliance noted in their assessment which will require to be reported in the annual report.

Tenure and succession planning

We acknowledge that for many housing associations board members may still have been appointed with a nine-year term and hence will not meet the requirement set out in paragraph 3.7(3) of the Code which states that *“Maximum tenure will normally be up to six consecutive years (typically comprising two terms of office), but where a member has served six years, and the board agrees that it is in the organisation’s best interests, their tenure may be extended up to a maximum of nine years.”*

Further, as stated in the Code of Governance 2020 additional guidance[3], “the flexibility to increase tenure for board members up to nine years can be used within the overall succession planning, to smooth the process for board retirements, especially if a number of members have already been on the board for six years or longer.”

It will be up to each housing association to decide how best to achieve this new tenure term requirement and ensure stability on the board. Where housing associations are non-compliant with the new tenure term requirement as set out in paragraph 3.7(3), they will need to provide clear explanations for the non-compliance.

Overall, we expect there will be significantly detailed and specific explanations for many associations this year, setting out their succession planning taking into account in the best interests of the organisation.

3 National Housing Federation Code of Governance Additional guidance 2020

Equality, Diversity and Inclusion (EDI) and reporting

The NHF Code 2020 requires housing associations to demonstrate a commitment to achieve equality, diversity and inclusion (EDI) in all of its organisational activities, as well as the board composition.

A clear commitment is needed from the board to ensure the organisational culture embeds EDI [Principle 3.2(2)] and the membership of boards and committees comprise people with diverse backgrounds and attributes, having regard to the diversity of the communities the Boards serve and in line with the board's EDI commitments. [Principle 3.4(3)].

In order to demonstrate this commitment, housing associations are required to develop policies, and set priorities and objectives to achieve. The Board should seek regular assurance about how those commitments and objectives are delivered in practice, and track progress against the priorities.

Principle 1.3(2) of the Code requires that "the organisation annually publishes information about its work to deliver these commitments and objectives, and the progress it has made." The expectation is for this information to be made publicly available, though the Code does not mandate whether it should be included, in the audited annual report or for instance on the housing association's website.

UK Code of Governance 2018

We note that though not very common in the sector, in our experience some associations, especially those which are public interest entities, often adopt the UK Corporate Governance Code 2018 ('UK Code'), as opposed to the NHF Code.

Those associations adopting the UK Code should be aware that there are additional requirements, such as the inclusion of a viability statement and additional requirements for their auditor to produce an enhanced auditor's report in accordance with International Standard of Auditing 700 (Revised January 2020) (UK), even if the UK Code is adopted voluntarily.

Reporting on non-compliance

Both the NHF Code and UK Code specify that that you must adopt all principles, however, where the organisation does not comply with one of the provisions, they should provide clear and meaningful explanations on any non-compliance. Such explanations will ensure that stakeholders can understand the rationale for any non-compliance and are able to judge whether they are content with the approach the organisation has taken.

"Explanations are a positive opportunity to communicate, not an onerous obligation"[4]

There may be many good reasons why an organisation may choose not to comply, and an explanation does not imply poor governance, but in fact, provides transparency to its stakeholders.

Compliance with the Governance and Financial Viability Standard

All registered providers must undertake an assessment of their compliance with the Governance and Financial Viability Standard at least once a year and must certify compliance with the Standard during the course of the year and up to the signing of the accounts within the narrative report or explain why it has not been possible to comply with the Standard. Any non-compliance identified since the previous report should be explained.

When certifying compliance with the Governance and Financial Viability Standard, registered providers shall 'ensure that they consider compliance with regulatory standards in the round as set out in the required outcomes of the Standard.'

Any areas of non-compliance should be disclosed and explained.

The Regulator considers the reference to compliance with 'all relevant law[5]' in the Governance and Financial Viability Standard to encompass legislation (including secondary legislation), and common law. In ensuring compliance registered providers should have regard to relevant statutory guidance. To meet the required outcome on adherence to 'all relevant law' boards should take reasonable measures to assure themselves of their compliance.

As associations take on significant new risks in this evolving operating environment, compliance with all regulatory standards including 'all relevant laws' will require additional consideration especially with the upcoming fire safety and building regulations reforms as well as changes in consumer regulations.

4 Financial Reporting Council, The UK Corporate Governance Code (July 2018)
5 Governance and Financial Viability Standard (April 2015) paragraph 1.1

The Housing Ombudsman Complaints Handling Code

Learning and improvement from resident complaints – reporting requirements

The Housing Ombudsman's Complaints Handling Code ('the Code') enables landlords to resolve complaints raised by their residents quickly and to use the learning from complaints to drive service improvements. It aims to help to create a positive complaint handling culture amongst landlord staff and residents.

Paragraph 6.11 of the Code requires landlord to disclose learning and improvement from complaints in the annual report. It is important that any such organisational learning and lessons learnt is included in the landlord's Annual Report.

Last year, the Housing Ombudsman recognised that it may have been difficult for some landlords to include this information in the Annual Report for 2020/21 however they do expect to see this information included in future Annual Reports for tenants for 2022 onwards.

We understand that the Housing Ombudsman has recently clarified that the above reporting requirements are to be included in the Annual Reports for tenants, however the Housing Ombudsman also encourages housing associations to consider making this disclosure in their audited Annual Reports as well.

The Housing Ombudsman expects the learning and improvement to cover complaints that housing associations try and resolve both formally and informally. However, the Housing Ombudsman does not stipulate a standard system of complaint. It is for each individual housing association to find a system of learning which suits them best.

Housing associations should ensure that they are up to speed on the new requirements. We hope the above provides some helpful clarification on the reporting requirements of the Code as housing associations prepare for this year's annual reporting season.

Internal controls assurance – going beyond compliance

The SORP 2018 (paragraphs 4.11) requires boards of social landlords to conduct an annual review of the effectiveness of their system of internal control.

Whilst the SORP under paragraph 4.12 does not require a statement of internal control to be included within the report of the board, it is considered best practice to refer to the internal control processes in operation during the year within the annual report. During times of uncertainty there is greater focus on the effectiveness of the control environment from all stakeholders. We encourage boards to genuinely tailor this narrative rather than using bland uninformative template style wording.

Environmental, social and governance (ESG) reporting

It is inevitable that the government will place increasing expectations on the housing sector to take responsibility to reduce their carbon footprint, both in terms of the managing their existing stock but also the development of new homes. Thus, it is imperative for associations to start proactively planning for climate change proposals, before getting locked into financially unviable strategies and corporate plans.

Although most associations are not required to include environmental disclosures in their annual accounts (unless they fall in scope of Company law requirements[6]), reporting on this area is becoming increasingly important for several stakeholders, especially lenders who are seeking to add sustainability-linked covenants and incentives in their product offerings. Further, as the urgency of addressing climate change is becoming ever more apparent, the public are looking towards all organisations, including housing associations, to lead the way in tackling the greatest challenge we may come across in our lifetime.

The UK social housing sector appears to be leading the way and in recent notable developments; the Sustainability Reporting Standard for Social Housing ('The ESG Standard') was published in November 2020 by the ESG Social Housing Working Group – a unique collaboration of 18 banks and investors, housing associations, service providers and impact investing organisations.

The ESG Standard is a voluntary reporting framework, which covers 48 criteria across ESG considerations such as affordability, safety standards and zero carbon targets. Many housing associations have already signed up to it and it is expected that more will follow suit.

We understand that as part of undertaking new debt financing, some lenders are requiring associations to adopt this ESG Standard and include the reporting and disclosures in their annual accounts. It is important that associations are aware that such reporting will need to be clear, transparent and may subject to additional audit scrutiny as part of auditing standards including ISA(UK) 720.[7]

The form of the reporting is not mandated in the ESG Standard, and it is expected that the reporting will not be part of the annual accounts of the housing association, unless required by lenders for example. Therefore, it is anticipated that the association will produce a standalone document, published on their website.

6 Large associations incorporated under the Companies Act 2006 may be in scope of the environmental and carbon reporting as set out in the Companies (Miscellaneous Reporting) Regulations 2018 and Streamlined Energy and Carbon Reporting (SECR) requirements.

7 FRC ISA (UK) 720 (Revised November 2019) The Auditor's Responsibilities Relating to Other Information

Climate related reporting – are you prepared for what is on the horizon?

Task Force on Climate-related Financial (TCFD) Disclosures – more forthcoming changes

At present only premium-listed commercial companies are subject to mandatory TCFD reporting and are required to include a statement in their annual financial report stating whether they have made disclosures consistent with the TCFD framework on a 'comply or explain' basis. The regulations require disclosure of how companies assess and manage climate-related risks and opportunities (including internal processes, governance arrangements, etc.).

In the framework there are in 11 recommended disclosures, which build out the framework with more detailed information that helps stakeholders understand how organisations think about and assess climate-related issues. Therefore, compliance and reporting are on governance, risk management and description of risks and opportunities and the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

However, the scope of entities in scope of these reporting requirements is looking to expand imminently.

The UK government has previously consulted[8] on proposed reporting requirements in line with the TCFD disclosures for certain UK companies and LLPs. It is expected that the new rules will be approved and become effective on 6 April 2022, extending the TCFD disclosures to the following:

- UK companies that have more than 500 employees and are either traded companies, banking companies or insurance companies;
- UK registered companies with securities admitted to AIM with more than 500 employees
- UK registered companies which are not included in the above categories that have more than 500 employees and a turnover of more than £500m.

It is our understanding that where relevant, the TCFD disclosures will be required at a group level. Thus the reporting requirements and scope thresholds will apply on a consolidated basis.

Some housing associations incorporated under Companies Act 2006 may be within scope and would potentially be required to produce TCFD disclosures effective from periods commencing or after 6 April 2022, the date when the draft regulations are expected to become law. For those housing associations that are in scope, we expect the reporting to take place in 31 March 2024 annual reports. Whilst this may seem a while still, now is the time to start preparing, setting an ambitious but realistic timeline to meet the disclosure requirements.

Housing associations that are not companies would not be mandatorily required to produce TCFD disclosures, though still encouraged to do so as best practice.

Entities incorporated under the Companies Act 2006

Associations incorporated under the Companies Act 2006 ('the Act'), other than those entitled to the small companies exemption, are required to produce a strategic report which must comply with the requirements of sections 414C of the Act.

Whilst much of the information required to comply with the Act is also required by the SORP, and need not be duplicated, to ensure the financial statements are compliant with the Act, the directors of the company must:

- Clearly identify the strategic report within the report from the board by including a separate heading of 'Strategic Report';
- Include a clear statement that the directors, in approving the financial statements, are also approving the strategic report in their capacity as company directors; and
- Ensure that the strategic report is signed on behalf of the board of directors by a director or the company secretary (as required by section 414D (1) of the Act).

Exemptions are available, for meeting the small companies' threshold (sections 414B and 414C of the Act), which reduce the amount of information required to the extent that it is not also required by the SORP.

8 Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs - GOV.UK (www.gov.uk)

The Companies (Miscellaneous Reporting) Regulations 2018

The requirements under the Miscellaneous Reporting regulations impact those associations incorporated under the Companies Act 2006 and qualifying as 'large' under the Companies Act 2006. The 'section 172 statement' is required for financial periods beginning on or after 1 January 2019.

The key areas of the requirements to be included in the Strategic Report can be broadly summarised as shown below:

- a section 172 statement which encompasses how the directors have had regard to their fiduciary duties, for associations this should focus on achieving charitable purposes,how directors have engaged with employees and taken account of their interests,
- how directors have engaged with suppliers, customers and others in the business.

The disclosures are required for all large companies within a group. There is no exemption for parent or subsidiary companies from this requirement.

Further guidance can be found in the FRC Guidance on the Strategic Report (July 2018) along with a more recent FRC Lab Report 'Section 172 statements – How to make them more useful.'

Streamlined Energy and Carbon Reporting (SECR)

For financial years beginning on or after 1 April 2019, large UK companies are required to report publicly on their UK energy use and carbon emissions within their Directors' Report. This requirement has been implemented by the Department for Business, Energy and Industrial Strategy (BEIS). Associations that were in scope of this requirement, the first-time reporting will have been included in their 31 March 2020 accounts.

The SECR reporting requirement impacts those housing associations incorporated under the Companies act 2006 and qualifying as 'large' under the Companies Act 2006.

A group may exclude any energy and carbon information relating to any subsidiaries which would not be obliged to report individually according to the Companies Act thresholds. A subsidiary is not obliged to report their energy and carbon information if it is included in the group report (whether a group Directors' Report or a group Energy and Carbon Report) of the parent undertaking.

After undertaking a calculation, where a company has consumed less than 40MWh, disclosure is not required.

For most associations that were in scope of this requirement the first-time reporting will have been in the 31 March 2020 accounts. From our experience, some good practice in Section 172 reporting has made use of tables, taking each of the various stakeholders in turn, from residents, employees, funders and investors, suppliers, to the Regulator of social housing and providing the users with an explanation on how the engagement occurred in the reporting period, with specific initiatives and examples. Streamlined Energy and Carbon Reporting (SECR)

FRC Thematic Review – Streamlined Energy Carbon Reporting (SECR)

In September 2021, the FRC published a follow-up thematic review on SECR reporting. The review highlights examples of emerging good practice and sets out FRC's expectations for reporting in future periods, which include:

- All required information is presented in a form that is clear, understandable and easy to navigate;
- Adequate explanation is provided of the methodologies used to calculate emissions and energy use;
- An explanation or reconciliation is provided where ratios provided cannot be recalculated from, or are inconsistent with other disclosures in the annual report and accounts;
- Describe the extent of any due diligence or assurance over emissions and energy use metrics;
- Provide an adequate description of energy efficiency initiatives, focusing on those "principal measures" with the most significant impact;
- Consider the Environmental Reporting Guidelines for how the requirements may be met, and whether additional disclosure (eg. Scope 3 emissions) would be useful to users;
- Provide clear explanations to help users understand and compare major commitments (eg. net zero target, Paris-aligned strategies, etc.)

FRS 102 Factsheet 8 – Climate-related Matters

In November 2021, the FRC published its Factsheet 8 on climate-related matters. The factsheet gives detailed guidance on the financial reporting implications of climate-related matters against a few specific standards under FRS 102, which covers:

- how general requirements of FRS 102 apply in the context of climate-related risks, uncertainties, judgements and estimations;
- how climate-related matters impact the recognition and measurement; and
- how climate-related matters impact disclosure and what additional disclosures may apply.

For housing associations that are also companies, this factsheet provides a useful reference for the relevant legal and regulatory requirements which may apply to them.

Entities that are registered charities

For those associations which are registered under the Charities Act 2011, there are some additional requirements to consider.

These include:

- A statement to explain how the charity complies with the Charity Commission's guidance on public benefit reporting. Further guidance can be found in the Charity Commission's guidance on public benefit reporting
- A statement to explain compliance with the fundraising regulations in accordance with the Charities (Protection and Social Investment) Act 2016
- Detailed guidance for registered and exempt charities are included in Charity fundraising: a guide to trustee duties (CC20) on the Charity Commission's website.

In their most recent findings, the Charity Commission has noted that some improvement is required on the

- disclosures in the annual report concerning the impact of pension scheme deficits; and
- clear explanations on how charities have performed against their objectives.

Consolidated Statement of Comprehensive Income

	Note	2022 £'000	2021 £'000
Turnover	3	109,028	93,574
Operating costs	3	(83,831)	(80,595)
Gain on disposal of housing properties	3	4,496	4,399
Other income	3	613	762
Operating surplus	5	30,306	18,140
Interest receivable	7	845	863
Interest and financing costs	8	(15,887)	(15,320)
Other finance income		40	457
Surplus before tax		15,304	4,140
Taxation	12	(944)	(810)
Surplus for the year		14,360	3,330
Unrealised (loss)/gain on housing properties at revaluation[9]		-	-
Actuarial (loss) in respect of pension schemes	26	(2,910)	(737)
Deferred taxation on the above	27	(223)	(223)
Total comprehensive income for the year		11,227	2,370

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

The financial statements were authorised and approved by the Board on 1 July 2022.

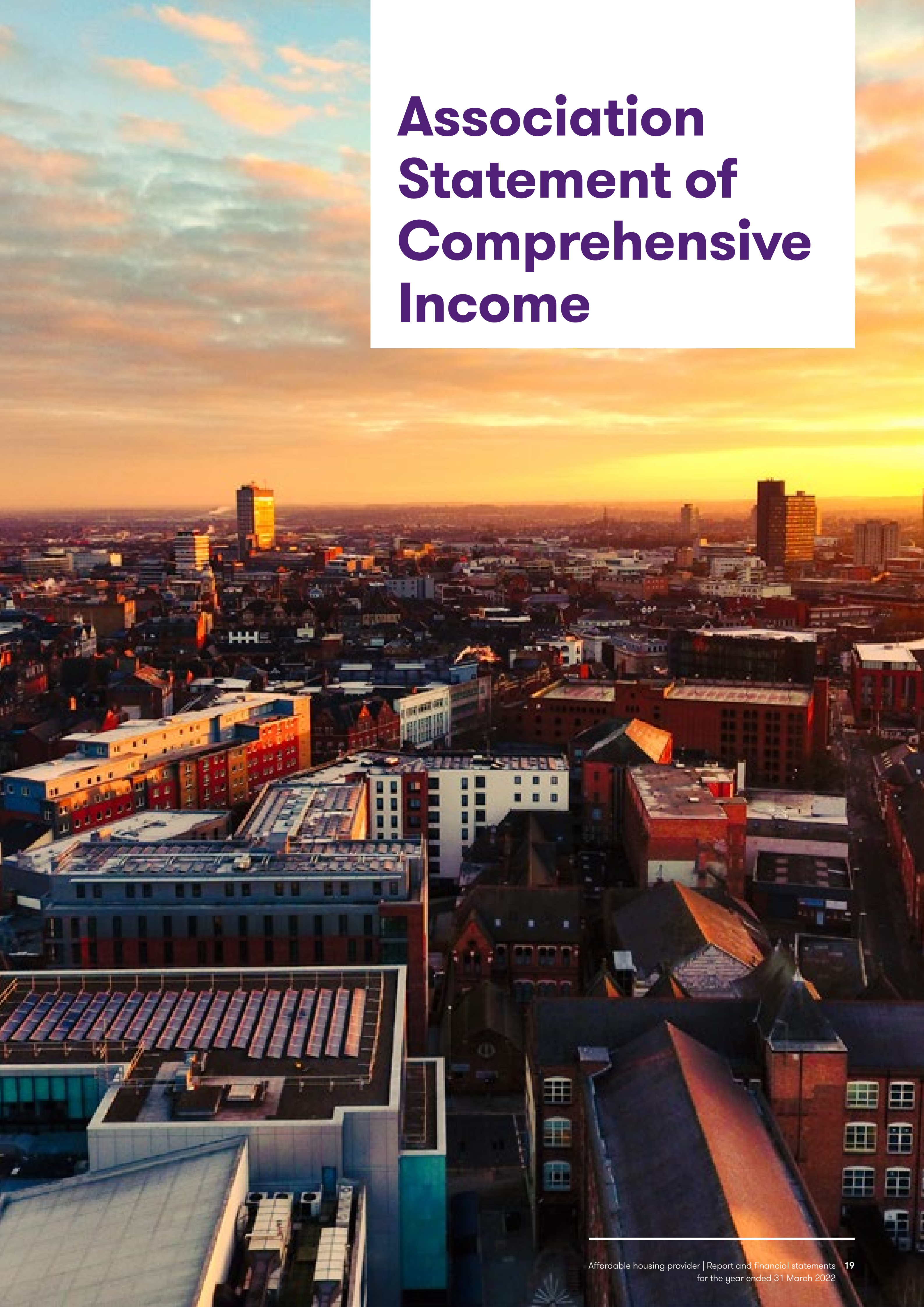
Richard Giles
Chairman

Peter Smith
Board member

Abigail James
Secretary

9 This disclosure may be required where the revaluation model is applied to housing properties in line with paragraph 8.27 of the Housing SORP 2018

Association Statement of Comprehensive Income



Note, providers registered under the Companies Act 2006 are able to take an exemption under section 408 from publishing a separate Statement of Comprehensive Income (SoCI) for the Association. However, under CCBS Act 2014, all registered providers must publish a separate SOCI for the Association.

	Note	2022 £'000	2021 £'000
Turnover	3	**85,951**	89,606
Operating costs	3	**(62,821)**	(58,283)
Gain on disposal of housing properties		**4,776**	3,196
Other income	3	**1,373**	1,053
Operating surplus	5	**29,279**	**35,572**
Interest receivable	7	**430**	464
Interest and financing costs	8	**(15,033)**	(13,097)
Other finance (costs) / income		**(26)**	263
Surplus before tax		**14,650**	**23,202**
Taxation	12	**-**	-
Surplus for the year		**14,650**	**23,202**
Unrealised (loss)/gain on housing properties at revaluation[10]		**-**	-
Actuarial (loss) in respect of pension schemes	26	**(2,910)**	(737)
Deferred taxation on the above	27	**(223)**	(223)
Total comprehensive income for the year		**11,517**	**22,242**

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

The financial statements were authorised and approved by the Board on 1 July 2022.

Richard Giles
Chairman

Peter Smith
Board member

Abigail James
Secretary

10 This disclosure may be required where the revaluation model is applied to housing properties in line with paragraph 8.27 of the Housing SORP 2018

Notes on the Statement of Comprehensive Income

Format of the Statement of Comprehensive Income
The layout of the statement is in accordance with the Appendix of the SORP 2018.

Associations may include additional lines where necessary, for example if there is a material transaction that should be presented on the face of the Statement of Comprehensive Income (SoCI) to show a true and fair view.

The SORP is specific in requiring that the statement of comprehensive income be presented as one, not two statements (which is an option under FRS 102). Items below surplus/deficit for the year are 'other comprehensive income'. These will include any revaluation of assets held at valuation and any actuarial gains or losses on defined benefit pension schemes.

For the purposes of the Companies Act and the CCBS Act, the Statement of Comprehensive Income meets the requirements of a profit and loss account/a revenue account.

Gain/(loss) on disposal of fixed assets
Paragraph 5.9B of FRS 102 requires that if an entity elects to disclose 'operating profit' the entity should ensure that the amount disclosed is representative of activities that would normally be regarded as 'operating'. For example, it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs, profits or losses on the sale of property, plant and equipment (including housing properties), investment property and intangible assets, and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount.

Profits or losses on the disposal of a discontinued operation shall be excluded from operating profit.

The Appendix of the SORP and these model accounts reflects the above requirements, where relevant. In these example model accounts, the gain on the sale of the fixed assets has been shown separately on the face of the SoCI.

Signatories
If the entity is a Registered Charity, SoCI account should be signed on behalf of the board by a trustee of the charity.

If the entity is registered under the Co-operative and Community Benefit Society Act 2014 (CCBS Act), the secretary and two committee members must sign both the SoCI and the Statement of Financial Position (SoFP).

Please refer to the relevant notes to the accounts for further detail on each line item.

Consolidated Statement of Changes in Reserves

	Income and expenditure reserve £'000	Restricted reserve £'000	Revaluation reserve* £'000	Total £'000
Balance as at 1 April 2020	**119,807**	**17**	**27,700**	**147,524**
Surplus for the year	3,330	-	-	3,330
Other comprehensive income for the year	(960)	-	-	(960)
Transfer from revaluation reserve to income and expenditure reserves	88	-	(88)	-
Transfer of restricted expenditure from unrestricted reserve	5	(5)	-	-
Balance at 31 March 2021	**122,270**	**12**	**27,612**	**149,894**
Surplus for the year	14,360	-	-	14,360
Other comprehensive income for the year	(3,133)	-	-	(3,133)
Transfer from revaluation reserve to income and expenditure reserves	87	-	(87)	-
Transfer of restricted expenditure from unrestricted reserve	-	-	-	-
Balance at 31 March 2022	**133,584**	**12**	**27,525**	**161,121**

The accompanying notes form part of these financial statements.

* A revaluation reserve is required if the 'deemed cost' transitional relief was taken on transition to FRS 102 or properties are held at revaluation. However, providers can do a reserve transfer to release an amount equivalent to the excess depreciation being charged over the historic cost base to the revaluation reserve.

Where a revaluation movement is recognised in income or expenditure (in accordance with paragraph 17.15E and 17.15F of FRS 102), the association should record a transfer from the income and expenditure reserve to the revaluation reserve, in accordance with SORP 8.29.

Note – The Statement of Changes in Reserves must show a two full years reconciliation, i.e. balance as at 1 April 2020 to balance as at 31 March 2022 in accordance with FRS 102.6.3.

Association Statement of Changes in Reserves

	Income and expenditure reserve £'000	Restricted reserve £'000	Revaluation reserve* £'000	Total £'000
Balance as at 1 April 2020	**88,823**	**17**	**27,700**	**116,540**
Surplus for the year	23,202	-	-	23,202
Other comprehensive income for the year	(960)	-	-	(960)
Transfer from revaluation reserve to income and expenditure reserves	88	-	(88)	-
Transfer of restricted expenditure from unrestricted reserve	5	(5)	-	-
Balance at 31 March 2021	**111,158**	**12**	**27,612**	**138,782**
Surplus for the year	14,650	-	-	14,650
Other comprehensive income for the year	(3,133)	-	-	(3,133)
Transfer from revaluation reserve to income and expenditure reserves	87	-	(87)	-
Transfer of restricted expenditure from unrestricted reserve	-	-	-	-
Balance at 31 March 2022	**122,762**	**12**	**27,525**	**150,299**

The accompanying notes form part of these financial statements.

* A revaluation reserve is required if the 'deemed cost' transitional relief was taken on transition to FRS 102 or properties are held at revaluation. However, providers can do a reserve transfer to release an amount equivalent to the excess depreciation being charged over the historic cost base to the revaluation reserve.

Where a revaluation movement is recognised in income or expenditure (in accordance with paragraph 17.15E and 17.15F of FRS 102), the association should record a transfer from the income and expenditure reserve to the revaluation reserve, in accordance with SORP 8.29.

Note – The Statement of Changes in Reserves must show a two full years reconciliation, i.e. balance as at 1 April 2020 to balance as at 31 March 2022 in accordance with FRS 102.6.3.

Group and Association Statement of Financial Position

The layout of the primary statements are in accordance with Appendix of the SORP 2018. Not all headings have been included. Associations may include additional lines where necessary to show a true and fair view. The terminology used is in line with SORP 2018 and Company Law, and although differs in some places from FRS 102, this is acceptable under the flexibilities allowed within the Financial Reporting Standard. Please refer to the relevant notes to the accounts for further detail on each line item.

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Fixed assets					
Intangible fixed assets	13	**1,993**	1,093	**660**	1,093
Tangible fixed assets – housing properties	14	**672,622**	652,259	**659,009**	638,659
Other tangible fixed assets	15	**71,976**	66,931	**71,976**	66,931
Investment properties	16	**21,358**	19,465	**30,201**	23,807
Homebuy loans receivable	17	**1,222**	908	**1,222**	908
Investment in subsidiaries	18	**-**	-	**3,578**	3,578
		769,171	740,656	**766,646**	734,976
Current assets					
Stock	19	**2,048**	1,273	**2,048**	1,273
Trade and other debtors	20	**7,560**	7,242	**11,802**	9,376
Cash and cash equivalents		**10,317**	24,670	**7,578**	22,404
		19,925	33,185	**21,428**	33,053
Creditors: amounts falling due within one year	21	**(16,332)**	(18,275)	**(14,869)**	(15,421)
Net current assets		**3,593**	14,910	**6,559**	17,632
Total assets less current liabilities		**772,764**	755,566	**773,205**	752,608
Creditors: amounts falling due after more than one year	**22**	**(592,243)**	(593,906)	**(603,506)**	(602,060)
Provisions for liabilities					
Defined benefit pension liability	26	**(17,382)**	(10,918)	**(17,382)**	(10,918)
Deferred tax provisions	27	**(2,018)**	(848)	**(2,018)**	(848)
Total net assets		**161,121**	149,894	**150,299**	138,782
Reserves					
Income & expenditure reserve		**133,584**	122,270	**122,762**	111,158
Revaluation reserve		**27,525**	27,612	**27,525**	27,612
Restricted reserve		**12**	12	**12**	12
Total reserves		**161,121**	149,894	**150,299**	138,782

The accompanying notes form part of these financial statements.

The financial statements were issued and approved by the Board on 1 July 2022.

In the case of a company, the SoFP should be signed by a member of the board.

Where the company is a Registered Charity the SoFP should be signed by a trustee of the charity. The registered company number should be shown on the Directors' Report, Auditor's Report or SoFP (Companies Act 2006). In the case of a CCBS Act entity, the secretary and two committee members are required to sign the SoFP.

For companies that have elected to take the exemption from presenting a company only SoCI under s408, they are required to include the company's own profit or loss in the year on the face of the individual balance sheet rather than including this in the notes, as was the previous practice, in accordance with SI 2015/980.

Richard Giles
Chairman
Affordable Housing Provider Limited

(Company number: 1140880)

Consolidated Statement of Cash Flows

	Note	2022 £'000	2021 £'000
Net cash generated from operating activities	29	**19,506**	5,437
Cash flow from investing activities			
Purchase and refurbishment of tangible fixed assets – housing properties		**(25,842)**	(24,354)
Purchase of other tangible fixed assets		**(11,083)**	(5,329)
Proceeds from sale of tangible fixed assets		**17,820**	15,979
Grants received		**138**	-
Interest received		**845**	765
		(18,122)	(12,939)
Cash flow from financing activities			
Interest paid		**(15,102)**	(12,714)
Repayment of obligations under finance leases		**(812)**	(751)
New secured loans		**6,566**	-
Repayments of borrowings		**(3,823)**	(5,526)
		(13,171)	(18,991)
Net change in cash and cash equivalents*		**(11,787)**	(26,493)
Foreign exchange translation adjustment		**(2,566)**	-
Cash and cash equivalents at beginning of the year*		**24,670**	51,163
Cash and cash equivalents at end of the year*		**10,317**	24,670

The accompanying notes form part of these financial statements.

* Registered Providers are required to reconcile the components of cash and cash equivalents to the Statement of Financial Position unless the amounts are identical to the amount presented thereon, as required by **FRS 102.7.20.**

FRS 102.7.22 Net debt reconciliation - Both FRS 102 and Housing SORP 2018 requires all entities to produce a net debt reconciliation note. This has been included within Note 29a of the financial statements.

In November 2020, the FRC published their thematic review on cash flow and liquidity disclosures. Whilst this review was carried out on corporate financial statement under IFRS, there are some key observations and findings which we consider would be equally applicable to housing associations as they prepare their year-end accounts.

Noted below are some of the observations which we hope will aid preparers to avoid the common pitfalls. Accounting requirements did not appear to be met, due to:

- material inconsistencies between items in the cash flow statement and the notes,
- missing or incorrectly classified cash flows,
- inconsistencies between financing cash flows and the reconciliation of changes in liabilities arising from financing activities in the notes.

Several areas for improvement were also noted such as in the disclosure of accounting policies for the treatment of significant and large one-off transactions in the cash flow statement.

Notes to the financial statements

1 Legal status and principal activities

Registered under the Companies Act 2006

The association is registered under the Companies Act 2006 and is a registered provider of social housing.

OR

Registered under the Cooperative and Community Benefit Society Act 2014

The association is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered provider of social housing.

Per **SORP 5.6** the statement on legal status must comment on all entities in the group. The legal and commercial relationships between all entities in the group, whether or not the entities are registered social housing providers.

FRS 102.3.24(b) requires the disclosure of an entity's principal activities and nature of operations (despite no longer being a disclosure requirement in the directors' report following changes to company law). If, however, an entity does disclose this information elsewhere in their Report from the Board, then it need not be repeated here.

The Affordable Housing Provider (AHP) has three subsidiaries; New Housing Limited and Friends Housing Association Limited are both registered under the Companies Act and are registered providers of social housing. The third subsidiary, AHP Limited is a registered company which develops new housing for sale to the group and to other registered providers.

2 Accounting policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

FRS 102.3.3 requires an entity whose financial statements comply with FRS 102 to make an explicit and unreserved statement of such compliance in the notes to the financial statements.

Paragraph 17 in Part 2 of the **Accounting Direction 2022** requires the following:

'The basis and standards under which the accounts have been prepared. Particulars of and reasons for any material departures from those should be stated.'

AHP is a public benefit entity in accordance with FRS 102.

The financial statements are presented in Sterling (£).

Disclosure exemptions
Refer to FRS 102.1.11-1.12 for details of disclosure exemptions applied here.

Disclosure exemptions

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

- the requirement to present an individual statement of cash flows and related notes
- 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.

Going concern

Going concern disclosures – some key messages and common pitfalls to avoid in reporting
When preparing financial statements management are required to assess the entity's ability to continue as a going concern. Management should consider all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue for the purposes of FRS 102.

In making their judgements and assumptions about the future, management should consider all available information up to the date the financial statements are authorised for issue.

The FRC published its Going Concern and Viability Thematic Review in September 2021. The review observed that the most helpful going concern disclosures had the following characteristics, which we consider to be equally relevant to housing associations in terms of preparing going concern disclosures for this year:

- Clear explanation of any material uncertainties that may cast doubt on the company's going concern status. In determining whether a material uncertainty on going concern exists, management should consider the magnitude and likelihood of potential impacts of uncertain future events or changes in conditions, the realistic availability and effectiveness of mitigating actions, and whether the uncertain future events or changes in conditions are unusual or regular;
- When management has exercised significant judgement in determining whether the entity is a going concern, and / or whether a material uncertainty in respect of going concern exists, the specific judgement exercised (including entity-specific factors considered by management) shall be disclosed under Section 8.6 of FRS 102;
- Disclosure of sufficiently granular qualitative and quantitative details in respect of the key assumptions used in going concern scenarios, with explanations as to how the assumptions have been determined;
- Disclosure of mitigation actions is sufficiently specific, enabling users to understand how the company intends to meet its liabilities as they fall due. The mitigating actions should address possible scenarios that could lead to company failure;
- Indication of which inputs were subjected to stress tests and explanation of how these stress tests affected the going concern conclusions. Disclosure of sufficiently granular details of the inputs and assumptions (eg. whether certain assumptions have been sensitised and why) used in severe but plausible downside scenarios;
- Disclosure of company-specific quantitative and qualitative information in respect of reverse stress tests, which provide useful information of what circumstances could lead to company failures, including whether those circumstances are considered to be remote.

Going concern disclosures – Climate-related risks to consider when reporting for FY2022

The FRC Factsheet 8 Climate-related matters notes that information about climate-related matters (eg. the 'net zero' carbon emission commitments) may:

- cover a future which is longer than the minimum going concern assessment period under FRS 102; and
- introduce additional uncertainty about the future and impact on the going concern assessment.

Against this backdrop, the FRC draws attention to the following disclosure requirements in Section 3 Financial Statement Presentation of FRS 102:

- If management is aware of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, these uncertainties must be disclosed, even if management have concluded that the going concern basis is appropriate. (paragraph 3.9)
- Even when climate-related matters do not cast significant doubt upon an entity's ability to continue as a going concern, if reaching such a conclusion requires significant judgement, such judgements would need to be disclosed. (Section 8 Notes to the Financial Statements)

The example disclosure provided below is suitable where there is limited going concern risk. Enhanced disclosures may be required in this area, even in the absence of any material uncertainties relating to going concern.

The group's business activities, its current financial position, and factors likely to affect its future development are set out within the report from the board. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. As at 31 March 2022 the group had available cash balances of £10m and a further £35m of secured but undrawn loan facilities that could be drawn at short notice.

The board's assessment of going concern involves a number of subjective judgements including, but not limited to; [**potential increased rent arrears, delayed rent collections, increased voids, increasing inflation and interest rates, a reduction in property prices and delays in property sales, predicted cash outflows from upcoming fire and building safety and costs associated with achieving energy efficiency homes **]. In making their assessment the board have also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity.

A wide-ranging multivariate stress test has been run on the business plan including the normal suite of scenarios that are tested regularly.

The stress testing is based on the Bank of England Annual Cyclical Scenario including the published indices on consumer prices, house prices and interest rates). [**Associations should state the basis of the assumptions used and why they are relevant to their scenario**].

The multivariate stress test includes the impact of sensitivities on the association's cash flow requirements, compliance with debt facilities, as well as covenant compliance. Mitigating actions, for instance, delays in non-essential expenditure, changes to the development programme, staff cost reductions or government support have been identified for all scenarios. This stress testing found that the business plan is robust and does not affect the group's ability to meet its obligations.

As part of the going concern assessment and conclusion, the continuing effects of Covid-19 has been considered in the association's forecasts and factored into the stress test carried out, including any mitigation actions that may be required.

On this basis, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. The board have considered the foreseeable future for their going concern assessment to cover the period to 31 March 2024.

On this basis, the board continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Significant judgments and estimates disclosures – remains an area of focus for FY2022
There are many accounting areas that require management to apply significant judgements and estimations when measuring and determining the carrying amounts of assets and liabilities to be reported in the financial statements.

As the disclosure of significant judgements and estimation uncertainty is required under FRS 102 and continues to be a key area of focus by the FRC, the transparency of disclosures in this area continues to be crucial for social housing as part of their year-end reporting.

In this regard, we highlight some key recommendations from the FRC's 2020/21 Annual Review of Corporate Reporting, which are equally relevant to housing associations reporting under FRS 102.

In respect of judgements, the focus should be on specific, material judgements made by directors in applying accounting policies. The FRC noted that good disclosure around significant judgements should make it clear:

- the reasons why the judgement was necessary;
- the entity-specific factors considered by management in applying the judgement; and
- the outcomes of applying the judgement.

In addition, the FRC noted that the significant judgement disclosed should be consistent with the estimation uncertainty disclosure and other disclosures elsewhere in the annual report.

The estimation uncertainty disclosures should be clear and specific, pinpointing the precise sources of uncertainty and avoiding the use of boilerplate language.

In this regard, the FRC continues to highlight the importance of meeting the following disclosure requirements;

- identifying the carrying amounts of assets and liabilities subject to significant estimation uncertainty within the next financial year;
- disclosing any sensitivities or ranges of potential outcomes related to the estimation uncertainties; and
- disclosing the key assumptions underlying the measurement of assets and liabilities subject to significant estimation uncertainty within the next financial year, and as best practice, quantifying such assumptions if relevant.

FRS 102.8.6
An entity shall disclose the judgements, apart from those involving estimations that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

FRS 102.8.7
An entity shall disclose in the notes information about the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- their nature, and
- their carrying amount as at the end of the reporting period.

The below are examples only. These statements will be very specific to each entity – an association may have more or fewer statements than this, which should be stated in turn, separately showing judgements and estimates. It is not considered sufficient to only cover these within individual accounting policies however the note below may cross refer more detailed information.

Each individual point should state the nature and carrying amount of the item concerned. It is unlikely that there are no significant judgem estimates.

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

Classification of loans as basic
AHP has a number of loans which have a 'two-way break clause' which is applicable where the loan is repaid early and could result in a break cost or a break gain. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only.

Management has assessed this clause against the condition set out in FRS102 11.9b which states that for a loan to be classified as basic there should be no contractual provision that results in the holder losing the principal amount or any interest attributable to current or prior periods. Management has concluded that the loans are basic on the basis that any repayment relates to future interest payments and not the repayment of the principal amount or interest that is due.

Management have considered the terms of the loan agreements and concluded that they do meet the definition of a basic financial instrument, therefore such instruments are held at amortised cost.

Supporting people
Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the income to be recognised. £14,664k of Supporting People income was recognised in the year.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided. Actual results may be substantially different.

Impairment

Both FRS 102 and the Housing SORP provides indicators that should be considered by associations at each reporting date to assess whether there are any indicators of impairment. Whilst the list is not exhaustive it is a good place to start the assessment. Specifically, there are a number of indications provided in paragraph 14.6 of the Housing SORP that should be considered by associations.

Impairment considerations in times of growing macroeconomic and global uncertainty
For associations committed to developing new supply and those developing properties for sale, there is greater uncertainty over several variables related to construction; including the increasing material costs as well as labour shortages that may impact completion timeframes, the carrying value of the stock itself, and future sales values.

Additional consideration for impairment this year continues to be especially important for associations with significant shared ownership properties and properties currently held for outright sale, given the uncertainty over the housing market as macroeconomic factors come to play on buyers' disposable incomes and tenant affordability overall.

The other area which will require some further consideration is the organisation's future plans concerning any office spaces it currently holds on its balance sheet. Whether such plans are being driven by costs, environmental or staff well-being factors, there are a number of red flags to watch out for as part of the year end impairment review, which may trigger impairment indicators, such as idle office spaces or plans to dispose of assets.

Climate change and impact on impairment reviews
In its 2021 Annual Corporate Review, the FRC draws attention not only to the continuing effects of Covid-19 but also the climate change related risks as possible indicators of impairment. In addition, the Housing SORP require disclosure of the key judgements made in estimating the recoverable amount and key assumptions made if the recoverable amount is estimated using VIU-SP – that disclosure needs to reflect how Covid-19 and climate change related risks are considered in the impairment review process.

As part of the group's continuous review of the performance of their assets, management identify any impairment triggers which may affect any homes, or schemes. Such triggers include increasing void losses, government policy changes (such as welfare reform changes or rent reductions), any significant damage or repairs are required to any homes, failure to meet energy efficiency standards, or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment. **[**List specific areas reviewed by your association and tailor according to your association's business model, tenure types and development schemes etc**]**

Where there is evidence of impairment, the recoverable amount of the fixed assets affected is determined and any impairment losses are charged to the statement of comprehensive income.

We estimated any impairment to the housing properties as follows:

a Determined the level at which the recoverable amount is to be assessed (ie, the asset level or cash-generating unit (CGU) level). The CGU level was determined to be an individual scheme
b Estimated the recoverable amount of the CGU
c Calculated the carrying amount of the CGU and
d Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or CGU. The assessment of value in use may involve considerations of the service potential of the assets or CGUs or the present value of future cash flows to be derived appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of Depreciated Replacement Cost (DRC) is considered a suitable measurement model.

Based on this assessment, we calculated the DRC using appropriate construction costs and land prices of each social housing property scheme. In these circumstances we consider the DRC to be the recoverable amount.

Where the carrying amount is greater than the recoverable amount, an impairment loss of the difference between the two, is taken to the income and expenditure account and a corresponding entry is made to reduce the carrying value of the asset. An impairment charge has been made this year of £785k (2021: £589k).

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 including any components. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment, changes to the Decent Homes Standards and changes to energy efficiency requirements which may require more frequent replacement of key components. Accumulated depreciation of housing properties as at 31 March 2022 was £112,780k. The carrying amount of the housing properties was £672,622k at the year ended 31 March 2022.

Defined benefit obligation
Management's estimate of the defined benefit obligation 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 liability and the annual defined benefit expenses (as analysed in Note 26). The calculation of the obligation also incorporates the impact of the various High Court rulings; namely McCloud and GMP rulings where appropriate. The net defined benefit pension liability at 31 March 2022 was £17,382k.

New Shared Ownership model - other provisions
In November 2020, the Government introduced a new model for Shared Ownership, which has become effective from 1st April 2021. Other than the reduction of the minimum initial share to 10% and a new gradual staircasing offer to buy additional shares with 1% instalments, a new obligation has arisen for the housing associations to pay for essential repairs and internal repairs for an 'Initial Repair Period' of ten years, or until the shared owner obtains 100% of the ownership.

The new shared ownership model may have related accounting implications for the recognition of additional provisions under FRS 102 and Housing SORP 2018 where such repairs costs are considered to be material. The usual recognition threshold for a provision under Section 21.4 of FRS 102 would apply.

Housing associations should assess the impact of the changes under the new shared ownership model and consider whether there is likely to be any material provisions required. Early discussions with your auditors and advisors on the matter is recommended. At the time of writing this publication, the accounting guidance in this area has not been published by the Housing SORP Working Party. Therefore, this is one area that housing associations may wish to watch out for more guidance on where appropriate.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets including investment properties. This involves developing estimates and assumptions consistent with how market participants would price the instrument or asset. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Fair value measurements were applied to one loan, which had options, in the year. The total value of this instrument was £93,477k at 31 March 2022.

Fair value measurements were applied to investment properties in the year. Refer to Note 16 for more details.

Valuation of housing properties (where revaluation model has been used)
Management reviews its valuation of housing properties at each reporting date, based on either formal valuation reports or an update to those reports based on market conditions and other changes to assumptions. Uncertainties in these estimates relate to the discount rate, the cost of property maintenance and future cash flows. Valued properties totalled [**state amount**] at the year-end.

Basis of consolidation
The group accounts consolidate the accounts of the association and all its subsidiaries at 31 March using the purchase method.

The consolidated financial statements incorporate the financial statements of the association and entities (including special purpose entities) controlled by the group (and its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investment in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Turnover and revenue recognition

Avoid the common pitfalls in your disclosures on income recognition policies: The accounting policy for turnover and revenue recognition should include the relevant policies for all significant revenue streams, therefore, may need to be expanded based on the association's own circumstances.

Associations should consider whether any significant income from non-social housing letting income such as garages income needs to be disclosed. In some cases, we have noted that material PFI arrangements or Supporting Housing arrangements have been incorrectly omitted from the disclosures.

Turnover comprises rental income receivable in the year, service charge income, income from shared ownership first tranche sales, sales of properties built for sale, support services and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Service charge income is recognised when service charge expenditure is incurred as this is the point at which the services have been performed.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Gift Aid income

Donations received under the Gift Aid scheme to the parent association, AHP, from its subsidiaries are recognised as turnover upon receipt as it relates to the principal activities of the association and is eliminated on consolidation.

Accounting for the gift aid payments made by subsidiary entities

Following the triennial review FRS 102 clarified that gift aid payments made by a subsidiary to its charitable parent entity are distributions and are akin to dividends hence accounted for in equity in the subsidiary. The subsidiary must have a legal obligation to make the gift aid payment in order to accrue for the liability in its books; a constructive obligation is not sufficient.

FRS 102 also clarified the accounting for the related tax effects of gift aid payments made by a subsidiary to its charitable parent entity. Where the payment of the gift aid is probable and can be made within 9 months of the balance sheet date, the subsidiary making the gift aid payment will be able to recognise the income tax consequences of the gift aid payment during the reporting period. These income tax consequences should be recognised in the profit or loss account of the subsidiary.

For those entities incorporated under company law, there are requirements for the directors of the trading company making the distributions both at the time of proposing a Gift Aid payment and at the time it is paid. Directors should ensure there are sufficient distributable profits to make such a payment and also whether any distribution would put the company into financial difficulty going forward. In some cases, where payment is not probable, a corporate tax liability may need to be recognised.

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

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

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:
- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

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

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

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

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:
- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value Added Tax
The group is partially exempt in relation to Value Added Tax (VAT), and accordingly is able to recover from HM Revenue & Customs part of the VAT incurred on expenditure. At the year-end VAT recoverable or payable is included in the statement of financial position. Irrecoverable VAT is accounted for in the statement of comprehensive income.

Interest payable
Interest is capitalised on borrowings related to the development of qualifying assets, to the extent that it accrues in respect of the period of development if it represents interest on borrowings specifically financing the development programme after deduction of related grants received in advance.

Other interest payable is charged to income and expenditure in the year.

FRS 102 Section 25 and glossary

A qualifying asset is one which necessarily takes a substantial period of time to get ready for its intended use or sale and includes investment properties.

HomeBuy Loans

FRS 102.34.87 and SORP 17.11 address the requirements of the recognition, measurement and disclosure of public benefit entity concessionary loan arrangements within the financial statements of public benefit entities or entities within a public benefit entity group who make or receive public benefit entity concessionary loans such as HomeBuy loans.

HomeBuy loans are treated as concessionary loans. They are initially recognised as a loan at the amount paid to the purchaser and are subsequently updated to reflect accrued interest and any impairment loss is recognised in income and expenditure to the extent that it cannot be offset against the HomeBuy grant. The associated HomeBuy grant is recognised as deferred income until the loan is redeemed.

Financial instruments

SORP 6.2 There is an accounting policy choice available within paragraph 11.2 of FRS 102, Basic Financial Instruments, which states that a social landlord must apply either:

- FRS 102 Section 11 and Section 12 in full; or
- The recognition and measurement requirements of IAS 39, Financial instruments: Recognition and measurement (as adopted by the EU), and the presentation and disclosure requirements of Sections 11 and 12 in FRS 102; or
- The recognition and measurement provisions of IFRS 9, Financial Instruments and/or IAS 39 (as amended following the publication of IFRS 9) and the presentation and disclosure requirements of Sections 11 and 12 of FRS 102.

The disclosures below assumes that FRS 102 Section 11 and 12 are being applied.

IBOR Reform
Interest rate benchmarks such as the London Interbank Offered Rate (LIBOR) are being reformed, and LIBOR as we knew it is no longer available as of December 2021. LIBOR, has now been replaced with the Sterling Overnight Interbank Average Rate (SONIA) from 31 December 2021. SONIA is the effective overnight interest rate paid by banks for unsecured transactions in the British Sterling market.

The FRC made amendments to FRS 102 to cope with the interest rate benchmark reform in two phases.

The Phase 2 amendments (effective from 1 January 2021) provides a practical expedient in Section 11.20C for changes in financial assets or liabilities as a direct result of the interest rate benchmark reform.

This means that when changes to the contract are a direct consequence of IBOR reform on an economically equivalent basis, then FRS 102.11.19 applies meaning there is no immediate gain or loss arising. However, if there are other changes made to the financial instrument contract at the same time, that are not directly due to IBOR reform, those changes would need to be considered under other guidance under Sections 11 and 12 of FRS 102.

ESG Loans
Although ESG loans are only starting to appear in the credit market for the housing sector, they are likely to become common place in the near future. An ESG loan typically gives a return on the basis of a benchmark interest plus a margin. The margin is tied to the borrower's achievement of predetermined sustainability targets, and as a result the margin in the contract is dependent on whether those targets are met. Despite the variability in return, the loan may still meet the requirements for classification as a basic financial instrument under FRS 102, provided that all the requirements in FRS 102.11.9 are met. As part of this assessment, if the margin changes in accordance with ESG features, it would need to assess whether the change is consistent with FRS 102.11.9(aB) as described above. In the case of an ESG loan, the variability in return is contingent on the borrower's ESG performance, which would not necessarily be considered to be linked to credit risk, although in some cases a credit risk linkage may exist, depending on the terms and conditions of the loan.

If a housing association is party to an ESG loan, a detailed analysis of its terms and conditions would be required to assess whether the loan should be classified as basic or non-basic financial instrument under FRS 102. Early engagement with your auditors and advisors is recommended.

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied).

The group and association have not adopted hedge accounting for the financial instruments.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms has been agreed and the impact of discounting is material, the balance is shown at the present value, discounted at a market rate.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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.

Sinking funds – service charges

The group operates both fixed and variable service charges on a scheme-by-scheme basis. Service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge. Charges made to leaseholders for the replacement of equipment and repairs within their estates are held in sinking funds which are ring-fenced for use on those estates. Such sinking funds are disclosed on the balance sheet as creditors.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

The group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Midshire County Council Pension Fund (MCCPF).

Social Housing Pension Scheme (SHPS)

For the SHPS, the association has been able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and has applied defined benefit accounting from this date onwards.

The scheme assets are measured at fair value. 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 on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position. As at the year ended 31 March 2022, the net defined benefit pension deficit liability was £8,090k (2021: £6,464k).

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 within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 26 for more details.

Midshire County Council Pension Fund (MCCPF)

For the MCCPF, the association is able to identify its share of the scheme assets and scheme liabilities, the scheme assets are measured at fair value. 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 on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of 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.

As at the year ended 31 March 2022, the net defined benefit pension deficit liability was £9,292k (2021: £4,454k).

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 within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 26 for more details.

Housing properties

Fire and building safety costs for housing properties – additional accounting considerations in light of increasing costs

With major changes in the pipeline to the building and fire safety regulatory system, the decarbonising of the sector by 2050 being high on the government agenda, and with some associations facing significant cladding remediation works, it is highly likely that costs in this area will increase.
As a result of this, associations may need to consider any new or additional accounting policies that are required together with related notes where there are significant costs involved in this area. For example, accounting policies may be required in the following areas:

- **Capitalisation of cladding remediation works and replacement of components** – Any cladding remediation costs need to meet the recognition criteria as set out in the accounting standards, which require there to be an incremental future benefit e.g. increase in rental income, reduction in future maintenance costs or significant extension of the useful economic life of the property. Any amounts that do not replace components or result in an incremental future benefit must be charged to the profit and loss account. Where component parts of the property are replaced, the carrying amount of those components which are replaced needs to be derecognised in line with FRS 102.17.6-17.7.
  Note there may be significant judgments to be made in respect of capitalisation of any remediation works, thus additional disclosures of these may be required in line with FRS 102.8.6.
- **Any additional provisions/ liabilities** – may be required where there is a legal obligation that can be enforced by law or when the association has a constructive obligation. Judgment is required on whether any provisions or liabilities is to be recognised at the year-end as well as considering how practical is it for an association to change its method of operations to avoid meeting building and fire safety regulations. Further, there may be a constructive obligation with tenants by making certain communications and commitments to them. More guidance in Section 21 of FRS 102
- **Indicators of impairment** – In some cases, the property may be impacted by faulty cladding, or not meeting current building regulations resulting in long term voids, therefore possibly indicating that the property may be impaired. Where there is an impairment indicator at the reporting date, there is a requirement to carry out an impairment review.
- **Insurance claims or reimbursements on faulty cladding/building material** – Where costs are reimbursed by third parties, any reimbursement asset should be accounted for separately from any liabilities/provisions in the balance sheet. Note this compensation needs to be virtually certain to recognise any asset. Refer to Section 21.9 of FRS 102 for more details.

FRC Factsheet 8 – additional accounting considerations in light of climate-related matters

- **Capitalising or expensing** – Climate-related matters may require entities to direct expenditure in ways not previously expected or experienced. For example, housing associations may alter existing housing properties to make them 'greener' or to comply with new legislation. Careful consideration may be needed to determine whether these new types of expenditure qualify for inclusion in the cost of an asset (paragraph 17.10) or must be recognised as an expense (paragraph 17.11).
- **Change to useful life of housing properties (or components thereof)** – For example, some housing associations may consider replacing the gas boilers in the next couple of years in order to comply with energy efficiency standards. This would shorten the useful lives of those gas boilers, whilst currently they are being accounted for as integral parts of the housing properties. If management has assessed that the useful lives of those gas boilers have decreased compared to the useful lives of housing properties, those gas boilers would need to be separated out from the housing properties and accounted for as separate components.

***Depending on which basis (cost or revaluation) has been used, associations will need to tailor accordingly**

Properties held at revaluation*
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 valuation.

Completed housing and shared ownership properties are stated at fair value at the date of valuation, less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from the fair value of the properties as at the year end.

Properties held at cost*
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 accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

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 net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

SORP 8.31 requires that shared ownership properties, including those under construction, should be split between fixed assets and current assets. The split should be determined by the percentage of the property to be sold under a first tranche disposal which should be shown on initial recognition as a current asset, with the remainder classified as a fixed asset within the social landlord's property, plant and equipment (fixed assets) in the Statement of Financial Position.

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

Donated land and other assets

SORP 13.24 states that where a social landlord receives a donation of land and/or other asset or acquires land and/or other asset at below its market value from a government source, for example, a local authority, this is considered by the SORP to be in substance a non-monetary government grant.

Land and other assets donated by local authorities and other government sources are recognised at the fair value on initial recognition, at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the difference between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

On disposal of an asset for which non-monetary government grant was received by the social landlord any unamortised grant remaining within liabilities in the statement of financial position is derecognised and recognised as income in the statement of comprehensive income.

Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Investment property rented to group entity - SORP 8.3 and FRS 102 16.4A

An entity that rents investment property to another group entity shall account for those properties either:

- at fair value with changes in fair value recognised in profit or loss in; or
- by transferring them to property, plant and equipment and applying the cost model in accordance with Section 17 of FRS 102

These model accounts do not contain any investment properties rented to a group member.

Government grants

Housing properties and government grant accounting

Associations which account for their housing properties at cost must recognise government grants using the accrual model set out in paragraphs 13.15 to 13.21 of the SORP. Grants relating to assets must be recognised in income on a systematic basis over the expected useful life of the asset. Government grants received for housing properties should be recognised in income either:

- over the expected useful life of the housing property structure (but not the land), even if the fair value of the grant exceeds the carrying value of the structure in the financial statements or
- over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis.

Note, where the group took advantage of transitional relief for deemed cost and treated all grant on transition under the performance model with subsequent grants under the accruals model, this fact must be highlighted in the accounting policies. **(SORP 19.6)**

Note, associations which account for their housing properties at valuation must recognise government grants using the performance model. **(SORP 13.7)**

***Depending on which basis has been used for housing properties, associations will need to tailor the grant accounting policy wording below accordingly.**
Government grants include grants receivable from Homes England, 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 and, where applicable, its individual components (excluding land) under the accruals model.*

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

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are 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 income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure.

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 revenue recognition criteria are satisfied is recognised as deferred income.

Depreciation of housing properties

SORP 8.16 requires that if major components of an item of property, plant and equipment (fixed assets) have significantly different patterns of consumption of economic benefits, an entity must allocate the initial cost of the asset to its major components and depreciate each such component separately over its useful life. A housing property will always comprise a number of major components with substantively different patterns of consumption of economic benefits and therefore each major component must be recognised and depreciated over its individual economic life.

For FY2022 additional consideration may be required by management for any major components as a result of changes in energy efficiency or building and fire safety requirements.

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.

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

Structure	1%-2%
Roofs	2%
Kitchens	5%
Bathrooms	3%
Windows and doors	4%
Mechanical systems (heating, plumbing, ventilation)	3%

Freehold land is not depreciated. Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

SORP 14.12 requires that associations must determine the level at which an impairment is to be assessed (i.e. at asset or cash-generating unit level) before performing the impairment review. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The accounting policy below describes an impairment review performed at the asset level.

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount 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 association, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold buildings	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	10%
Computers and office equipment	20%
Motor vehicles	20%

Gains or losses arising on the disposal of other tangible fixed assets 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.

Intangible assets

Computer software is carried at cost less accumulated amortisation and impairment losses. Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the criteria as follows is met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and the expenditure attributable to the software during its development can be reliably measured.

Amortisation is charged on a straight-line basis over the expected useful life of the software. The expected useful life is considered to be three years. The computer software is reviewed for impairment where there are triggers such as technological advancement or changes in market price, that indicate that the carrying amount may be impaired.

Leases

Covid-19 related rent concessions
As a result of the global pandemic, various forms of rent concessions have been granted to lessees including payment holidays and deferral of lease payments. This may be significant for some housing associations and require further consideration as part of your year end reporting. In October 2020, the FRC published amendments to FRS 102 which set out requirements for recognising the changes in operating lease payments arising from Covid-19 related rent concessions over the periods the change in lease payments is intended to compensate.

The amendments require both lessees and lessors to recognise the impact of changes in lease payments over the periods that the change is intended to compensate. This accounting treatment is considered to reflect the economic substance of the intended benefit of the concessions and their temporary nature and provide more relevant information for users of the accounts.

The amendments only apply to rent concessions occurring as a direct consequence of the pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is less than the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no significant change to other terms and conditions of the lease.

Associations that are lessees will need to distinguish temporary rent concessions separately from other changes in lease payments in their disclosures. Associations that are lessors are expected to provide disclosures on rent concessions granted. Paragraph 20.30(c) of FRS 102 requires lessors to provide a general description of their significant leasing arrangements, thus information about rent concessions granted is in scope of this requirements.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Stock

Shared ownership first tranche sales, completed properties for outright sale, and property under construction are valued at the at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises materials, direct labour and direct development overheads.

Provisions 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.

FRC 2021 Annual Corporate Reporting Review

In its 2021 Annual Corporate Review, the FRC emphasizes that the disclosure for provisions and contingencies needs to cover:

- The nature of each material exposure for which a provision / contingent liability is recognised or disclosed.
- The timeframe over which the provision is expected to crystallise.
- The basis for determining the best estimate of probable or possible outflow.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the income and expenditure account in the period it arises.

Reserves

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

SORP 18.3 requires designated reserves are deemed an internal matter and should not be presented on the face of the primary statements. Commentary in the notes with reference to internal designations is allowed.

Entities that are registered charities should also consider the reserves reporting requirements as set out in the Charity Commission guidance; 'CC19 charity reserves: building resilience.'

Revaluation reserve

A revaluation reserve is required if the 'deemed cost' transitional relief was taken on adoption of FRS 102 or where a policy of revaluation has been adopted.

The difference on transition between the fair value of social housing properties and the historical cost carrying value is credited to the revaluation reserve. The difference between historical cost depreciation and depreciation charged on the fair value balance should is transferred from the revaluation reserve to the income and expenditure reserve.

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

Group	2022			
	Turnover £'000	Other income £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings (Note 3a)	**93,051**	**-**	**(72,702)**	**20,349**
Other social housing activities				
First tranche low cost home ownership sales	3,403	613	-	4,016
Charges for support services	3,110	-	(2,633)	477
Supporting people	6,378	-	(3,794)	2,584
Gain on disposal of housing properties	-	4,496	-	4,496
Other	956	-	(927)	29
	13,847	**5,109**	**(7,354)**	**11,602**
Activities other than Social Housing (Note 3b)	**2,130**	**-**	**(3,775)**	**(1,645)**
	109,029	**5,109**	**(83,831)**	**30,306**

	2021			
	Turnover £'000	Other income £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings (Note 3a)	**77,353**	**-**	**(68,244)**	**9,109**
Other social housing activities				
First tranche low cost home ownership sales	2,248	762	-	3,010
Charges for support services	2,037	-	(1,852)	185
Supporting people	6,531	-	(6,589)	(58)
Gain on disposal of housing properties	-	4,399	-	4,399
Other	875	-	(784)	91
	11,691	**5,161**	**(9,225)**	**7,627**
Activities other than Social Housing (Note 3b)	**4,530**	**-**	**(3,126)**	**1,404**
	93,574	**5,161**	**(80,595)**	**18,140**

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

Association	2022			
	Turnover £'000	**Other income £'000**	**Operating expenditure £'000**	**Operating surplus £'000**
Social housing lettings (Note 3a)	**81,899**	**-**	**(61,741)**	**20,158**
Other social housing activities				
First tranche low cost home ownership sales	3,403	1,373	(499)	4,277
Gain on disposal of housing properties	-	4,776	-	4,776
Other	49	-	(31)	18
	3,452	6,149	(530)	9,071
Activities other than Social Housing (Note 3b)	600	-	(550)	50
	85,951	**6,149**	**(62,821)**	**29,279**

	2021			
	Turnover £'000	**Other income £'000**	**Operating expenditure £'000**	**Operating surplus £'000**
Social housing lettings (Note 3a)	**86,795**	**-**	**(57,801)**	**28,994**
Other social housing activities				
First tranche low cost home ownership sales	2,248	1,053	-	3,301
Gain on disposal of housing properties	-	3,196	-	3,196
Other	53	-	(48)	5
	2,301	**4,249**	**(48)**	**6,502**
Activities other than Social Housing (Note 3b)	**510**		**(434)**	**76**
	89,606	**4,249**	**(58,283)**	**35,572**

Note: Other income includes £465k (2021: £550k) of donations received under the gift aid scheme from group entities.

Accounting Direction 2022 Part 1
Material items of social housing activity should be separately identified.

Where material sums are involved, additional analysis should be provided.

Please note that Accounting Direction 2022 has clarified the distinction between "social housing lettings" and "other social activities", for purpose of segment reporting of the social housing activity by those two categories. Definitions for both categories can be found in the Glossary section of Accounting Direction 2022. Note, included within operating surplus is the gain/loss on disposal of social housing properties. This line needs to be included where properties have been disposed of in the ordinary course of the operating activities. Other items such as gift aid and revaluation of investment properties may also be included within operating surplus. All items within operating surplus / (deficit) should be representative of activities that would normally be regarded as 'operating'.

As the definition of operating surplus / (deficit) may be considered a critical judgment under both SORP and FRS 102, housing associations would need to consider disclosing the judgement involved in determining which items are 'operating' in nature, if such judgement can make a significant difference to users' assessment of the associations' financial performance.

3a Particulars of income and expenditure from social housing lettings

Note B in the Accounting Direction shows General needs, Supported housing and housing for older people and other income categories as a minimum but additional columns can be added.

Group					2022	2021
	General Needs housing £'000	Supported housing and housing for older people £'000	Care homes £'000	Low cost home ownership £'000	Total £'000	Total £'000
Income						
Rent receivable net of identifiable service charges	**55,132**	**14,664**	**2,103**	**663**	**72,562**	61,997
Service charge income	**7,240**	**1,804**	**486**	**622**	**10,152**	6,523
Amortised government grants	**5,596**	**810**	**225**	**45**	**6,676**	5,704
Other grants	**-**	**2,034**	**1,627**	**-**	**3,661**	3,129
Turnover from social housing lettings	**67,968**	**19,312**	**4,441**	**1,330**	**93,051**	**77,353**
Operating expenditure						
Management	**(9,601)**	**(3,525)**	**(3,355)**	**(58)**	**(16,539)**	(15,525)
Service charge costs	**(4,561)**	**(3,239)**	**(2,178)**	**(250)**	**(10,228)**	(9,601)
Routine maintenance	**(8,442)**	**(3,485)**	**(358)**	**(28)**	**(12,313)**	(11,558)
Planned maintenance	**(5,485)**	**(2,312)**	**(334)**	**(261)**	**(8,392)**	(7,877)
Major repairs expenditure	**(5,897)**	**(2,150)**	**(346)**	**(250)**	**(8,643)**	(8,113)
Bad debts	**(720)**	**(213)**	**(20)**	**-**	**(953)**	(894)
Depreciation of housing properties	**(9,517)**	**(1,464)**	**(214)**	**(91)**	**(11,286)**	(10,594)
Other costs	**(2,537)**	**(819)**	**(536)**	**(456)**	**(4,348)**	(4,082)
Operating expenditure on social housing lettings	**(46,760)**	**(17,207)**	**(7,341)**	**(1,394)**	**(72,702)**	**(68,244)**
Operating surplus/ (loss) on social housing lettings	**21,208**	**2,105**	**(2,900)**	**(64)**	**20,349**	**9,109**
Void losses	**655**	**193**	**44**	**6**	**898**	**1,199**

3a Particulars of income and expenditure from social housing lettings

Association					2022	2021
	General Needs housing £'000	Supported housing and housing for older people £'000	Care homes £'000	Low cost home ownership £'000	Total £'000	Total £'000
Income						
Rent receivable net of identifiable service charges	**51,889**	**13,049**	**1,871**	**432**	**67,241**	71,651
Service charge income	**5,537**	**1,606**	**432**	**554**	**8,129**	8,186
Amortised government grants	**2,280**	**721**	**200**	**69**	**3,270**	6,330
Other grants	**-**	**1,810**	**1,449**	**-**	**3,259**	628
Turnover from social housing lettings	**59,706**	**17,186**	**3,952**	**1,055**	**81,899**	**86,795**
Operating expenditure						
Management	**(10,386)**	**(3,137)**	**(2,986)**	**(46)**	**(16,555)**	(14,230)
Service charge costs	**(4,068)**	**(2,882)**	**(1,938)**	**(198)**	**(9,086)**	(9,750)
Routine maintenance	**(5,529)**	**(3,101)**	**(319)**	**(22)**	**(8,971)**	(7,827)
Planned maintenance	**(4,892)**	**(2,057)**	**(297)**	**(207)**	**(7,453)**	(7,742)
Major repairs expenditure	**(4,506)**	**(1,913)**	**(308)**	**(198)**	**(6,925)**	(5,773)
Bad debts	**(642)**	**(190)**	**(18)**	**-**	**(850)**	(992)
Depreciation of housing properties	**(8,035)**	**(1,303)**	**(190)**	**(72)**	**(9,600)**	(9,757)
Other costs	**(733)**	**(729)**	**(477)**	**(362)**	**(2,301)**	(1,730)
Operating expenditure on social housing lettings	**(38,791)**	**(15,312)**	**(6,533)**	**(1,105)**	**(61,741)**	**(57,801)**
Operating surplus on social housing lettings	**20,915**	**1,874**	**(2,581)**	**(50)**	**20,158**	**28,994**
Void losses	**7,783**	**652**	**94**	**65**	**8,594**	**8,343**

Note
Particulars of turnover and operating expenditure from social housing lettings should be completed even in those cases where an operating segment disclosure is required by Housing SORP 2018 paragraph 3.8. Generally speaking, the IFRS 8 operating segment disclosure requirements will impact those associations with listed debt anywhere within the group structure.

Costs should be allocated to main headings as far as possible, or additional lines added for material areas of expenditure.

The RSH guidance for the Financial Viability Accounts (FVA) return (as set out in the RSH publication Regulating the Standards) can be used as a reference in respect of Note B.

Guidance is available through the documents and templates section of the NROSH+ data collection system: https://nroshplus.regulatorofsocialhousing.org.uk/.

3b Particulars of turnover from non-social housing lettings

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Student accommodation	**862**	2,267	**483**	435
Registered nursing homes	**1,268**	2,263	**117**	75
	2,130	**4,530**	**600**	**510**

4 Accommodation in management and development

Accounting direction Part 2 33-34
PRPs must provide a full analysis of the number of units of different types of social housing accommodation for both the start and end of year and explaining reasons for the movements between these dates. If accommodation of the PRP is managed on its behalf by another body, the number of units managed by other bodies should also be disclosed.

PRPs must provide a full analysis appropriate to their operating circumstances.

At the end of the year accommodation in management for each class of accommodation was:

	Association	
	2022 No of properties	**2021 No of properties**
Social housing		
General housing:		
• social rent	**6,558**	6,373
• affordable rent	**3,947**	3,930
• shared ownership	**1,125**	1,118
Supported housing	**336**	305
Housing for older people	**2,513**	2,513
Low cost home ownership	**658**	593
Total owned	**15,137**	**14,832**
Accommodation managed for Small Housing Association Limited	**277**	391
Total owned and managed	**15,414**	**15,223**
Non-social housing		
Registered nursing homes	**50**	50
Total owned and managed	**15,464**	**15,272**
Accommodation in development at the year end	**13**	**7**

The group manages accommodation for Small Housing Association Limited, a registered social landlord operating in Wimbledon.

The group owns 40 supported housing units (2021: 35) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

Overall, there was an increase of 305 in owned properties and a decrease of 114 in managed properties. 209 new properties were developed during the year: 185 social rent, 17 affordable rent, 7 shared ownership, 31 Supported housing properties and 65 low cost home ownership.

5 Operating surplus

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

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Depreciation of housing properties	**10,501**	11,578	**8,815**	7,331
Impairment of housing properties	**785**	589	**785**	589
Depreciation of other tangible fixed assets	**5,900**	6,822	**5,900**	5,657
Surplus on disposal tangible fixed assets	**4,496**	4,399	**4,776**	3,196
Operating lease rentals				
• land and buildings	**177**	165	**177**	165
• office equipment and computers	**43**	41	**43**	41
Auditors' remuneration (excluding VAT)				
• Fees payable to the Association's auditors for the audit of the parent and Group financial statements	**55**	45	**55**	45
Fees payable to the Association's auditors for other services:				
• Audit of the accounts of subsidiaries	**10**	9	**-**	-
• Tax compliance services	**5**	5	**5**	5
Total amount payable to Association's auditors	**70**	**59**	**60**	**50**

Auditor remuneration disclosures for companies
Under the Companies Act, specific disclosure is required to analyse the different elements of the audit fee between the categories as set out in SI 2008/489 (as amended by SI 2011/2198), which sets out the disclosure requirements in relation to auditor remuneration.

The Accounting Direction 2022 Part 2, paragraph 37-38 requires the amount of remuneration, exclusive of VAT, payable in the period of account including sums payable in respect of expenses, of the PRP's external auditors for the auditing of the accounts, including the basis of any apportionments of cost to the PRP, if applicable.

The amount of any remuneration, in relation to the period of account exclusive of VAT, including sums payable in respect of expenses, of the PRP's external auditors or their associates in respect of services other than those of auditing the accounts. 'Associate' has the same meaning as that set out in Schedule 1 of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.

6 Surplus on sale of fixed assets – housing properties

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Disposal proceeds	**17,820**	15,979	**17,554**	22,838
Carrying value of fixed assets	**(9,534)**	(9,975)	**(8,022)**	(18,037)
	8,286	**6,004**	**9,532**	**4,801**
Capital grant recycled (note 24)	**(3,790)**	(1,605)	**(4,756)**	(1,605)
Total surplus on disposal of fixed assets	**4,496**	**4,399**	**4,776**	**3,196**

7 Interest receivable and other income

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Interest receivable and similar income	845	863	430	464
	845	**863**	**430**	**464**

8 Interest and financing costs

FRS 102 25.3A
Where a policy of capitalisation of borrowing costs is adopted, an entity shall disclose:

a the amount of borrowing costs capitalised in the period, and
b he capitalisation rate used

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Loans and bank overdrafts	**15,515**	14,709	**14,728**	12,610
Unwinding of discounts on NPV	**828**	761	**681**	637
Defined benefit pension charge	**99**	124	**99**	124
Finance leases	**188**	185	**188**	185
	16,630	**15,779**	**15,696**	**13,556**
Interest payable capitalised on housing properties under construction	**(743)**	(459)	**(663)**	(459)
	15,887	**15,320**	**15,033**	**13,097**
Capitalisation rate used to determine the finance costs capitalised during the period	**4.6%**	**3%**	**4.4%**	**3.5%**

Finance costs
If the association has balances held at present value based on discounted cash flows, the unwinding of the discount will need to be included as a finance cost.

9 Employees

Accounting direction 2022 Part 2 34
'The average number of employees employed during the period of account expressed in full time equivalents, to be calculated on a basis disclosed by the PRP.'

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hours):

	Group		Association	
	2022 no	**2021 no**	**2022 no**	**2021 no**
Administration	**176**	156	**156**	136
Development	**84**	80	**76**	66
Housing, support and care	**399**	382	**234**	232
	659	**618**	**466**	**434**

Employee costs	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Wages and salaries	**19,156**	16,896	**17,824**	16,349
Social security costs	**1,442**	1,552	**1,515**	1,414
Other pension costs	**1,001**	1,563	**916**	1,495
	21,599	**20,011**	**20,255**	**19,258**

The association's employees are members of the Midshire County Council Pension Fund (MCCPF) or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given in note 26.

9 Employees

The full time equivalent number of staff who received remuneration (including employer pension contributions) greater than £60,000 (including the executive team):

	2022 no.	2021 no.
£60,001 to £70,000	**5**	4
£70,001 to £80,000	**3**	3
£80,001 to £90,000	**2**	2
£90,001 to £100,000	**1**	1
£100,001 to £110,000	**-**	-
£110,001 to £120,000	**1**	1

Accounting Direction Part 2 12
"The full time equivalent number of staff whose remuneration payable in relation to the period of account fell within in each band of £10,000 from £60,000 upwards. Remuneration should also include compensation for loss of office."
The Accounting Direction defines remuneration as 'payment receivable for services or employment and includes basic salary and any bonuses.' Full details of the definition are within Accounting Direction Part 2 14.
Note: This disclosure should include the number of staff who receive remuneration > £60k. We recommend that the note makes it clear where these numbers include the executive team.

10 Board members and Executive Directors

Accounting Direction Part 2 25
Aggregate costs disclosed should separately identify amounts paid to non-executive members of the board of the PRP. If non-executive Board members are not remunerated, a statement should be made to this effect.

NHF Code of Governance 2020, paragraph 3.6
Organisations paying non-executive board members have an objective mechanism for setting payment levels. This will normally be the responsibility of a committee responsible for remuneration, using independent advice. Such payment is:

- Permitted by law and by the organisation's own constitution.
- Agreed by the board as being in the best interests of the organisation.
- Aligned with the organisation's social purpose and wider reputation.
- Proportionate to the organisation's size, complexity, level of risk and resources.
- Linked to the role's responsibilities, against which performance is reviewed.
- Regularly reviewed, drawing on external advice as necessary.
- Disclosed in the organisation's annual financial statements.

Executive directors				2022	2021
	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	Total £'000
Chief Executive					
Tom Sheraton	**94**	**7**	**19**	**120**	123
Director of Finance					
Paula Large	**68**	**5**	**12**	**85**	81
Director of Development					
Ray Taylor	**61**	**4**	**11**	**76**	72
Director of Housing Services					
Alison Blake	**71**	**5**	**13**	**89**	84
	294	**21**	**55**	**370**	360

Non-executive directors			2022	2021
	Remuneration £'000	Expenses £'000	Total £'000	Total £'000
Tom Morris – (Chair)	**15**	**2**	**17**	15
Benny Johnson	**5**	**1**	**6**	5
Matthew Cox	**4**	**1**	**5**	5
Priscilla Patel (Chair of Audit and Risk Committee)	**5**	**2**	**7**	5
	29	**6**	**35**	30

The total payments to Board and Committee members is reviewed annually, taking external independent advice where appropriate and represents in 2021/22 is less than 0.04% of Group turnover. Remuneration is based on sector benchmarking data for comparable sized associations.

The disclosure on individual directors on a named basis is a recommendation for transparency only – the specific requirements of the Accounting Direction and FRS 102 are both for aggregate disclosure only. Further under the Data Protection Act 2018 consent is required from the individual to disclose personal data about them in the accounts.

11 Key management personnel

FRS 102 33.6 - Requires that the aggregate remuneration for those in the senior management team (or other team members who would be described as key management personnel) be disclosed. This should be the total employment cost incurred by the entity for this group, as defined by section 28 of FRS 102, therefore includes pensions and employers' NIC.

Separate disclosure from the remuneration of directors may be required as the amounts shown will be different for those entities reporting under the Companies Act, which defines emoluments as being amounts received by the individual, including benefits.

Accounting direction Part 2 25 - 33 requires disclosure of:
Remuneration paid to key management personnel in relation to the period of account or, where no such remuneration are so payable, a statement to that effect. The aggregate amount disclosed should separately identify sums paid to non-executive Board members, where remunerated. If non-executive Board members are not remunerated, a statement should be made to this effect.

The aggregate amount of any compensation payable to directors or past directors in relation to the period of account in respect of loss of office (whether by retirement or otherwise).

The emoluments payable to the highest paid director excluding pension contributions.

Details of the nature of the chief executive's pension arrangements stating; the nature of the scheme and how it is funded, whether they are an ordinary member of the pension scheme, whether any enhanced or special terms apply and whether they have an individual pension arrangement to which the PRP or any subsidiary makes contribution, and if so, the aggregate amount of contributions made by the PRP and any subsidiary.

The aggregate amount of any consideration payable to or receivable by third parties in relation to the period of account for making available the services of any person to perform in the role of Director of the PRP, or (while a Director of the PRP) in connection with the management of the affairs of the PRP or the affairs of any subsidiary of the PRP.

Remuneration are amounts payable by the PRP or any of its subsidiaries including:
- Wages and salaries including performance related pay
- fees and dividends
- expenses allowance (so far as chargeable to UK tax)
- pensions contributions
- termination benefits
- estimated monetary value of other benefits

Participation of key management personnel in an entity-wide defined benefit scheme:
Section 33.7 of FRS 102 requires the disclosure of key management personnel compensation in total. Such disclosure would usually include the total cost of the defined benefit scheme for key management personnel, calculated in accordance with Section 28 of FRS 102.

When key management personnel participate in an entity-wide scheme together with other employees, it may not be practicable to calculate the total defined benefit cost attributable to key management personnel. An acceptable alternative in practice is to calculate an amount which includes:

- the current service cost attributable to key management personnel (calculated in accordance with Section 28 of FRS 102); and
- the value of change in benefits accrued in the scheme that could be transferred into another pension scheme, net of management's contributions (ie. a net change in "transfer value"), if such information is available.

The aggregate remuneration for key management personnel, which includes the executive directors and other members of the senior management team, charged in the year is:

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Basic salary	**773**	749	**661**	640
Benefits in kind	**30**	29	**25**	25
Employers NIC	**109**	106	**93**	90
Pension contributions	**79**	77	**68**	66
	991	**961**	**847**	**821**

The Chief Executive is a member of the Social Housing 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 pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2021: £nil).

Directors' remuneration – Companies Act 2006 requirements: Where an association is incorporated under the Companies Act 2006, additional disclosures may be required under Schedule 5 to SI 2008/410.

Additional disclosures for such companies include:

- amounts relating to the highest paid director if the aggregate amounts for directors' remuneration exceeds £200,000
- excess retirement benefits paid to directors or former directors

12 Tax on surplus on ordinary activities

FRS 102 29.27
b the reconciliation between:
 i the tax expense included in surplus or deficit; and
 ii the surplus or deficit on ordinary activities before tax multiplied by the applicable tax rate
d an explanation of changes in the applicable tax rate(s) compared with the previous reporting period.

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Current tax				
UK corporation tax on surplus for the year	**(3)**	2	**-**	-
Adjustments in respect of prior years	**48**	31	**-**	-
Total current tax	**45**	33	**-**	**-**
Deferred tax				
Net origination and reversal of timing differences (note 27)	**899**	777	**-**	-
Total tax on results on ordinary activities	**944**	**810**	**-**	**-**

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 0.3% (2021: 0.6%). The differences are explained as follows:

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Total tax reconciliation				
Surplus on ordinary activities before tax	**15,304**	5,384	**14,650**	23,202
Theoretical tax at UK corporation tax rate 20% (2021: 20%)	**3,061**	1,077	**2,930**	4,640
Income not taxable	**(1,463)**	(700)	**(2,172)**	(4,640)
Charitable tax exemption	**(758)**	-	**(758)**	-
Non-deductible expenditure	**56**	431	**-**	-
Adjustments to tax in respect of prior periods	**48**	2	**-**	-
Total tax charge*	**944**	**810**	**-**	**-**

The aggregate deferred tax relating to items that are recognised as items of other comprehensive income is £223k (2021: £223k).

* Note: Reconcile to total tax, i.e. including deferred tax.

In these model accounts, we have assumed UK corporation tax to be at 20% for illustrative purposes only. Associations should ensure that they check the correct UK corporation tax that is applicable to their entity's accounting period.

13 Intangible fixed assets

Group	Computer software £'000	Total £'000
Cost		
At 1 April 2021	**4,355**	**4,355**
Additions	1,955	1,955
At 31 March 2022	**6,310**	**6,310**
Amortisation		
At 1 April 2020	3,262	3,262
Charge for the year	1,055	1,055
At 31 March 2022	**4,317**	**4,317**
Net book value		
At 31 March 2022	**1,993**	**1,993**
At 31 March 2021	1,093	1,093

Association	Computer software £'000	Total £'000
Cost		
At 1 April 2021	**4,355**	**4,355**
Additions	555	555
At 31 March 2022	**4,910**	**4,910**
Amortisation		
At 1 April 2020	3,262	3,262
Charge for the year	988	988
At 31 March 2022	**4,250**	**4,250**
Net book value		
At 31 March 2022	**660**	**660**
At 31 March 2021	1,093	1,093

14 Fixed assets – housing properties

Group – housing properties	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total housing properties £'000
Cost [or revaluation]				
At 1 April 2021	**733,220**	**12,093**	**9,543**	**754,856**
Additions	1,539	25,175	452	27,166
Works to existing properties	14,013	-	-	14,013
Interest capitalised	-	4	-	4
Schemes completed	14,451	(14,451)	-	-
[Revaluation gain/loss]	-	-	-	-
Disposals	(10,404)	-	(233)	(10,637)
At 31 March 2022	**752,819**	**22,821**	**9,762**	**785,402**
Depreciation and impairment				
At 1 April 2021	**102,183**	**-**	**414**	**102,597**
[Revaluation adjustment]	-	-	-	-
Depreciation charged in year	10,410	-	91	10,501
Impairment charged in year	785	-	-	785
Released on disposal	(1,080)	-	(23)	(1,103)
At 31 March 2022	**112,298**	**-**	**482**	**112,780**
Net book value				
At 31 March 2022	**640,521**	**22,821**	**9,280**	**672,622**
At 31 March 2021	631,037	12,093	9,129	652,259

FRS 102.17.32A
If the entity holds property at a revalued amount, it will need to include detail of the valuation; date, valuer, method, assumptions. The notes will also need to include the historical cost table. This is applicable whether that is an on-going policy for revaluing properties or the one-off transition option to carry properties at their deemed cost.

Association – housing properties	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total housing properties £'000
Cost (or revaluation)				
At 1 April 2021	**713,565**	**12,093**	**9,543**	**735,201**
Additions	1,092	25,175	452	26,719
Works to existing properties	11,249	-	-	11,249
Interest capitalised	-	4	-	4
Schemes completed	14,451	(14,451)	-	-
[Revaluation gain/loss]	-	-	-	-
Disposals	(8,638)	-	(233)	(8,871)
At 31 March 2022	**731,719**	**22,821**	**9,762**	**764,302**
Depreciation and impairment				
At 1 April 2020	96,128	-	414	96,542
Depreciation charged in year	8,724	-	91	8,815
Impairment charged in year	785	-	-	785
[Revaluation adjustment]	-	-	-	-
Released on disposal	(826)	-	(23)	(849)
At 31 March 2022	**104,811**	**-**	**482**	**105,293**
Net book value				
At 31 March 2022	**626,908**	**22,821**	**9,280**	**659,009**
At 31 March 2021	617,437	12,093	9,129	638,659

Valuation
Where properties are held at their revalued amounts, whether this is because the PRP has adopted a policy of revaluation, or took deemed cost on transition to FRS 102, the disclosures shown below must be included. This is in accordance with both FRS 102.17.32A and the Companies Act where applicable.

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs. As at 31 March 2022, the group's housing properties have been valued by WRH Churchill Chartered Surveyors, professional external valuers.

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Discount rate	**4.5%**
Annual inflation rate, after first two years	**2.0%**
Level of long-term annual rent increase	**2.0%**

The carrying value of housing properties that would have been included in the financial statements had the assets been carried at historical cost less accumulated depreciation is as follows:

Group and association	2022 £'000.	2021 £'000.
Housing properties at historical cost	**586,942**	549,221
Accumulated depreciation	**(75,849)**	(68,926)
	511,093	**480,295**

Expenditure on works to existing properties	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Improvement works capitalised	**13,277**	12,173	**13,277**	12,173
Components capitalised	**27,166**	23,592	**27,166**	23,592
Amounts charged to income and expenditure	**19,454**	19,011	**23,925**	22,836
	59,897	**54,776**	**64,368**	**58,601**

Accounting direction Part 2 21
PRPs should disclose the total accumulated amount of financial assistance and other government grant received or receivable at the reporting date. This includes social housing grant.

Social housing assistance	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Total accumulated social housing grant received or receivable at 31 March:				
Recognised in the Statement of Comprehensive Income	**3,244**	3,122	**3,244**	3,122
Held as deferred income	**172,060**	173,746	**172,060**	173,746
	175,304	**176,868**	**175,304**	**176,868**

Finance costs	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Aggregate amount of finance costs included in the cost of housing properties	**740**	736	**740**	736

Impairment

SORP 14.12
Associations must determine the level at which an impairment is to be assessed (i.e. at asset or cash-generating unit level) before performing the impairment review. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The group considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2018. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or CGU. In making the assessment of the recoverable amount, the group considers that value in use which takes into account the service potential of the CGUs is appropriate. Where value in use - service potential (VIU-SP) is to be determined, the calculation of Depreciated Replacement Cost (DRC) is considered a suitable measurement model.

Based on this assessment, we calculated the DRC using appropriate construction costs and land prices of each social housing property scheme. In these circumstances we consider the DRC to be the recoverable amount. Where the carrying amount is greater than the recoverable amount, an impairment loss of the difference between the two, is taken to the income and expenditure account and a corresponding entry is made to reduce the carrying value of the asset. An impairment charge has been made this year of £785k (2021: £589k).

15 Tangible fixed assets – other

Group and association	Freehold offices £'000	Long leasehold property £'000	Computers and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost					
At 1 April 2021	**55,277**	**23,931**	**15,061**	**19,292**	**113,561**
Additions	3,560	1,775	3,523	2,225	11,083
Disposals	-	-	(1,096)	(4,553)	(5,649)
At 31 March 2022	**58,837**	**25,706**	**17,488**	**16,964**	**118,995**
Depreciation					
At 1 April 2021	**21,811**	**7,198**	**8,369**	**9,252**	**46,630**
Charged in the year	1,038	514	2,879	1,469	5,900
Released on disposal	-	-	(958)	(4,553)	(5,511)
At 31 March 2022	**22,849**	**7,712**	**10,290**	**6,168**	**47,019**
Net book value					
At 31 March 2022	**35,988**	**17,994**	**7,198**	**10,796**	**71,976**
At 31 March 2021	33,466	16,733	6,692	10,040	66,931

The net book value of other tangible fixed assets includes £19,832k (2021: £17,931k) in respect of assets under finance leases.

16 Investment properties non-social housing properties held for letting

FRS 102.16.10

An entity shall disclose the following for all investment property accounted for at fair value:

a methods and significant assumptions applied in determining the fair value of the investment property
b the extent to which the fair value is based on a valuation by a professional valuer
c a reconciliation between the carrying amounts of investment property at the beginning and end of the period.

Group	2022 £'000	2021 £'000
At 1 April	**19,465**	**12,454**
Additions	**1,129**	6,464
Increase in value	**764**	547
At 31 March	**21,358**	**19,465**

Association	2022 £'000	2021 £'000
At 1 April	**23,807**	**16,796**
Additions	**5,630**	6,464
Increase in value	**764**	547
At 31 March	**30,201**	**23,807**

Investment properties were valued as at 31 March 2022. The group's and association's investment properties have been valued by WRH Churchill Chartered Surveyors, professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	**4.5%**
Annual inflation rate, after first two years	**2.0%**
Level of long-term annual rent increase	**2.0%**

17 HomeBuy loans

Group and association	2022 £'000	2021 £'000
At 1 April	**908**	**1,110**
New loans issued	373	-
Redeemed in year	(38)	(169)
Loans provided against	(21)	(33)
At 31 March	**1,222**	**908**

These loans are secured on the properties and are to be repaid in line with the terms of the scheme. There is no interest charge in the first 5 years, then interest is charged at 1.75%.

18 Investments in subsidiaries

As required by FRS 102 and the Housing SORP, the financial statements consolidate the results of New Housing Limited, Friends Housing Association Limited and AHP Limited, which were wholly owned subsidiaries of the association at the end of the year. The association has the right to appoint members to the boards of the three subsidiaries and thereby exercises control over them.

New Housing Limited and Friends Housing Association are registered providers of social housing. AHP Limited, is a non-regulated registered company under the Companies Act 2006. The registered office is the same for all of the group entities. Affordable Housing Provider is the ultimate parent undertaking.

Group and association	Investment in subsidiaries £'000
Cost	
At 1 April 2021	**4,956**
Additions in the year	-
At 31 March 2022	**4,956**
Accumulated impairment	
At 1 April 2021	**1,378**
Impairment loss	-
At 31 March 2022	**1,378**
Net book amount at 31 March 2022	**3,578**
Net book amount at 31 March 2021	3,578

Accounting direction 2022 2-3

PRPs must include an analysis of intra group transactions between registered and unregistered entities within a group, to demonstrate a transparency in the flow of funds and allocation of overheads. This includes transactions with associate, subsidiary or another group member which is not a PRP or an unregistered entity.

Disclosure should include:

- description of any significant apportionment, recharge or allocation of turnover, costs, assets and liabilities,
- the aggregate turnover, costs, assets or liabilities which have been apportioned or allocated,
- specifying which associates, subsidiaries or other group members have been involved in the apportionment or allocation,
- include any cross guarantees, debts between group entities or financial support made across group members.

During the year, the association recharged amounts to AHP Limited, an unregistered entity:

	2022 £'000	2021 £'000	Allocation basis
Management services	**572**	556	Percentage of payroll costs
Recharge of rent on property	**86**	78	Square footage
	658	**634**	

The amounts owed by group undertakings as disclosed in Note 20 of £5,673k (2021: £2,354) is with AHP Limited.

19 Stock

Group and association	2022 £'000	2021 £'000
Shared ownership properties:		
Completed properties	**254**	265
Work in progress	**1,362**	905
Properties developed for outright sale	**432**	103
	2,048	**1,273**

20 Debtors

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Due within one year				
Rent and service charges receivable*	**2,433**	2,686	**2,403**	2,660
Less: provision for bad and doubtful debts	**(916)**	(631)	**(946)**	(614)
	1,517	**2,055**	**1,457**	**2,046**
Other debtors	**3,376**	1,165	**2,380**	1,068
Prepayments and accrued income	**2,430**	3,662	**2,055**	3,548
Amounts owed by group undertakings	**-**	-	**5,673**	2,354
	7,323	**6,882**	**11,565**	**9,016**
Due after more than one year				
Prepayments and accrued income	**237**	360	**237**	360
	7,560	**7,242**	**11,802**	**9,376**

Prepayments due after more than one year relate to prepaid costs on long-term leases.

*** Accounting direction Part 2 42**
The note should include disclosure of any NPV adjustment to rental arrears where a repayment schedule is in place and the adjustment is material and the amount of any provisions for bad and doubtful debts. Note, the unwinding of the discount is recognised as a finance cost.

Rents paid in advance should be shown as a creditor, not netted off against arrears.

21 Creditors: amounts falling due within one year

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Debt (note 25)	**2,501**	2,993	**204**	492
Trade creditors	**5,419**	4,836	**6,622**	4,417
Rent and service charges received in advance	**1,252**	1,008	**1,040**	815
Amounts owed to group undertakings	**-**	-	**127**	169
Recycled capital grant fund (note 24)	**1,624**	1,533	**1,624**	1,533
Deferred grant income (note 23)	**3,441**	3,474	**3,441**	3,474
Corporation tax	**45**	33	**-**	-
Other taxation and social security	**566**	336	**566**	502
Other creditors	**660**	376	**660**	502
Accruals and deferred income	**568**	3,447	**329**	3,278
Obligations under finance leases	**256**	239	**256**	239
Obligations under finance leases	**16,332**	18,275	**14,869**	15,421
	16,332	**18,275**	**14,869**	**15,421**

The amounts owed to group undertakings is with the association's subsidiary New Housing Limited, a registered provider of social housing.

22 Creditors: amounts falling due after more than one year

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Debt (note 25)	**416,497**	415,828	**415,938**	411,224
Amounts owed to group entities	**-**	-	**13,741**	16,342
Recycled capital grant fund (note 24)	**4,042**	3,375	**4,042**	3,375
Deferred grant income (note 23)	**168,619**	170,272	**168,619**	170,272
Other creditors	**1,919**	3,584	**-**	-
Obligations under finance leases	**1,166**	847	**1,166**	847
	592,243	**593,906**	**603,506**	**602,060**

The amounts owed to group undertakings is with the association's subsidiary Friends Housing Association, a registered provider of social housing.

23 Deferred grant income

	2022 £'000	2021 £'000
At 1 April	**173,746**	**176,079**
Grant received in the year	**2,213**	1,792
Released to income in the year	**(3,899)**	(4,125)
At 31 March	**172,060**	**173,746**

	2022 £'000	2021 £'000
Amounts to be released within one year	**3,441**	3,474
Amounts to be released in more than one year	**168,619**	170,272
	172,060	**173,746**

24 Recycled capital grant fund

Accounting Direction 2022 Part 2 41
In respect of the recycled capital grant fund:

a a reconciliation between the balance held at the beginning of the period of account and the balance at the end of the period of account, showing amounts added into and taken out of the RCGF,

b the source and use or allocation of funds should be disclosed,

c the amounts which are outstanding for three or more years or otherwise potentially due for repayment to the Homes England or the Greater London Authority.

Any amount is to be considered material. Refer to Accounting Direction Annex 2 (format of disclosure).

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 April	**4,908**	**5,408**	**4,908**	**5,408**
Grants recycled	**3,790**	1,605	**4,756**	1,605
Interest accrued	**15**	25	**15**	25
Recycling of grant: new build	**(1,949)**	(768)	**(2,915)**	(917)
Major repairs and works to existing stock	**(204)**	(1,130)	**(204)**	(981)
Transfers to other PRPs	**(565)**	(232)	**(565)**	(232)
	5,995	4,908	**5,995**	4,908
Repayment of grant to Homes England/GLA	**(329)**	-	**(329)**	-
At 31 March	**5,666**	**4,908**	**5,666**	**4,908**
Amount of grant due for repayment	**-**	**329**	**-**	**329**

25 Debt analysis

Borrowings	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Due within one year				
Bank overdraft	**645**	1,212	**204**	492
Bank loans	**1,856**	1,781	**-**	-
Other loans	**-**	-	**-**	-
	2,501	**2,993**	**204**	**492**
Due after more than one year				
Bank loans	**421,785**	420,744	**419,035**	414,045
Other loans	**161**	161	**161**	161
Less: issue costs	**(5,449)**	(5,077)	**(3,258)**	(2,982)
	416,497	**415,828**	**415,938**	**411,224**
Total borrowings	**418,998**	**418,821**	**416,142**	**411,716**

Security

Accounting Direction 39 and 40

Local authority and other loans are secured by fixed charges on individual properties. The bank loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties.

Terms of repayment and interest rates

Accounting Direction 39 and 40

The other loans from local authorities are repaid in half-yearly instalments, over the estimated life of the scheme on which the loan is secured, at fixed rates of interest ranging from 5% to 7.5%. The final instalments fall to be repaid in the period 2020 to 2050. The bank and other loans are repaid in half-yearly instalments at fixed rates of interest ranging from 5.6% to 8.1%. The final instalments fall to be repaid in the period 2020 to 2028. The loans contain 'two-way break clause' which is applicable where the loan is repaid early and could result in a break cost or a break gain. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only.

At 31 March 2022 the group had undrawn loan facilities of £35m (2021: £36m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Within one year or on demand	**2,501**	**2,993**	**204**	**492**
One year or more but less than two years	**2,928**	3,295	**204**	492
Two years or more but less than five years	**9,076**	10,214	**632**	1,525
Five years or more	**404,493**	402,319	**415,102**	409,207
	418,998	**418,821**	**416,142**	**411,716**

Obligations under finance leases	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Due within one year	**256**	239	**256**	239
Due after more than one year	**1,166**	847	**1,166**	847
	1,422	1,086	**1,422**	1,086

The obligations under finance leases are repayable by equal instalments in less than five years. Finance leases relate to vehicles used by the Association. A purchase option is available at the end of each three year lease.

FRS 102 20.13(c)
A general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, sub leases and restrictions should be disclosed.

26 Pensions

FRS 102 28.41 - This section sets out the disclosure requirements for defined benefit pension schemes.

Midshire County Council Pension Fund (MCCPF) – Group and Association

The MCCPF is a multi-employer scheme, administered by Midshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2021 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2022 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2022 is £5,137k (2021: £4,454k).

The employer's contributions to the MCCPF by the association for the year ended 31 March 2022 were £1,450k (2021: £1,435k) at a contribution rate of 13.3% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2022 has been set at 14.5%. Estimated employer's contributions to the MCCPF during the accounting period commencing 1 April 2022 are £1,560k.

Social Housing Pension Scheme (SHPS) – Group and Association

The association participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a 'last man standing' arrangement. Therefore, the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

On 1 April 2019, sufficient information became available for the association in respect of SHPS to account for its obligation on a defined benefit basis and was therefore first reflected in the year ended 31 March 2020.

The most recent formal actuarial valuation was as at 30 September 2021 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2022 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2022 is £8,090k (2021: £6,464k).

Midshire County Council Pension Fund (MCCPF) – Group and Association

GMP Equalisation and McCloud financial reporting implications on the Local Government Pension Scheme (LGPS)

Associations should liaise with their actuaries and auditors on ensuring that any GMP Equalisation and McCloud obligations are appropriately accounted for in the financial statements and that any relevant disclosures are included in the notes to the accounts where necessary.

For most housing associations, the GMP equalisation and McCloud impact on LGPS where material, should have been included in the year ended 31 March 2020, when arriving at the LGPS defined benefit liability, therefore, in such cases, any changes in the underlying assumptions since initial recognition is considered a remeasurement, thus recognised in other comprehensive income for the current year. Where material, the disclosures should include information on the amounts charged to the Statement of Comprehensive Income.

On 20th November 2020, the High Court handed down its judgment in the latest instalment of the Lloyds GMP equalisation case. It concluded that pension schemes will need to consider whether to review historic transfer values and determine whether such transfers need to be topped up where these were calculated on an unequal basis. The ruling indicates that there is an obligation on the pension trustees to top up transfer values paid since 17 May 1990 and that trustees of such schemes should be proactive in considering their obligations coming out from this judgment.

Associations should have spoken to their actuaries to calculate the impact of this latest ruling on their defined benefit schemes and where material, they should have recognised a liability and a corresponding past service cost in their financial statements ending 31 March 2021, even if no claim was made at the reporting date.

Reconciliation of opening and closing balances of the present value of scheme liabilities	2022 £'000	2021 £'000
Opening scheme liabilities	**34,941**	**35,516**
Current service cost	**960**	652
Interest cost	**2,899**	1,229
Losses (gains) due to benefit changes	**(1,211)**	(1,423)
Actuarial gains (losses)	**(930)**	(390)
Net benefits paid	**(778)**	(643)
Closing scheme liabilities	**35,881**	**34,941**

Reconciliation of opening and closing balances of the fair value of plan assets	2022 £'000	2021 £'000
Opening fair value of plan assets	**28,102**	**26,188**
Interest income	**984**	970
Return on plan assets in excess of interest income	**441**	595
Actuarial gains (losses)	**(797)**	(725)
Contributions by employer	**637**	659
Benefits paid	**(2,778)**	(2,495)
Closing fair value of plan assets	**26,589**	**28,102**

Amounts recognised in surplus or deficit	2022 £'000	2021 £'000
Current service cost	729	653
Loss on settlements	**-**	-
Amounts charged to operating costs	**729**	**653**
Net interest	**99**	124
Amounts charged to other finance costs	**99**	**124**

Principal actuarial assumptions: Financial assumptions	31 March 2022 % per annum	31 March 2021 % per annum
Discount rate	**3.6%**	3.5%
Future salary increases	**3.5%**	3.5%
Future pension increases	**2.0%**	2.0%
Inflation assumption	**3.1%**	2.0%
Amounts charged to other finance costs	**99**	124

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2022 and March 2021 are based on the PA92 series.

The assumed life expectations on retirement at age 65 are:

	2022 No. of years	2021 No. of years
Retiring today:		
Males	**23.3**	22.5
Females	**25.8**	25.8
Retiring in 20 years:		
Males	**25.6**	24.4
Females	**28.1**	27.1

	2022	2021
	£'000	£'000
Actual return on scheme assets	**(1,827)**	2,035

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

	2022 %	2021 %
Equities	**62.2**	59.9
Gilts	**14.1**	16.9
Bonds	**5.4**	6.8
Properties	**7.3**	6.5
Cash	**0.8**	1.3
Other	**10.2**	8.6

Social Housing Pension Scheme (SHPS) – Group

The below disclosures have been included for illustrative purposes only. Associations should ensure that they have included the latest disclosures for SHPS in the notes to the accounts. Please visit the TPT Retirement Solutions (TPT) website for more details.

GMP Equalisation and impact on the Social Housing Pension Scheme (SHPS)
Associations will need to consider the accounting treatment of the GMP Equalisation liability where it is significant to the financial statements. For most housing associations, the GMP equalisation impact where material, should have been included in the year ended 31 March 2021, when arriving at the SHPS defined benefit liability, therefore, in such cases, any changes in the underlying assumptions since initial recognition is considered a remeasurement, thus recognised in other comprehensive income for the current year. Where material, the disclosures should include information on the amounts charged to the Statement of Comprehensive Income.

Reconciliation of opening and closing balances of the present value of scheme liabilities	2022 £'000	2021 £'000
Opening scheme liabilities as at 1 April 2021	**14,088**	**13,415**
Current service cost	**1,908**	808
Interest cost	**1,482**	1,308
Losses (gains) due to benefit changes	**(650)**	(400)
Actuarial gains (losses)	**(525)**	(475)
Net benefits paid	**(758)**	(568)
Closing scheme liabilities as at 31 March 2022	**15,545**	**14,088**

Reconciliation of opening and closing balances of the fair value of plan assets	2021 £'000	2020 £'000
Opening fair value of plan assets as at 1 April 2021	**10,099**	**10,864**
Interest income	**748**	484
Return on plan assets in excess of interest income	**716**	368
Actuarial gains (losses)	**(658)**	853
Contributions by employer	**548**	437
Benefits paid	**(3,998)**	(2,997)
Closing fair value of plan assets as at 31 March 2022	**7,455**	**10,099**

Amounts recognised in surplus or deficit	2022 £'000	2021 £'000
Current service cost	**751**	**619**
Loss on settlements	**-**	-
Amounts charged to operating costs	**751**	**619**
Net interest	**210**	110
Amounts charged to other finance costs	**210**	**110**

Principal actuarial assumptions: Financial assumptions	31 March 2022 % per annum	31 March 2021 % per annum
Discount rate	**2.48%**	3.48%
Future salary increases	**3.21%**	3.5%
Future pension increases	**2.0%**	2.0%
Inflation assumption (RPI)	**3.21%**	2.0%
Inflation assumption (CPI)	**2.21%**	2.0%

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at 31 March 2022.

The assumed life expectations on retirement at age 65 are:	2022 No. of years	2021 No. of years
Retiring today:		
Males	**21.7**	23.1
Females	**23.4**	25.6
Retiring in 20 years:		
Males	**23.0**	25.4
Females	**24.6**	28.0

	2022 £'000	2021 £'000
Actual return on scheme assets	**(1,827)**	2,035

Major categories of plan assets as a percentage of total plan assets	2022 %	2021 %
Equities	**65.1**	59.9
Gilts	**12.1**	16.9
Bonds	**7.5**	6.8
Properties	**4.3**	6.5
Cash	**0.8**	1.3
Other	**10.2**	8.6

27 Provisions for liabilities – deferred tax

FRS 102 21.14
The provision for the opening and closing position must be shown with any movements shown in the table. Disclosure must also be made to state the nature of the provision if not disclosed already within the accounting policies. Comment must also be included about any uncertainties about the amount or timing and any expected reimbursement.

Group and association	Deferred taxation £'000
At 1 April 2021	**848**
Adjustment in respect of prior years	48
Deferred tax charged to the income and expense in arriving at the surplus for the year	899
Deferred tax charge to OCI in arriving at the total comprehensive income for the year	223
At 31 March 2022	**2,018**

	2022 £'000	2021 £'000
Accelerated capital allowance	**1,595**	1,213
Defined benefit pension scheme - Midshire County Council Pension Fund (MCCPF)	**(758)**	(215)
Defined benefit pension scheme –SHPS obligation	**(1,158)**	(1,215)
Revalued investment properties	**2,339**	1,065
	2,018	**848**

FRS 102 29.27 (c), (e) and (f)

The amount of the net reversal of deferred tax expected to occur next year is £758k (2020: £548k), relating to the reversal of existing timing differences on tangible fixed assets, revalued investment properties and defined benefit pension schemes. Unused tax losses totalled £nil (2020: £nil). The Association parent entity had no deferred tax provision at the year end (2020:£nil). In the year ended 31 March 2021 a deferred tax asset of £1,158k (2020: £1,215k) has been recognised relating to the SHPS defined benefit liability and £758k (2020: £215k) has been recognised relating to the Midshire County Council Pension Fund (MCCPF).

28 Share capital

The association is limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the association winding up.

Number of members	2022 no.	2021 no.
At 1 April	**50**	**51**
Joining during the year	**3**	1
Leaving during the year	**(2)**	(2)
At 31 March	**51**	**50**

29 Cash flow from operating activities

	2022 £'000	2021 £'000
Surplus for the year	**14,360**	3,330
Adjustments for non-cash items:		
Depreciation of housing properties	**10,501**	11,578
Depreciation of other fixed assets	**5,900**	6,822
Impairment charge	**785**	589
Amortisation of intangible assets	**1,055**	1,033
Decrease/(increase) in trade and other debtors	**(1,496)**	933
Increase/(decrease) in trade and other creditors	**(8,862)**	2,982
Increase/(decrease) in stock	**775**	149
Pension costs less contributions paid	**(9,422)**	(2,475)
Adjustments for investing or financing activities:		
Net gain on sale of fixed assets	**(4,496)**	(4,399)
Interest payable	**15,914**	(13,465)
Interest received	**(845)**	(863)
Taxation	**(4,663)**	(777)
Net cash generated from operating activities	**19,506**	**5,437**

FRS 102 paragraph 7.22 requires the disclosure of a net debt reconciliation, which is an analysis of changes in net debt from the beginning to the end of the reporting period showing changes resulting from:

- the cash flows of the entity,
- the acquisition and disposal of subsidiaries,
- new finance leases entered into,
- other non-cash changes,
- the recognition of changes in market value and exchange rate movements.

When several balances (or parts thereof) from the statement of financial position have been combined to form the components of opening and closing net debt, sufficient detail shall be shown to enable users to identify these balances. Comparative information is not required.

29a Analysis of changes in net debt

	At 1 April 2021 £'000	Cash flows £'000	New Finance lease £'000	Fair value movements £'000	Foreign exchange movements £'000	Other non-cash movements £'000	At 31 March 2022 £'000
Cash	17,236	(9,265)	-	-	(2,566)	-	**5,405**
Money market deposits at call, seven day or monthly floating rates	7,434	(2,522)	-	-	-	-	**4,912**
	24,670	(11,787)	-	-	(2,566)	-	**10,317**
Overdraft repayable on demand*	(1,212)	567	-	-	-	-	**(645)**
Bank loans due within one year	(2,993)	(25)	-	-	-	517	**(2,501)**
Bank loans due greater than one year	(415,828)	(152)	-	-	-	(517)	**(416,497)**
Finance lease obligations	(1,086)	812	(1,200)	-	-	52	**(1,422)**
Total	**(396,449)**	**(10,585)**	**(1,200)**	**-**	**(2,566)**	**52**	**(410,748)**

FRS 102.7.2 Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.

*In the model accounts, the overdraft facility is repayable on demand but excluded from cash and cash equivalents as not considered an integral part of the entity's cash management.

30 Capital commitments

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Capital expenditure				
Expenditure contracted for but not provided in the accounts	**72,660**	43,788	**72,660**	43,788
Expenditure authorised by the board, but not contracted	**58,677**	51,065	**58,677**	51,065
	131,337	**94,853**	**131,337**	**94,853**

The above commitments will be financed primarily through borrowings (£83,961k), which are available for draw-down under existing loan arrangements, with the balance (£13,376k) funded through social housing grant and property sales (£34,000k).

Accounting Direction 2022 Part 2 44 and 45
Capital funding and commitments disclosure should include;

a the aggregate amount of contracts for capital expenditure, so far as not provided for,
b the aggregate amount of capital expenditure approved by the directors which has not been contracted for,
c an indication of the proposed financing of such expenditure, showing the amount of grant, agreed loans, loans under negotiation, property sales and any other sources of funding.

Particulars shall also be given of any other financial commitments which have not been provided for and are relevant to assessing the PRP's state of affairs.

31 Contingent assets/liabilities

The group and association had no contingent assets at 31 March 2022 (2021: nil).

The group receives a capital grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties the group is required to recycle this grant by crediting the Recycled Capital Grant Fund.

At 31 March 2022, the group has disposed of components, which had received £56,000 (2021: £48,000) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of recycling the grant (as the group retains the property asset) it does have a future obligation to recycle this grant once the property is disposed of.

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements. The group and association had no other contingent liabilities at 31 March 2022 (2021: £nil).

32 Leasing commitments

FRS 102 20.13 and SORP 10.4

The total future minimum lease payments of leases are as set out below. Leases relate to shared office space in three locations and to computers.

The association and group's future minimum operating lease payments are as follows:

	2022 £'000	2021 £'000
Within one year	**313**	181
Between two and five years	**658**	644

33 Related parties

Accounting Direction 2022 Part 2 48 (see also FRS 102.33)
The Direction requires disclosure of relationships of parents and subsidiaries and registered and unregistered group or associated bodies, irrespective of whether there have been transactions between those related parties. Disclosures are also required under FRS 102.33; including:

- names and relationships of the related parties
- description of the transaction
- amounts involved in the transaction
- amounts due to or from at the reporting date
- any amounts provided for or written off in relation to the related party.

Transactions may be aggregated unless individual disclosure is necessary for an understanding of the impact of the transactions on the reporting entity.

SORP 16.9 also requires that disclosures of transactions with tenant board members are included in aggregate, regardless of whether the transactions are at arm's length or not.

Linda Carter, a member of the board, is a trustee of Friendly Charity. The charity manages the group's Supported Hostels providing special care services. During the year, the group paid management fees totalling £3k (2021: £3k) to Friendly Charity.

There are two tenant members of the board, Michael Shore and Caroline Drake. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. At the year-end £nil (2021: £nil) amounts were outstanding and rental income of £30k (2021: £31k) was received in the year.

New Housing Limited, Friends Housing Association Limited and AHP Limited are wholly owned subsidiaries of the association at the end of the year. New Housing Limited and Friends Housing Association are registered providers of social housing. AHP Limited, is a non-regulated registered company under the Companies Act 2006. Disclosures in relation to investments in subsidiaries, including details on transactions with unregistered entities is in Note 18.

Amounts owed by group undertakings is disclosed in Note 20 and amounts owed to group undertakings in Note 21 and 22.

The group considers the key management personnel to be the Board and Executive Team. Disclosures in relation to key management personnel are included in note 11.

34 Financial assets and liabilities

FRS 102 11.41
An entity shall disclose separately the carrying amounts at the reporting date of financial assets and financial liabilities measured at fair value through profit or loss. This disclosure may be made separately by category of financial instrument. Financial liabilities that are not held as part of a trading portfolio and are not derivatives shall be shown separately.

The disclosures in the table below include both the required disclosures and also includes best practice disclosures to aid the understanding of the users of the accounts.

Categories of financial assets and financial liabilities	**2022 £'000**	**2021 £'000**
Financial assets that are debt instruments measured at amortised cost	**19,527**	31,912
Financial liabilities measured at fair value through surplus or deficit	**(93,477)**	(94,751)
Financial liabilities measured at amortised cost	**(517,716)**	(516,653)
Total	**(519,666)**	**(579,492)**

FRS 102 11.48A
Certain disclosures are required for financial instruments at fair value through surplus or deficit that are not held as part of a trading portfolio and are not derivatives. This should include information on the nature and extent of the relevant risks arising.

FRS 102 11.48(f) - Financial risk management
Information that enables users of the entity's financial statements to evaluate the nature and extent of relevant risks arising from financial instruments to which the entity is exposed at the end of the reporting period. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk. The disclosure should include both the entity's exposure to each type of risk and how it manages those risks.

FRS 102.11.48A(f) risk disclosures only apply if the entity measures financial instruments at fair value through profit and loss in accordance with paragraph 36(4) of Schedule 1 to the Regulations (in the case of those incorporated under the Companies Act 2006).

However, even if this is not applicable the association should give financial instruments risk disclosures in its directors' report if material for an understanding of its financial position and performance.

In addition, FRS 102.11.43 states that when the risks arising from financial instruments are particularly significant to the business (for example because they are principal risks for the entity), additional disclosure may be required.

This risk disclosure would be included in the Directors report to comply with SI 2008/410 7 Sch 6, or in the accounts to comply with FRS 102.11.48A(f). The latter only applies if there are financial instruments at fair value (which is the case in these model accounts).

Associations should disclose the financial risks in accordance with the above requirements. Where these disclosures are reported in the notes to the accounts in accordance with FRS 102.11.48A(f), the association should cross refer to this note in the directors' report.

Financial risk management

Risk management objectives and policies

The Board govern the treasury activities of all the group's legal entities. The association's centralised treasury function is responsible for the management of funds and control of associated risks, with responsibility for the management of liquidity, interest rate and counterparty risk. The strategy has an overriding objective of the avoidance of unacceptable risk, with surplus cash being invested with approved counterparties (banks and money market funds) in line with Treasury Management Policy that defines credit quality criteria and maximum exposure limits.

The main risk facing the group is that it will be unable to make its interest or principal payments when they fall due. This risk is through funding being arranged under secured loan agreements, which is backed by housing assets of the group and association. The bank loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties.

Affordable Housing Provider benefits from 'A3' credit rating from Moody's Investor Services.

Counterparty risk

The group maintains a formal counterparty policy in respect of those institutions where surplus funds may be deposited. Deposits are made either in call accounts, or where the notice period is no more than one year. In addition, the credit ratings of institutions are regularly reviewed and form part of any investment decision.

It is recognised that the current economic uncertainties driven by Covid 19 and Brexit could put financial institutions under increased stress due to a prolonged period of loan defaults. The failure of a counterparty is deemed a low risk but the group treasury function will continue to ensure that cash balances held are spread over several counterparties.

Interest rate risk

The group borrows from banks at varying types of interest rates; both fixed and floating rates including interest at rates based on SONIA. Scenario analysis has been run to assess the sensitivity of the floating debt to movements in interest rates. The group does not have any material non- Sterling or exchange rate exposures.

Market risk

The group's financial assets and liabilities do not create any material exposure to price, foreign exchange or other market risks.

Liquidity risk

Liquidity is a key risk which is managed using well established cash forecasting and business planning process which are regularly stress tested using single and multi variate scenarios. The association's operations are financed through a mixture of generated cash flows, government grants for development activities and loan borrowings. The interest rate strategy is regularly reviewed and aims to achieve a conservative balance between fixed and variable debt at an acceptable level of risk and cost. Covenant compliance and sensitivity analysis of interest rates are monitored on a regular basis.

It is considered that the group has sufficient financial resources to make debt repayments, and therefore the risk of being unable to meet its financial obligations to these lenders is considered to be low.

Credit risk

Credit risk is a significant risk to the group and is subject to enhanced consideration following the introduction of Welfare Reform and Universal Credit changes, specifically the government's decision to transfer benefit payments directly to some tenants. Note 20 sets out the level of bad and doubtful debts provided at the year end.

Detailed scenario planning is used to estimate the impact of any government policy changes on existing and future tenancies. The business plan takes account of these changes in setting future levels of customer indebtedness. The risk is mitigated with the mechanisms established to support and sustain tenancies and focus on affordability as part of the tenancy allocation processes.

The following disclosures would be repeated for each relevant item	2022 £'000	2021 £'000
The amount of change during the period attributable to changes in the credit risk*	**-**	-
The difference between the financial liability's carrying amount and the amount the entity would be contractually obliged to pay at maturity	**12,889**	13,450

*calculated as the amount of change in fair value not attributable to changes in market conditions that give rise to market risk.

Financial liabilities excluding trade creditors – interest rate risk profile

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

	2022 £'000	2021 £'000
Fixed rate	**104,749**	104,705
Floating rate	**314,249**	314,116
Total borrowings	**418,998**	**418,821**

The floating rate financial liabilities comprise bank loans that bear interest at rates based on SONIA. The fixed rate financial liabilities have a weighted average interest rate of 6.83 % (2021: 6.70%) and the weighted average period for which it is fixed is 24 years (2021: 25 years).

The debt maturity profile is shown 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:

	2022 £'000	2021 £'000
Expiring in more than two years	**35,144**	**35,893**

Appendix A

Amendments to the Affordable Housing Provider – 31 March 2022

This section summarises the major amendments to the example accounts for March 2022, reflecting our experience of changes in financial reporting and current developments in the sector.

1. Updated the model accounts to early adopt the Accounting Direction 2022 requirements.
2. Narrative report section has been updated to include current developments ranging from sector risk profile, code of governance, diversity and inclusion reporting, Housing Ombudsman Code of Complaints, and climate-change related reporting.
   We have also identified best practice for the sector, drawing on some good practice that is equally applicable to the sector from recent FRC reviews and our observations
3. Incremental improvements to the financial statement accounting policies and notes, in particular, on going concern, impairment, judgments and estimates disclosures, climate-related risks, IBOR reform.
   We have also identified best practice for the sector, drawing on good practice that is equally applicable to the sector from the FRC 2021/20 Annual Corporate Review and Thematic Review on Going Concern and Viability.
4. Disposal Proceeds Fund – disclosure has been removed per Accounting Direction 2022 requirements.

Grant Thornton

grantthornton.co.uk

© 2022 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

DS3324