ANNUAL REPORT
and
FINANCIAL STATEMENTS

For the year ended 31 March 2023

North Wales Housing Association Ltd. Cymdeithas Tai Gogledd Cymru Ltd. is a registered society under the Co-operative and Community Benefit Societies Act 2014 Registration Number 18922R

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Board Members, Executive Directors and Professional Advisors

Board of Management

Mrs. C Dixson (Group Chair)
Ms. S. Williams (Group Vice Chair – appointed 22.09.22)
Mr W Farnell (Group Vice Chair – resigned 20.06.22)
Mr. I. Alderson
Mr D Owen
Mrs. J Roberts
Mr D James
Ms S Davies

Executive Team
Mrs. H. Kirk (Chief Executive)
Mrs. J. Owen (Finance and Resources Director and Company Secretary)
Mr. B Sadler (Operations Director) (Resigned 30.06.2022)
Ms C. Shiland (Operations Director) (Appointed 26.09.2022)

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LL31 9HL

Registered Auditors

External Auditor
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Snow Hill Queensway
Birmingham, B4 6GA

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Lloyds Banking
New Uberial House
11 Earl Grey Street
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Treasury Management
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Principal Solicitors

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Insurance Brokers
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Report of the Board of Management

We have had another successful and busy year. The outstanding achievement of the year has been achieving a two-star rating under the Best Companies to work for accreditation scheme in March 2023. We are extremely proud of this achievement which saw our score increasing by a huge 62.2 points with a placing in the top 5 housing associations in the UK (for quarter four). This was achieved through a high participation rate of 84% which confirms that this is the genuine feeling among our staff and that North Wales Housing really is a 'Great place to work'.

Our staff from across the association worked together brilliantly to get us compliant with the Renting Homes (Wales) Act 2016 by the deadline set of 01 December 2022. Significant work was undertaken to change our policies, procedures and tenancy agreements which have now become 'occupation contracts' under the new law that sees more rights being given to our residents.

We have been challenged by very high inflation and the cost-of-living crisis as have our residents. We finalised our Anti-Poverty and Financial Inclusion Strategy 2023-26 during the year as a means of tackling and avoiding poverty. Under the strategy's direction, we have been able to increase the support given to our residents during this difficult time through expanding our Income team and setting up a hardship fund that our residents can access.

The voice and satisfaction of our residents remain a priority for us. We have significantly increased our results in the recent STAR survey from 78% to 83% and have introduced a new system – 'Rant and Rave' which captures resident satisfaction once they have had contact with customer services or had a repairs job. This is currently showing satisfaction levels of 93% and 87% with repairs and customer services respectively. Significant work has also been undertaken on 'Prosiect Gwella' which sees the introduction of new housing and finance systems. Work has progressed well as we aim to launch the new systems during 2024/25. Both new systems will enable us to improve all aspects of our work.

Our investment in decarbonisation continues with a further £128k being invested in our existing properties during the year to make them more energy efficient. We were extremely proud to be shortlisted at the Northern Housing Awards 2023 for the 'Best Retrofit Initiative' for aerogel works done at one of our schemes. The works done will help to reduce the energy costs for the residents as well as reduce our carbon footprint. This investment is a small part of the £5.8m we have invested during the year in repairing, maintaining and improving our existing homes.

Our priorities continue to be the safety of our tenants, our staff, growth through providing new homes and financial resilience of the organisation. Whilst we continued to live with the effects of the pandemic and saw developers being hit by high inflation which then caused delays within the construction sector, we were still able to provide 20 new homes with a further 52 homes on-site as we continue to work with landowners and developers to deliver our ambitious development programme of 500 new homes over five years.

Despite being adversely affected by the significant cost of living increases, we have been able to strengthen our already strong financial foundations. The operating surplus for 2022/23 is £3.8m. Reserves have increased by £974k, however this includes an actuarial loss in the pension fund of £451k leaving the business as usual making a positive contribution to reserves of £1.4m. Although lower than budgeted, this is a strong result given the economic climate of 2022/23. These results were also achieved without compromising on service delivery.

Quarterly business continuity returns were made to Welsh Government during 2022/23 and the strength of our organisation and response to the pandemic and the cost-of-living crisis mean that North Wales Housing is graded low risk with our next annual judgement expected in 2023/24. The Board of Management (the 'Board') is pleased to present its report and audited financial statements for the year ended 31 March 2023.

Catherine Dixson - Chair

Strategic Report

The Board presents its strategic report on the affairs of the Group.

Introduction

North Wales Housing Association Limited was founded in 1974 and today is a successful social enterprise providing homes and delivering services to over 2,700 households across North Wales.

We fully understand the value and importance of a good home, and we aim to make a positive contribution to our local communities and continue to be a significant investor in the regional economy.

Strategic Management

Corporate Plan

Our Corporate plan sets our ambition and aspirations and our intentions towards our customers, people, our homes and our finances from 2021 to 2024. Our aim is to have a significant positive impact in North Wales, and the desired outcomes in this Corporate Plan will be how we measure our success.

Development is core to our vision for the future. We refinanced in 2019, which improved our value for money and gave us more capacity to continue to develop new homes. In our Development Strategy, we set out our ambition of providing 500 new homes over the next five years which will contribute towards the targets set by the Welsh Government for the sector as a whole.

We are now in the third year of the plan. Good progress has been made during the first two years in terms of service delivery and value for money despite the external challenges faced by Covid-19 and the cost-of-living crisis. We have maintained the highest level of regulatory judgement (Standard) for both Governance and Services and Financial Viability. The Plan can be found at:
https://www.nwha.org.uk/wp-content/uploads/2021/05/NWH-Corporate-Plan-2021-24-external.pdf

We are currently in the planning stages of the 2024-27 corporate plan having recently consulted with our staff and the board. Wider consultation with the community and our residents will follow over the next few months to ensure that the plan, and consequently our resources, focus on the areas that are important for all of our stakeholders.

Mission

Transforming lives with great homes, quality services and support

Our Vision is:

To make a difference to people’s lives, by providing homes to be proud of and creating communities in which they can thrive

Values

Our values and standards and aspirations are what make up North Wales Housing. They are what we stand for. All our people work to these values that collectively sum up the character of the organisation. Our values drive our decision making on a daily basis and the way we act will embody our values. Our core values are:

- **Open**…we are transparent in the way we work and make decisions.

- **Trust**…we do what we say we will do. We behave with honesty and integrity.
- **Responsive**… to our customers, staff and partners needs and aspirations.
- **Fairness** …we're open to all but closed to prejudice. We will actively promote equity and respect diversity.
- **Learning**…we look for better ways in the future. We acknowledge when we make mistakes and learn from them. We look outward to learn from others.

Corporate Objectives

Our five core objectives are to:

1. Provide the services our customers want, to a standard which increases customer satisfaction, and at a cost which is value for money.
2. A valued and empowered team who put the customer at the heart of everything we do.
3. Provide safe, energy efficient homes that support independent living.
4. Maintain financial strength and resilience through sound financial management and investment decisions
5. Deliver new homes to meet housing need, grow our capacity and contribute to the North Wales economy.

Performance against this Plan is reviewed on a regular basis by our leaders and Board, and the Plan is periodically updated to reflect the changing needs of our customers, the changing business environment in which we work, and the changing external influences under which we operate.

We have recently started planning and consulting on a new Corporate plan for 2024-27 that will be effective from 1st of April, 2024. We have consulted with the board, leaders and staff and will be starting on wider community and tenant consultation over the next few months.

Legal Status

North Wales Housing Association Limited (NWH or the 'Association') is a registered society under the Co-operative and Community Benefit Societies Act 2014, and is a not-for-profit organisation, which is exempt from registration with the Charity Commission.

Principal Activities

The Association and its wholly owned subsidiary company Domus Cambria Limited (the 'Group') operate in North Wales. Their principal activities are the provision of rented accommodation for people in housing need, and the commercial development of residential properties for sale.

Board Members

The Board members are listed on page 1 of the Annual Report and Financial Statements and, unless otherwise stated, served throughout the period from 1 April 2022 to the date of this report. Board members can serve for a maximum period of 9 years. Since 1 April 2020 Board members receive remuneration for their time, experience and knowledge. The rates of pay were reviewed in March and increased from April 2023. We are currently in the process of interviewing potential new board members which we hope to formally appoint in our Annual General meeting in September 2023.

Corporate Governance

The Association is governed by our Board and complies with the CHC Code of Governance. The Board meets on a bi-monthly basis to set the strategic direction for the Group, review performance against set objectives in the corporate plan, agree operating policies and strategies, consider ongoing business, and examine financial and operating performance. The Board periodically reviews its own performance in order to identify where additional experience may be needed. All Board members sign a service agreement to signify acceptance of their responsibilities. The Board is supported by an Audit and Risk Committee, Governance Committee (formerly known as the Remuneration and Membership Committee) and a Residents Panel (formerly known as the Tenants' and Communities Panel).

The Board is ultimately responsible for the strategy and control of the Association. The Audit and Risk Committee has responsibilities for both internal and external audit and internal control. Day to day operational control of the Association is delegated to the Chief Executive and other members of the Executive Team, who are appointed on standard contracts of employment.

Executive Team

The members of the Executive Team are set out on page 1. The members of the Executive Team hold no interest in the Association's or subsidiary company's share capital and, although they do not have the legal status of Directors, they act as Executives within the authority delegated by the Board.

Employees

The Association recognises that to achieve our Corporate Plan objectives it needs skilled, enthusiastic, and committed people who put our customers at the heart of everything they do. Our latest three-year People Strategy was launched in July 2021. Through the strategy, we have been able to target improvement areas and have worked very hard to improve staff retention and job satisfaction for our staff. This work has been branded under the 'Valuing our great people' umbrella and has become an integral part of what we do.

This culminated in us achieving a two-star rating under the Best Companies to work for accreditation scheme in March 2023. We are extremely proud of this achievement which saw our score increasing by a huge 62.2 points with a placing in the top 5 housing associations in the UK of the fourth quarter's results. This was achieved through a high participation rate of 84% of our people which makes it even more special.

We continue to hold regular staff listening sessions with members of the Senior Leadership Team (SLT) and all staff which gives our people an opportunity to raise concerns or share good practice with colleagues and SLT. We have reviewed terms and conditions and also carried out a salary benchmarking exercise to ensure that our people are fairly paid for the work they do. We continue to develop our agile working policy and offer flexible working arrangements wherever possible.

In 2021, we were delighted to achieve the Gold standard with the 'Investors in People'. This was an excellent improvement on the Silver awarded previously. This is based on the opinions of our staff and is an accreditation that we will be very proud of holding for the next two years.

We are also on a journey to implement a coaching culture in the organisation. An integral part of this has involved members of our Senior Leadership Team undertaking Coaching and Mentoring qualifications so that we can offer these services and support to our staff. We are also investing in our leaders with many of them currently undertaking management qualifications.

Mental Health & Wellbeing continues to be extremely important to us. We have branded our Health and Wellbeing programme as CALON. The annual CALON programme details health promotion and initiatives that NWH's enthusiastic CALON champions focus on during the year. Information is regularly shared and events organised for our people with the aim of improving their health and wellbeing.

After two years of not being able to come together as a result of the pandemic, it was very pleasing for us to be able to hold two staff conferences during the year which was an excellent opportunity for our people to come together and a chance for us to share information and consult with staff on various areas such as Decarbonisation, Service Charges and Tenant engagement.

Our Thrive group focuses on learning and development. Developing our people is extremely important to us and we have offered a number of secondment opportunities and development roles including apprenticeships during the year. We have also offered work experience opportunities.

In all areas of our work, we are committed to fair treatment regardless of race, colour, ethnic or national origin, disability, religion, age, gender, health, marital status or sexual orientation and endeavour to ensure that there are no obstacles to equality of opportunity. We are signed up to the QED award which is a quality mark for the Welsh housing sector on improving the equality and diversity impact of our organisation and in May 2023, the Board approved our Equality, Diversity and Inclusion Strategy for 2023-26. We encourage diversity among our people under the 'Great place to be yourself' banner.

Resident Voice and Satisfaction

The voice of our residents and their satisfaction is extremely important to us. We measure resident satisfaction through a number of transactional and perception surveys. Our largest sample survey is our STAR survey we carry out with all of our residents. We last conducted this survey in November 2022 to the required sample and method specified by Housemark, the sector's largest benchmarking club. 810 surveys were completed. Satisfaction levels were higher or stable across all indicators compared to last years results, with the overall satisfaction rate up 5 points to 83% of residents happy with our service, and 80% satisfied with the neighbourhood where they live, up 2 points from the previous year.

Our 2022 STAR survey results and direction of travel across the different satisfaction areas are summarised below:

bench mark	2021 result	change over time	2022 result	
82%	78%	↑	83%	satisfaction overall
81%	78%	◁▷	78%	quality of home
86%	81%	↑	85%	safety and security of home
81%	80%	↑	82%	value for money of rent
68%	61%	↑	62%	value for money of service charge
74%	69%	↑	74%	repairs and maintenance overall
67%	65%	↑	69%	listens to views and acts on them
60%	56%	↑	63%	taking part in decision making
62%	61%	↑	62%	having a say in service management
78%	71%	↑	74%	trust North Wales Housing
82%	78%	↑	80%	neighbourhood as a place to live
62%	56%	◁▷	56%	dealing with ASB

↑ statistically significant improvement ↑◁▷↓ no statistically significant change ↓ statistically significant decline

During the year, we invested in a new system – 'Rant and Rave' to capture resident satisfaction with customer service contact and the repairs service. This allows customers to voice any concerns and for both individual issues and trends to be identified promptly and responded to. This is reported to the Residents panel on a regular basis.

Residents who have had a repair carried out, or have been in contact with our customer service department, receive a survey focusing on overall satisfaction with the process, as well as open-ended questions to enable residents to share their views. These are reported to the Senior Leadership Team once a month and trends are identified so that steps can be put in place if needs be. For 2022/23:

- Transactional Repairs Satisfaction was 93%
- Transactional Satisfaction with Customer Contact was 87%

Statement of the Board's Responsibilities

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

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the surplus or deficit of the Group and Association for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with Housing Association legislation. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

Disclosure of Information to Auditors

Each of the Board members at the date of approval of this report has confirmed that:

- as far as the Board members are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Board members have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Board Statement on Internal Financial Controls

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information within the Group or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal control. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process to identify, evaluate and manage significant risks and this system has been in place throughout the year and up to the date of signing the financial statements. Key elements include ensuring that:

- formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- there is a regular, timely, accurate and comprehensive system of financial reporting, budgeting and planning against which performance and the key business risks and objectives are monitored;
- the Board has a strategy and policy on fraud, covering prevention, detection and reporting of fraud and the recovery of assets;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- there is regular review of the organisational structure and establishment with clearly defined levels of authority and division of responsibilities; and
- the Audit and Risk Committee reviews reports from management, from internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

In line with the guidance on reporting on internal controls produced by the Welsh Government in circular 02/10, the Board has reviewed the effectiveness of the systems of internal control in the year ended 31 March 2023 and found no weaknesses that would result in material losses, contingencies or uncertainties.

Events after the Year-End

There are no events after the Year-End to report.

Going Concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to credit, liquidity and cash flow risk are described in the Strategic Report. North Wales Housing entered the cost-of-living crisis in good financial health and this position has been maintained. Liquidity is good with access to £18m in the form of a revolving credit facility. Interest cover headroom for 2022/23 is £543,000.

We continue to demonstrate a healthy financial position from both a liquidity and covenant headroom perspective. We have the security of a bad debt provision and have fixed many of our contracts to offer us more financial security in light of the cost-of-living crisis faced by the country. We have also reviewed our business plan and deem it to be robust with sufficient provisions in place to safeguard the Association.

Despite our rent arrears increasing slightly during the year, this is a good result in the middle of a cost-of-living crisis, following on from a global pandemic. Our Income team have worked through a successful restructure and worked well with our residents to help them manage their finances through difficult times. Our money advice offer has been increased with all members of the team able to provide basic money advice and two specialist officers working to support residents with more complex financial situations. We introduced a hardship fund to support our residents during the year and have further funds available in 2023/24.

Significant work has also been performed to assess the affordability of our rents which showed that all our rents and service charges continue to be affordable for our tenants. This was supported by consultation carried out with residents in the year. The results also showed good headroom with regards to affordability.

Regrettably, we have aborted two development schemes in the year due to them no longer being financially viable following problems with the sites and a lack of letting demand. Although disappointing and a set back to our development ambitions, this was the right decision to make and a way of prudently protecting the rest of the development programme by pulling out of the schemes. The losses made on the schemes were not large enough to give us any going concern concerns for the wider group.

Over £5million was spent on planned and routine maintenance during the year despite some issues experienced with obtaining materials and contractors. This was not too different to the sum budgeted. The Homes team also worked extremely hard during the year to clear the backlog of jobs that we started the year with.

The Group has considerable financial resources and, as a consequence, the Board believe that the Group is well placed to manage its business risks successfully, despite the external challenges faced.

After making enquiries, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

This was the third year of our external audit contract with Beever & Struthers.

Key Policies and Strategies

The Group has a wide range of policies and strategies that govern how we work and how we deliver our objectives. These include terms of reference for our Boards and Committees, corporate and business plans, standing orders and financial regulations, and policies and strategies for covering disciplines such as treasury management, housing and tenancy management, maintenance and repairs and personnel.

New strategies authorised during the year included Anti-Poverty and Financial Inclusion strategy, Communications Strategy and the Equality, Diversity and Inclusion Strategy.

Business Environment

The Group and the Board are fully cognisant of the business environment in which we work, in particular, the regulatory environment, the effects of external influences on our operations, and the risks we face as a business.

Regulatory Environment

The Association is regulated by the Welsh Ministers under Part 1 of the Housing Act (1996). This is done through Welsh Government's Housing Regulation team. Welsh Government published the new Regulatory Framework for Housing Associations Registered in Wales (2021) on 16th December 2021, and it came into effect in January 2022. The Framework has been updated to reflect changes in regulatory practices and includes revised Regulatory Standards and statuses.

The Framework is built upon the principle of co-regulation; a relationship where both parties work on the basis of "no surprises". Tenant's needs and interests are vitally important to regulation, and new Regulatory Standards place clear expectations on associations to demonstrate that tenants are enabled and supported to influence strategic decision-making, shape the delivery of services, and that high quality services are delivered to tenants. At the centre of the co-regulatory approach is the Board's responsibility for the effective governance, performance, and financial viability of the Association and it must undertake an annual self-evaluation to evaluate the quality of these areas. The self-evaluation must include a continuous improvement plan which identifies areas for improvement.

The Regulator issues Regulatory Judgements for Governance and Tenant Services, and Financial Viability. Our latest Regulatory Judgement was published by Welsh Government on 6th January 2023. We are pleased to report that it was confirmed as "Compliant" for both Governance and Tenant Services, and Financial Viability.

External Influences

On 18th December 2019 the Welsh Government released a five-year rent determination of CPI + 1%. The determination recognised the recommendations of the Independent Affordable Housing Supply Review and the need to balance the needs of landlords and the interests of tenants. In recognition of the stability which a five-year rent settlement provides to the sector, the Welsh Government set out a series of requirements which all social landlords will deliver:

- Strengthen your approaches designed to ensure you minimise all evictions and deliver on a new agreement not to evict into homelessness;
- Undertake a standardised tenant satisfaction survey and provide the data for publication on a central website to assist tenants in scrutinising and comparing landlord performance. First survey results to be available for publication by April 2021 and surveys to be carried out at least bi-annually thereafter;
- Build on your existing commitment to delivering high quality homes, with an aspiration that DQR 2020 **space** standards will apply across tenure[1] on sites which attract Welsh Government funding, on a phased basis from 2021; and
- Work towards an aspiration that all new build housing, regardless of tenure, achieves energy efficiency standards of no less than EPC A on sites which attract any Welsh Government funding from April 2021.
- All social landlords will be required to prepare an annual assessment of affordability, cost efficiencies and demonstrate their homes and service represent value for money as part of their decision on the rent uplift to be applied each year. All social landlords should justify their rent increases via robust annual assessments on cost efficiencies.

The Affordable Housing Supply Review also made a number of recommendations regarding the capital housing grants. A Standard Visibility Model has been developed and adopted for Local Authorities. A review of the affordability of our rents and service charges found that 100% of them are affordable to our residents and consultation carried out with them confirmed this.

[1] *Please note that the full DQR 2020 standard includes other requirements in addition to space standards and these will need to be met in full for homes financed by schemes such as Social Housing Grant*.

The roll out of Welfare Reform in North Wales was completed in all counties by December 2018, with the remaining tenants not on Universal Credit expected to move before December 2024. We have a team of financial inclusion advisors who work with our residents to reduce the impact of Welfare Reform. This provision has increased as a result of the restructuring of the Income team. Significant work was also performed on assessing the affordability of our rents for current and future tenants, the results of which confirmed that 100% of our rents and service charges are affordable. Eviction of tenants has always been a last resort – no evictions took place during 2022/23. We have also started a full review of service charges which includes consultation with residents on the services in terms of affordability and quality. We aim to conclude the review in 2023/24.

During the year, we have introduced an Anti-Poverty and Financial Inclusion Strategy. The strategy aims to address structural poverty, providing a road map for tackling the acute poverty that is rising from the current cost-of-living crisis. Developed by the Cost-of-living task force we have put in place, the strategy is supported by an action plan that targets all types of poverty faced by our communities such as fuel poverty, food poverty, etc. The focus of the strategy is to identify, measure, address and mitigate the immediate impacts of the Cost-of-Living increase and to give residents the tools to be able to avoid long term poverty.

We will achieve this through good quality money advice delivered by the Income Team, close working relationships with colleagues from across the business and external agencies and increasing our knowledge of the income profiles of our residents so that help and advice can be tailored and targeted at residents who may be overlooked. We will work with external agencies to ensure that our residents can access all sources of help available to them. The Hardship fund that we have set up will form a key role here as it gives residents the opportunity to apply for timely financial assistance with the end goal of sustaining their tenancies.

This year has also seen us becoming compliant with the Renting Homes (Wales) Act 2016. The law came into effect on 1st of December, 2022 when existing tenancy agreements automatically converted to an occupation contract. For example, if an existing tenancy was a fixed term assured shorthold tenancy, it converted to a fixed term standard occupation contract. If it was a periodic assured shorthold tenancy, it converted to a periodic standard contract. All NWH households that fall under the auspice of the act have been sent the appropriate Converted Occupation Contract and are now officially known as Contract Holders rather than tenants. NWH officers and leaders have worked together to inform our own staff, stakeholders and our residents about the changes that sees more rights being given to our residents.

Key Partnerships and Relationships

The Association works in partnership with a number of organisations. Key partners include the five Local Authorities in which we have housing stock, other Housing Associations, North Wales Police, Betsi Cadwaladr University Health Board and the Outdoor Partnership. Our work with Local Authorities includes developing new homes, providing support for people who need it, for example, older persons and homeless people, and participating in Common Housing Registers to reduce the duplication for customers when applying for a home.

The Association works closely with other Housing Associations across North Wales. We also contribute to a wide range of forums and partnerships including North Wales Regional Collaborative Committee (Supported Housing), Homelessness teams of the local authorities, ASB Tasking Meetings, Training Consortium, Young Housing Network, North Wales RSL Equality Partnership, North Wales Income Manager Group, 2025 Movement, North Wales Disrepair Partnership and the North Wales Retrofit Partnership. We also have representatives from our Senior Leadership Team on various CHC working groups.

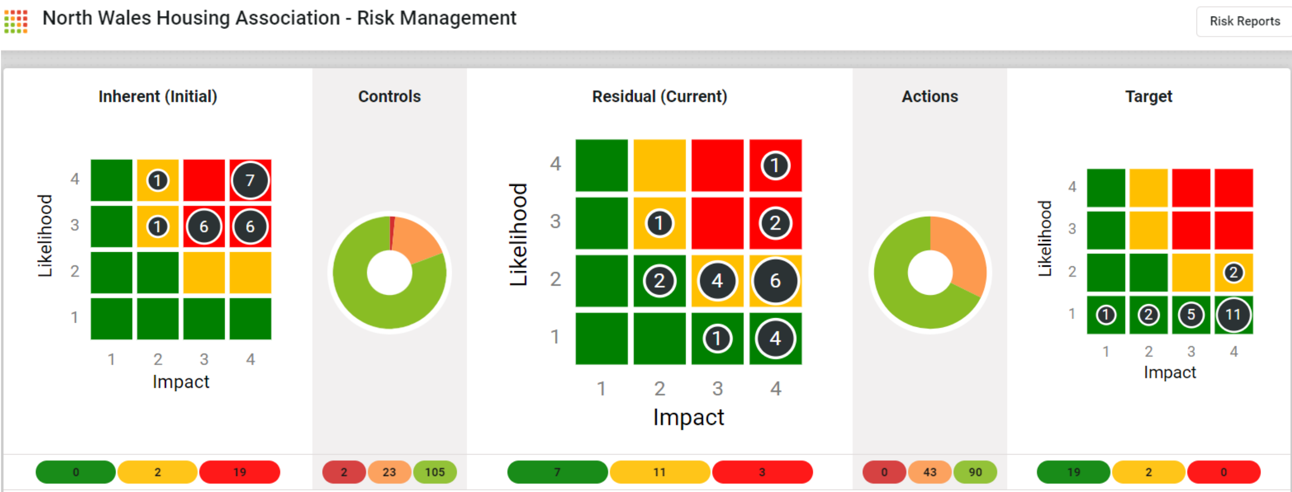
Risk Management

The Group has a comprehensive risk management strategy in place to identify and monitor risks in relation to the delivery of its business objectives. Risks are assessed on both likelihood and impact using a 4 x 4 scale (giving total risk scores in the range of 1 to 16).

Risks have an inherent score, residual (current) score and target score. The strength of internal controls and the number of actions required to improve controls impact on the residual score. Scores are also re-visited following any independent review e.g. internal audit, inspections.

Risks are recorded and managed through Decision Time, a software product which brings together risk management, KPIs, delivery plans and governance meetings. The risk scores are regularly reviewed and are removed from the strategic risk report at the point where the activity has ceased, or the degree of mitigation reduces the risk score to a minimal level. Equally, where an operational risk reaches red status this is added to the Strategic Risk Register.

At 30th of June, 2023 there were 3 red risks identified. Of the 21 Strategic Risks, 11 are scored as amber and 7 green. The dashboard below is a screenshot of the latest position.



The red rated risks related to Decarbonisation, Viability of the Supported Housing schemes and ICT System failures.

The risk register is real time and regularly reviewed by the Senior Leadership Team and Board. In addition to scrutiny by the Board, the Audit and Risk Committee oversees the risk management cycle. The Finance & Resources Director is responsible for monitoring and reporting significant changes in the key risks faced by the organisation. Access to the risk register has also recently been given to staff so that the risks can be reviewed as part of team plans through team meetings so that risks become a part of the team plans and are regularly updated as required.

Financial Risk Management

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the Board, which currently does not allow the use of any stand-alone derivatives. The Group does not use derivative financial instruments for speculative purposes.

Credit Risks

The Group's principal financial assets are bank balances and cash, rent arrears, income due from the Welsh Government, and other receivables and investments. The Group's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad and doubtful debts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and residents.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. In September 2019 the Board approved re-financing of the loan portfolio and business plan ambitions. This included an £18m Revolving Credit Facility (RCF) to improve liquidity of the organisation. To date the whole of the facility is undrawn, to put into context that represents almost 12 months of our annual turnover.

Cash Flow Risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses fixed rate loans to hedge these exposures.

Environmental Matters

The North Wales Housing Group is committed to lessen any adverse environmental impact of its day-to-day operations, property development programme and reduce its 'carbon footprint'. A Sustainability Strategy is being developed in partnership with the Carbon Trust which details how we intend to improve the way we manage our approach to sustainability and ensure we are developing our business in a sustainable way. One of the areas where we have started to deliver this is through reorganising the geographical patches of the operatives to minimise their travelling to carry out repairs. The majority of our office-based staff also predominantly work from home.

We have also recently become adopters of the Sustainability Reporting Standard for Social Housing. Consequently, we will be publishing an annual Environmental, Social and Governance (ESG) report alongside our financial statements to demonstrate compliance with the standard.

We successfully secured grant funding from the Welsh Government's Optimised Retrofit Programme (ORP) to carry out Decarbonisation during 2022/23. We also separately funded further works. In total, Decarbonisation works were carried out on 97 properties with the lowest energy and carbon performance, the works ranging from installing internal/external wall insulation, loft and roof insulation, heat pumps, heat retaining storage heaters and Solar Panels. Since work began in 2020, we have carried out Decarbonisation works on a total of 359 of our homes. We are on-site at a further 17 homes and works are planned for 147 more homes during 2023/24.

Social and Community Issues

North Wales Housing has a Tenant Participation Strategy that aims to improve our services by fully involving tenants in developing and influencing how these services are provided. We organise events and activities to engage with our residents. We support resident members to sit on our Residents Panel, and our Residents Forum, which allows them to challenge and provide input and enables the voices and concerns of residents to be heard. We also have a Sounding Board, a database of residents who provide feedback and input on various issues of interest to them. We have also been able to reintroduce outside activities with residents that were halted during the pandemic.

As previously mentioned, we have introduced a hardship fund during the year in response to the cost-of-living crisis. This is introduced alongside our Anti-Poverty and Financial Inclusion Strategy to help alleviate and prevent the causes of poverty for our residents. A service charge review is also currently underway where we aim to give 100% of our residents who are paying a service charge the opportunity to consult with us on the affordability and quality of those services.

Last year, the Board agreed to re-invest efficiencies made in areas which we believed would result in improved satisfaction levels such as creating a new Customer Experience team and introducing a new software system, 'Rant and Rave' to improve our ability to capture data around tenant satisfaction levels for customer services and repairs. This has been very successful as it has led to much improved satisfaction levels being reported in the STAR survey, satisfaction levels increasing from 78% to 83% which is now higher than the benchmark for Wales of 82%. Rant and Rave is also reporting good results, satisfaction levels of 87% with customer services and 93% with repairs. More details of the STAR results are shared above on page 6.

We have a Community Fund that provides funding to assist voluntary, community, and resident groups that want to develop a project or initiative that benefits the community. The Personal Development Grants we offer reduce the financial barriers that may exist in preventing our tenants from accessing education, training or employment.

We have a charity panel run by members of staff of the Association who raise money for our nominated, independent charities. During 2022/23, a total of £3,010 was raised for the RNLI following on from £4,283 raised in 2021/22 for MIND Cymru. Contributions were also made to ST David's Hospice through participation in the Dragon Boat race and to local foodbanks.

Business Performance

We remain business focussed and our results for the year are encouraging given that we are operating within a cost-of-living crisis. We fully subscribe to the value for money agenda, and the principle of doing more with the same or less. We will continue to balance our financial requirements with our social responsibilities, and wherever possible continue to work with a business head and a social heart.

Value for Money

A key requirement of the 5-year rent policy is an annual assessment of affordability, cost efficiencies and value for money as part of the decision on the rent uplift.

- In 2022/23 over £126,000 of efficiencies were delivered.
- 100% of our rent and service charges were deemed to be affordable for our tenants and our rents remain among the lowest in North Wales.

A Value for Money Framework was approved in February 2023. The framework details how ensuring *'we do the right thing, with the right people, with the right governance will lead to the right outcomes for our customers and business model'.*

Value for Money progress in the financial year to 31st March 2023 saw over £126,000 of efficiencies delivered. This was lower than the £276,100 that had been included in the budget, mainly due to contract increases. We did see higher costs being paid in a number of areas including van leasing costs, energy costs and materials. Significant increases were seen in energy costs. Although energy costs are passed on to residents through service charges, these higher charges were borne by the association this year since we have fixed service charges that are based on expected costs. Such significant increases had not been predicted at the time of finalising the year's charges. New contracts have been entered into for gas and electricity at rates significantly better than are currently being offered by energy companies which demonstrates good value for money, but these rates are significantly higher than under the previous contracts.

We will continue to develop our VFM framework to build on these efficiencies and deliver a robust, resilient, efficiently run business. To ensure that optimal benefit is derived from resources and assets to optimise economy, efficiency and effectiveness, NWH will:

- Prioritise our expenditure and ensure that expenditure is only incurred if it directly benefits our customers or indirectly benefits our wider customer base.

- Create a business case for major decisions and scrutinise these at Board Level, Executive Management team meetings, Senior Leadership team meetings, Audit & Risk Committee, Development Panel, Residents Panel. The business case will be backed up by a financial appraisal linked to the quality and benefits to our customers.
- Understand our performance and cost base in relation to outcomes and review these in comparison to other similar organisations on at least an annual basis using analysis to drive service improvement where appropriate.
- Monitor trends on a monthly basis and have processes in place to improve, introducing continual learning cycles.
- Set annual targets for VFM efficiencies, recording and scrutinising efficiencies delivered.
- Use a variety of data from a number of sources (including customer satisfaction, customer profiling and complaints/compliments analysis) to review and triangulate evidence to value for money.
- Challenge our delivery models and ensure that our corporate structure provide VFM.

NWH have collated VFM key performance indicators as set out by the regulator, below is a table of current progress:

VFM	*Key Performance Indicator*	*Actuals 2022-23*	*Actuals 2021-22*	***Wales 2022-23*
1}	*Operating Costs Per Social Housing Unit*	*£4,277*	*£3,994*	*£4,125*
2}	*Management Costs Per Social Housing Unit*	*£1,380*	*£1,230*	*£1,541*
3}	*Reactive Repairs Per Social Housing Unit*	*£987*	*£993*	*£1,408*
4}	*Maintenance (Planned & Components CAPEX) Per Unit*	*£1,163*	*£1,244*	*£1,492*
5}	*Bad Debts Per Social Housing Unit*	*£0*	*£25*	*£30*
6}	*Weighted Average Cost of Capital (WACC)*	*3.94%*	*4.04%*	*4.95%*
7}	*Free cash inflow (outflow) per social housing unit*	*£400*	*(£1,320)*	*£659*
8}	*Gross Arrears %*	*4.76%*	*4.90%*	*4.98%*
9}	*Total Turnover Per Social Housing Unit*	*£6,716*	*£6,571*	*£6,479*
10}	*Void Loss Per Social Housing Unit*	*£59*	*£34*	*£98*

**Please note that the above figures for Wales are estimates for this financial year based on last year's results plus inflation given that they are expected to be much higher this year due to the pressures experienced by the sector due to the higher costs following periods of high inflation especially within energy costs and building materials.

The above indicators show that we have higher costs per unit relative to last year in most areas due to the inflationary increases suffered across the board which is reflective of the economic conditions of the period. We have seen high increases in energy costs, materials and staffing costs which are all costs that are included in the figures above. Turnover per unit has increased as rents were uplifted by 6.5% despite an increase in stock numbers.

Our free cash per unit – cash available to repay our creditors and liabilities has decreased this year and is now more comparable to the Welsh average. Last year's figure was distorted as we repaid £5m of loans in the year. Gross arrears % - the total amount of rent arrears owed to us by current tenants as a percentage of annual rent payable for the year, have fallen from last year as we see the results from the restructure of the team and more money advice provision delivered to our residents.

Loss of rental income due to properties being empty – void loss is higher per unit this year due to an increase in the turnover of tenancies. More repairs were also required on the empty properties which increased the amount of time they were empty and hence the void losses incurred. We also took the opportunity to carry out larger repairs whilst the properties were empty which also lengthened the period the properties remained empty.

Results for the Year

Financial highlights covering the last five years for the Group are set out in the following table:

For the Year Ended 31 March	2023	2022	2021	2020	2019
Financial Performance	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	18,254	17,781	17,446	17,119	16,418
Operating Surplus	3,794	4,317	4,999	4,936	4,703
Net Operating Income (Operating surplus adding back net housing property depreciation)	5,366	6,088	6,679	6,653	6,544
Net Interest Payable (Including financing costs)	2,417	2,481	2,557	8,622	2,872
(Deficit)/Surplus for the Year	1,425	1,836	2,442	(3,686)	1,831
Intangible and Tangible Fixed Assets	173,660	171,964	169,310	166,030	164,621
Social Housing and Other Grants	88,724	89,056	88,295	88,974	89,334
Long and Short-Term Loans	61,383	61,362	57,845	57,386	57,231
Revenue Reserves	21,108	20,134	18,024	17,366	18,256
Statistics					
Operating Margin	20.8%	24.3%	28.7%	28.8%	28.4%
Operating Surplus per Property Owned	£1,396	£1,580	£1,834	£1,842	£1,744
Interest Cover (Net operating income divided by net interest payable)	2.22	2.45	2.61	0.77	2.28
EBITDA/MRI (excluding Break costs)	1.18	1.50	1.97	1.75	1.67
EBITDA/MRI (excluding Break costs and net of component grant income)	1.23	1.61	2.10	1.80	1.67
EBITDA/MRI (with break costs and net of component grant income)	1.23	1.85	2.10	0.6	1.67
Average Interest Rate (Net interest payable divided by average loans)	3.94%	4.04%	4.42%	15.02%	5.02%
Gearing Ratio (The ratio of Net Debt to Historic Cost of Housing Properties)	30.1%	30.6%	29.6%	30.5%	30.9%
Accommodation Figures			As restated		
General Needs Properties (including shared equity)	2,227	2,242	2,229	2,188	1,947
Extra Care and Older Persons	195	195	195	195	424

schemes					
Supported Housing Units	295	296	302	297	299
Total Stock	**2,717**	**2,733**	**2,726**	**2,680**	**2,670**

The Group's turnover is £18.254m (2022: £17.781m). This represents an increase of 2.7% on our core activities mainly due to the 3.1% rent increase applied to the majority of tenancies offset by a smaller increase applied to service charge income based on expected costs and a 1% increase in grant income. Amortisation of grants saw a small reduction due to many of the components of the income becoming fully released in the year.

Operating costs are £14.458m (2022: £13.516m). This represents an increase of 6.9%. The main increases are seen within service charge costs, energy costs in particular, following energy contracts coming to an end and new contracts being entered into that are much higher than the ones expiring – a direct consequence of the high inflation being experienced, replicated with material costs. Van leasing costs have also increased due to entering into new contracts at higher rates and for more vans. We also took the decision to abort two development schemes that became financially unviable during the year following problems with phosphate, mine shafts, gas pipe and concerns over an inability to let. Costs incurred to 31st of March 2023 were written off in the year at a cost of £350,432. This was a one-off cost incurred during the year.

The operating surplus for the year is £3.794m (2022:£4.317m) which is lower than the previous year due to the higher costs paid for various items already listed as a result of the high inflation suffered with the cost-of-living crisis and fixed term contracts coming to an end, their replacements being at much higher rates and £350,432 written off for two development schemes aborted in the year which were higher than the additional income generated. Other negative comprehensive income of £451k is reported for the year following the latest valuation of the pension fund that also saw the pension liability fall by £88k.

Capital Structure and Treasury Policy

The Treasury Strategy, Policy and Practices aims to ensure that the organisation can fund its development programme, has sufficient liquidity, has a balanced loan portfolio in terms of the ratio between fixed and variable rate loans and refinancing risk and covenants which support future growth of the organisation. These documents are refreshed annually and monitored through the year by the Audit and Risk Committee.

New Homes Construction and Development

We continue to have an active development programme and pipeline. During 2022/23, 20 homes were handed over across three different counties. We also had 52 units onsite at the end of the year which will help us achieve the growth aims of our Development Strategy. The development plan will see us gradually building up towards our target through the acquisition of s106 properties that are already much progressed along the development process and working with various partners and developers to build new homes over the course of future years.

Cash Flow

The Group's cash inflows come from three main sources, rental income, service charges income on housing properties and supporting people grants. Whilst we have an even split between Full and Partial Housing Benefit, 1,736 of our tenants do not receive Housing Benefit. Of this figure, we have 924 in receipt of the Housing Element of Universal Credit and we have an Alternative Payment Arrangement, Managed Payment to Landlord (APA) in place for 367 of this cohort. Income from tenants in receipt of Universal Credit account for 31% of our rental income. Tenants that are in rent arrears and have either an APA or other mitigation in place are supported to access discretionary and rights-based benefits and are also encouraged to work towards a small credit on their rent accounts as well as get into the habit of regular saving. This is done as a way of building financial resilience into the household budget to soften the impact of any future financial shocks, such as an increase in the cost of essential goods and services.

The Group's principal outflows are operating expenditure for managing and maintaining the housing properties, salaries, interest payable and the costs associated with the development of new properties. Financing for the latter activity includes capital grants and funds from the Group's loan facilities. Cash flow forecasts are prepared on a regular basis, and include monthly and annual forecasts, with appropriate cash flow information included in the monthly management accounts. Regular meetings between the finance and development departments also take place to ensure that forecasts remain realistic and that the associated risks are effectively managed.

Accounting Policies

The principal accounting policies of the Group are set out on pages 26 to 34 of the financial statements. The policies that are most critical to the financial results relate to the accounting for housing properties and include the capitalisation of costs, depreciation, the treatment of shared ownership properties and the treatment of capital grants.

Approved by the Board and signed on its behalf by:

Catherine Dixson
Chair

Independent Auditor's Report to North Wales Housing

Opinion

We have audited the financial statements of North Wales Housing Association (the Association) and its subsidiary ('the Group') for the year ended 31 March 2023 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2023 and of the Group's and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

Opinion on other matters prescribed by the housing association circular RSL 02/10: Internal Controls and Reporting
With respect to the Board's statement on internal financial controls on page 8, in our opinion:
- The Board have provided the disclosures required by the housing association circular RSL 02/10: Internal Controls and Reporting; and
- The Board's statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Responsibilities of the Board
As explained more fully in the Statement of Board's Responsibilities set out on page 2, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- We obtained an understanding of laws, regulations and guidance that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our report

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

Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Ancoats
Manchester
M4 5DL

Date:

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	**2023 £'000**	2022 £'000
Turnover	3	**18,254**	17,781
Operating costs	3	**(14,458)**	(13,516)
Pension valuation adjustment	3	**-**	5
Surplus on sale of housing properties	5	**16**	35
(Deficit) / Surplus on revaluation of investment properties		**(18)**	12
OPERATING SURPLUS		**3,794**	4,317
Interest receivable and other income	6	**48**	-
Interest payable and financing costs	7	**(2,417)**	(2,481)
SURPLUS BEFORE TAX		**1,425**	1,836
Taxation	8	**-**	-
SURPLUS FOR THE YEAR		**1,425**	1,836
Other comprehensive income:			
Actuarial (loss)/gain in respect of pension scheme		**(451)**	274
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**974**	2,110

These financial statements including the accounting policies and notes were approved by the Board of Management on 20th July 2023.

C Dixson	**S Williams**	**J Owen**
Chair	Vice Chair	Secretary

The results relate wholly to continuing activities.

The accompanying accounting policies and notes on pages 29 to 69 form part of these financial statements.

Association Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Turnover	3	**18,207**	17,735
Operating costs	3	**(14,411)**	(13,470)
Pension valuation adjustment	3	**-**	5
Surplus on sale of housing properties	5	**16**	35
(Deficit) / Surplus on revaluation of investment properties		**(18)**	12
OPERATING SURPLUS		**3,794**	4,317
Interest receivable and other income	6	**48**	-
Interest payable and financing costs	7	**(2,417)**	(2,481)
SURPLUS BEFORE TAX		**1,425**	1,836
Taxation	8	**-**	-
SURPLUS FOR THE YEAR		**1,425**	1,836
Other comprehensive income: Actuarial (loss)/gain in respect of pension scheme		**(451)**	274
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**974**	2,110

These financial statements including the accounting policies and notes were approved by the Board of Management on 20th July 2023.

C Dixson
Chair

S Williams
Vice Chair

J Owen
Secretary

The results relate wholly to continuing activities.

The accompanying accounting policies and notes on pages 29 to 69 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2023

	Notes	2023 £'000	2022 £'000
TANGIBLE FIXED ASSETS			
Intangible assets	11	**284**	9
Housing properties	12	**171,886**	170,486
Other property, plant and equipment	13	**721**	700
Investments	14	**769**	769
		173,660	171,964
CURRENT ASSETS			
Stock	15	**104**	101
Debtors	16	**2,417**	2,500
Cash at bank and on deposit	23	**3,529**	4,570
		6,050	7,171
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	17	**(8,471)**	(7,055)
NET CURRENT ASSETS / (LIABILITIES)		**(2,421)**	116
TOTAL ASSETS LESS NET CURRENT ASSETS/ LIABILITIES		**171,239**	172,080
Creditors: Amounts falling due after more than one year	18	**(147,910)**	(149,637)
Defined benefit pension liability	27	**(2,221)**	(2,309)
TOTAL NET ASSETS		**21,108**	20,134
CAPITAL AND RESERVES			
Called-up share capital	21	**-**	-
Revenue reserve		**21,108**	20,134
TOTAL RESERVES		**21,108**	20,134

The financial statements including the accounting policies and notes on pages 29 to 69 were approved by the Board of Management and authorised for issue on 20th July 2023 and are signed on its behalf by:

C Dixson	**S Williams**	**J Owen**
Chair	Vice Chair	Secretary

Association Statement of Financial Position

At 31 March 2023

	Notes	2023 £'000	2022 £'000
TANGIBLE FIXED ASSETS			
Intangible assets	11	**284**	9
Housing properties	12	**171,886**	170,486
Other property, plant and equipment	13	**721**	700
Investments	14	**769**	769
		173,660	171,964
CURRENT ASSETS			
Stock	15	**104**	101
Debtors	16	**2,559**	2,603
Cash at bank and on deposit	23	**3,397**	4,478
		6,060	7,182
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	17	**(8,469)**	(7,054)
NET CURRENT (LIABILITIES) / ASSETS		**(2,409)**	128
TOTAL ASSETS LESS NET CURRENT LIABILITIES/ASSETS		**171,251**	172,092
Creditors: Amounts falling due after more than one year	18	**(147,910)**	(149,637)
Defined benefit pension liability	27	**(2,221)**	(2,309)
TOTAL NET ASSETS		**21,120**	20,146
CAPITAL AND RESERVES			
Called-up share capital	21	**-**	-
Revenue reserve		**21,120**	20,146
TOTAL RESERVES		**21,120**	20,146

The financial statements including the accounting policies and notes on pages 29 to 69 were approved by the Board of Management and authorised for issue on 20th July 2023 and are signed on its behalf by:

C Dixson	**S Williams**	**J Owen**
Chair	Vice Chair	Secretary

Statement of Changes in Reserves

For the year ended 31 March 2023

	Group 2023	Group 2022	**Association 2023**	Association 2022
REVENUE RESERVE	**£'000**	£'000	**£'000**	£'000
At 1 April	**20,134**	18,024	**20,146**	18,036
Total comprehensive income for the year	**974**	2,110	**974**	2,110
At 31 March	**21,108**	20,134	**21,120**	20,146

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	23	**5,428**	5,880
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(324)**	(11)
Purchase of property, plant and equipment		**(4,468)**	(5,706)
Proceeds from sale of property, plant and equipment		**38**	95
Proceeds from sale of fixed asset investments		**-**	-
Grants received		**696**	1,806
Interest received and other income		**48**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(4,010)**	(3,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid and financing costs		**(2,417)**	(2,481)
New loans		**-**	11,000
Repayments of borrowings		**(42)**	(7,500)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(2,459)**	1,019
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,041)**	3,083
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,570**	1,487
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**3,529**	4,570

Free Cash Flow

For the year ended 31 March 2023

	2023 £'000	2022 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**5,428**	5,880
Interest received and other income	**48**	-
Interest paid and financing costs	**(2,473)**	(2,481)
ADJUSTMENTS FOR REINVESTMENT IN EXISTING PROPERTIES		
Component replacements (net of grants received)	**(1,885)**	(1,496)
Free cash generated before loan repayments	**1,118**	1,903
Loans repaid (excluding revolving credit and overdrafts)	**(32)**	(5,000)

Free cash generated after loan repayments	**1,086**	(3,097)

Association Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	23	**5,388**	5,851
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(324)**	(11)
Purchase of property, plant and equipment		**(4,468)**	(5,706)
Proceeds from sale of property, plant and equipment		**38**	95
Proceeds from sale of fixed asset investments		**-**	-
Grants received		**696**	1,806
Interest received and other income		**48**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(4,010)**	(3,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid and financing costs		**(2,417)**	(2,481)
New loans		**-**	11,000
Repayments of borrowings		**(42)**	(7,500)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(2,459)**	1,019
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,081)**	3,054
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,478**	1,424
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**3,397**	4,478

Free Cash Flow

For the year ended 31 March 2023

	2023 £'000	2022 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**5,388**	5,851
Interest received and other income	**48**	-
Interest paid and financing costs	**(2,473)**	(2,481)
ADJUSTMENTS FOR REINVESTMENT IN EXISTING PROPERTIES		
Component replacements (net of grants)	**(1,885)**	(1,496)
Free cash generated before loan repayments	**1,078**	1,874
Loans repaid (excluding revolving credit and overdrafts)	**(32)**	(5,000)
Free cash generated after loan repayments	**1,046**	(3,126)

Notes to the Financial Statements
For the year ended 31 March 2023

1. ACCOUNTING POLICIES

Principal Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) (March 2018) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 update (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. There is no material effect on the amounts recognised in these financial statements as a result of adopting these amendments.

Going Concern

North Wales Housing entered the cost-of-living crisis in good financial health despite entering into it from the Covid-19 pandemic. Although results have been affected adversely by the crisis in terms of arrears, material cost increases, significant increases in energy costs, delays in developments and major repairs, not to such an extent to cause any covenant breach concerns. Liquidity is good with access to £18m in the form of a revolving credit facility. Interest cover headroom for 2022/23 is £2.7m and a cash balance of £3.5m is currently being held.

The Group has considerable financial resources and, as a consequence, the Board believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of Consolidation

The Group financial statements consolidate the results of North Wales Housing Association Limited and its subsidiary, Domus Cambria Limited.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charges losses from voids), fees and grants from Local Authorities and the Welsh Government and the amortisation of capital grants, released over the life of the various components of the buildings.

Supporting People

The income received for Supporting People is matched in the Statement of Comprehensive Income with the expenditure incurred. Supporting People income and expenditure is treated in the accounts in the same way as the remainder of the Group's income and expenditure.

Housing Properties and Capitalisation

Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation. The cost of properties is their purchase price together with incidental cost of acquisition, administration costs and interest payable up to date of practical completion. Properties not available for sale on shared ownership leases are stated at cost. Units which were purchased or constructed with the original intention of resale,but remain unsold are included within housing property assets if let.

Works which enhance the property's value through increasing rent levels or reducing running costs or increasing the life of the property, are capitalised.

Development administration costs, which can be shown to be directly attributable to the development activity, are added to the cost of fixed assets in the Statement of Financial Position. Where development and administration costs are incurred internally or in providing services to other organisations which cannot be recovered, they are taken to the Statement of Comprehensive Income.

It is the Group's policy to maintain properties in a continual state of sound repair. Any permanent diminution in value of such properties is charged to the Statement of Comprehensive Income. The Board has conducted an impairment review and is satisfied that there are no significant impairment issues and that no property is included within the financial statements at an amount greater than its recoverable amount.

Depreciation of Housing Properties

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on an annuity basis, over their useful economic lives. The annuity method of depreciation is used as this is considered to give the fairest view and takes account of the matching principles of accounting. The time value of money is taken into account by uplifting the depreciation charge by 2.5% per annum. Land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their useful economic lives at the following annual rates:

Component	*Assumed Useful Economic Life*
Structure	See below
Roofs	75 years
Heating Systems	30 years
Boilers	15 years
Windows and Doors	28 years
Kitchens	15 years
Bathrooms	25 years
Lifts	25 years
Decarbonisation Works	25 years
Lease Extensions	Over the remaining life of the lease

The assumed and remaining useful economic lives of the structure element of each property have been determined by independent valuers. The assumed useful economic lives have been calculated by them as being:

Category		*Assumed Useful Economic Life*
1	Pre 1920 Rehab properties – Flats and Houses	75 years from last major rehab
2a	1920 –1950s Flats & Houses of construction	120 years from date of traditional construction
2b	1920s–1950s Flats & Houses of traditional construction	85 years from last major rehab

3a	1960s – 1970s Houses of traditional construction	90 years from date of construction
3b	1960s–1970s Houses of traditional construction	70 years from last major rehab
4	1980s–present Houses of traditional construction	125 years from date of construction
5	1960s–1975 Blocks of Flats	65 years from last major rehab
6	1975–present Blocks of Flats	120 years from date of construction
7	Extra Care Schemes	125 years from date of construction

Capitalisation of Interest

Interest payable is capitalised during the construction of a property up to the date of practical completion. The interest is either on borrowings specifically financing a scheme (after deduction of interest on Social Housing Grant received in advance) or on net borrowing to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was required.

Other Property, Plant and Equipment

Other property, plant and equipment, except for investment properties, are stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets as follows:

Category	*Assumed Useful Economic Life*
Freehold office	over 50 years
Leasehold office property	over 5 years or life of lease if shorter
Office equipment and fittings	over 10 years
Telephone system	over 5 years
Computer equipment	over 3 years
Assets acquired under finance lease	over term of lease
Scheme assets	over 5 years

Investment Properties

The classification of a property as an investment property is based on the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both that do not directly form part of a social housing scheme and have not been grant funded are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as other property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in the Statement of Comprehensive Income. If investment properties are transferred to other property, they are transferred at the fair value recognised at the transfer date.

Intangible Assets

Intangible assets are stated at historic cost, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Computer licenses	over 3 years

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and is included in the Statement of Comprehensive Income.

Social Housing Grant and Other Government Grants

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Welsh Government Housing Finance Grants

The Welsh Government Housing Finance Grants (HFG) provides annual housing grant payments in equal instalments over a period of up to 30 years to fund loan principal and interest costs of constructing affordable housing. The net present value of future grant receipts is recognised as a capital grant with an equal amount recognised as a deferred income debtor. The debtor is credited upon receipt of each grant payment and the difference between grant payments and the discounted value of the relevant portion of the debtor released to the Statement of Comprehensive Income as a contribution towards the financing cost of that scheme. The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets.

The capital grant element of HFG previously received is deemed to be repayable upon disposal of a relating housing asset. This is treated as recycled capital grant in the Recycled Capital Grant Fund and included in the Statement of Financial Position as a creditor.

Recycling of Grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not to be recognised as a provision. On subsequent stair-casing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Leased Assets

At inception, the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance Leased Assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases and are capitalised at commencement of the lease as assets at their fair value, or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement.

Operating Leased Assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income over the period of the lease.

Stock

Stocks comprising properties being constructed under the Home Buy Option scheme are stated at the lower of cost and net realisable value. Costs include all direct costs incurred in bringing these properties to their present state of completion. Material costs are stated at cost.

Debtors

Provision is made against all former tenants' arrears and current tenants' arrears where the balance has been outstanding for 13 weeks or more. All other debtors are reconciled on a monthly basis and any overdue amounts chased as soon as they are recognised. Provision is made for any balance that is deemed to be doubtful to recover. Grant income is accrued once it is certain that it is receivable. Any debtors recoverable in more than one year are separately disclosed in the financial statements.

Discounted Bonds

Discounted bonds are shown at their redemption value less deferred interest. Deferred interest represents the discount on issue of the discounted bonds and is written off through the Statement of Comprehensive Income on an actuarial basis over the life of the bonds following the utilisation of funds of the Association.

Index Linked Loans

Where finance agreements include a provision for the outstanding capital balance and the interest payable to be indexed in line with the retail price index or similar indices, the indexation increase for the year is charged in full to the Statement of Comprehensive Income.

Finance Arrangement Fees

The costs incurred in raising private finance are charged to revenue over the shorter of the terms of the loans and the period over which the loan facility is drawn down. Costs in respect of refinancing loans are written off in the year in which the loan is refinanced.

Value Added Tax

The Group is registered for Value Added Tax (“VAT”) but a significant proportion of its income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the Statement of Comprehensive Income.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date. Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme
The Association participates in an industry wide multi-employer defined benefit pension scheme where it is possible for individual employers to identify their share of the assets and liabilities of the pension scheme. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Association, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date. The amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is

charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme Growth Plan
The Association participates in the Social Housing Pension Scheme Growth Plan (the 'Scheme'), a multi-employer defined benefit pension scheme where the Scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the Scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the Scheme and the Association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Management Expenses

Management expenses are allocated to activities either directly or on the basis of staff time spent on the activity.

Service Charge Sinking Funds and Service Costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions, are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Financial Instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial Assets Carried at Amortised Cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial Liabilities Carried at Amortised Cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings. Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Public Benefit Entity Concessionary Loans

Where loans are made or received between a public benefit entity within the Group or an entity within the public benefit entity group and other party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity or public benefit entity parent, these loans are treated as concessionary loans and are recognised in the Statement of Financial Position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Gift aid Payments

Gift aid payments are charged as distributions of reserves in accordance with the guidance included in the Institute of Chartered Accountants technical release ‘Guidance on donations by a company to its parent charity’.

2. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

FRS 102

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Actual results may differ from these estimates.

Significant Management Judgements

Impairment properties
The Group has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. No impairment was deemed to have been triggered during the year.

Capitalisation of property development costs
The Group capitalises development expenditure in accordance with the accounting policies on housing properties and investment properties. Capitalisation requires a range of judgements, such as establishing which associated development costs should be capitalised and which costs should be written off and the likelihood that projects will continue.

Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Components of Housing Properties and Useful Lives
Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

Defined benefit pension scheme
The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability (see note 27)

3. LETTINGS AND OTHER RELATED INFORMATION

Particulars of turnover, cost of sales, operating costs and operating surplus by class of business – Continuing activities

Group

	2023				2022			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social Housing Lettings								
General Needs and Sheltered Housing	**12,019**	**-**	**(8,272)**	**3,747**	11,630	-	(8,064)	3,566
Supported Housing	**2,919**	**-**	**(3,005)**	**(86)**	2,886	-	(2,883)	3
Older Persons	**2,753**	**-**	**(2,472)**	**281**	2,707	-	(2,233)	474
Shared Ownership	**217**	**-**	**(174)**	**43**	209	-	(180)	29
	17,908	**-**	**(13,923)**	**3,985**	17,432	-	(13,360)	4,072
Other Social Housing Activities								
Management services	**2**	**-**	**-**	**2**	6	-	-	6
Other	**248**	**-**	**(531)**	**(283)**	251	-	(153)	98
	250	**-**	**(531)**	**(281)**	257	-	(153)	104
Non-Social Housing Activities								
Lettings	**96**	**-**	**-**	**96**	92	-	-	92
Properties built for outright sale	**-**	**-**	**(4)**	**(4)**	-	-	(3)	(3)
Other								
	96	**-**	**(4)**	**92**	92	-	(3)	89
	18,254	**-**	**(14,458)**	**3,796**	17,781	-	(13,516)	4,265

	2023	2022
Surplus on sale of properties	**16**	35
Pension valuation adjustment	**-**	5
(Loss) Surplus on revaluation of Investment Properties	**(18)**	12
Operating Surplus	**3,794**	4,317

3. LETTINGS AND OTHER RELATED INFORMATION (Continued)

Particulars of turnover, cost of sales, operating costs and operating surplus by class of business– Continuing activities

Association	**2023**				2022			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus £'000**	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social Housing Lettings								
General Needs and Sheltered Housing	**12,019**	**-**	**(8,272)**	**3,747**	11,630	-	(8,064)	3,566
Supported Housing	**2,919**	**-**	**(3,005)**	**(86)**	2,886	-	(2,883)	3
Older Persons	**2,706**	**-**	**(2,425)**	**281**	2,661	-	(2,187)	474
Shared Ownership	**217**	**-**	**(174)**	**43**	209	-	(180)	29
	17,861	**-**	**(13,876)**	**3,985**	17,386	-	(13,314)	4,072
Other Social Housing Activities								
Management services	**2**	**-**	**-**	**2**	6	-	-	6
Other	**248**	**-**	**(531)**	**(283)**	251	-	(153)	98
	250	**-**	**(531)**	**(281)**	257	-	(153)	104
Non-Social Housing Activities								
Lettings	**96**	**-**	**-**	**96**	92	-	-	92
Other	**-**	**-**	**(4)**	**(4)**	-	-	(3)	(3)

	96	**-**	**(4)**	**92**	92	-	(3)	89
	18,207	**-**	**(14,411)**	**3,796**	17,735	-	(13,470)	4,265
Surplus on sale of properties				**16**				35
Pension Valuation adjustment				**-**				5
(Deficit)/Surplus on revaluation of Investment Properties				**(18)**				12
Operating Surplus				**3,794**				4,317

3. LETTINGS AND OTHER RELATED INFORMATION (Continued)

Particulars of income and expenditure from social housing lettings

Group	General Needs and Sheltered Housing £'000	Supported Housing £'000	Older Persons £'000	Shared Ownership £'000	Total 2023 £'000	Total 2022 £'000
Income						
Rent receivable	10,720	1,402	1,377	174	13,673	13,249
Service Charges income	532	456	1,241	-	2,229	2,185
Income from support services	-	973	-	-	973	963
Amortised Government Grants	767	75	135	43	1,020	1,022
Other revenue grants	-	13	-	-	13	13
Turnover from social housing lettings	12,019	2,919	2,753	217	17,908	17,432
Expenditure						
Management Costs	2,615	560	462	64	3,701	3,277
Service Charges expenditure	677	1,830	1,344	-	3,850	3,469
Routine Maintenance	2,086	293	223	-	2,602	2,597
Major Repairs expenditure	945	132	101	-	1,178	1,159
Bad Debts	-	-	-	-	-	65
Depreciation of housing properties	1,949	190	342	110	2,591	2,793
Operating costs on social housing lettings	8,272	3,005	2,472	174	13,923	13,360
Operating surplus on social housing lettings	3,747	(86)	281	43	3,985	4,072
Rent loss due to voids	69	58	29	-	156	89

Included within Supported Housing income is an amount of £1,054,963 (2022: £1,042,987) for Supporting People.

3. LETTINGS AND OTHER RELATED INFORMATION (Continued)

Particulars of income and expenditure from social housing lettings

Association	**General Needs and Sheltered Housing £'000**	**Supported Housing £'000**	**Older Persons £'000**	**Shared Ownership £'000**	**Total 2023 £'000**	Total 2022 £'000
Income						
Rent receivable	**10,720**	**1,402**	**1,377**	**174**	**13,673**	13,249
Service Charges income	**532**	**456**	**1,194**	**-**	**2,182**	2,139
Income from support services	**-**	**973**	**-**	**-**	**973**	963
Amortised Government Grants	**767**	**75**	**135**	**43**	**1,020**	1,022
Other revenue grants	**-**	**13**	**-**	**-**	**13**	13
Turnover from social housing lettings	**12,019**	**2,919**	**2,706**	**217**	**17,861**	17,386
Expenditure						
Management Costs	**2,615**	**560**	**462**	**64**	**3,701**	3,277
Service Charges expenditure	**677**	**1,830**	**1,297**	**-**	**3,804**	3,423
Routine Maintenance	**2,086**	**293**	**223**	**-**	**2,602**	2,597
Major Repairs expenditure	**945**	**132**	**101**	**-**	**1,178**	1,159
Bad Debts	**-**	**-**	**-**	**-**	**-**	65
Depreciation of housing properties	**1,949**	**190**	**342**	**110**	**2,591**	2,793
Operating costs on social housing lettings	**8,272**	**3,005**	**2,425**	**174**	**13,876**	13,314
Operating surplus on social housing lettings	**3,747**	**(86)**	**281**	**43**	**3,985**	4,072
Rent loss due to voids	**69**	**58**	**29**	**-**	**156**	89

Included within Supported Housing income is an amount of £1,054,963 (2022: £1,042,987) for Supporting People.

4. SURPLUS BEFORE TAX

Group	**2023 £'000**	2022 £'000
Surplus before tax is stated after charging:		
Depreciation - housing property	**2,591**	2,794
Depreciation - other property, plant and equipment	**218**	218
Amortisation - intangible assets	**49**	19
Operating lease rentals	**171**	182
Auditor's remuneration - including VAT		
- In their capacity as auditors	**18**	25
- In respect of other services	**-**	-
Remuneration paid to internal auditors - including VAT	**29**	27

Association	**2023 £'000**	2022 £'000
Surplus before tax is stated after charging:		
Depreciation - housing property	**2,591**	2,794
Depreciation - other property, plant and equipment	**218**	218
Amortisation - intangible assets	**49**	19
Operating lease rentals	**171**	182
Auditor's remuneration - including VAT		
- In their capacity as auditors	**15**	22
- In respect of other services	**-**	-
Remuneration paid to internal auditors - including VAT	**29**	27

5. SURPLUS ON SALE OF HOUSING PROPERTIES

Group and Association	**2023 £'000**	2022 £'000
Sales proceeds	**38**	95
Cost of sales	**(15)**	(54)
Administration costs	**(7)**	(6)

	16	35

6. INTEREST RECEIVABLE AND OTHER INCOME

Group and Association	**2023 £'000**	2022 £'000
Bank interest receivable	**48**	-
Other interest receivable	**-**	-
	48	-

7. INTEREST PAYABLE AND FINANCING COSTS

Group and Association	**2023 £'000**	2022 £'000
Defined benefit pension net interest expense (note 27)	**56**	59
Unwinding of discount on pension provisions (note 27)	**-**	-
On building Society loans :		
- repayable wholly or partly in 5 or less years	**185**	111
- repayable wholly or partly in more than 5 years	**1,196**	1,079
On loans from RBS Fresh :		
- repayable wholly or partly in more than 5 years	**147**	152
Other loans not wholly repayable within 5 years		
- Index linked	**26**	25
- Debenture stock	**834**	1,081
	2,444	2,507
Less Interest cost capitalised	**(27)**	(26)
	2,417	2,481

A total of £27,024 (2022: £26,121) of interest paid on borrowings used to fund one scheme was capitalised based on the average interest rates paid on borrowings for each month expenditure was incurred on the scheme.

8. TAXATION

Group	**2023** **£'000**	2022 £'000
Current tax on surplus before tax:		
UK corporation tax	**-**	-
Total tax on surplus before tax	**-**	-

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows:

	2023 **£'000**	2022 £'000
Surplus	**1,425**	1,836
Surplus before tax multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	**349**	349
Effects of:		
Exempt charitable activities	**(271)**	(349)
Unutilised losses	**-**	-
Total tax for the year	**-**	-

Association	**2023** **£'000**	2022 £'000
Current tax on surplus before tax:		
UK corporation tax	**-**	-
Total tax on surplus before tax	**-**	-

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows:

	2023	2022

	£'000	£'000
Surplus before tax	**1,425**	1,836
Surplus before tax multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	**271**	349
Effects of:		
Exempt charitable activities	**(271)**	(349)
Unutilised losses	**-**	-
Total tax for the year	**-**	-

9. DIRECTORS' EMOLUMENTS

The directors are defined as members of the Board of Management and members of the Executive Team and are listed on page 1. The emoluments of all directors are as follows:

Group and Association:	**2023 £'000**	2022 £'000
Executive Team:		
Wages and salaries	**259**	265
Social security costs	**34**	33
Other pension costs	**62**	38
	355	336
Board of Management:		
Wages and salaries	**37**	42
Social security costs	**-**	-
Other pension costs	**-**	-
	37	42
Total cost of Directors' Emoluments	**392**	378

The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms apply. As expected, the Chief Executive is the highest paid director. The highest paid director in each year received the following emoluments:

Group	**2023 £'000**	2022 £'000
Remuneration of the highest paid director, excluding pension contributions	**115**	110

Association	**2023 £'000**	2022 £'000
Remuneration of the highest paid director, excluding pension	**115**	110

contributions

9. DIRECTORS' EMOLUMENTS (Continued)

The directors' emoluments (including the highest paid director and excluding pension contributions and redundancy costs) are in the following ranges:

Group	**2023 Number**	2022 Number
£Nil (Board of Management)	**-**	-
£1 - £5,000	**6**	8
£5,001 – 10,000	**2**	1
£20,001 - £25,000	**1**	
£40,001 - £45,000	**1**	-
£75,001 - £80,000	**-**	2
£80,001 - £85,000	**1**	-
£95,001 - £100,000	**-**	-
£105,001 - £110,000	**-**	-
£110,001 - £115,000	**1**	1

In accordance with the Community Housing Cymru (CHC) Code of Conduct, the Board has established a policy and procedure in relation to the payment of expenses to Board members. The Group and Association are prepared to reimburse out-of-pocket expenses incurred on Group and Association business.

Group and Association	**2023 £**	2022 £
Total Board member expenses	**786**	-

All expenses claimed by members of the Executive Team are processed through the payroll and included in the emoluments noted above.

10. EMPLOYEE INFORMATION

The average number of persons expressed as full time equivalents (calculated based on the full time hours for each individual post and including executive directors) employed during the year is as follows:

Group and Association	2023 Number	2022 Number
Office staff	**72**	64
Wardens and caretakers	**88**	76
	160	140
Ancillary workers	**5**	5
	165	145

10. EMPLOYEE INFORMATION (Continued)

The emoluments of the above employees are as follows:

Group	2023 £'000	2022 £'000
Wages and salaries	**4,580**	3,967
Social security costs	**446**	347
Other pension costs	**619**	403
	5,645	4,717

Association	2022 £'000	2022 £'000
Wages and salaries	**4,579**	3,966
Social security costs	**446**	347
Other pension costs	**619**	403
	5,644	4,716

The costs and numbers referred to above relate to permanent members of staff employed by the Group and Association, including wardens, but excluding those employed by voluntary organisations at the Association's hostels.

The emoluments of the staff (full time equivalents excluding pension contributions) in excess of £50,000 are in the following ranges:

Group and Association	2023 Number	2022 Number
£50,001 – £60,000	**4**	5
£60,001 - £70,000	**1**	-
£80,001 - £90,000	**2**	2

£90,001 - £100,000	**-**	-
£100,001 - £110,000	-	-
£110,001 - £120,000	**1**	1

11. INTANGIBLE FIXED ASSETS

Group and Association	Computer licences £'000
Cost	
At 1 April 2022	553
Additions	324
At 31 March 2023	**877**
Amortisation	
At 1 April 2022	544
Charge for the year	49
At 31 March 2023	**593**
Net Book Value	
At 31 March 2023	**284**
At 31 March 2022	9

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Group and Association

	Housing properties £'000	Other properties £'000	Housing properties under construction £'000	Total £'000
Cost				
At 1 April 2022	188,659	8,976	2,867	200,502
Additions	2,383	224	1,609	4,216
Schemes Completed	2,903	-	(2,903)	-
Scheme Write off			(213)	(213)
Disposals	(611)	(68)	-	(679)
At 31 March 2023	**193,334**	**9,132**	**1,360**	**203,826**
Depreciation				
At 1 April 2022	28,208	1,808	-	30,016
Charge for the year	2,324	102	-	2,426
Eliminated on disposals	(452)	(50)	-	(502)
At 31 March 2023	**30,080**	**1,860**	**-**	**31,940**
Net Book Value				
At 31 March 2023	**163,254**	**7,272**	**1,360**	**171,886**
At 31 March 2022	160,451	7,168	2,867	170,486
Freehold land and buildings	181,437	8,423	1,360	191,220
Long leasehold land and buildings	11,897	709	-	12,606
	193,334	**9,132**	**1,360**	**203,826**

At 1 October 2022, the Association's property stock was insured on the basis of its estimated rebuilding cost for £466,825,609 (2021: £439,729,969).

For traditional shared ownership and Do-it-yourself shared ownership properties (DIYSO), only the Association's equity share of the cost and social housing development administration of £224,581 (2022: £172,996) was capitalised during the year.

Capitalised interest of £27,024 (2022: £26,121) has been included in the cost of housing properties. There is no depreciation in respect of properties disposed of during the year.

Works on existing properties during the year amounted to £5,791,662 (2022: £5,847,276). £2,013,266 (2022: £2,091,616) was spent on component replacements and is included within the total additions of £4,215,983 (2022: £5,701,858). The remaining £3,778,396 (2022: £3,755,660) relates to the other costs incurred by the Asset Management department, including its share of overheads, all of which have been included in the Statement of Comprehensive Income.

13. OTHER PROPERTY PLANT AND EQUIPMENT

Group and Association	Freehold and leasehold offices £'000	Office equipment and fittings £'000	Assets held under finance leases £'000	Scheme assets £'000	Investment properties £'000	Total £'000
Cost						
At 1 April 2022	554	2,655	23	1,229	63	4,524
Additions	-	67	-	185		252
Fair value adjustment	-	-	-	-	(18)	(18)
Disposals	-	-	-	-	-	-
At 31 March 2023	**554**	**2,722**	**23**	**1,414**	**45**	**4,758**
Depreciation						
At 1 April 2022	216	2,525	23	1,060	-	3,824
Charge for the year	10	96	-	107	-	218
Eliminated on disposals	-	-	-		-	-
At 31 March 2023	**226**	**2,621**	**23**	**1,167**	**-**	**4,037**
Net Book Value						
At 31 March 2023	**328**	**101**	**-**	**247**	**45**	**721**
At 31 March 2022	338	130	-	169	63	700

The freehold property recognised as an investment property, was fair valued at 31 March 2022, based on a valuation undertaken by Richard Baddeley and Company, an independent valuer with relevant experience in the location and class of property being valued. The method of determining fair value was market value. Significant assumptions applied were as follows:

- All required valid planning permissions and statutory approvals for the buildings and their use have been obtained and complied with.
- The properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown.
- The properties and their value are unaffected by any matters which could be revealed by a Local Search or by a Statutory Notice and that neither the properties, nor their condition, their use, or their intended use, is or will be unlawful.
- That an inspection of those parts which have not been inspected, or a survey inspection, would not reveal material defects, or cause the Valuer to alter the Valuation materially.
- The properties are connected to and there is the right to use the reported main services on normal terms.
- That sewers, main services and the roads giving access to the properties have been adopted.

There are no restrictions on the realisability of investment properties.

14. FIXED ASSET INVESTMENTS

Group and Association	2023 £'000	2022 £'000
Loans granted under Home Buy Option rules	**769**	769

Loans granted under Home Buy Option rules are interest free loans provided to homebuyers as part of a programme funding low cost home ownership. The loans have no fixed repayment date and no monthly repayment requirements and are secured via a second legal charge over the property in favour of the Association.

The value of Home Buy loans which have been committed but not taken up at 31 March 2023 is £Nil (2020: £Nil).

Principal Group Investments
The Association owns 100% of the share capital of Domus Cambria Limited, a private limited company, whose principal activity is the commercial development of residential properties for sale. Any profits made by Domus Cambria Limited are gift aided to the Association.

15. STOCK

Group and Association	2023 £'000	2022 £'000
Completed properties for resale	**-**	-
Materials stock	**104**	101

	104	101

16. DEBTORS

Group	**2023**	2022
	£'000	£'000
Arrears of rent and service charges		
- General Stock	**707**	702
- Older Persons	**46**	53
- Supported Housing	**90**	84
Less: Provision for bad and doubtful debts	**(553)**	(597)
	290	242
Social Housing Grant receivable	**952**	1,204
Other debtors	**431**	392
Prepayments and accrued income	**744**	662
	2,417	2,500

Association	**2023**	2022
	£'000	£'000
Arrears of rent and service charges		
- General Stock	**707**	702
- Older Persons	**45**	50
- Supported Housing	**90**	84
Less: Provision for bad and doubtful debts	**(553)**	(597)
	289	239

Social Housing Grant receivable	**952**	1,204
Amounts owed by Group undertakings	**143**	107
Other debtors	**431**	391
Prepayments and accrued income	**744**	662
	2,559	2,603

Social Housing Grant Receivable

Included within Social Housing Grant receivable is a balance of £234,273 (2022: £237,066) owed to the Association and receivable during the next 21 years in the form of a Housing Finance Grant. £231,088 (2022: £234,273) of this balance is due after more than one year. The balance also includes £717,942 (2022: £736,578) due to the association over the next 24 years in the form of a second strand of Housing finance grant (HFG2). £698,633 (2022: £717,942) of this balance is due after more than one year.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	**2023 £'000**	2022 £'000
Bank and other loans	**2,488**	(43)
Rents received in advance	**331**	263
Social Housing Grant received in advance	**1,586**	2,126
Trade and other creditors	**1,054**	1,157
Interest payable	**113**	114
Recycled Capital Grant Fund	**672**	626
Deferred capital grant	**995**	966
Pension deficit contribution	**1**	-
Accruals and deferred income	**1,231**	1,846
	8,471	7,055

Association	**2023 £'000**	2022 £'000
Bank and other loans	**2,488**	(43)
Rents received in advance	**329**	262
Social Housing Grant received in advance	**1,586**	2,126
Trade and other creditors	**1,054**	1,157

Interest payable	**113**	114
Recycled Capital Grant Fund	**672**	626
Deferred capital grant	**995**	966
Pension deficit contribution	**1**	-
Accruals and deferred income	**1,231**	1,846
	8,469	7,054

The bank and other loans balance was negative last year due to the amount of capital to be repaid in less than one year being lower than the amount of the finance fees deferred to be released in less than one year. However, as we have two loans payable within the next 12 months, the balance is not negative this year.

Accruals and deferred income include £9,809 (2022: £4,753) of deposits received for rent to own properties. This represents both the initial deposits received for the three properties and 25% of the rent paid that will be used as a deposit to purchase when the tenants exercise their rent to own rights.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group and Association	**2023 £'000**	2022 £'000
Bank and other loans	**58,895**	61,405
Recycled Capital Grant Fund	**1,286**	140
Housing Finance Grant	**991**	1,008
Deferred capital grant	**86,738**	87,082
Pension deficit contribution	**-**	2
	147,910	149,637

The above amounts are repayable as follows:		
Between one and two years	**1,588**	3,450
Between two and five years	**8,335**	4,156
After five years	**137,987**	142,031
	147,910	149,637

19. BANK AND OTHER LOANS

Group and Association	2023 £'000	2022 £'000
Index linked		
- M&G at 3.935% for 30 years	**543**	543
Debenture stock		
- THFC 8.625% Debenture stock 30 years	**2,500**	2,500
- THFC 5.2% Debenture stock 30 years	**10,000**	10,000
- M&G Debenture stock	**1,610**	1,610
Other housing loans		
- RBS - Fresh Plc	**1,301**	1,343
- Principality Building Society	**5,000**	5,000
- Welsh Government Loan	**1,000**	1,000
- Scottish Widows	**39,000**	39,000
- Lloyds	**-**	-
- Less: Deferred loan issue costs	**(606)**	(687)
	60,348	60,309
Add: Premium on debenture stock		
At 1 April 2022	**1,078**	1,129
Credited to income and expenditure account	**(34)**	(51)
At 31 March 2023	**1,044**	1,078

Less: Deferred interest on debenture stock

At 1 April 2022	**(25)**	(39)
Charged to income and expenditure account	**16**	14
At 31 March 2023	**(9)**	(25)
Total bank and other loans	**61,383**	61,362

The bank and other loans are secured on the Association's housing properties and are repayable in instalments or by way of bullet repayments on the maturity of the loans. The loan portfolio includes both fixed rate and variable rate loans. Certain tranches of variable rate loans have been fixed over a range of maturity periods using interest rate swaps.

The average interest rate on the loan portfolio as a whole is 4.992% (2022: 5.57%).

20. DEFERRED INCOME – GOVERNMENT GRANTS

Group and Association	**2023 £'000**	2022 £'000
Social Housing Grant		
At 1 April 2022	**110,115**	108,343
Grants receivable	**696**	1,806
Disposals	**(11)**	(34)
At 31 March 2023	**110,800**	110,115
Housing Finance Grants		
At 1 April 2022	**1,057**	1,057
Grants receivable	**-**	-
At 31 March 2023	**1,057**	1,057
Amortisation		
At 1 April 2022	**22,116**	21,105
Amortisation to Statement of Comprehensive Income	**1,020**	1,021
Disposals	**(3)**	(10)
At 31 March 2023	**23,133**	22,116
Net Deferred Income – Government Grants		
Due within one year	**995**	966

	2023	2022
Due after more than one year	**87,729**	88,090
At 31 March 2023	**88,724**	89,056

Group and Association	**2023 £'000**	2022 £'000
Recycled Capital Grant Fund		
At 1 April 2022	**766**	673
Grants receivable	**1,192**	93
At 31 March 2023	**1,958**	766

21. CALLED-UP SHARE CAPITAL

	2023 £	2022 £
Shares of £1 each issued and fully paid	**38**	38
At 1 April 2022	**-**	-
Issued during the year		
	38	38
At 31 March 2023		

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up and are not redeemable.

22. FINANCIAL INSTRUMENTS

The carrying values of the Group's and Association's financial assets and liabilities are summarised by category as follows:

Group	**2023 £'000**	2022 £'000
Financial Assets		
Measured and undiscounted amount receivable:		
- Rent arrears and other debtors (see note 16)	**721**	634
	721	634
Financial Liabilities		
Measured at amortised cost:		
- Bank and other loans (note 19)	**61,383**	61,362
Measured and undiscounted amount payable:		
- Rents received in advance (note 17)	**331**	263
- Trade and other creditors (note 17)	**1,054**	1,157
	62,768	62,782

Association	**2023 £'000**	2022 £'000

Financial Assets		
Measured and undiscounted amount receivable:		
- Rent arrears and other debtors (see note 16)	**720**	630
- Amounts due from related party undertakings (note 16)	**143**	107
	863	737
Financial Liabilities		
Measured at amortised cost:		
- Bank and other loans (note 19)	**61,383**	61,362
Measured and undiscounted amount payable:		
- Rents received in advance (note 17)	**329**	262
- Trade and other creditors (note 17)	**1,054**	1,157
	62,766	62,781

23. STATEMENT OF CASH FLOWS

Group	**2023 £'000**	2022 £'000
Cash flow from operating activities		
Surplus for the year	**1,425**	1,836
Adjustment for non-cash items:		
- Amortisation of intangible assets	**49**	19
- Depreciation of property, plant and equipment	**2,809**	3,012
- Decrease / (Increase) in stock	**(3)**	51
- Increase in debtors	**83**	(214)
- Increase / (Decrease) in creditors	**198**	346
- Pension costs less contributions payable	**(761)**	(582)
- Carrying amount of property, plant and equipment disposals	**16**	35
- Decrease in fair value of investment properties	**18**	12
- Asset write off to SOCI purchased in prior year	**283**	-
Adjustment for investing or financing activities:		
- Proceeds from the sale of property, plant and equipment	**(38)**	(95)
- Government grants utilised in the year	**(1,020)**	(1,021)
- Interest receivable and other income	**(48)**	-
- Interest payable and financing costs	**2,417**	2,481
Net cash generated from operating activities	**5,428**	5,880

Cash and cash equivalents		
Cash at bank and on deposit	**3,529**	4,570

Consolidated analysis of changes in Net Debt

For the year ended 31 March 2023

	At 1 April 2022 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2023 £'000
Cash	**4,570**	**(1,041)**	**-**	**3,529**
Debt due in less than one year	**43**	**(2,531)**	**-**	**(2,488)**
Debt due in more than one year	**(61,405)**	**2,510**	**-**	**(58,895)**
Current Asset Investments	**-**	**-**	**-**	**-**
Total	**(56,792)**	**(1,062)**	**-**	**(57,854)**

23. STATEMENT OF CASH FLOWS (Continued)

Association	**2023 £'000**	2022 £'000
Cash flow from operating activities		
Surplus for the year	**1,425**	1,836
Adjustment for non-cash items:		
- Amortisation of intangible assets	**49**	19
- Depreciation of property, plant and equipment	**2,809**	3,012
- (Increase) / Decrease in stock	**(3)**	51
- (Increase) / Decrease in debtors	**44**	(243)
- Increase / (Decrease) in creditors	**197**	346
- Pension costs less contributions payable	**(761)**	(582)
- Carrying amount of property, plant and equipment disposals	**16**	35
- Decrease in fair value of investment properties	**18**	12
- Asset write off to SOCI purchased in prior year	**283**	-
Adjustment for investing or financing activities:		
- Proceeds from the sale of property, plant and equipment	**(38)**	(95)
- Government grants utilised in the year	**(1,020)**	(1,021)
- Interest receivable and other income	**(48)**	-
- Interest payable and financing costs	**2,417**	2,481

Net cash generated from operating activities	**5,388**	5,851
Cash and cash equivalents		
Cash at bank and on deposit	**3,397**	4,478

Association analysis of changes in Net Debt

For the year ended 31 March 2023

	At 1 April 2022 '£000	Cash Flows £'000	Other Changes £'000	At 31 March 2023 £'000
Cash	**4,478**	**(1,081)**	**-**	**3,397**
Debt due in less than one year	**43**	**(2,531)**	**-**	**(2,488)**
Debt due in more than one year	**(61,405)**	**2,510**	**-**	**(58,895)**
Current Asset Investments	**-**	**-**	**-**	**-**
Total	**(56,884)**	**(1,102)**	**-**	**(57,986)**

24. CAPITAL COMMITMENTS

Group and Association	**2023 £'000**	2022 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**6,169**	4,284
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	**13,513**	5,045

The Group and Association expects to finance the above expenditure by:

Social Housing Grant receivable	**1,536**	2,090
Loans approved but not utilised	**17,464**	6,113
Cash held on deposit	**682**	1,126
	19,682	9,329

25. OTHER FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group and Association	2023 £'000	2022 £'000
Payments due:		
Within one year	**60**	69
Between one and five years	**204**	240
After five years	**4,444**	4,508
	4,708	4,817

26. HOUSING STOCK

Group and Association	2023 Number of homes	2022 Number of homes As restated
Under management at the year-end		
General needs rented units	**2,144**	2,123
Extra Care and Older Persons schemes	**195**	195
Supported Housing Units	**295**	296
Shared ownership and leasehold units	**83**	119
	2,717	2,733

The number of leasehold units has decreased this year following the ending of our agreement as managing agents for a 35-unit leaseholder scheme in Bangor. The agreement came to an end on 31st of August 2022. Also, one shared ownership property was sold in the year.

Group and Association	**2023 Number of homes**	2022 Number of homes
Under development at the year-end		
Rented units	**52**	36
	52	36

Group and Association	**2023 Number of homes**	2022 Number of homes
Non-social housing lettings		
Commercial units	**21**	21

27. RETIREMENT BENEFIT SCHEMES

The Pensions Trust Retirement Solutions – Social Housing Pension Scheme

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT (LIABILITY

	31 March 2023 (£000s)	**31 March 2022 (£000s)**
Fair value of plan assets	9,937	15,638
Present value of defined benefit obligation	12,158	17,947
Deficit in plan	(2,221)	(2,309)
Unrecognised surplus	-	-
Net defined benefit liability to be recognised	**(2,221)**	**(2,309)**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED

BENEFIT OBLIGATION

	Period ended 31 March 2023 (£000s)	Period ended 31 March 2022 (£000s)
Defined benefit obligation at start of period	17,947	17,697
Current service cost	211	290
Expenses	11	10
Interest expense	497	387
Contributions by plan participants	27	26
Actuarial losses (gains) due to scheme experience	(787)	897
Actuarial gains due to changes in demographic assumptions	(29)	(112)
Actuarial gains due to changes in financial assumptions	(5,223)	(860)
Benefits paid and expenses	(496)	(388)
Defined benefit obligation at end of period	**12,158**	**17,947**

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2023 (£000s)	Period ended 31 March 2022 (£000s)
Fair value of plan assets at start of period	15,638	14,832
Interest income	441	328
Experience on plan assets (excluding amounts included in interest income) – (loss) / gain	(6,490)	516
Contributions by the employer	817	641
Contributions by plan participants	27	26
Benefits paid and expenses	(496)	(388)
Fair value of plan assets at end of period	**9,937**	**15,638**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 to 31 March 2023 was (£6,049,000).

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period from 1 April 2022 to 31 March 2023 (£000s)	Period from 1 April 2021 to 31 March 2022 (£000s)
Current service cost	211	290
Expenses	11	10
Net interest expense	56	59
Defined benefit costs recognised in statement of comprehensive income (SOCI)	**278**	**359**

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period ended 31 March 2023 (£000s)	Period ended 31 March 2022 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - (loss)/gain	(6,490)	199
Experience gains and losses arising on the plan liabilities – gain/(loss)	787	(897)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	29	112
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	5,223	860
Total amount recognised in other comprehensive income – (loss)/gain	**(451)**	**274**

ASSETS	**31 March 2023**	**31 March 2022**

	(£000s)	(£000s)
Absolute Return	108	627
Alternative Risk Premia	18	516
Corporate Bond Fund	-	1,043
Credit Relative Value	375	520
Distressed Opportunities	301	560
Emerging Markets Debt	53	455
Fund of Hedge Funds	-	-
Global Equity	185	3,001
Infrastructure	1,135	1,114
Insurance-Linked Securities	251	365
Liability Driven Investment	4,576	4,363
Long Lease Property	300	402
Net Current Assets	25	43
Opportunistic Illiquid Credit	425	525
Liquid Credit	-	-
Private Debt	442	401
Property	428	422
Risk Sharing	732	515
Secured Income	456	583
High Yield	35	135

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Cash	72	53
Opportunistic Credit	1	56
Currency Hedging	19	(61)
Total assets	**9,937**	**15,638**

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

KEY ASSUMPTIONS	31 March 2023	31 March 2022
	% per annum	% per annum
Discount Rate	4.86%	2.79%
Inflation (RPI)	3.19%	3.54%

Inflation (CPI)	2.77%	3.17%
Salary Growth	3.77%	4.17%

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2023	**Approximate % increase to liability**	**Approximate monetary amount (£'000)**
0.1% decrease in real discount rate	8.1	180
0.1% increase in the salary increase rate	0.4	9
0.1% increase in RPI	1.1	24

Assumptions

The association commissioned Quantum Advisory to review the assumptions used for the FRS 102 disclosures as at 31 March 2022 and 2023. The review was performed by a Fellow of the Institute and Faculty of Actuaries who confirmed that the work done was compliant with the Technical Actuarial Standards 100 (Principles for Technical Actuarial Work) and 300 (Pensions) issued by the Financial Reporting Council. No changes to the assumptions made by the Pensions Trust were made in 2022 or 2023.

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The Pensions Trust Retirement Solutions – The Growth Plan

The Association participates in The Growth Plan (the ‘Plan’), a multi-employer Plan which provides benefits to some 638 non-associated participating employers. The Plan is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the Plan as a defined benefit scheme. Therefore it accounts for the Plan as a defined contribution scheme.

The Plan is subject to the funding legislation outlined in the Pensions Act 2004, which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Plan 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 Plan deficit following withdrawal from the Plan. Participating employers are legally required to meet their share of the Plan deficit on an annuity purchase basis on withdrawal from the Plan.

A full actuarial valuation for the Plan was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the Plan as follows:

Deficit contributions

From 1 April 2022 to 31 January 2025:	£3.312m per annum (payable monthly)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2025:	£11.243m per annum	(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the Plan is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

27. RETIREMENT BENEFIT SCHEMES (Continued)

PRESENT VALUES OF PROVISION

	31 March 2023 (£s)	31 March 2022 (£s)	31 March 2021 (£s)
Present value of provision	1,107	1,737	8,342

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Year Ending 31 March 2023 (£s)	**Year Ending 31 March 2022 (£s)**
Provision at start of period	1,737	8,342

Unwinding of the discount factor (interest expense)	33	48
Deficit contribution paid	(633)	(2,111)
Remeasurements - impact of any change in assumptions	(30)	(40)
Remeasurements - amendments to the contribution schedule	-	(4,502)
Provision at end of period	**1,107**	**1,737**

INCOME AND EXPENDITURE IMPACT

	Year Ending 31 March 2023 £	**Year Ending 31 March 2022 £**
Interest expense	33	48
Remeasurements – impact of any change in assumptions	(30)	(40)
Remeasurements – amendments to the contribution schedule	-	(4,502)
Costs recognised in income and expenditure account	**3**	**(4,494)**

ASSUMPTIONS

	31 March 2023 % per annum	**31 March 2022 % per annum**	**31 March 2021 % per annum**
Rate of discount	5.52	2.35	0.66

27. RETIREMENT BENEFIT SCHEMES (Continued)

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the Association and the Plan at each year-end:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	**31 March 2023 £**	**31 March 2022 £**	**31 March 2021 £**
Year 1	633	633	2,111
Year 2	527	633	2,174

Year 3	-	527	2,240
Year 4	-	-	1,922

The Association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the year in which it arises.

It is these contributions that have been used to derive the Association's Statement of Financial Position liability.

Pension Deficit Contribution

Included within creditors is an amount £1,107 (2022: £1,737), being a provision for contributions payable under an agreement to fund the pension deficit arising on the Social Housing Pension Scheme Growth Plan. At 31 March 2023, £1,107 (2022: £nil) is payable within one year, and £nil (2022: £1,737) is payable after more than one year.

28. CONTINGENT LIABILITIES

There would be a potential liability if the Association were to withdraw from the Social Housing Pension Scheme and The Growth Plan. See Note 27 for further details.

29. LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

30. PARENT AND RELATED PARTY TRANSACTIONS

North Wales Housing Association Cymdeithas Tai Gogledd Cymru Limited is the ultimate parent company of Domus Cambria Limited.

Under FRS102, disclosure of intra-Group transactions between the Association and Domus Cambria is not required as the results of both are included within the consolidated financial statements. However, under the Welsh Determination, there is a requirement to provide an analysis of intra-Group transactions between RSLs and non RSLs. Accordingly, these are set out below:

Due to Domus Cambria making a tiny loss of £193 this year, no gift aid adjustments to North Wales Housing are required. Cost of sales amounting to £nil (2022: £Nil) have been paid by the Association on behalf of Domus Cambria and recharged. Also, staff costs of £1,000 (2022: £1,000) were recharged by the Association to Domus Cambria.

At the year-end, £143,066 (2022: £106,861) is owed by Domus Cambria to the Association and is included within the association’s debtors.

All Board members of the Association are deemed to be related parties of the Association.

For part of the year, no (2021: one) Board member was also a tenant of the Association. The member’s tenancy is on normal terms. Total rent collected from this Board member for the year ended 31 March 2022 was £6,056. The tenant member’s rent account at 31 March 2022 showed a balance owed at the end of the year of £149.

31. CONTROLLING PARTY

North Wales Housing Association is the parent company and the ultimate controlling party of the Group.