ANNUAL REPORT & FINANCIAL STATEMENTS

Year ended 31 March 2022

Co-operative and Community Benefit Society Registration Number: 30666R
Regulator of Social Housing Registration Number: L4203

Creating more places for people to thrive
and be recognised as a sector leading landlord

Contents

Board and Senior Officers

Non – Executive Directors

Kathy Doran	Chair (Retired 31 March 2022)
Alison Cambage	
Derek Cash	
Stuart Coe	(Appointed 1 June 2021)
David Done	
Roy Grant	(Resigned 31 July 2021)
Richard Groome	(Appointed Chair on 1 April 2022)
Chris MacKenzie-Grieve	
Bev Messinger	(Appointed 1 August 2021)
Darrell Mercer	
Brenda Smith	
Paula Steer	(Resigned 31 May 2021)

Executive Directors

Brian Cronin (Chief Executive)	(Resigned 30 June 2022)

Company Secretary

Clare Oakley

Registered Office

130 Birchwood Boulevard
Warrington
WA3 7QH

External auditor

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

Internal auditor

PwC
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

Senior Officers

Jacque Allen (Chief Executive Officer)	(Appointed 1 July 2022)
Nicki Buckley (Chief Financial Officer)	(Appointed 9 August 2021) (Resigned 3 October 2022)
Darren Halliwell (Chief Information Officer)	(Appointed 21 March 2022)

Key Achievements In The Year

In a year of economic challenges in the aftermath of a global pandemic, we are proud that we have continued to consistently deliver against our strategic priorities and deliver improvements for the benefit of our customers and communities. Below are some key achievements we are proud of in the year.

- **£51.5M OF ASSET INVESTMENT DELIVERED**

  This year we have invested over £51.5m in our assets, delivering thousands of new kitchens, bathrooms and other improvements to our customers' homes and significantly increasing our year-on-year investment, despite the pandemic.

- **IMPROVED CUSTOMER SATISFACTION**

  This year we saw a further 9% improvement in overall customer satisfaction, reflecting improvements we have made in service, standards and communication.

- **TPAS ACCREDITATION**

  We were pleased that our work to engage with our customers has been accredited by the Tenant Participation Advisory Service (TPAS).

- **SUCESSFUL APPLICATION TO SOCIAL HOUSING DECARBONISATION FUND**

  We were successful in our application to the Social Housing Decarbonisation Fund and have been awarded £5.3m to carry out energy efficient upgrades to 392 homes in Greater Manchester commencing in FY23.

- **MORE NEW HOMES DELIVERED**

  This year we continued to work in partnership with Homes England to deliver our strategic ambition of building new homes and to play our part in helping to solve the housing crisis. During the year we took handover of 242 new homes and started on site with 500 new homes.

- **WELLBEING PLAN DELIVERED**

  We delivered a new employee wellbeing plan, supporting employees across the four key wellbeing pillars of financial, social, mental and physical.

- **ACHIEVED INTERNAL TRAINING ACCREDITATION**

  This year we received accreditation to deliver IOSH Managing Safely and Qualsafe First Aid training in house. This has meant that we have been able to maintain compliance with mandatory training, increase the number of employees who have been able to undertake first aid training whilst saving c£53,000 on our training budget.

Chair and Chief Executive's Introduction

The last year has been a remarkable one in many different ways. We have continued to experience the shockwaves of the Covid-19 pandemic, both globally and within our local communities. This challenging economic landscape and the uncertainty of world events has significantly impacted households and businesses across the country. The UK has experienced record levels of inflation and increases in the costs of consumer goods, underpinned by supply chain bottlenecks and also seen things like higher fuel costs, household energy tariffs, and increases in national insurance contributions, all contributing to a national cost of living squeeze.

Against this backdrop, we have continued to focus on our strategic priorities and ensure that our customers remain at the heart of what we do. So now a turbulent 2021/22 has come to an end, we're able to look back with pride on what we have achieved as well as preparing ourselves for the challenges ahead.

Safety remains our number one priority and despite the challenges of Covid we are pleased that we have maintained 100% compliance on our statutory landlord activity across the year. We have also continued our work to prepare for compliance with the Building Safety Bill and Fire Safety Act, with the delivery of a number of key workstreams to ensure we meet all requirements. This year we reinforced our commitment to this key area by also signing up to the National Housing Federation's Building Safety Charter. We know that safety is something which we deliver in partnership with our residents, and we are particularly pleased that during the year we developed our Customer Safety engagement strategy, and also held our very first High-Rise Forum.

In addition to building safety works we have also been progressing our ambitious programme to improve existing homes and this year we have invested nearly £51.5m delivering new kitchens, bathrooms, windows and doors and improvements to communal areas for customers. Where and how we invest is driven by our data, ensuring its targeted and delivered effectively but this year we have improved even further, implementing a strategic asset performance model and completing surveys on all YHG blocks. As a Board we have been concerned by some of the reports in the press regarding the state of some social housing in the sector and we know no one wants to live in a damp home which can cause damage to décor and furniture and is unhealthy. So, this year we intensified our work on damp and mould, launching a new damp, mould and condensation policy, educating our employees and communicating with our customers about the issue. Further analysis to understand our data and address any issues is currently underway. We were delighted when the National Housing Federation highlighted our work as good practice.

For many of our customers the current economic crisis will create even more hardship and difficult choices around heating their homes. We want to reduce the energy burden on them and have made significant progress in our decarbonisation and sustainability plans and are on track to ensure all homes meet EPC C by 2030. A standout achievement was our successful bid for Social Housing Decarbonisation Wave 1 funding of £5.3m, which will allow us to improve the energy efficiency of 392 properties. This work is planned to commence in FY 23.

We know that being a great landlord is more than just the homes that customers live in, it's also about the services we deliver and this year our success in delivering a great service to customers was reflected in our annual STAR (Survey of Tenants and Residents) results which showed a 9% increase in satisfaction, supported by a strengthened approach to complaint handling. Our results highlight the work that has been done to ensure that we are truly listening to our customers, acting upon their feedback and delivering continuous improvements to our services. We have also increased services to customers who may need a little extra support by strengthening our money advice team and expanding our tenancy support programme.

This year the government has progressed plans to implement the proposals set out in its Social Housing White Paper. We have responded to the Regulator's consultation on a new suite of tenant satisfaction measures and have already taken firm action to demonstrate our readiness for the implementation of these measures, and other upcoming changes to consumer regulation. We have also launched our new Your Voice customer engagement framework, offering a range of formal and informal ways for customers to connect with us, strengthening our engagement with them and ensuring their voices are heard and their views reflected in our decision making. As we emerged from the pandemic and national lockdowns, our front line and central service colleagues carried out a programme of Customer Connect visits to connect with our customers again face to face, identify any issues and promote our upgraded Home Hub. One of our key achievements has been achieving our TPAS accreditation, which should demonstrate to our customers that we take customer engagement seriously and that the entire organisation is committed to not only doing it well, but to consistently seeking out continuous improvements.

Despite the challenges of this year, we have continued to provide much-needed affordable homes to help tackle the ongoing housing crisis. This year we took handover on 242 new homes including our new developments at Market Grange in Kensington (Liverpool) and Rose Meadows in Wigan. We started on site with another 500 new homes and are on track to deliver our Homes England Strategic Partnership commitments.

We have also strengthened our Executive Team with the addition of a new Interim Chief Financial Officer whose focus is developing the finance team with an improved mix of skills and experience that will assist us in our journey to improve our financial viability, and deliver on our strategic objectives.

After nine years, and four years as Chair, Kathy Doran retired from the Board on 31st March 2022. Richard Groome was appointed as our new Chair from 1st April. Richard has served on our Board for five years, most recently as Deputy Chair, and has a wealth of experience from both the public and private sectors. He's held various senior roles throughout his career – including Chief Executive of a Healthcare Buildings Provider – and has served on Audit and Risk, Customer Services, Repairs, Integration and Improvement Committees. We have also refreshed the non-executive membership of our board as some long-standing members reached their retirement and we have recruited new members with experience in housing, finance and HR.

During the year we discovered there were some issues in respect of our rent setting. As soon as we discovered the problems, we self-referred to the Regulator and took immediate steps to rectify the problems and refund any money due to tenants. However, the issue did result in the Regulator issuing a Regulatory Notice on 29 June 2022 for a breach of the Rent Standard. The Regulator also conducted an In-Depth Assessment as part of its normal schedule of regulation and they maintained our rating of G2/V2. We continue to engage positively with the Regulator and remain committed to our journey of continuous improvement.

In July 2022, following the year end, our Chief Executive, Brian Cronin announced his retirement from the Group. The Board has appointed Jacque Allen as Chief Executive, whilst it undertakes a formal appointment process.

We know that the sector faces a number of significant challenges ahead - from the ongoing cost of living crisis to building safety and decarbonisation - that will impact on all aspects of our business. After another unprecedented year in terms of the external landscape, we are proud of how we have continued to support our customers and strengthen their voice, and of our passionate and dedicated employees who continue to put those customers at the heart of everything they do.

As we move forward into the new year, we want to continue this upward trajectory and continue to bring our plans and ambitions to life to deliver on our commitments to customers to be a sector leading landlord.

Richard Groome

Richard Groome
Chair

Darrell Mercer
Non - Executive Director

Clare Oakley
Company Secretary

Strategic Report – Our Strategy and Performance

WHO ARE WE?

Your Housing Group (the 'Group' or YHG) is one of the largest providers of affordable housing in the UK, managing over 27,000 homes across the North West, Yorkshire and the Midlands.
The Group provides:

- Affordable homes to rent
- Hostels and Foyer accredited schemes, which support vulnerable people
- Specialist retirement solutions for older people
- Homes for sale, both outright and through shared ownership
- Community regeneration schemes, creating sustainable neighbourhoods
- Key worker accommodation
- Private Rent Sector (PRS) lettings

OUR BUSINESS STRATEGY

Our strategy of safety first and putting customers at the heart of what we do remains extremely important in the current climate, as having a safe and secure home and access to good quality services become increasingly important. The last year saw the shockwaves of the global pandemic, and more latterly the war in Ukraine, impacting on communities international and locally. In the UK we saw significant increases in inflation and shortages in supply of some key goods, coupled with increased demand for health and social services. The housing sector has not been immune to these pressures, and we expect the next year to be even more challenging than the last.

Our strategy is overseen and directed by the Group Board. During the year we confirmed our business priorities and refined our business plan, to deliver our overall enduring purpose which is stated in our corporate mission:

"Through our innovative approach we will finance, build and manage more homes to increase choice and drive value for our customers"

Our vision is:

"Creating more places for people to thrive and be recognised as a sector leading landlord"

We know that people need quality homes that they can afford.

Our strategy is designed to ensure we build and manage appropriate homes for our customers at all stages of their life's journey and that we make our customers' lives easier by offering great quality homes at a price they can afford. This means delivering a mixed tenure portfolio of developments and taking a commercial approach to delivery to demonstrate value for money. It also means that we will provide appropriate services to suit the needs of the customer. To achieve this, we are continuing to transform and evolve our business model, driving out further cost efficiencies whilst retaining and improving our relationship with our customers.

We will continue to use technology and digital innovations to improve our business systems, increasing efficiency and improving productivity. Through the operational efficiencies we will be able to reinvest in our existing assets and maintain our profitability.

People are at the core of our strategy, together we will demonstrate our values and behaviours in accordance with our desired culture; to be 'a place where people can thrive'. When people are thriving, they are constantly growing, developing, learning, performing and flourishing.
We will continue to listen and engage with our colleagues via our surveys, conferences and employee feedback channels, working together we will provide clarity, consistency and a commitment to improving and modernising the way that we work. Pushing the boundaries of both the employee and employer experience.

HOW OUR STRATEGY DELIVERS VALUE FOR MONEY

Having our clearly articulated corporate strategy means that we are clear where we are focusing our finite resources. If decisions need to be made about the allocation or use of resources we are guided by the prioritisation provided by the Board. This means there is a clear direction and resources are used to deliver the strategy.

At a delivery level each of the underpinning strategies is clear how its operation will deliver Value for Money (VFM), either from greater efficiency, better effectiveness or optimising economy.

The Board has set targets for the delivery of the strategic objectives and monitors performance against these targets as part of its balanced scorecard. Where performance is not on target the Board is able to understand the reasons for this, challenge management and approve improvement plans.

The Board has developed a Financial Plan, which together with the Corporate Strategy, makes up the Business Plan. In developing the five year plan the Board has allocated financial resources in accordance with the agreed priorities. It has also included efficiency targets looking to reduce overall spend on corporate overheads over the life of the plan. We will do this by using innovation and technology to drive efficiency. This will allow us to direct more resources to the frontline, help services be delivered more effectively and ensure we are delivering on our objectives of keeping everyone safe and being a great landlord.

In agreeing the Financial Plan the Board has been clear that investment in delivering new affordable homes can only be undertaken after it has met its obligations to invest in its existing assets. It has considered its approach and appetite for risk. In particular it has considered how much it is prepared to borrow against existing assets to enable it to meet its objective of delivering more affordable homes. It has taken a balanced and manageable approach in determining the number of new homes it will develop.

More information on our performance against the Regulator's Value For Money metrics can be found on page 21

OUR BUSINESS PRIORITIES

To deliver our strategy and allocate our resources we must make choices. We have prioritised four key areas of our business. These cover what we do and how we do it:

Priority 1 - Keep everyone safe
Priority 2 - Be a great landlord
Priority 3 - Maintain business viability and balance sheet strength
Priority 4 - Deliver new affordable homes

Underpinning and central to all of this are our employees, and our aim is to provide a working environment where people can thrive. Investing in the right technologies will help us deliver all that we do in a more efficient and effective way for the benefit of our customers.

PRIORITY 1 – KEEP EVERYONE SAFE

Our number one business priority is to keep everyone safe. To provide safe homes for our customers and ensure that our staff are safe doing their job.

Safety remains central to all that we do, and as over the last year the country has moved out of the restrictions put in place to control the spread of Coronavirus, we have worked hard to ensure our customers and employees remain safe.

Providing our customers with safe homes is very important to us and during FY22 we continued to maintain high levels of compliance with our statutory landlord obligations. In addition to strong performance against Key Performance Indicators, as part of our ongoing commitment to compliance and building safety we also carried out a number of business improvements and initiatives including strengthening the building safety team with new appointments ensuring clear subject matter expertise, ownership and accountability of service delivery. We have expanded our building safety team and secured places for them on a new Building Safety Management Diploma qualification provided by the CIOB.

Fire safety continued to be a priority area, with over £10m spent on enhancing safety in the year. We do expect high levels of spend to continue for the next 3 years and the schedule of Fire Risk Assessments and the completion timescales for actions have been reviewed to make this achievable. We have further invested in our approach to building safety with the procurement of a Fire Door Management System through Compliance 365 (C365) which went live in Q1 of FY23 and we have also implemented a new External Wall Assessment policy which will be supported by a programme of inspections over the next few years. In addition, fire safety work including the installation of sprinklers is underway at the four Meres to address the findings after the fire at Beechmere.

We want to work together with our customers to ensure they are safe and this is why over the past 12 months we have developed and approved the 'Your Voice on Customer Safety engagement strategy' and continue our work on key projects such as 'Customer Safety Reporting' that will allow customers to report a safety/building safety concern and 'Customer Information' that will enable customers to have access to specific information on the buildings in which they live. This year we have commenced a fire evacuation strategy project, which will ensure that all residents who live in our multi-occupancy blocks are reminded of the emergency evacuation plan for their home and confirm their understanding of the plan. The project will also ensure that where we have residents that may have difficulty in self-evacuating, a Person-Centred Fire Risk Assessment is carried out and additional support/interventions put in place if necessary. At the end of FY22 we had communicated with just over 60% of our residents living in multi-occupancy blocks.

We continue to ensure that our building safety work is aligned to and embedded in our customer voice and engagement networks. For example, we held our first High-Rise Forum on 24th February 2022 where we invited residents from all of our twelve 18m+ buildings and three six-storey buildings to Youggle House to hear about our plans and to give residents an opportunity to have their say

At the end of FY22 we became a registered signatory and member of the Building Safety Charter which demonstrates our support for the five key building safety commitments and publicly confirms our commitment to building safety.

We also want to ensure our employees remain safe in their work and this year we reviewed our occupational health and safety plan ensuring it was aligned to ISO45001. We reviewed approximately 200 role-based risk assessments ensuring they remained fit for purpose in our changing environment, and we completed 709 H&S Inspections ensuring that our work on the ground was aligned with policy, procedures and risk assessments. As restrictions were lifted our directors undertook safety tours helping to reinforce and embed our safety-first culture. We recorded 59 employee health and safety accidents in the year, this was an increase over the 35 recorded in FY21, but we recognise that for much of FY21 restrictions were in force and reduced the amount of physical activity being undertaken by employees. We know that the last two years have been difficult for many people and our employees are no different and so we are very pleased that this year we launched our Wellbeing Plan based on the four pillars of financial, social, mental and physical wellbeing with a range of activities and support available to employees.

PRIORITY 2 – BE A GREAT LANDLORD

We are first and foremost a social landlord and we want to provide homes which are decent and services which reflect the needs of our customers and which they value. We are building stronger, long-term relationships with our customers, based upon knowledge and respect.

We know that everyone deserves a decent place to call home and that is why we are continuing with our ambitious programme of reinvestment in existing customers homes. In FY22 we successfully delivered £51.5m of investment works, this represents thousands of new kitchens, bathrooms and heating systems for our customers. It brings our total investment figure to £84.4m between FY21 and FY22 against a target of £86.5m; a shortfall of just £2.1m across the 2-year period. This is despite the challenges presented by the pandemic and the increasing impacts on labour and material availability.

During the year we also completed the works on some of our larger schemes where latent defects had led to decent home failures in the past, and are pleased to report that at the end of the year 100% of all our homes met the decent home standard. During the year we also intensified our work on damp and mould programme to ensure there were no issues in our homes that we were unaware of which needed to be addressed. We launched a new damp, mould and condensation policy, educated our employees and communicated with our customers about the issue, including visiting customer's homes as restrictions were lifted. We shared our activities with others in the sector and were delighted when the National Housing Federation highlighted our work as good practice.

We understand the responsibility to invest in our resources effectively and key to this is the data we hold in respect to our properties. Although we are confident in the quality of the data we hold, we want to ensure that it is constantly validated, refreshed and updated so, this year we have commenced a programme of surveys of both estates and assets which will feed into our investment decisions. Our programme of Estate audits and balcony surveys are now complete, with 7,025 stock condition surveys as well as 1,620 estate audits completed by the end of FY22. In addition, 4,409 properties were inspected in relation to balconies which generated 2,694 additional balcony surveys. Fire Door surveys have also been completed on all high-risk buildings.

We have also implemented our Strategic Asset Performance (ASAP) model; a stock grading system which will help us define and focus our investment. Using the model, we have completed cross team reviews of over 5,000 properties and their performance to better inform priorities for planned investment over the next 12 months. Sometimes we may determine that we are unable to invest in properties at the right level or provide appropriate services to our customers in particular locations, and then we will look at the best future management arrangements for the property. This can involve consideration of changing how we manage the property or possibly identify a more fitting provider.

We recognise that being a good landlord is not just about the homes we provide, customers are at the heart of everything we do as a business and it is vitally important that the services we offer meet their needs. Our Landlord Strategy underpins our commitment to continually improving our services to customers, and includes our Customer Connect Framework which articulates for customers, and employees, the expected standards for our frontline services. It embeds our Customer First approach and our Every Contact Counts culture. It is important that our customers' views are listened to and reflected in the design and standards of our services, including in respect of their safety. Our customer engagement continues to grow with our Customer Voice Framework setting out all of the ways that customers can get engaged with us. Our Customer Services Committee and our Customer Connect Panel have both developed further in the year, and we have seen a wider number of customers becoming involved with us, with 193 customers now formally involved with us in a variety of ways. We have also supported a number of resident associations, and launched our "It's in your hands" community grant funding to support local groups. We attained an accreditation for our customer engagement activities from TPAS (the Tenant Participation Advisory Service) in the year, and our scrutiny inspectors carried out two reviews leading to a number of recommendations, which we are currently implementing.

From listening to our customers, we have developed a new operating model and launched a new regional structure, based on what customers told us was important to them – a local accessible service that was visible in neighbourhoods, and we have also increased our front-line resources in order to offer more support to customers.

We have also retained the accreditation from the Foyer Federation for the service across our 4 foyer schemes – these are aimed at providing young people a safe and secure environment in order to grow and continue with their studies or find work. We have also launched a new service in the year working with Warrington Borough Council, offering vital outreach work to street homeless in Warrington, which has reduced rough sleeping in the town centre.

We know that the current economic climate will impact significantly on many of our customers, and some may need a little extra help. During the year the Board have agreed to provide extra resources in our Money Advice Team, this team provides advice and support to customers, helping them to obtain the benefits they are entitled to and signposting to debt counselling and other services where required. We have also agreed to extend our Tenancy Support Programme which provides support to new tenants who, due to their personal circumstances, may need a little extra help to sustain their tenancy. Dedicated officers support identified tenants before they move in with benefit applications and links in to other social and wellbeing services and then stay in touch for the first eight weeks of their tenancy. Through the pilot we undertook early in the year we established that this kind of support not only helps customers to sustain their tenancies but also saves YHG the cost of increased voids and relets. Customers who were part of the programme had a 58% lower rent arrears level than the Local Authority averages.

The cost of utilities is an increasing issue with many people faced with tough decisions between heating their homes and feeding their families and we are all too aware of the environmental costs of the fossil fuels used to generate our energy. We want to do our bit to both reduce our carbon footprint and reduce the cost of living for our customers and that is why we are committed to ensuring all our homes are at EPC C or above as soon as possible and by 2030 at the latest. Our work in this area received a boost last year when we were awarded funding worth £5.3m from the Social Housing Decarbonisation Fund (SHDF) to carry out energy efficiency upgrades to our homes, helping to reduce fuel bills for 392 of our customers within the Greater Manchester Region. The funding will contribute towards our total decarbonisation project investment of £11.5m in FY23 and a YHG commitment of £6.2m to enable full delivery of the project. This enables us to carry out upgrades to improve energy efficiency and reduce carbon emissions in homes with an Energy Performance Certificate (EPC) rating of D or lower. Further funding has been secured in the region of £1.0m for cavity wall insulation works across a further 782 properties.

In response to increasing home energy costs and the impact this may have on the number of residents in fuel poverty, through our compliance team we have also put measures in place to ensure visibility of all properties where the gas supply is capped on a gas service, which in the main is due to no gas credit being available. Each individual case will be reviewed, and the customers supported to restore gas to their property.

In addition to supporting customers we have also been working hard to improve our overall service to all customers and we have again seen increases in our performance. Our overall satisfaction has increased by 9% and our complaints performance has also improved following the implementation of a new system and policy and procedure. We continue to learn from our customer complaints, and have this year launched an internal forum and our scrutiny inspectors have carried out a comprehensive review of this area, so that we can learn and improve further.

This year we have completed the final stage of our Repairs 2020 project which aimed to improve the customer journey for reporting repairs. The final part of this, Dynamic Scheduling, launched this year and means that our operatives can be more effective as appointments are now being planned for them and routes mapped out. We have also re-launched our digital tool and app, “Your Home Hub” meaning customers are now able to not only report a repair at any time day or night (even if we are closed) but can choose an appointment that suits them for the majority of repairs.

PRIORITY 3 – MAINTAIN BUSINESS VIABILITY AND BALANCE SHEET STRENGTH

Our ambitious growth strategy needs a solid platform and our plan continues to maintain a resilient business.

We will ensure that we can deliver on our investment and development plans whatever the economic or political environment.

Our treasury strategy is designed to ensure that there is enough funding in place to deliver the business plan, with enough liquidity to support the next 24 months working capital requirements.

During FY22, the Group completed on Private Placements of a further £205 million, £75 million being a deferred drawdown from debt arranged in FY21 drawn in May 21 (£20 million) and November 21 (£55 million). The remaining £130 million were FY22 executions drawn in May 22. These proceeds were used to repay revolving credit facilities.

At the 31st March Your Housing Limited had a gearing ratio of 42.7%. As debt is drawn down, as per the Board approved Business Plan, the gearing ratio will increase through to Peak Debt (FY27). The point of Peak Debt within the plan still maintains sufficient headroom above covenant position and internal golden rules.

All variable rate debt within our facilities has been updated to apply a SONIA reference rate plus a credit adjustment spread. This spread has been agreed by the SONIA working group and the Bank of England. The Cessation Sterling Adjustment Spread has been used in relation to the agreements. The Cessation Sterling Adjustment Spread has been calculated as at 5 March 2021 using what is known as the 'ISDA Lookback Approach', using the median value of the basis between LIBOR for the relevant interest periods (being one, three, six and twelve months) and SONIA over a five-year lookback period. The Cessation Sterling Adjustment Spread has been calculated for interest periods of one, three, six and twelve months (the "Standard Interest Periods"), and is applied consistently until the end of our facilities.

In June 2022 the Regulator of Social Housing completed its In-Depth-Assessment (IDA) of the Group and issued its latest Regulatory Judgement with a maintenance of a V2 Viability grade. In its judgement, the Regulator confirmed that the Group complies with the Governance and Financial Viability Standard and that the Group has an adequately funded business plan with sufficient security in place. The Regulator also noted that the plan is built on reasonable assumptions and has been subject to an appropriate range of stress tests, with mitigations identified.

During FY22 our golden rules and trigger points have been revised in line with Board's risk appetite. The approved financial plan delivers within these parameters for its entirety. Forecast financial performance above trigger points demonstrates a robust level of covenant headroom throughout the life of the plan. The Treasury Strategy has been refreshed in line with the updated financial plan, with an external review (Centrus, Groups Treasury Advisors) of the existing facilities concluding the portfolio is well structured and appropriately hedged, with a reasonable weighting between bank funding and capital markets and a sensible weighted average length. The Treasury Strategy then looks to raise new debt in summer FY23 to support delivery of the corporate objectives whilst maintaining golden rule compliance. At 31 March 2022, the Group had £225m undrawn facilities to fund the future working capital and our growth plan. This provides circa 24-month liquidity cover.

A robust suite of stress tests as set by Board has been run against the approved financial plan, with detailed mitigation plans formulated for any breaches of covenant or liquidity parameters. This suite of stress tests included macro economic, risk specific and multi variate stress tests.

Maintaining our income is, of course, essential to our financial viability and during the year we have worked hard to support our residents and ensure they continue to pay their rent. Despite the current economic climate and the cost of living squeeze our rent collection has remained at 99.7%. We have seen a slight decrease in our occupancy level to 99.3% as we exited the pandemic and people began to move again increasing some of our void levels. We also saw an increase in repairs reported in the year and so diverted some resources from our void work to ensure that day to day repairs for current tenants were completed within acceptable timeframes. Whilst this was important to maintain service levels for our customers it did lead to slightly longer void periods.

The Group has a number of investments which whilst aligned to our business are not classed as core, these include investments in PFI schemes where the Group is a minority shareholder and delivers some landlord and housing management functions. In FY21 we reported on our acquisition of the remaining share capital in the Avantage PFI following the fire at one of the sites in 2019. This acquisition made Your Housing Limited the sole shareholder but has allowed us to provide capital facilities and progress with works to remediate the latent construction defects in the other buildings within the project. This year we have started on those works and worked with both the Local Authority partners and Avantage's funders to prevent project termination and restructure the project to ensure it is sustainable in the future. Board have now agreed to provide £20m cash support from the Group to allow the necessary remediation and rebuild works to take place.

PRIORITY 4 – DELIVER NEW AFFORDABLE HOMES

Our plan sets out an ambitious growth strategy for the future. We are committed to help solve the national housing crisis and meet the demand for new homes.

Our growth strategy delivers a balanced portfolio of developments to serve the needs of a range of customers and that will deliver revenues which are counter cyclical, and resistant to economic and political influences that cannot be controlled by YHG. Our plan is to hold our new assets, with only a nominal amount for open market sale and the remainder predominantly (c80%) for social /affordable rent. We are developing mixed tenure sites in mostly urban locations with good transport links, good schools and local amenities that our customers need.

To help us achieve our objectives, in 2019 we entered into a strategic partnership with Homes England, this gives us security of grant when considering schemes for the development of new social housing. We are now 65% through our programme and meet regularly with Homes England who are pleased with our progress.

During FY22 we completed 242 homes and started on site with 500 new homes so that as at the end of March 2022 the Group were physically on site constructing 1,478 homes.

In FY21 we reported that we were withdrawing from the Liverpool Waters development and that the site was in the process of being sold. The sale was completed in December 2021.

We have previously reported on our land strategy which underpins our growth strategy helping us to reduce the cost to build and giving us greater control over developments. This year we have seen the benefit of the Group’s land programme. We have progressed to the remediation stages and are starting to secure planning on the sites we hold to realise the benefits. At our Griffiths Park, Northwich site we have recently secured planning permission for 380 homes and are on site carrying out the remediation which has secured the Group an uplift of c£4m. Elsewhere we have progressed the 50 acre Jacksons Brickworks site in the Newton Heath Manchester; agreeing a conditional sale to the Department of Education for a new secondary school; securing Brownfield Land Fund grant from Greater Manchester Combined Authority; and have submitted a hybrid planning application for circa 730 homes, a new school and community/retail facilities. Finally, we are now under starters orders at our scheme in Aintree, Liverpool having submitted a planning application for 65 new homes off Sentinel Way.

Our strategy is serving us well, but we have seen land prices increase significantly over the last year and in FY22 we only acquired 138 plots, which was less than our target. Given the current economic climate we will be reviewing our growth strategy in the next twelve months to ensure our approach is appropriately aligned to our business plan.

We know that what we will need to deliver in the future is likely to change and we are keen to continue to innovate in the supply of new homes, delivering affordability and minimising our impact on the planet. We have, therefore, agreed to a pilot of 5 homes on our Edge Lane Scheme in Openshaw, Manchester to examine ways to achieve the proposed Future Home Standard which are due to come into force in 2025. Our drive to develop sustainable homes will continue with projects such as our partnership with Liverpool University looking at the delivery of net zero homes. These projects will inform our thinking and help shape our future Growth strategy. Our Growth strategy is funded from a mixture of external debt, reserves and grant funding.

OUR PEOPLE, CULTURE AND VALUES

Our people strategy is designed to deliver an organisation where employees are thriving and maintaining an excellent work life balance, using the best technology available to them and delivering the very best customer experience, every day.

FY22 was an extraordinary year in the UK employment market in what pundits have coined 'The Great Resignation' with many employees taking the decision to move jobs following the pandemic and a record number of vacancies across the country. We have seen the impact of this phenomenon on our own workforce where we have recorded higher than normal attrition rates, pleasingly, however, we have not experienced any difficulties attracting and recruiting new employees. For many our approach to flexible working and our mix of benefits is very attractive.

Our sickness absence rates were impacted by the pandemic both in terms of absence due to Covid infections but also mental wellbeing as a direct impact of the early lockdowns and restrictions, which is why we have focused part of our health and safety work this year on wellbeing via our Occupational Health & Safety wellbeing plan which is divided into 4 pillars: Financial, Social, Mental Wellbeing and Physical Wellbeing was delivered as planned across the business. A key connector for us staying alert to colleague wellbeing is through our Personal Development Review (PDR) process and its pleasing to report that 99% of all PDR's were completed. Even during such a challenging time as the global pandemic, we continued to evolve with the implementation of an HR Self-Serve app, a new colleague inclusion programme called *It's not enough to*…. which saw 73% of staff happy and confident to share their Equality & Diversity (E&D) data with us, the roll out of a colleague communication programme of events and the launch of a quarterly managers conference. All these activities promoted wellbeing and provided a range of opportunities for colleagues who might be struggling to reach out for support, and it was really positive that over 400 people did as a result of feeling confident and comfortable to do so.

An important part of our People Plus Strategy is to ensure our colleagues have access to high quality learning and development opportunities that provide them with the ever-evolving skills and confidence required to competently carry out their duties. We successfully put in place and delivered personal development plans to those who required them, and this equates to 9 pieces of new learning per employee involved in the programme. We also delivered a significant Learning & Development (L&D) programme which include: 525 webinars, 6,817 e learning activities, adding 139 new courses to our internal training library including 2 new IOSH health & safety courses and delivered a £53,000 VFM saving to budget.

Given there has been such a significant change in what people expect from their employment experience, we will be developing a new People Strategy to be in place from 2023 to reflect an agile workforce and labour market. This will be supported by a new transformation programme which will commence early summer. In addition to this we will also be developing a Recruit Well and Retain Well Plan that builds on our existing strengths.

Strategic Report – Summary Financial Results

Statement of Comprehensive Income (£m)	2021/22	2020/21	2019/20
Turnover	157.5	153.8	148.3
Operating (deficit)/surplus - excluding surplus on the sale of fixed assets	4.4	18.6	29.0
Earnings before interest, depreciation, amortisation and sales (EBITDAS)	29.9	42.8	50.7
Earnings before tax (EBT)	(4.7)	4.9	21.3

Statement of Financial Position (£m)	2021/22	2020/21	2019/20
Fixed assets	1,242.4	1,182.5	1,085.4
Net current assets/ (liabilities)	146.2	93.6	(12.8)
Long term creditors – debt	537.9	454.9	335.2
Long term creditors – grants	476.8	444.4	397.3
Long term creditors – other and provisions	70.5	85.3	51.7
Reserves	303.3	291.5	288.4

Further details of operating performance and the statement of financial position can be found on page 18.

Accommodation figures	2021/22	2020/21	2019/20
Total owned and managed – during the year	26,806	26,694	27,730

Strategic Report – Summary of Financial Results

The strategy of YHG continues to be focused on maintaining our ability to generate surpluses that can be both reinvested into our existing homes and invested in the development of new homes. We achieve this through ensuring we have sufficient cash and liquidity resources.

In FY22, we continued to make significant progress in the execution of our Treasury Strategy by securing additional facilities. During FY22, the Group completed on Private Placements of a further £205 million, £75 million being a deferred drawdown from debt arranged in FY21 drawn in May 21 (£20 million) and November 21 (£55 million). The remaining £130 million were FY22 executions drawn in May 21. These proceeds were used to repay revolving credit facilities. We substantially enhanced liquidity and cash, and as a result YHG has been able to make significant inroads in the implementation of its Strategies, specifically in the areas of Capital Reinvestment in Assets and Development of New Homes. Our ongoing success is a real testament to the long-term vision and strategy of the Group, with a key focus over the last 12 months on providing additional support to our residents and employees.

FY22 was the second year of delivery against our Capital Reinvestment programme, where we have an objective of deploying more than £219m over five years in our existing homes. Despite Covid-19 restrictions placing challenges on the types of work which could be delivered safely, our expert planning and team flexibility allowed us to deliver planned investment of £51.5m (2021: £23.7m), a significant year-on-year increase, which amounted to just under seven thousand component upgrades, including the installation of 1,254 new kitchens, 1,718 bathrooms and 1,421 new boilers for our customers. This is a significant contribution towards our five year target, which we remain confident in being able to deliver successfully.

Alongside this improvement for our existing residents, we invested a further £53.2m in the creation of new homes during FY22. During FY22 we completed 242 homes and started on site with 500 new homes so that as at the end of March 2022 the Group were physically on site constructing 1,478 homes. As a Strategic Partner with Homes England, in the year we received £29.6m in Wave 2 Capital Grant and were also successful in securing £3.7m Brownfield Grant at our Ten Acres site.

The Board continues to focus on the achievement of key delivery targets in the long-term. Such targets are based substantially around strategic priorities of the Group including "Keep Everyone Safe" and "Be a Great Landlord". The safety of our customers remains the number one priority, and YHG is committed to deploying the required financial resources to maintain this. In the year we spent £6.7m on making our homes safer. Our customer satisfaction ranks equally highly, with a 9% improvement recorded during FY22, and again the Board is absolutely committed to ensuring that sufficient resources are deployed in delivering these priorities.

The Board remains committed to improving Value For Money (VFM) and ensures at a delivery level, underpinning each of the strategies, actions to improve VFM, either from greater efficiency, better effectiveness, or optimising economy, are clearly laid out. During FY21 we moved a significant portion of our office staff onto permanent home working contracts, allowing us to realise longer term cost savings through home working. This is part of our longer-term efficiency target to reduce corporate overheads through innovation and technology, therefore allowing more resources to be directed to the front line.

From a financial metric performance perspective, FY22 has been an interesting year. For the year we are reporting a Financial Loss of £4.7m (before Pension adjustments). In December 2020 we acquired 100% shareholdings in Avantage (Cheshire) Holdings Limited. This is the first full year of Avantage being consolidated into the Group. The acquisition followed the loss of one of the schemes due to a fire; Beechmere. In this financial year, the consolidation of Avantage has led to a £11.5m loss for the Group. This is mainly due to provisions included within Avantage for fire remediation works at the other 4 Mere schemes (£3.7m) and additional provision for the rebuild costs at Beechmere (£6.7m), where costs are increasing, due to inflationary pressures and redesign of the building specification.

Added to the additional cost in relation to Avantage, we have seen additional spend on Fire Safety works across the Group, and some one-off provisions made for rent refunds following the identification of some historic rent setting errors and the onerous lease for 602 Office, which is now no longer used, since the introduction of Youggle House. The onerous lease relates to contractual rental charges still outstanding, until the end of the term of agreement.

Turnover increased compared with last year by £3.7m. The increase in rental income (1.5% rent increase) is the main contributor to this increase.

Strategic Report - Operating Performance and Statement of Financial Position

OPERATING PEFORMANCE

Key performance measures for the year were:

- Income increased to £157.5m (2021: £153.8m); largely as a result of YHG increasing rents in line with the rent standard (1.5% increase).
- Operating Costs increased in the year to £153.1m (2021: £135.2m); this significant increase is due to the inclusion of Avantage, for a full financial year (prior year was only part) and the provisions included for fire remediation works at the other 4 Mere schemes (£3.7m) and the rebuild of Beechmere (£6.7m) after the scheme was destroyed by a fire. Additional costs have been incurred on fire safety works, together with a number of one-off provisions for rent refunds and unavoidable rent costs on the 602 Office.
- Earnings before interest, tax, depreciation, amortisation and property sales (EBITDAS) was £29.9m (2021: £42.8m) with a margin of 19% (2021: 27.8%). The reduction is largely a result of increases in provisions for Avantage and one-off adjustments in YHL as identified above.
- Interest Cost decreased in the year by £0.4m, in-line with expectations and driven by the increase in loan drawdown in the period, at more competitive rates.
- Earnings before tax margin decreased to -3.0% (2021: 3.2%), primarily reflecting the matters referred to the EBITDAS and Operating Costs commentary above.

STATEMENT OF FINANCIAL POSITION

At 31 March 2022, the Group's Statement of Financial Position demonstrated considerable strength, and the Group remained financially robust, with access to substantial liquidity and cash through our Revolving Credit Facility (RCFs), which can more than cover the current liabilities at year end and future commitments. Key performance measures were:

- The Net Book Value (NBV) of fixed assets was £1,242.5m (2021: £1,182.5m). There was an overall increase in the value of fixed assets due to investments in new homes and land purchases.
- At the year end the Group had invested £51.5m (2021: £98.0m) in relation to properties under construction.
- The Group owned and managed 26,806 homes.
- On 26th January 2022, Your Housing Limited acquired the housing property portfolio of Ascent Housing LLP, a registered provider of social housing owned 51% by Your Housing Group Limited and 49% by Staffordshire Moorlands District Council (SMDC). Your Housing Limited also acquired the 49% interest in Ascent Housing LLP from SMDC. The consideration paid was £19,091,000 which was equal to the net book value and the fair value of the properties. The proceeds were used to repay in full the £14,000,000 loan facility from SMDC and repay in part the two £5,000,000 loans with Your Housing Group Limited and SMDC. The remaining loan balances were written off.
- The fair value investment properties were £74.1m (2021: £84.0m). The decrease is due to the reclassification of £9.8m to inventories, due to a change in tenure type, together with an increase in fair value movement of £1.5m. The Board appointed JLL and Savills as independent experts to impartially value investment property of the Group as at 31 March 2022. All valuations were conducted in line with RICS methodology.
- The Group had £76.1m (2021: £64.2m) of cash and cash equivalents with £233m (2021: £98.6m) additional undrawn facilities, based on existing debt facilities.

- Gearing increased slightly to 43.6% (2021: 40.4%), reflecting the increase in loan drawdown to fund Development and Asset Investment activity.

- The Group had reserves of £303.3m (2021: £291.5m). The Group's long term Creditors have increased significantly in the period, reflecting the increase spend in both Development and Asset Investment, in-line with the Corporate Objectives.

- During FY22, the Group completed on Private Placements of a further £205 million, £75 million being a deferred drawdown from debt arranged in FY21 drawn in May 21 (£20 million) and November 21 (£55 million). The remaining £130 million were FY22 executions drawn in May 21. These proceeds were used to repay revolving credit facilities.

- The Group participates in two multi employee defined benefit schemes the Social Housing Pension Scheme (SHPS) and the Staffordshire County Council Pension Fund, and a defined benefit pension scheme: The Arena Group Pension Scheme. The net position of the three schemes together has been recognised within the defined benefit pension liability on the face of the statement of financial position and was £14.9m (2021: £38.3m). The improvement in the position during the year was driven by an increase in the fair value of the scheme assets and the effects of changes in the financial assumptions underlying the present value of the defined benefit obligation. The most significant change was the discount rate which increased during the year due to increases in the corporate bond yield rates from which it is derived. The Group specifically recognises future pension scheme cash commitments in its financial planning and forecasting processes and applies sensitivity and stress testing to all potential key variables. As a result, the Group is very confident it has more than sufficient cash resources to fund its current and future level of obligations. The Association has been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes which could potentially impact the value of Scheme liabilities. The contingent liability is disclosed in note 31.

Strategic Report – Debt Structure and Monitoring

Our Treasury Strategy is designed to ensure that there is sufficient funding in place for all net cashflow requirements over the next 24 months, and that the portfolio is well structured, appropriately hedged and has a reasonable funding and lender mix.

A detailed rolling cash flow forecast is prepared and reviewed each month with regular reports going to the Group Board, Investment Committee and the Executive Leadership Team detailing liquidity monitoring and the refinancing point. These forecasts include short-term operational cash flows and the agreed and expected development and reinvestment programmes.

As at 31 March 2022, the Group had total borrowings of £545.7m (2021: £467.4m) with a further £233m available to be drawn from existing agreed facilities principally in the form of revolving credit facilities. This ensures we are well placed to deliver our strategic objectives over the short term with new funding expected to be raised during FY23 to support delivery over the long-term.

The weighted average cost of funds for the Group at 31 March 2022 was 3.65% (2021: 3.32%) which compares favourably to peers in the sector. This has increased in the period, despite a reduction in interest costs, due to the repayment of debt in the year on lower rate facilities.

During FY22, the Group completed on Private Placements of £205 million. This debt has a weighted average interest of 2.70% and a weighted average maturity of 31 years.

Surplus funds are invested with counterparties meeting the terms of our Group treasury management policy and these are monitored to ensure compliance. Our investment policy is risk averse and aims to minimise the risk of financial loss or liquidity exposure. We do not hold any financial instruments for speculative purposes.

The Group’s loan covenants within the externally funded entities primarily consist of interest cover and gearing. Avantage has not met all of its funder’s covenants, waivers have been agreed are in place. All other covenants within the year to 31 March 2022 had been met. Covenants are monitored monthly and through the 30-year forward-looking business planning process. Our business plan shows that we are able to operate within our committed facilities under a number of stress tested scenarios. Stress testing is performed on a single and multi-variate basis to demonstrate break points in the plan and mitigating actions are reviewed and approved by Board.

VFM Report FY2022

Overarching VFM Ambition and approach

The overall aim for YHG is to utilise our available resources effectively and efficiently to deliver our key strategic objectives. It is our ambition to manage an estate of safe desirable homes in which residents want to live and feel supported by our services and to build new fit for purpose homes to meet rising demand where our resources permit. We will do this by:

1. Prioritising resources in alignment with our strategic objectives
2. Stopping doing things which don't deliver our strategic objectives
3. Maximising what we have available through cost reduction and added value
4. Leveraging our activities to deliver even greater value to our customers and communities
5. Being more efficient through the use of better processes and technology

The Board remains committed to improving Value For Money (VFM) and ensures at a delivery level, underpinning each of the strategies, actions to improve VFM, either from greater efficiency, better effectiveness, or optimising economy, are clearly laid out. During FY21 we moved a significant portion of our office staff onto permanent home working contracts, allowing us to realise longer term cost savings through home working. This is part of our longer-term efficiency target to reduce corporate overhead through innovation and technology, therefore allowing more resources to be directed to the front line.

The Board has developed a Financial Plan, which together with the Corporate Strategy, makes up the Business Plan. In developing the five year plan the Board has allocated financial resources in accordance with the agreed priorities. It has also included efficiency targets looking to reduce overall spend on corporate overhead over the life of the plan. We will do this by using innovation and technology to drive efficiency. This will allow us to direct more resources to the frontline, help services be delivered more effectively and ensure we are delivering on our objectives of keeping everyone safe and being a great landlord.

It is inevitable that whilst some of the VFM metrics are favourable, such as the reinvestment metric, there is an inevitable converse consequence of this in terms of the reduction in financial metrics such as ROCE, operating margins, and EBITDA (MRI).

Our delivery of VFM in FY21/2022

Prioritising resources in alignment with our strategic objectives

Having our clearly articulated corporate strategy means that we are clear where we are focusing our finite resources. If decisions need to be made about the allocation or use of resources, we are guided by the prioritisation provided by the Board. This means there is a clear direction and resources are used to deliver the strategy.

Key highlights for us this year have been:-

- Building safety remains high as our number one priority, and we have invested nearly £10m in FY22 on fire and other related safety improvement works. In FY21, we acquired 100% of the shareholding of Avantage PFI. This will enable us to provide capital facilities to expedite the rebuild of the Beechmere Scheme which was devastated by fire in 2019 and rectification works at the other schemes.
- We have previously reported on our land strategy which underpins our growth strategy helping us to reduce the cost to build and giving us greater control over developments. This year we have seen the benefit of the Group's land programme. We have progressed to the remediation stages and are starting to secure planning on the sites we hold to realise the benefits. At our Griffiths Park, Northwich site we have recently secured planning permission for 380 homes and are on site carrying out the remediation work. Doing this work in-house has saved the Group costs of around £4m (verified by an external valuer).

- A rise in customer satisfaction of 9% was achieved in the year across all tenure types, this was 1% lower than our target and shows our dedication in delivering services that are needed and valued by our customer.
- As a Strategic Partner with Homes England, in the year we received £29.6m in Wave 2 Capital Grant and were also successful in securing Brownfield Grant £3.7m at our Ten Acres site.
- Further funding has been secured in the region of £1.0m for cavity wall insulation works across a further 782 properties.
- We were successful in our application to the Social Housing Decarbonisation Fund and have been awarded £5.3m to carry out energy efficient upgrades to 392 homes in Greater Manchester
- We have also reduced disrepair cases by 37%, from 152 cases to 96.

Maximising what we have available through cost reduction and added value

The board monitors all investment across the group and seeks to maximise outcomes for residents by delivering VFM across its entire spend, in 2021/22 the main highlights were: -

i) We know that the current economic climate will impact significantly on many of our customers, and some may need a little extra help. During the year the Board have agreed to provide extra resources in our Money Advice Team, this team provides advice and support to customers, helping them to obtain the benefits they are entitled to and signposting to debt counselling and other services where required. We have also agreed to extend our Tenancy Support Programme which provides support to new tenants who, due to their personal circumstances, may need a little extra help to sustain their tenancy. Through the pilot we undertook early in the year we established that this kind of support not only helps customers to sustain their tenancies but also saves YHG the cost of increased voids and relets and customers who were part of the programme had a 58% lower rent arrears level than the Local Authority averages (as per pilot in the St Helens Local Authority area).

ii) Through our procurement activity, we generated £583k of savings in the year, £411k of cashable savings and £172k of cost avoidance. There has also been a tender process of the windows and doors program which is estimated to save c£1.2m.

iii) In FY21/2022 we set ourselves a headcount reduction target of 61 FTE, we have overachieved on this target by 19 FTE and have seen a saving to budget of £0.9m. This has been achieved by the integration of Fix360 into YHL, the delivery of our new customer operating model and the future ways of working project.

iv) Across our large, supported housing portfolio, other internal services and external projects, we achieved 5,768 outcomes for 2,813 customers, using the HACT (Housing Associations' Charitable Trust) model this generated just over £21m in social value.

v) We have delivered in year cost savings of £5.8m in line with the business plan targets that were set last year.

vi) In the year we have developed a long-term strategy for the procurement of our asset investment services and materials. The Asset Procurement Framework is due to be awarded in FY23 providing a network of contracted suppliers for a four year period. This ensures VFM as the contracts operate on a fixed price basis, uplifted by CPI only on an annual basis. Best price bids have also been secured using an open competition tender process.

vii) Staff in central support services and call centre roles were formally transitioned to Homeworking contracts in November 2020 following a successful pilot scheme. Prior to the Covid pandemic there were zero staff on homeworking contracts, at the end of Mar-22 there are 384 (39% of the total workforce) which has enabled YHG to limit occupancy to Youggle House, which will result in savings to premises costs in the future. Homeworking contracts also incorporated a new expenses policy which is resulted in a £90k saving over the last 2 years.

Leveraging our activities to deliver even greater value to our customers and communities

We continue to leverage our activities to ensure that we are delivering value for money throughout the business. In FY22, we have achieved the following:

i) The overall Customer Operating Model review delivered savings overall of £175k and increased front line resources by 10 FTE. The Customer Operating Model review considered the service offer to customers and what staffing was needed to deliver to current demand and what would be needed in future years, bearing in mind the requirements of the Social Housing White Paper. A full review of structures was carried out which involved customers and concluded that more resource was needed at the front line.

ii) This year we received accreditation to deliver IOSH Managing Safely and Qualsafe First Aid training in house. This has meant that we have been able to maintain compliance with mandatory training, increase the number of employees who have been able to undertake first aid training whilst saving c£53k on our training budget.

iii) We feel, more than ever, good quality, affordable housing will be important for people and we're still doing our bit to contribute to resolving the housing crisis. This year, we delivered 242 new homes and started on site with another 500. It was really pleasing that as a Board we were able to approve one of our first land led schemes, Edge Lane, which will deliver 216 new affordable homes. The modelling for this scheme demonstrates the benefit of our land strategy giving us greater control over delivery and costs and driving savings.

Being more efficient through the use of better processes and technology

To deliver ever greater value to our customers we have aligned ourselves to the greater use of technology in how we operate YHG. This is a long-term strategy and underpins the savings plan outlined in our Business Plan running up until 2028. Key highlights for us this year have been:-

i) Though the implementation of dynamic scheduling, we have achieved our target of 3.8 jobs per day per operative. This is an increase of 0.8 on FY21. We have also seen an improvement in our customer satisfaction score to 91%.

ii) We set a target for cost per repair per property per year for FY22 of £382, we have achieved this by improving first time fix rates. This has increased productivity allowing us to deliver a higher volume of repairs with internal staff which reduces the use of subcontractors.

iii) Through changes to processes, we have reduced our legal disrepair expenditure by £1.5m from FY21. This represents a £0.9m saving to our business plan for FY22.

iv) The Investment programme will deliver over £51m in FY22 added to £31m in FY21, delivering better quality homes to customers and potentially leading to reduced reactive repairs.

v) We have also implemented our Strategic Asset Performance (ASAP) model; a stock grading system which will help us define and focus our investment. Using the model, we have completed cross team reviews of over 5,000 properties and their performance to better inform priorities for planned investment over the next 12 months. Sometimes we may determine that we are unable to invest in properties at the right level or provide appropriate services to our customers in particular locations, and then we will look at the best future management arrangements for the property. This can involve consideration of changing how we manage the property or possibly identify a more fitting provider.

vi) We understand the responsibility to invest in our resources effectively and key to this is the data we hold in respect to our properties. Although we are confident in the quality of the data we hold, we want to ensure that it is constantly validated, refreshed and updated so, this year we have commenced a programme of surveys of both estates and assets which will feed into our investment decisions. Our programme of Estate audits and balcony surveys are now complete, with 7,025 stock condition surveys as well as 1,620 estate audits completed by the end of FY22. In addition, 4,409 properties were inspected in relation to balconies which generated 2,694 additional balcony surveys. Fire Door surveys have also been completed on all high-risk buildings.

vii) Through both the land strategy and the use of development partners we will deliver real benefit to our development programme. At our recent Edge Land site, we estimate overall savings to be in the region of 10-15% compared to a traditional developer led scheme and we are also able to deliver additional social value with the contractor pledging local employment and apprenticeships during the build-out. We are keen to continue to innovate in the supply of new homes, but we want to do this in a measured way which ensures we maximise value and manage risks. A great example of this is our pilot this year of the construction of seven modular homes in Anfield. At the moment we know that modular construction is more expensive than traditional build (as the UK market is not well developed), but it is much quicker to deliver on site. We also want to understand what the longer-term opportunities and risks are for both us and our residents and that is why we are working with Liverpool John Moores University to monitor the performance of these new homes. Already we are seeing positive benefits early feedback from one family is that they are seeing a significant reduction in their utility bills which is supporting our approach to reducing fuel poverty for our customers.

VFM Scorecard

This report sets out how we have performed in FY21/2022 in respect of the Regulator's VFM metrics and against our peers. It also provides an analysis of how these metrics will change as we move forward and make significant investments in our stock.

As well as monitoring our performance against our strategic objectives and targets, in accordance with the Regulator's requirements we also measure our value for money against the Regulator's technical metrics and in comparison, with our peers. The charts below reflect the set of metrics specified by the Regulator of Social Housing to measure and compare VFM across the sector. The House Mark global accounts comparison tool has been used to obtain benchmark data for the North West, West Midlands and Yorkshire and Humberside Regional Group.

Value for Money Metrics	2021/2022	2021/2022 Target	2020/2021	Benchmark*
Reinvestment	7.99%	9.93%	5.10%	6.3%
New supply delivered (Social)	0.83%	0.55%	0.25%	0.96%
New supply delivered (Non-Social)	0.09%	0.09%	0.13%	0.00%
Gearing - loans / fixed assets	42.4%	44.0%	40.7%	42.5%
EBITDA (Major Repairs Included)	(87.9%)	(33.1%)	87.0%	203.8%
Headline social housing cost per unit	£6,554	£6,120	£5,011	£3,508
Operating margin	2.8%	12.0%	12.1%	23.6%
Operating margin - Social Housing Lettings	9.14%	14.2%	14.2%	25.4%
Return on Capital Employed	0.6%	1.6%	1.8%	3.5%

*Benchmark data has been taken from Housemark for 20/21

Re-Investment

In 2021/22, we re-invested 7.99% of the total value of our housing assets. Although this is lower than our target for the year due to delays in the planning on some schemes, it places us above average compared to the sector.

Investing in and maintainng the standard of our existing homes remains one of our main priorities, during the year we have increased the level of reinvestment in our existing housing propeties stock by £26.3m in line with our corporate objectives. This represents thousands of new kitchens, bathrooms and heating systems for our customers and at the end of the year 100% of all our homes met the decent home standard.

We have invested £40.2m on the development of new housing properties which represented an increase of £7.7m on the previous year. We continued to work in partnership with Homes England to deliver our strategic ambition of building new homes and to play our part in helping to solve the housing crisis. During the year we took handover of 242 new homes and started on site with 500 new homes.

Over the next 5 years we will invest £198m in maintaining our current housing properies stock and £230m on the delivery of new housing properties.

Five Year Plan	FY23	FY24	FY25	FY26	FY27
Re-investment	8.98%	9.27%	6.80%	4.11%	4.54%

New Supply

The New supply metric sets out the number of new housing units (owned/managed) that have been acquired or developed in the year as a proportion of total housing units (owned/ managed) at period end.

Overall, our new supply was ahead of target and in 2021/22 we have delivered 242 units, of these 217 were social and 25 were non-social units. This was above our target by 15 units and an increase on prior year of 142 units. In terms of absolute figures, this places us in the upper quartile compared to the sector.

In 2019, we reviewed our development strategy to ensure that our growth was aligned to our overall strategy and met the requirements of our business plan and decided to change our approach to incorporate a land strategy ensuring lower development costs and better continuity of supply. During FY22 we completed 242 homes and started on site with 500 new homes so that as at the end of March 2022 the Group were physically on site constructing 1,478 homes.

Over the next 5 years, we will start on site with 1,519 new homes and our 5-year targets are set out below:

Five Year Plan	FY23	FY24	FY25	FY26	FY27
New Supply – Social	1.61%	1.64%	3.20%	0.88%	0.79%
New Supply – Non social	0.09%	0.00%	0.00%	0.05%	0.09%

Gearing

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.

YHG's gearing for 2021/22 was 42.4%, in line with the sector average. There has been a year-on-year increase of 1.7% which represents our increased investment in our existing and new stock as part of our commitments to provide decent quality homes and contribution to help solve the national housing crisis.

It is anticipated that gearing will increase over the next few years as debt is drawn down to fund our development and asset investment activity as per the approved business plan, however the entity still has substantial headroom from lender covenants.

Five Year Plan	FY23	FY24	FY25	FY26	FY27
Gearing	48.3%	51.8%	54.3%	54.7%	55.3%

EBITDA (MRI)

The (EBITDA MRI) interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable.

Our target for *EBITDA (MRI)* was significantly lower than the sector average. Within the metric calculation, major capitalised repairs are deducted from the operating surplus, therefore the high level of investment in existing stock included in our business plan reduces this metric %. Investment in existing Housing stock has increased by £26.3m year on year. Despite the significant progress we have made on the investment in our existing homes, we missed our target due to the reduction in operating surplus which is explained in the operating margin KPI below.

Five Year Plan	FY23	FY24	FY25	FY26	FY27

EBITDA (MRI)	(72.5%)	18.3%	15.5%	93.5%	95.1%

The group facilities are based on an EBITDA covenant until FY27, after which the strictest definition becomes EBITDA (MRI). This allows the Group to continue with a period of stock investment, delivering £242m worth of investment to our stock, in line with our strategic objectives.

As we invest heavily in our stock over the next few years, we expect we will remain behind our comparators, but will return to closer to the sector average towards the end of our five year plan.

Headline social housing CPU

The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator. Our unit cost has been negatively affected this year due to the consolidation of Avantage. Avantage is a financially distressed PFI. The PFI consists of four older persons schemes, all of which require substantial fire remediation work.

Although comparison of our Headline Social Costs per unit shows that the Group's costs are higher than the peer group, the Group has a significantly high proportion of supported housing and housing for older people within its stock. The Regulator has recognised that this type of stock has an overall higher cost per unit and therefore this is reflected in this metric.

Our headline social housing cost per unit increased year on year by £1,543.

The key drivers of the increase are:

- £999 due to the planned increase in capital investment, we have increased spend on our asset program in the year with additional spend of £26.3m on housing properties.
- £424 relating to the additional costs for Avantage as explained in the operation margin below,
- £105 increase in planned maintenance as a result of higher costs relating to Fireworks.
- £70 relating to the provision of the remaining lease payments for the 602 Office, which is now no longer used, since the introduction of Youggle House.

Overall, for the year we met our cost savings targets, however this has been offset by the above additional costs.

Five Year Plan	FY23	FY24	FY25	FY26	FY27
Headline social housing CPU	£6,826	£6,113	£5,994	£5,462	£5,644

Within this metric there are items of spend which are currently increasing such as additional fire precaution works and repair costs, these are vital areas of spend that the Board prioritises. However, there are some key areas where we have targeted real cost reductions over the plan and a cost savings task force has been set up to drive efficiencies through the business to ensure we meet our business plan targets.

Operating Margin

Our operating margin performance is lower than the sector averages, though it is apparent that margins are under pressure across the sector with operational challenges including compliance spend.

In the Year, we have achieved our cost saving targets of £5.8m, this has been achieved through reduced staff costs, reduction in legal disrepairs costs, refinements to the cyclical painting program, outsourcing of electrical installation condition reports and procurement savings.

Although our cost savings targets have been achieved, we are reporting an operating deficit of £4.4m. In December 2020 we acquired 100% of the shareholdings of Avantage (Cheshire) Holdings Limited. The acquisition followed the loss of one of the schemes, Beechmere. In this financial year, the consolidation of Avantage has led to a reduction in the operating margin of £11.1m for the Group. This is mainly due to provisions included within Avantage for fire remediation works at the other 4 Mere schemes and additional provision for the rebuild costs at Beechmere, where costs are increasing, due to inflationary pressures and redesign of the building specification. In the year, we have included a provision for £10.4m relating to the rebuild provisions & remedial works. This has affected the overall operating margin for the Group, although due to these mostly relating to non-lettings costs this has had a much lower impact on the operation margin for social housing lettings.

Added to the additional cost in relation to Avantage, we have seen additional spend on Fire Safety works across the Group, and some one-off provisions made for rent refunds following the identification of some historic rent setting errors and the onerous lease for 602 Office, which is now no longer used, since the introduction of Youggle House.

As a group we have a focus to improve performance in this area which will positively impact on several other KPI's, we are currently undertaking a benchmarking process to fully understand the key drivers to ensure that we have a clear plan for our efficiency targets over the next 5 years. We have setup a cost saving task force to ensure that we can drive efficiencies through the business in the most effective way.

Five Year Plan	FY23	FY24	FY25	FY26	FY27
Operating Margin	5.06%	9.63%	6.66%	14.64%	14.64%
Operating Margin - SHL	8.5%	8.7%	11.0%	15.7%	14.4%

Return On Capital Employed

This metric compares the operating surplus to total assets less current liabilities and is a common measure to assess the efficient investment of capital resources.

Return on Capital Employed (ROCE) was below target for the year. Whilst this places YHG below the lower quartile for the sector, it reflects the increased spend in both Development and Asset Investment, in-line with the Corporate Objectives and commitments to improving the quality of homes and creating new homes for people to live.

Five Year Plan	FY23	FY24	FY25	FY26	FY27
ROCE	0.79%	1.36%	1.00%	2.02%	2.14%

Value for Money Summary

The Group has been developing a clearly articulated strategy with appropriate prioritisation which means that we are clear where we are focusing resources in the future and how we are delivering value for money. It is inevitable that whilst some of the VFM metrics are favourable, such as the reinvestment metric, there is an inevitable converse consequence of this in terms of the reduction in financial metrics such as ROCE, operating margins and EBITDA (MRI).

Whilst the VFM financial metrics may have a mixture of changes, because of the inevitable link between increased spending commitments and profitability, this is done in the context of ensuring that the business planning process reflects the consequences of the investment required in the stock, both in terms of a sound asset base and meeting all of the legal and regulatory requirements and aspirations going forward.

Although some of these strategic decisions will reduce the financial performance reflected in the financial metrics, they are still done on the basis of complying with all of the covenants set by the funders to a significant degree as well as the "Golden Rules" set by the board as an early warning indicator against these covenants.

In delivering each of the strategies underpinning the Business Plan we are clear how we will deliver VFM, either from greater efficiency, better effectiveness, or optimising economy.

Strategic Report – Risks and Uncertainties

Risk
The Group has an embedded risk and assurance framework within the business and during the year, regular identification, management, and assurance of risk at an operational and strategic level was undertaken.

This financial year has seen unprecedented emerging risks from macroeconomic factors and external events (such as the cost of living crisis, increase in costs, labour shortages and recovery from Covid19 which has resulted in heightened market and economic uncertainty which we have reflect in our risk mitigation strategies.

The Board and the Audit and Risk Committee received regular updates on risk and assurance activity via regular reporting and the Board Assurance Framework. The Audit and Risk Committee has ensured that both strategic and operational risks are appropriately mitigated and there is an appropriate assurance framework to assess the effectiveness of identified controls.

Internal Audit
Internal audit activity is an integral part of our risk and assurance framework and ensures that a holistic view can be taken to the management of risk and assurance provided that appropriate levels of mitigation are in place. During the year, we have worked with our internal audit partner, PWC, to conduct a comprehensive programme of internal audits to help provide assurance on the systems and processes of internal control and ensure that robust arrangements are in place, either pre-existing or as a result of the reviews.

Principal Risks
We have identified key risks that threaten the achievement of our strategic objectives which have been considered in line with the Sector Risk Profile produced by the Regulator of Social Housing and continued to ensure we work towards implementing the requirements of the Social Housing White Paper. In addition to the risks within our strategic risk register, we also regularly horizon scan for emerging risks and undertake the appropriate mitigations which we keep under regular review. We report to our Audit & Risk Committee and Group Board on emerging risk issues and mitigations in place and will discuss with the Board during Strategy days the most appropriate mitigations to some key external emerging risks. A summary of the principal risks which are aligned to our strategic risk register are as follows:

RISKS	MITIGATIONS
Financial viability We have identified a key strategic risk concerning maintaining sufficient liquidity and funding to deliver all the aspirations in the business plan.	Mitigation controls in place include a comprehensive strategic 30-year business plan approved by Group Board to assess capacity and requirements for growth. This includes multi-variate stress testing for the potential variables (including increased labour and construction costs and changes to the political environment), showing, and testing the breaking points in the plan. Assessment and monitoring of VFM is done within the business plan objectives. Reporting is made to Group Board and the Group's Executive via financial reporting, KPIs and project updates on a monthly basis.
Customer We have a strategic risk that we are unable to deliver the required level of customer service which leads to a decline in customer base, higher turnover, management costs and poor reputation	In the year we have made improvements to our customer operating model to ensure that a high level of customer service can be maintained in light of the current changes to the external environment and also ensuring requirements from the Social Housing White Paper are addressed. We have revised our complaints process, improved repairs service and a refreshed customer offer.
People Our key people risk is that the Group will not have the people with the right skills, experience and behaviours to successfully deliver the business plan.	In this year we have developed and rolled out a talent strategy aimed at supporting staff development. We are also reviewing our wider employee offer to ensure we remain the employer of choice in the current market.

	During the year we have kept the organisation capacity under constant review and redeployed, if necessary, to ensure we have the appropriate staffing levels to support the response to the Pandemic.
Operational There is a risk arising from internal processes and systems, such as the Complex change programme, ICT capability the need for robust testing of the Groups Business Continuity arrangements.	Business Continuity framework and responses remain robust as have been demonstrated in the year. The Group have also strengthened ICT security controls to protect against attacks and we have this year secured Cyber Essentials Plus. The Group has also developed its ICT capability and infrastructure to enable growth aligned to the objectives of the business plan. Mitigating controls in respect of a robust project governance process ensures that there is an appropriate degree of control and oversight is in place to support the level of change within the business.
Compliance and legal The Group have identified two key strategic health and safety risks concerning keeping staff and customers safe. There is a risk from the external regulatory and legal environment.	Mitigating controls include a robust health and safety management system, including a group wide health and safety audit plan, which acts as a second line of defence. The Group monitors its compliance with statutory obligations through a series of system driven analytical data. During the year we have continued with our commitment to being compliant in our landlord obligations in respect of customer safety, despite the sector wide risk of increased costs and availability of materials and labour. We have further strengthened our Horizon scanning framework this year and ensured proposed changes to the legal and regulatory environment, such as the Building Safety Bill, Fire Safety Act are proactively identified and actioned within the organisation. Horizon scanning and view of emerging issues is carried out monthly and reported to the Executive and the Board and progress tracked and reported. The Group has responded to the Social Housing White Paper by establishing an implementation group to oversee its delivery and work continues to progress. We are also sector leading in our response to developments in building safety.
Growth There is a risk of not achieving our targets for growth and not delivery the designed number of new homes in our growth strategy. Counterparty risks, in particular within the supply chain, which may impact the Groups Development ambitions are also considered.	The Group were not immune to the issue of increased labour and materials costs and availability risk during the year. We have however with careful mitigation strategies limited our exposure. Mitigation controls in place include increasing internal resource and capacity and maintaining proactive relationships with local authorities, professional advisors, developers and contractors. The Group recognised that changes in the external construction environment may impact our growth targets and therefore mitigations also included monitoring of the external environment developing the supply chain and leveraging our procurement frameworks.
Data The Group has a data related risk, in relation to the need for accurate, intelligent customer data and a robust data strategy to underpin business decision making and direction.	We recognise that Data accuracy is an important enabling factor in ensuring the delivery of effective services and complying with regulations. A key area of focus this year has been our customer and asset base, which will enable improved management information and decision making in relation to the way we manage our tenancies, deliver service to our customers and maintain our properties.

IMPACT OF COVID19 RECOVERY

Keeping our staff and customers safe is our number one priority, no more so than we are operating in unprecedented times such the last 24 months dealing with the response to the Covid19 Pandemic. The impact to the business overall as a result of the pandemic has been limited and we continue to monitor risks and update the Board and Committees accordingly.

During the year we monitored developing events and introduced further control measures, particularly to ensure that we protected the most vulnerable.

We continued to meet our health and safety obligations as a landlord and in relation to key compliance areas (such as (Gas Safety and Asbestos checks) we have remained 100% compliant during the year.

We also continuously reviewed our risk registers to ensure that they appropriately reflected the risks to the Group and where appropriate identified additional key risks and mitigating control measures including financial modelling, stress testing and a regular review of contractor availability.

These risks have been monitored throughout the year and reported to the Audit & Risk Committee and Group Board and included

- Impact to income (via rent loss or voids)
- Unable to deliver essential services due to staff shortages
- Key suppliers unable to fulfil obligations
- Recovery

EMERGING EXTERNAL RISKS

During the year we have continued to evaluate the potential impact that a combination of Covid 19, Brexit, Cost of Living increase and other factors may have on our business and ensured any risk were reflected in the Groups risks registers and the Board are kept informed. Where relevant we have reflected the results of this exercise in the evaluation of our current strategic risks and mitigations.

POTENTIAL IMPACT	EVALUATION/ MITIGATIONS
Interest, inflation currency and pensions risk	We have undertaken comprehensive stress testing based on scenario's such as increased costs, increased inflation and other volitile economic factors and a range of mitigations have been considered in developing our financial plan. We have remained cognisant of the potential pensions risk and closely following the outcome of advise to SHPS and have discussed mitigations with Board. On an ongoing basis our treasury team monitor the market and consult with treasury advisors.
Declining customer affordability and impact on arrears.	Increase in cost of living and energy prices puts pressures on financial priorities for our customers. Low-income households spend a larger proportion than average on energy and food so will be more affected by price increases. We continue to support our residents through our increased Money Advice Team and also referrals to debt charities such as Step Change.
Access to finance	We currently have good financial reserves and liquidity, and we have stress tested around this issue and mitigations, such as scaling down the uncommitted development programmes, are built into the financial plan based on trigger point targets.
Availability of labour and materials	During the year we have monitored the developing risk of increased labour and materials availability and increase in costs. Following Brexit, we reviewed our labour position and are not currently heavily reliant on EEA nationals in our labour pool; however, we recognise that this could be an issue for some of our suppliers. We have successfully managed these risks via leveraging our procurement strategy and frameworks. Overall, we have not been severely impacted by shortages of materials in any noticeable way from our key suppliers in our core, regularly used items. Our stress testing also includes scenarios around an increase in costs.
Supplier Solvency	We actively monitor our critical suppliers to ensure that we understand their financial status and have resilience in respect of the goods and services they provided. We also mitigate this risk by our strong relationships with our suppliers and the wider network. We are also closely monitoring our supply chain to ensure that any potential supply chain issues can be managed.

The Strategic Report was approved and authorised by the Board on 25 November 2022 and signed on its behalf by:

Richard Groome

Richard Groome	Darrell Mercer	Clare Oakley
Chair	Non - Executive Director	Company Secretary

Report of the Board – Governance

GOVERNANCE

Our Group Board is responsible for the long-term strategy and viability of the Group. During FY22 the Board comprised ten non-executive directors, together with the Group Chief Executive who is appointed as an executive director.

Our Board is responsible for providing leadership for the Group within a framework of prudent and effective controls. It sets out our strategic direction, objectives, values and standards, reviews management performance and ensures that the necessary financial, material and human resources are in place for us to meet our objectives.

The Board has reserved the following matters for its consideration in accordance with the provisions of the National Housing Federation (NHF) Code of Governance 2020:

i) Setting and ensuring compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long-term success;
ii) Establishing a culture that is positive, focused on the needs of current and future residents, other customers and other key stakeholders, and embeds equality, diversity and inclusion in the organisation;
iii) Ensuring the organisation operates effectively, efficiently and economically;
iv) Providing oversight, support, direction and constructive challenge to the organisation’s chief executive and other executives;
v) Appointing and, if necessary, dismissing the chief executive;
vi) Satisfying itself as to the integrity of financial information, and setting and approving each year’s budget, business plan and annual accounts prior to publication;
vii) Establishing, overseeing and regularly reviewing a framework of delegations to committees and staff;
viii) Establishing and overseeing control and risk management frameworks in order to safeguard the assets, compliance and reputation of the organisation; and
ix) Holding to account the organisation’s subsidiary boards, committees and senior staff for the exercise of any powers delegated to them.

Delivery of the business strategy is delegated to our Executive Leadership Team (ELT). The ELT is made up of the Group Chief Executive who is responsible for leading the development and execution of our business plan and strategies, organisational capability and governance, a Deputy Chief Executive, responsible for our landlord services, asset management and safety and our Growth programme and a Chief Financial Officer, responsible for overseeing the Group’s viability including all financial matters, funding and Treasury. In March 2022, the ELT was strengthened by the appointment of a Chief Information Officer responsible for the continuation of the digitalisation of services and leading on transformation and continuous improvement.

We also have a group of Operational Directors who work to deliver our business plan and objectives at an operational and functional level.

The Group Chief Executive also serves as an Executive Director on the Group Board. This appointment, which is permitted under the Group’s governance framework and its Rules, recognises the seniority of their role in the organisation to lead the executive management of the Group’s business, consistent with the strategy and commercial objectives agreed by the Board. It enables their participation in Board decision making, whilst placing them, by virtue of their appointment, under the same roles and responsibilities as other board directors. As a member of the Board, the CEO’s appointment also brings direct executive experience and therefore broadens the skills and experience of the Board and strengthens board decision making. The Group Chief Executive does not serve on any standing Board Committees.

GROUP STRUCTURE

We operate a Common Board structure for our parent and two of our stock-owning entities, Your Housing Limited (YHL) and Frontis Homes Limited (FHL). Our Governance Framework determines how we are governed and sets out the relationships and delegated authorities and responsibilities between the parent and subsidiaries. The Group Board Committees also exercise oversight of the Group subsidiaries where practicable.

We regularly review our Group structure and Governance Framework to ensure it is appropriate to and reflects our operations.

THE GROUP BOARD

During the year, our Group Board continued to focus on providing effective leadership and oversight of our strategic objectives.

Kathy Doran continued in her appointment as Chair throughout the year until her retirement on 31 March 2022 having spent nine years on the Board, four of which as Chair. Kathy's tenure on the Board was last extended for a further three years on March 2019, which was permitted at the time under the Group's Rules. Following its adoption of the 2020 NHF Code of Governance, the Group has assumed, as contained in its Board Standing Orders, the principal of limiting terms to six years, except in exceptional circumstances. Kathy was succeeded by Richard Groome from 1 April 2022 following an external recruitment process.

Paula Steer stepped down on 31 May 2021 having served as a Non-Executive Director on the Board for three years to focus on her other executive commitments. Roy Grant also chose to resign at the end of his six-year term on 31 July 2021. In light of these resignations the Board embarked on a recruitment exercise for two new Non-Executive Director appointments after undertaking a skills analysis exercise, in accordance with the Board's Development Framework. Following a rigorous recruitment process we appointed Stuart Coe on 1 June 2021 and Bev Messinger on 1 August 2021. Stuart brings significant financial and housing sector experience whilst Bev's extensive organisational development and Health & Safety background supports the Group's strategic priorities concerning People and Safety.

The Board has recently reviewed our Board Committee membership to ensure that directors continue to be placed in Committees that best suit their skills and experience.

In addition to the annual Board skills analysis, every Board member undergoes an annual appraisal which supports their personal development. Information from the skills analysis and Board member appraisals has been used to develop individual and collective Board training and development activities.

An internal review of the Board's collective effectiveness was undertaken during the year. The process for this was approved and overseen by the Remuneration Committee and was in accordance with the Board Development Framework. The outputs from this exercise were reviewed by the Board who agreed a number of actions to further improve the Board's effectiveness and development. An external Board collective effectiveness review is carried out every three years and will next take place in FY23.

Diversity and Inclusion

Board members are appointed according to their skills and attributes and to ensure that it is able to collectively understand and clearly consider the impact of its strategic decisions on its communities. This is also achieved through the appointment of customers representing its varied communities on the Board's Customer Services Committee.

Details of the Board's composition as at 31 March 2022 was:

Gender	Male – 7 Female - 4
Ethnicity	White - 11
Total	11

The Board is committed to broadening its diversity and inclusion and during the year launched an internal initiative to support its future succession plans through the recruitment of two Board apprentices, Raj Bal and Nuno Cebola. A recruitment exercise was undertaken, reaching out to candidates with diverse backgrounds and attributes currently in senior executive roles and who wished to develop the skills and experience required for a non-executive director role. Under this one-year programme the Board apprentices are invited to attend Board and Committee meetings and receive the Group's support with training and development activities towards potential future recruitment to the Board.

Director biographies detailing skills and experience are available on the YHG website.

During the year the Board held 12 formal meetings and six strategy sessions, beyond the scheduled six formal and five strategy meetings for the year.

Attendance at Board and Strategy meetings

Brian Cronin[5]	100%
Kathy Doran	100%
Brenda Smith	100%
Derek Cash	89%
Chris MacKenzie-Grieve	100%
Roy Grant[1]	86%
Richard Groome	89%
Alison Cambage	100%
Paula Steer[2]	50%
David Done	89%
Darrell Mercer	67%
Stuart Coe[3]	100%
Bev Messinger[4]	82%

[1] resigned 31 July 2021
[2] resigned 31 May 2021
[3] appointed 1 June 2021
[4] appointed 1 August 2021
[5] resigned on 30 June 2022

BOARD REMUNERATION

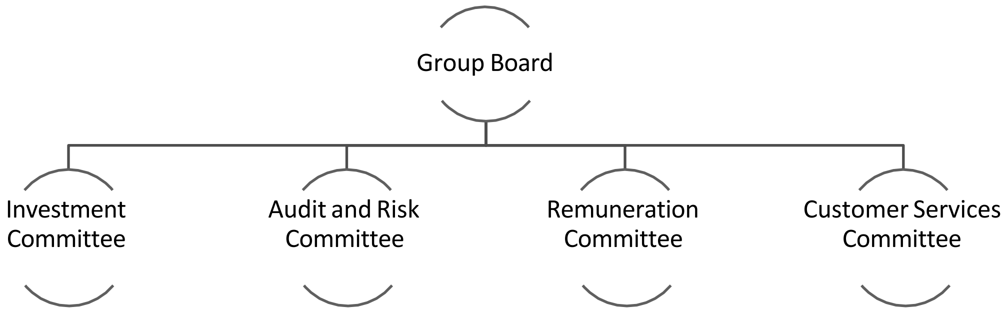
Current Non-Executive Director remuneration is detailed in note 11 to the financial statements on page 76.

Non-Executive Director remuneration is reviewed every three years. The latest external review of Non-Executive Director remuneration was considered in April 2020 and the Board noted recommendations to ensure that the Group's position remains competitive.

BOARD COMMITTEES

We have four Board Committees which oversee our Group operations as delegated to them by the Board in their specific Terms of Reference. The performance of our Group operations is further delegated to the ELT and Senior Managers as necessary. The Committees also oversee some of the activities of our Group subsidiaries as delegated to them by the Board.

Minutes of the meeting of the Committees are made available to all the members of the Board for their information.



In addition to the four permanent Board Committees, the Board established a Repairs Integration and Improvement Committee for FY22. This was created in view of the transfer of the repairs and maintenance services from Fix360 Ltd (Fix) into the Group's core operations, for the Board to maintain delegated oversight of the transfer and the ongoing service improvement plans. Members of this committee were appointed from the previous Board of Fix to provide consistency and the Committee operated and held quarterly meetings from 1 April 2021 until 31 March 2022. The Committee was chaired by Richard Groome, the other members being Brian Cronin, Chris MacKenzie-Grieve and Derek Cash and meetings were attended by the Managing Director of Fix and other senior employees. In March 2022, the Board agreed that it was satisfied with the progress of the integration of the services and agreed to disband the Committee, delegating continued oversight of employee health & safety, service improvement and repairs and maintenance performance among its other committees.

COMMITTEE COMPOSITION (as at 31 March 2022)

Committee	Members
Investment Committee	Darrell Mercer (Chair)
	Kathy Doran
	Richard Groome
	Chris MacKenzie-Grieve
	Brenda Smith
	Alison Cambage
Audit and Risk Committee	Brenda Smith (Chair)
	Stuart Coe
	Darrell Mercer
	Richard Groome
	Chris MacKenzie-Grieve
Remuneration Committee	Bev Messinger (Chair)
	Kathy Doran
	David Done
	Brenda Smith
Customer Services Committee	Derek Cash (Chair)
	Richard Groome
	David Done
	Brenda Smith
	Anver Zeria
	Beata Luczak
	John Morris
	Andrea Hampton[1]

[1] Co-Optee until 31 March 2022

The Board has reviewed and updated its Committee membership from 1 April 2022. This review took into account changes to the Board membership over the year including the appointment of Richard Groome as Board Chair and Darrell Mercer as Deputy Chair from this date and considered the mix of skills and experience required on each committee.

In addition to the Board's delegated authority to its Committees, Board Champions are appointed among the Non-Executive Directors for the areas of Equality and Diversity, Value for Money, Health & Safety and Sustainability.

COMMITTEE ACTIVITY

Investment Committee

Our Investment Committee is responsible for overseeing, and providing the Group Board with assurance on the implementation of the Treasury, Asset Investment, Development and Growth strategies. This includes reviewing and recommending proposals for investments, stock acquisition and divestment and large capital project approvals up to the delegated limits. The Committee functions as the Investment Committee of the registered providers in the Group: Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

During the year the Committee had six Non-Executive members and met seven times. The Executives also attend the Committee meetings to deliver reports and updates on relevant issues. The Committee is chaired by a Non-Executive Director.

Some of the matters considered by the Committee during the year were the:

- Approval of schemes for development in line with the Growth Strategy and recommending schemes to the Board for approval where they were in excess of the Committee's delegated authority;
- Review of liquidity levels to ensure the achievement of Asset and Development programmes;
- Review of progress against the Asset Investment Programme FY22;
- Review and approval of developments, schemes and investments;
- Regular updates on the Group's Diverse Investments and Project Schemes to understand financial or operational risks;
- Implementation of the Group's Treasury Strategy; and
- Approval of disposals in accordance with the Group's Divestment Strategy.

The Committee has reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled all its functions.

Audit and Risk Committee

Our Audit and Risk Committee ensures that there is an effective system of internal control in the Group and oversees the implementation of the group risk management strategy. The Committee also oversees the appointment and activities of the internal and external auditors.

During the year the Committee consisted of five Non-Executive Directors. The Committee Terms of Reference provide that the Group Board Chair and employees of the Group are not eligible to be members of the Committee. However, the Committee meetings were attended by employees and the auditors for reports and updates on various issues. The Committee met seven times during the year.

Some of the key activities of the Committee during this period include:

- Reviewing internal audit reports and management responses throughout the year presented by the Internal Auditors, PwC;
- Reviewing internal control arrangements including the Board Assurance Map;
- Updates on the implementation of the audit recommendations of the external auditors;
- Approving the internal and external audit plans for the year;
- Reviewing Statutory Annual Reports and Accounts for the Group and all subsidiaries;
- Reviewing the scope and findings of the Annual Audit of the Financial Statements;
- Reviewing all whistleblowing allegations;
- Reviewing all regulatory and compliance matters;
- Reviewing Group accounting policies;
- Risk referrals in specific areas of the business to gain assurance on matters of concern to the Board and / or the Committee; and
- Review of Annual declarations of interest and the Group's gifts and hospitality register.

The Committee has reviewed its activities during the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

Remuneration Committee

Our Remuneration Committee reviews and makes recommendations on the remuneration of the Group Chief Executive, Non-Executive directors and the Executive Leadership Team. The Committee also reviews the culture of the organisation and approves the remuneration principles for all employees across the Group. The Committee is responsible for the Group and all its subsidiaries. The Committee had four Non-Executive directors as members for the majority of the year and met six times during the period under review.

During the year, the Committee:

- Considered the establishment of an internal Board Apprenticeship to support Board diversity and talent;
- Approved bonus payments to the senior and executive leadership team based on performance over the financial year;
- Approved the process for the recruitment of an additional Customer Services Committee;
- Reviewed remuneration principles for all staff across the Group;
- Led the recruitment of new Non-Executive Directors and the Chair;
- Reviewed progress of the Collective Effectiveness Review Action Plan and outcomes of individual and collective board appraisals;
- Approved the review of the composition of the Board Committees; and
- Received progress against the Group's employee Health, Safety & Wellbeing plans.

The Committee has reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

Customer Services Committee

The Committee was established from 1 April 2021 and during FY22 provided assurance to the Group Board on the appropriate discharge of the Group's legal and regulatory duties and delivery of customer services by the Group under its Landlord Strategy, including the Group's compliance with the Consumer Standards set by the Regulator. The Committee was responsible for the registered providers in the Group: Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

The Committee consisted of three customer members[2] and four non-executive directors for the majority of the year, together with a co-optee who was a member of the previous Customer Operations Committee which was disbanded on 31 March 2021. The Committee met six times during the year, one of which was a joint strategy meeting with the Board and two attended by members of the Customer Connect Panel. The Committee meetings were also attended by the independent Chair of the Customer Connect Panel and by employees of the Group as required. Five informal Committee meetings also took place during the year including a number of Learning and Development sessions for members on specific areas of the business.

During the year the Committee:

- Reviewed reports on all areas concerning customer experience, including customer satisfaction;
- Monitored performance targets relating to the customer experience;
- Ensured compliance with the consumer standards by reviewing and approving the Group's compliance statements and customer Annual Report;
- Commissioned reports by the Customer Scrutiny Inspectors, monitoring actions arising from scrutiny activity;
- Received updates on the Group's actions in relation to Equality, Diversity and Inclusion;
- Oversaw the operation of the Customer Voice structures; and
- Reviewed and approved new and existing operational policies.

The Committee reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

[2] The number of customer members reduced from four to three following the resignation of a member on 16 August 2021

GOVERNANCE COMPLIANCE STATEMENT

The Group's governance structures comply with best standards and practices in corporate governance and this year are predicated on compliance with the National Housing Federation's (NHF) Code of Governance 2020 (the Code), the Group's Rules, Governance Framework and Corporate Governance best practices.

In January 2021, the Group Board approved the adoption of the NHF Code of Governance 2020, having reviewed an analysis of the Group's compliance and noted the suggested areas for action to achieve full compliance for reporting in the FY22 Annual Report. The Board has subsequently considered the Group's compliance with the Code as at 31 March 2022 and confirms that the Group (including its registered provider subsidiaries) is compliant with every provision .

In support of this statement (and with the Board acknowledging that this was a transitional year for meeting the requirements of the Code), an in-depth review of all evidence had been undertaken, including cross checking information provided and confirming relevance. This review was underpinned by the progression of actions over the course of the year, identified to the Group Board in May 2021, that would achieve full compliance.

The Board has considered the Group's compliance with the NHF Code following its adoption from 1 April 2021. The Board confirms that, throughout the year, Your Housing Group has applied the main principles and complied with the relevant provisions set out in the NHF Code of Corporate Governance 2020 and international best practice in corporate governance. The Regulator of Social Housing issued a regulatory judgement for the Group in March 2020 revising the Group's governance rating to G2. The G2 rating indicates that the Group meets the Regulator's governance requirements however throughout the year we have worked on improving aspects of our governance arrangements to support continued compliance through implementation of the Board-approved action plan. This is intended to ensure that we are able to return as soon as possible to a G1 rating In December 2020 the Regulator issued a revised regulatory judgement and regraded our financial viability from V1 to V2. This is a compliant rating and indicates that the Regulator considers we have the financial capacity to deal with a reasonable range of adverse scenarios but need to manage material risks to ensure continued compliance. We understand that this is due to the level of ambition within our business plan to both invest in our existing assets whilst also developing many new homes.

In June 2022, following an In-Depth Assessment (IDA) the Regulator of Social Housing issued a regulatory judgement for the Group which maintained our G2 rating. In the judgement the regulator confirmed that it had assurance that the Group continues to comply with the Governance and Financial Viability Standard. The Regulator recognised improvements which have been made since our original regrade to G2 in 2020, noting the strengthening of leadership, a new corporate strategy and decision making and allocation of resources which reflect our strategic priorities. The Regulator also noted our improved approach to asset management which supports the development and delivery of our investment plans.

The Regulator did determine, however, that we have some further work to do to strengthen risk management and internal controls, particularly within the finance function. During the year we had also identified errors in our Rent Setting functions and made a self -referral to the Regulator and resulted in a Regulatory Notice.(see below)

The Regulator has maintained the Groups V2 rating, this is a compliant and indicates that the Regulator considers we have the financial capacity to deal with a reasonable range of adverse scenarios but that we need to manage material risks to ensure continued compliance. We recognise that the high levels of planned asset investment, including on building safety works results in a weaker financial profile in the short term, but we are confident that we have sufficient capacity to deliver our plans.

REGULATORY COMPLIANCE STATEMENT

We recognise the impact that any legislative or regulatory breaches can have on the Group and its customers, and so we monitor and co-ordinate compliance activities through our Risk & Assurance team and each year assesses ourselves against the Regulator of Social Housing's Regulatory Standards. The regulatory standards comprise the economic standards (namely the governance and financial viability, value for money and rent standards) and the consumer standards (namely the tenant involvement and empowerment, home, tenancy and neighbourhood and community standards).

We have undertaken an annual review of compliance. The board is assured that Your Housing is compliant with the regulatory framework (including the governance and financial viability standard and its accompanying code of practice). During the year some properties were identified where the requirements under the Rent Standard were not fully met. and, in accordance with co-regulation, we notified RSH of the discrepancies identified and the steps being taken. Following investigation, the Regulator concluded that we had not complied with the Rent Standard 2020 or the legislative requirements of the Welfare Reform and Work Act 2016 in respect of rents on a number of affordable and social tenancies and issued the Group with a Regulatory Notice. We take the issues extremely seriously and understand the impact these errors can have on both tenants and the public purse. We have engaged positively with the regulator and have taken action to remediate the issues including notifying and reimbursing any tenant who has been overcharged, addressing any control weaknesses we have identified and making longer-term improvements to our rent setting capability.

Following assessment, the Board has determined that we are fully compliant with all other Regulatory Standards.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

We have maintained Directors' and Officers' liability insurance throughout the year and up to the date of approval of the financial statements

Report of the Board – Statement of Internal Control

The Group recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give assurance regarding the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

The Group has adopted a risk-based approach to assurance in respect of internal controls, which are embedded within the day-to-day management and governance process and the wider control environment. This approach includes the regular evaluation of the risks that the Group may be exposed to and meets the principle of the National Housing Federation's Code of Governance, (Provisions regarding the board) which includes a requirement that the boards functions must include:

- Satisfying itself as to the integrity of financial information.
- Establishing, overseeing and reviewing a framework of delegation and systems of internal control.
- Establishing and overseeing a risk management framework to safeguard the assets and reputation of the organisation.

The Board has a number of mechanisms in place to support the Group's systems of internal control delegated to the Chief Executive and Executive Leadership Team.

These include activities such as: delegated authority and governance arrangements through boards and committees, segregation of duties, policy framework, health and safety information, risk management framework and fraud detection and prevention.

Financial control is exercised through the setting of detailed budgets each year which feed into the financial planning process, coupled with a reporting and monitoring system that is driven by key performance indicators.

The Group's internal audit partner reports directly to each meeting of the Audit and Risk Committee and all recommendations for improvement are followed up. Based on the work undertaken by PWC during the year we can confirm that there are no signs of material weaknesses in the framework of control.

The Audit & Risk Committee also receive quarterly reports of risk management activity both operationally and strategically.

The Board receives bimonthly the Board Assurance Framework which reviews key risk indicators and highlights key areas of interest in relation to the management of risk, assurance activity and emerging risk events to provide a balanced and holistic view of its risk profile.

The Group has a zero-tolerance policy to fraud and has in place a suite of controls to monitor and detect fraud and has also introduced this year the Fraud Risk Working Group. The employee code of conduct clearly sets out employee's responsibilities and standards of conduct and a whistleblowing policy is also in place and employees are encouraged to report any wrongdoing they become aware of.

All suspected frauds are investigated, recorded in the fraud register, and are presented to the Audit and Risk Committee. No significant frauds have occurred during the year.

Conclusion

It should be noted that assurance can never be absolute, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. It does confirm that, based on the evidence from internal audit, risk and assurance arrangements and internal control mechanisms, there are no signs of material weaknesses in the framework of control for the year ended 31 March 2022 and post year end to 25 November 2022.

Your Housing Group received a strap line judgement in the year issued by the Regulator of Social Housing of followed by an In-Depth Assessment (IDA) in June 2022 has maintained the Groups G2 V2 ratings and this remains a compliant position.

During the year we had identified errors in our Rent Setting functions and made a self -referral to the Regulator and resulted in a Regulatory Notice. Management is in the process of remediating issues and implementing changes to further improve internal control via a remediation plan which will include changing processes, communication, and training to staff to ensure that the improvements are embedded to further strengthen the existing control environment. Any customers impacted by the breach of the Rent Standard have been informed.

The Board is confident that the Group will ensure that appropriate assurance is provided on compliance with all regulatory standards within the coming financial year.

Report of the Board - Going Concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic report. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include inflationary and economic pressures, legislative requirements with substantial financial impact and additional consumer regulation. The period of going concern review is to 31st March 2024.

The Group has long-term 30-year business plans addressing the factors affecting its activities. The business plans consider several different variables to support the headroom within the debt facilities. They have also been subject to multi-variate stress testing. The business plans and long-term debt facilities demonstrate that the Group has adequate resources to provide the finance required to support committed reinvestment, committed development programmes, loan repayments, along with the Group's day-to-day operations. Bank covenants have been met in all plans and forecasts.

The Group's liquidity cover within the March 2022 financial plan demonstrated liquidity cover of £80m in excess of the next 24 month group net cash requirements. When applying the golden rule risk adjustments; Golden rules are internal trigger points set with a tolerance, ensuring we have an early warning sign, there still remains £51m liquidity cover over the 24 month requirement. This is a result of the private placements secured and drawn during FY22 and the substantial RCF undrawn facilities at 31 March 2022.

Included within the business plan is the assumption that the Group will secure additional funding in the summer of FY23 to meet property development ambitions. Should this funding not be forthcoming we will be able to scale back our development ambition and use our existing funding arrangements to continue operating the core business activities without any detrimental impact.

The suite of stress tests applied to the business plan reflect the inflation, interest rate and real cost pressures currently being experienced in addition to YHG specific risks informed by the risk register. Risks addressed within the stress test scenarios modelled the following risks; interest rate, inflation, cost pressure, rental income, customer affordability, sales exposure, subsidiary and divestment. These have also been combined through a robust suite of multivariate tests. Board have identified and approved mitigating actions for each stress test breach noted, of which all can be mitigated over the period of the 18 months covered by the Going Concern assessment. Mitigating actions include scaling back the development programme, with no units delivered outside of the committed Strategic Partnership programme, rephasing non-compliance and non-H&S investment works and scaling back on back office, non-essential services.

On this basis, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Report of the Board - Statement of the Responsibilities of the Board for the Report and Financial Statements

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

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

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

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

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

Independent Auditor Grant Thornton UK LLP has indicated its willingness to continue in office. A resolution concerning the re-appointment of external auditors will be proposed to the Board in accordance with the Association's Rules.

The Report of the Board was approved and authorised by the Board on 25 November 2022 and signed on its behalf by:

Richard Groome
Chair

Darrell Mercer
Non - Executive Director

Clare Oakley
Company Secretary

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

Opinion

We have audited the financial statements of Your Housing Group Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Group Statement of Comprehensive Income, Association Statement of Comprehensive Income, Statement of Financial Position – Group and Association, Group Statement of Changes in Reserves, Association Statement of Changes in Reserves, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 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 parent society's affairs as at 31 March 2022 and of the group's and the parent society's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with that Act. 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 society 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

We are responsible for concluding on the appropriateness of the board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or parent society to cease to continue as a going concern.

In our evaluation of the board's conclusions, we considered the inherent risks associated with the group's and parent society's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the board and the related disclosures and analysed how those risks might affect the board's financial resources or ability to continue operations over the going concern period.

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 and parent society'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.

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.

The responsibilities of the board with respect to going concern are described in the 'Responsibilities of the board for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board for the financial statements

As explained more fully in the statement of board's responsibilities set out on page 43, 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 parent society'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 parent society 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 website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent society, and the sector in which it operates. We determined that the following laws and regulations were most significant; financial reporting legislation (Housing SORP 2018, United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, the Accounting Direction for Private Registered Providers of Social Housing 2019), the Co-Operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, Social Housing Regulatory Standards, and the NHF Code of Governance 2020. The engagement team remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- We understood how the group and parent society is complying with those legal and regulatory frameworks by, making inquiries of management and those responsible for legal and compliance procedures. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit and Risk Committee, and through our legal and professional expenses review;
- To assess the potential risks of material misstatement, we obtained an understanding of:
  - The group and parent society's operations, including the nature of its revenue sources, expected financial statements disclosures and business risks that may result in a risk of material misstatement; and
  - The group and parent society's control environment including the adequacy of procedures for authorisation of transactions.
- We assessed the susceptibility of the group and parent society's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - Testing manual journal entries, in particular journal entries relating to management estimates, revenue and journals entries deemed to relate to unusual transactions;
  - Challenging assumptions and judgement made by management in its significant accounting estimates;
  - Identifying and testing related party transactions; and
  - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner has assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the group and parent society operates in, and its practical experience through training and participation with audit engagements of a similar nature. All team members are considered to have sufficient knowledge and experience of companies of a similar size and complexity, appropriate to their role within the team; and
- Relevant laws and regulations and potential fraud risks were communicated to all engagement team members. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Use of our report

This report is made solely to the society, as a body, in accordance with sections 87(2) and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society 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 society as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
25/11/2022

Group Statement of Comprehensive Income

	Notes	2022 £'000	2021 £'000
TURNOVER	3.1	157,483	153,763
OPERATING EXPENDITURE	3.1	(153,111)	(135,177)
GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	5	3,393	4,727
MOVEMENT IN FAIR VALUE OF INVESTMENTS	16.3	1,497	181
TOTAL OPERATING SURPLUS	7	9,262	23,494
Share of associates operating surplus		-	(635)
Interest receivable and other income	8	5,150	1,486
Interest payable and similar costs	9	(19,099)	(19,436)
(DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,687)	4,909
Tax on surplus on ordinary activities	13	(495)	(180)
(DEFICIT) / SURPLUS FOR THE FINANCIAL YEAR		(5,182)	4,729
Attributable to shareholders		(4,957)	5,678
Attributable to non-controlling interests		(225)	(949)
		(5,182)	4,729
OTHER COMPREHENSIVE INCOME			
Actuarial gain / (loss) in respect of pension schemes	31	25,448	(26,331)
Restriction of non-recoverable pension surplus	31	(5,532)	1,679
TOTAL COMPREHENSIVE INCOME		14,734	(19,923)
Attributable to shareholders		14,959	(18,974)
Attributable to non-controlling interests		(225)	(949)
		14,734	(19,923)

All amounts relate to continuing activities. The notes form an integral part of the financial statements.

Approved and authorised for issue by the Board on 25 November 2022 and signed on its behalf by:

Richard Groome

Richard Groome
Chair

Darrell Mercer
Non - Executive Director

Clare Oakley
Company Secretary

Association Statement of Comprehensive Income

	Note	2022 £'000	2021 £'000
TURNOVER	3.2	36,256	35,861
OPERATING EXPENDITURE	3.2	(36,291)	(35,861)
DONATION FROM SUBSIDIARY		350	312
OPERATING SURPLUS	7	315	312
Interest receivable and other income	8	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		315	312
Tax on surplus on ordinary activities	13	-	-
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		315	312

All amounts relate to continuing activities. The notes form an integral part of the financial statements.

Approved and authorised for issue by the Board on 25 November 2022 and signed on its behalf by:

Richard Groome

Richard Groome
Chair

Darrell Mercer
Non - Executive Director

Clare Oakley
Company Secretary

Statement of Financial Position – Group and Association

		Group		Association	
	Note	As at 31 March 2022 £'000	As at 31 March 2021 £'000	As at 31 March 2022 £'000	As at 31 March 2021 £'000
FIXED ASSETS					
Tangible fixed assets	14	1,151,418	1,085,093	-	-
Intangible fixed assets	15	4,076	4,688	-	-
Goodwill	15	6,344	1,643	-	-
Investments	16.1	3,867	4,503	50,051	50,051
Share of associates	16.2	2,605	2,621	-	-
Investment properties	16.3	74,117	83,972	-	-
		1,242,427	1,182,520	50,051	50,051
CURRENT ASSETS					
Debtors falling due in less than one year	18	36,667	38,722	7,006	3,854
Debtors falling due after more than one year	18	44,941	47,637	-	-
Inventories	17	49,534	33,215	-	84
Cash and cash equivalents	17.1	76,144	64,187	4,087	3,929
		207,286	183,761	11,093	7,867
CREDITORS: amounts falling due within one year	19	(61,074)	(89,410)	(13,624)	(10,713)
NET CURRENT ASSETS/ (LIABILITIES)		146,212	94,351	(2,531)	(2,846)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,388,639	1,276,871	47,520	47,205
CREDITORS: amounts falling due after more than one year	20	(1,025,516)	(913,241)	-	-
PROVISIONS FOR LIABILITIES	25	(44,843)	(33,829)	-	-
PENSION LIABILITY	30	(14,938)	(38,284)	-	-
TOTAL NET ASSETS		303,342	291,517	47,520	47,205
CAPITAL AND RESERVES					
Share capital	26	-	-	-	-
Revaluation reserve		14,004	12,552	-	-
Revenue reserve		289,338	280,566	47,520	47,205
Attributable to non-controlling interests		-	(1,601)	-	-
GROUP'S/ASSOCIATION'S FUNDS		303,342	291,517	47,520	47,205

The notes form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board on 25 November 2022 and signed on its behalf by:

Richard Groome

Richard Groome
Chair

Darrell Mercer
Non - Executive Director

Clare Oakley
Company Secretary

Notes for the financial statements including accounting policies can be found on pages 54 to 111.

Group Statement of Changes in Reserves

	Revaluation Reserve £'000	Revenue Reserves £'000	Equity Attributable to the owners of the parent £'000	Attributable to non controlling interest £'000	Total £'000
Balance as at 1 April 2020	**12,434**	**299,658**	**312,092**	**(652)**	**311,440**
Surplus for the year	-	5,678	5,678	(949)	4,729
Other comprehensive income	-	(24,652)	(24,652)	-	(24,652)
Total Comprehensive Income for the year	-	(18,974)	(18,974)	(949)	(19,923)
Reserves transfer	118	(118)	-	-	-
Balance as at 31 March 2021	**12,552**	**280,566**	**293,118**	**(1,601)**	**291,517**
Prior Period Adjustment	-	(2,909)	(2,909)	-	(2,909)
Revised Balance as at 31 March 2021	**12,552**	**277,657**	**290,209**	**(1,601)**	**288,608**
Deficit for the year	-	(4,957)	(4,957)	(225)	(5,182)
Other comprehensive income	-	19,916	19,916	-	19,916
Total Comprehensive Income for the year	-	14,959	14,959	(225)	14,734
Reserves transfer	1,452	(3,278)	(1,826)	1,826	-
Balance as at 31 March 2022	**14,004**	**289,338**	**303,342**	**-**	**303,342**

Notes for the financial statements including accounting policies can be found on pages 54 to 111.

Association Statement of Changes in Reserves
For the year ended 31 March 2022

	Revenue reserves £'000
Balance as at 31 March 2020	46,893
Surplus for the year	312
Balance as at 31 March 2021	47,205
Surplus for the year	315
Balance as at 31 March 2022	47,520

The notes form an integral part of the financial statements.

Group Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Net cash generated from operating activities	28	18,192	32,622
Cash flow from investing activities			
Purchase of housing properties		(88,666)	(49,864)
Purchase of other fixed assets		(7,826)	(8,666)
Purchase of intangible assets		(1,227)	(3,535)
Grants received		38,110	53,764
Purchase of investment properties		(1,021)	(14,107)
Purchase of subsidiary (net of cash acquired)		-	(5,074)
Investment in associate		-	(542)
Proceeds from the sale of tangible fixed assets		12,535	10,938
Dividends received from associates		133	75
Interest received		627	1,487
		(47,335)	(15,524)
Cash flow from financing activities			
Interest paid		(17,368)	(19,433)
Loan drawdowns		274,372	134,000
Loan repayments		(215,409)	(104,000)
Tax paid		(495)	(29)
		41,100	10,538
Net change in cash and cash equivalents		11,957	27,636
Cash and cash equivalents at the beginning of the year		64,187	36,551
Cash and cash equivalents at the end of the year		76,144	64,187

The notes form an integral part of the financial statements.

Notes to the Financial Statements

1. LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. The registered office address is Youggle House, 130 Birchwood Boulevard, Birchwood, Warrington, WA3 7QH.

The principal activity includes the provision of affordable homes to rent, homes for sale, sheltered and supported accommodation for older people, and hostels and foyer accredited schemes which support vulnerable people.

The Group includes several smaller entities which help to support principal activities. These include development companies which are registered companies. The Group also includes a limited liability partnership which provide non-social housing for rental and a limited company which provides management and maintenance services of extra care housing facilities under a PFI contract. Further details can be found in note 29.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The functional and presentational currency is Sterling (£). The Association is a Public Benefit Entity.

The parent Association has applied the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - categories of financial instruments
  - items of income, expenses, gains or losses relating to financial instruments
  - exposure to and management of financial risks
- the practical expedient under Section 11.20 to account for changes required by interest rate benchmark reform.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic report. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include inflationary and economic pressures, legislative requirements with substantial financial impact and additional consumer regulation. The period of going concern review is to 31st March 2024.

The Group has long-term 30-year business plans addressing the factors affecting its activities. The business plans consider several different variables to support the headroom within the debt facilities. They have also been subject to multi-variate stress testing. The business plans and long-term debt facilities demonstrate that the Group has adequate resources to provide the finance required to support committed reinvestment, committed development programmes, loan repayments, along with the Group's day-to-day operations. Bank covenants have been met in all plans and forecasts.

The Group's liquidity cover within the March 2022 financial plan demonstrated liquidity cover of £80m in excess of the next 24-month group net cash requirements. When applying the golden rule risk adjustments; Golden rules are internal trigger points set with a tolerance, ensuring we have an early warning sign, there still remains £51m liquidity cover over the 24-month requirement. This is a result of the private placements secured and drawn during FY22 and the substantial RCF undrawn facilities at 31 March 2022.

2. ACCOUNTING POLICIES (CONTINUED)

Included within the business plan is the assumption that the Group will secure additional funding in the summer of FY23 to meet property development ambitions. Should this funding not be forthcoming we will be able to scale back our development ambition and use our existing funding arrangements to continue operating the core business activities without any detrimental impact.

The suite of stress tests applied to the business plan reflect the inflation, interest rate and real cost pressures currently being experienced in addition to YHG specific risks informed by the risk register. Risks addressed within the stress test scenarios modelled the following risks: interest rate, inflation, cost pressure, rental income, customer affordability, sales exposure, subsidiary and divestment. These have also been combined through a robust suite of multivariate tests. Board have identified and approved mitigating actions for each stress test breach noted, of which all can be mitigated over the period of the 18 months covered by the Going Concern assessment. Mitigating actions include scaling back the development programme, with no units delivered outside of the committed Strategic Partnership programme, rephasing non-compliance and non-H&S investment works and scaling back on back office, non-essential services.

On this basis, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates
The following are the management judgements and estimates made in applying the accounting policies of the Group that have the most significant effect on the financial statements:

Judgements

- **Categorisation of housing properties** – In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. There may be tenure types where it will be a matter of judgement whether they should be categorised as investment property or housing property. In such circumstances, the association will consider whether the property is operating at below market rent for the wider benefit of the community and whether the association is subsidising the properties and operating them at a loss in order to continue providing a service.
- **Impairment** – An impairment review is performed at least once per year. Each business area uses judgement to identify where impairment triggers, if any, exist. Where impairment triggers are found, such as high level of void properties or a slowdown in shared-ownership sales, a full impairment assessment takes place. If the carrying amount of the cash generating unit is higher than its recoverable value, an impairment charge is recorded. Management judgement is applied in determining the recoverable value and therefore the impairment charge. The impairment release for the year was £821,000 (2021: charge of £1,986,000) and is disclosed in note 14.
- **Finance debtor and services concession** – The Group makes judgements on the recoverability of the Finance Debtor, based on the receipt of unitary fee in accordance with the contractual payment mechanism contained in the project agreement. The PFI finance debtor is disclosed in note 18. The finance debtor due less than one year is £1,133,000 (2021: £716,000), due after more than one year is £43,705,000 (2021: £46,401,000).
- **Provisions** – Management judgement is applied in determining the likelihood of the Group being required to settle present obligations and in estimating the consideration required. Provisions are disclosed in note 25 and were £44,611,000 in total as at 31 March 2022 (2021: £33,829,000). Following the fire at Beechmere a provision has been made for rebuild costs which cannot be avoided due to the terms of the PFI Agreement. Provision has also been made for fire safety works at the other 4 Meres which must be completed by law due to receipt of fire safety notices. Neither the rebuild nor fire safety works are eligible for capitalisation as they relate to PFI assets.

2. ACCOUNTING POLICIES (CONTINUED)

Estimates

- **Provisions** – Management have estimated the cost of rebuilding Beechmere and completing the fire safety works on the other 4 Meres to establish the provision required. The estimate is based on detailed and up to date quotes from the Group's appointed contractor but the actual cost could increase significantly in the future due to external factors such as rising raw material and labour costs. A 10% increase in the cost of the rebuild and fire safety works would increase the provision required by £4,461,000.

Significant judgements and estimates (continued)

- **Useful economic lives (UELs) of rental-only social housing properties** – The Group believes that the UELs are reasonable based on its experience. The most material assumptions are the UELs of rental-only social housing property components. UELs are reviewed by Management at each reporting date with the input of the Group's repairs and maintenance team. Uncertainties in these estimates relate to technological advances, changes in the expected use and changes to decent homes standards.
- **Fair value of investment properties** – At the reporting date, the Group holds £74,117,000 of residential investment properties, of which £65,757,000 relates to market rent properties valued by Jones Lang LaSalle (JLL). Valuations have been prepared on the basis of Market Value subject to the existing Tenancies (MV-T). Each scheme has been valued individually in order to reflect the different risks and opportunities associated with each, with specific reference to stock condition survey data and a 30-year planned maintenance programme.
  The following assumptions have been used:

Discount rate (income)	7.5% - 8.0%
Exit Yield	5.25% - 5.75%
Annual rental growth (nominal)	3.5%(Yr 1), 3.0% (Yr 2),2.5% (Yrs 3 & 4), 3.0% (Yr 5+)
Stamp Duty Land Tax	At the prevailing rate

  The most sensitive of these assumptions is the discount rate. An increase in the discount rate of 1% would reduce the valuation of the market rent properties by £691,000 or approximately 1%.
- **Defined Benefit Obligations (DBO)** – Management's estimate of the DBO is based on several critical underlying assumptions such as rates of inflation, mortality, discount rate and future salary increases. Variations in these assumptions may significantly impact the DBO amount and the annual defined benefit expense. The assumptions used to calculate the total liability are disclosed in note 30. Details of SHPS key assumptions are shown below.

	Change in assumption	Change in liabilities
Discount rate	Increase of 0.1% p.a.	Decrease by 2.2%
Rate of inflation	Increase of 0.1% p.a.	Increase by 2.1%
Rate of salary growth	Increase of 0.1% p.a.	Increase by 0.1%
Rate of mortality	Probability of surviving each year increased by 10%	Increase by 2.4%

  Note: as these are changes in actuarial assumptions, almost all of the in-year impact of any change would be included in other comprehensive income.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Association and all of its subsidiaries at 31 March 2022 using the purchase method.

The consolidated financial statements incorporate the financial statements of the Association and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

2. ACCOUNTING POLICIES (CONTINUED)

Where the Group has control but does not own 100% of a subsidiary, the entire results for the year are included in the Group financial statements and the non-controlling interests are shown in the Statement of Financial Position.

All intra-group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation.

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

Business combinations and goodwill
Business combinations are accounted for by applying the purchase method.
The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.
On acquisition of a business, fair values are attributed to the identifiable assets, liabilities, and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Where the cost of the business combination exceeds the fair value of the group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss, up to the fair value of non-monetary assets acquired, over the periods in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the period expected to benefit.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be the life of the PFI which is 30 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

Associates
Undertakings that are not subsidiaries but where the Group has significant influence are classified as associates (i.e. the power to participate in the financial and operating policy decisions) and are accounted using the equity method of accounting, accounting for the Group's share of assets and liabilities.

Turnover and revenue recognition
Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, management services revenue, service charges receivable, PFI Income and government grants. Turnover is accounted for at the invoiced value (excluding VAT, where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Management services revenue is recognised monthly in accordance with the management agreements

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Rental income is recognised on a straight-line basis in accordance with the tenancy agreement.

2. ACCOUNTING POLICIES (CONTINUED)

Service charge income is recognised in the period to which it relates, based on the corresponding expenditure incurred, net of any voids.

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

PFI income is recognised in respect of the services provided as contractual obligations are fulfilled in respect of those services and in line with the fair value of the consideration receivable. Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

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

Termination benefits are incurred in the period that detailed formal restructuring plans are communicated to those affected by it.

Donations from subsidiaries
The Association received gift aid of £350,000 (2021: £312,000) from Nuvu Development Ltd.

All donations from subsidiaries are cash transfers and recognised on receipt.

Interest receivable and payable
Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy below.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Other interest payable is charged to the Statement of Comprehensive Income in the year using the effective interest method.

Capitalised Interest
Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) Interest on borrowing specifically financing the development programme after deduction of related grants in advance; or
b) A fair amount of interest on borrowings of the Association as a whole after deduction of Government Grant received in advance to the extent that they can be deemed to be financing the development programme.

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Deferred tax is recognised when income and expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The Group can control the reversal of the timing difference, and
- It is probable that the timing difference will not reverse in the foreseeable future.

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

Deferred tax is calculated using the tax rates and law that have been enacted or substantively by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred taxation (continued)
Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are only off set where there is a legal right to do so.

Movements in actuarial assumptions can lead to the recognition of gains and losses in respect to the impact of these assumptions on pension liabilities and assets. These movements are non-cash movements and as such can create timing differences in respect of tax which would be reflected through deferred tax assets and liabilities.

VAT
The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and is not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Housing properties
Housing properties are assets for rent held to provide social housing or other social benefit. Values are at cost less accumulated depreciation and impairment losses. Costs include acquisition, development and interest incurred during development.

Costs of shared ownership properties are apportioned based on the percentage of the expected first tranche sales. The part expected to be sold in the first tranche is recognised as a current asset, with sales proceeds included in turnover. The remaining share is recognised as a fixed asset within housing properties.

Housing properties are divided into separate components. Components are replaced at the end of their useful life. On replacement, the cost of the new component is recognised; the cost of the old component is derecognised. Any work that increases net rental income, reduces repair costs or extends the life of the asset is capitalised as improvements.

Capitalisation of property development costs – Land remediation, construction contracts and staff costs are capitalised once development begins. Costs are measured using the allocation of costs estimate detailed above. Capitalisation ceases when the assets come into use. The budgeted costs approved by Board during the appraisal process are monitored throughout development. If a development is aborted, its costs are written off to income and expenditure.

Capitalisation of interest
Interest is capitalised while developments are in progress based on the weighted average cost of capital and the total capital employed less any grant received in relation to the underlying asset base.

2. ACCOUNTING POLICIES (CONTINUED)

Donated land and other assets

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

Investment properties

Investment properties include commercial and residential properties held for rental income at market rates, capital appreciation, or both. Initial recognition is at cost with revaluation through profit or loss at each reporting date. Movements in fair value are recognised in the Statement of Comprehensive Income.

Annual revaluations are a mix of internal and external valuations as determined by the Investment Property Revaluation Policy. Desktop valuations are performed in years when there is no physical inspection of the property. Valuations will be in line with current methods and assumptions as given in the RICS Valuation Global Standards (the “Red Book”).

Accurate valuation of investment properties in development is not possible. Cumulative cost is used during development with revaluation at the first reporting date after completion.

Investment in subsidiaries and associates

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

Impairment of Investment in subsidiaries

The Association has investments in subsidiaries specialising in investment properties and properties under construction. The investment properties owned by the subsidiaries are revalued annually by an expert in line with the Investment Property Revaluation Policy. Valuations are in line with current methods and assumptions as given in the RICS Valuation Global Standards.

If the investment properties or properties under construction are devalued, management will consider the requirement of an impairment to the investment.

Shared Equity Investment

The Group has a number of historic equity loans granted to assist home buyers. Loans are secured and have an interest free period, after which monthly interest is due. Loans are settled on sale of the property or earlier at the borrower’s choice. Repayment of the capital is based on the percentage of the current market value of the property.

Inventories - repairs stock

Repairs stock consists of materials for the repair and maintenance of properties. Stock is valued at the lower of cost or estimated selling price less costs to complete.

Bad debts

The bad debt policy is in line with the debt collection policy. The debt collection policy considers the length of time the invoice has been overdue or whether it is being disputed, the financial viability of the debtor, if there has been a default on a payment plan or if there are ongoing settlement discussions as management judge this as indication of recoverability.

Tenant Arrears are provided for in accordance with the stage in the collection process:

Age of Arrear	Collection Stage	Provision Value
2–3 months	Early Intervention	10%
4–6 months	Notice Seeking Possession	25%
7–9 months	Litigation	50%
>9 months	Enforcement	100%

2. ACCOUNTING POLICIES (CONTINUED)

Non-Tenant debt is provided for on an individual basis, with debts being assessed monthly to determine if there any known factors which would call into question the recoverability of the debt. The non-tenant bad debt provision is £52,000 (FY21 £194,000).

Allocation of Costs – Group overhead costs are recharged to subsidiary entities and tenure types based on unit numbers. Where the association has a mixed tenure, during construction, costs of assets under construction are allocated between the different tenure types based on unit numbers, and on completion, based on square footage of each property.

Government grants
Government grants include those received from Homes England, local authorities and other government bodies. Grants relating to housing properties are recognised under the accruals model over the useful life of the property structure, being 100 years.

Grants relating to revenue are recognised in income over the same period as the related expenditure once reasonable assurance has been gained that the entity will comply with the grant conditions and the funds will be received. Grants received in advance are recognised in current liabilities.

By agreement with Homes England, grants received for housing properties are subordinated to the repayment of loans. Grants released on disposal of properties are repayable but are normally available to be recycled through the Recycled Capital Grant Fund. Recycled grants are recognised as a creditor in the Statement of Financial Position.

If there is no requirement to recycle or repay grants on disposal of assets, any amortised grant remaining is recognised as income in the Statement of Comprehensive Income.

The value of government grants and amortisation in the year are disclosed in note 23.

Other grants
Other grants are recognised under the performance model. A grant without specific future performance conditions is recognised as revenue when the grant proceeds are received or due. A grant with specific future performance conditions is recognised when these conditions are met. Until such conditions are met, the grant is recognised as a liability.

Depreciation of housing properties
Housing property components are held separately and depreciated on a straight-line basis to reduce the cost of each component over its useful economic life.

The useful economic lives of each component are:

Structure	100 years
Structure – modular homes	60 years
Roofs	60 years
Kitchens	20 years
Bathrooms	25 years
Electrical Systems	30 years
Doors	30 years
Windows	30 years
Boilers	20 years
Central Heating	40 years
Loft Insulation	30 years
Renewable technology	20 years

Freehold land is not depreciated

2. ACCOUNTING POLICIES (CONTINUED)

Leasehold properties are depreciated over the shorter of the life of the lease or their estimated useful economic lives in the business.

Impairment
Housing properties are reviewed at least once per year to identify impairment triggers. Where impairment triggers are found, a full impairment assessment takes place. If the carrying amount of the cash generating unit is higher than its recoverable value, an impairment charge is recognised in operating expenditure. Where properties are not deemed to provide their service potential, the recoverable amount is its fair value less costs to sell.

For all other assets, the approach to impairment is to consider the future economic value of capitalised project spend.

Other tangible fixed assets
Other tangible fixed assets are recognised at cost less accumulated depreciation and impairment losses.
Assets are held separately and depreciated on a straight-line basis to reduce the cost of each asset over its useful economic life.

The useful economic lives of other assets are:

Freehold office buildings	40 years
Leasehold property	Lower of life of lease or 40 years
Communal assets	10 - 30 years
Garages	25 years
Furniture, fixtures, fittings & office equipment	5 years
Mobile technology	2 years
Computer hardware and telephony equipment	4 years
Motor vehicles	4 years

Freehold land is not depreciated

Intangible Fixed Assets
Intangible fixed assets are measured at cost less accumulated amortisation and impairment losses.

Assets are held separately and amortised on a straight-line basis to reduce the cost of each asset over its useful economic life.

The useful economic lives of intangible assets are:

Computer software	5 years
Goodwill	30 years being the life of the PFI to which it relates

Leased Assets
Finance leases are recorded where substantially all the risks and rewards of ownership are transferred to the Group. All others are recorded as operating leases.

Assets held under finance leases are recognised at the lower of its fair value or the present value of the minimum lease payments as at the lease inception. The finance lease obligation is recognised as a liability in the statement of financial position. Lease payments are split between finance charges and a reduction of the lease obligation using the effective interest method to achieve a constant rate of interest on the remaining liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are held in tangible fixed assets and depreciated and assessed for impairment in the same way as owned assets.
Operating lease payments are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Lease incentives are recognised as a reduction to the lease expense over the lease term on a straight-line basis.

2. ACCOUNTING POLICIES (CONTINUED)

Properties for sale
The first tranche of shared ownership properties and properties developed for outright sale (including those in development) are held at the lower of cost and net realisable value. Cost includes construction costs, development staff, direct development overheads and capitalised development interest. Net realisable value is based on an estimated sales price after allowing for costs of completion and disposal.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. The Group is obligated to keep a separate cash reserve for Avantage (Cheshire) Limited, in respect of future major maintenance costs. This restricted cash balance, which is shown in the Group balance sheet within the “cash at bank and in hand” balance, amounts to £1,424,000 (2021: £1,616,000).

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

Sinking Fund income is collected through service charges and leaseholder property sales, moved to the Sinking Funds creditor account and released when the corresponding expenditure is incurred.

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

Finance debtor and services income
A subsidiary within the Group is an operator of a Private Finance Initiative (PFI) contract, which was entered into prior to transition to FRS 102. Therefore, the accounting has been continued using the accounting policies applied prior to the date of transition to FRS 102 as follows. The underlying asset was not deemed to be an asset of the Company under section 35 of FRS 102 because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase unitary charge receipts are included within turnover, finance debtor and interest receivable.

Finance debtor and contractual receivables are classified as loans and receivables as defined in FRS 102. As they meet the conditions of a basic financial instrument under Section 11.9 of FRS 102. They are initially recognised at the fair value of the consideration receivable under the contract and are then stated at amortised cost.

The subsidiary recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services. Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

Insurance debtor
A reimbursement asset has been recognised in relation to insurance recoveries following a fire at an extra care scheme of which a rebuild provision has been recognised to reinstate the destroyed asset. An insurance recovery asset has been recognised based on the existence of a valid insurance policy that includes cover for the incident and a claim is expected to be settled by the insurer.

2. ACCOUNTING POLICIES (CONTINUED)

Financial instruments – debt

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique. For non-basic financial instruments FRS102 section 12 has been applied.

All non-basic financial instruments relate to interest rate swaps.

Loan issue costs

Costs incurred on the issue of loan finance are initially recorded as a deduction from the gross proceeds of the loan and included in creditors greater than one year. The costs are then subsequently amortised to the Statement of Comprehensive Income over the term of the loans.

Provisions for liabilities

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

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

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

Pension costs

The Group participates in two multi employee defined benefit schemes the Social Housing Pension Scheme (SHPS) and the Staffordshire County Council Pension Fund, and a defined benefit pension scheme: The Arena Group Pension Scheme.

The SHPS scheme applies defined benefit accounting. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to note 30 for more details.

For the Staffordshire County Council Pension Fund, it is also possible to identify the share of underlying assets and liabilities. The Group's share of pension scheme assets is measured at fair value. The Group's share of pension scheme liabilities is measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the Statement of Financial Position date.

As at the year ended 31 March 2022, the net defined benefit pension deficit liability was £700,000 (2021: £4,098,000).

2. ACCOUNTING POLICIES (CONTINUED)

Pension costs (continued)

A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability. Current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income. The Group is no longer an active member of the scheme.

For the Arena Group Pension Scheme, the scheme is closed to future accrual. The pension scheme assets and liabilities are valued using the same methodology as the Staffordshire County Council Pension Fund, recognising the fair value of the pension scheme assets and the liabilities using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. The pension scheme surplus is only recognised to the extent that the Group can recover the surplus through ownership of the asset returns.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Net interest costs are calculated by applying the discount rate to the net defined benefit liability and are recognised in the Statement of Comprehensive Income as a finance cost. Re-measurements are reported in other comprehensive income.

As at the year ended 31 March 2022, the net defined benefit pension surplus was £5,532,000 (2021: £408,000 deficit). Defined benefit pension scheme surpluses are limited to the extent they are considered recoverable either through reduced contributions or agreed refunds from the scheme. Neither are applicable and therefore the surplus is restricted to nil.

For the defined contribution arrangements, the amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Guaranteed Minimum Pension is a portion of pension that was accrued by individuals who were contracted out of the Stated Second Pension prior to 6 April 1999. The rate at which GMP was accrued, and the date it is payable, is different for men and women, meaning there is inequality for male and female members who have GMP. The liability was first included in the accounts for the year ended 31 March 2020, any change in the allowance to 31 March 2022 has been taken to other comprehensive income.

In October 2021 a second ruling in the Lloyds bank case clarified that compensation would be required to members who transferred benefits out since May 1990. The Government has not yet acknowledged a liability in public service schemes nor indicated in the liability. For all three of the Group's pensions schemes, the actuaries have confirmed that at present there is no methodology to calculate what the potential liability will be. Therefore, this has not been factored into the year-end liability.

Reserves

The revenue reserves are unrestricted and available for use within the Group's activities. The revaluation reserve is the difference between fair value and historic costs for the affected assets.

3.1 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – GROUP

	2022			2021		
	Turnover £'000	Operating Expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (note 4.1)	139,519	(126,766)	12,753	141,715	(121,634)	20,081
Other social housing activities						
Shared ownership first tranche sales	6,286	(5,852)	434	3,305	(2,499)	806
Outright property sales	180	(175)	5	431	(381)	50
Supporting People contract income	1,812	(1,758)	54	1,487	(1,657)	(170)
Neighbourhood regeneration	28	(1,438)	(1,410)	37	(1,301)	(1,264)
Development costs not capitalised	-	(175)	(175)	-	(267)	(267)
Management services	1,485	(985)	500	1,427	(1,088)	339
Other	203	(10,976)	(10,773)	83	(1,423)	(1,340)
	9,994	(21,359)	(11,365)	6,770	(8,616)	(1,846)
Non-social housing activities						
Lettings (note 4.2)	5,450	(2,521)	2,929	5,278	(6,363)	(1,085)
Surrender of amounts due on acquisition from Avantage PFI	-	-	-	-	1,436	1,436
Non Social – Other (note 4.2)	2,520	(2,465)	55			
	7,970	(4,986)	2,984	5,278	(4,927)	351
	157,483	(153,111)	4,372	153,763	(135,177)	18,586

Other operating expenditure increased significantly in FY22 due to the inclusion of a full year of Avantage and, in particular, the additional costs in respect of the Beechmere rebuild and the associated fire safety works.

The £1,436k surrender of amounts due on acquisition from Avantage in FY21 relates to fair value adjustments of loan notes.

3.1 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – GROUP (continued)

Operating (deficit) / surplus analysed:	2022 £'000	2021 £'000
Lettings	15,683	20,432
Shared ownership first tranche sales	434	806
Management services	500	339
Sale of properties	5	50
Other	(12,247)	(3,041)
	4,374	18,586

3.2 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – ASSOCIATION

	Turnover £'000	Operating expenditure £'000	2022 Operating deficit £'000	Turnover £'000	Operating expenditure £'000	2021 Operating deficit £'000
Other income and expenditure						
Management services to group undertakings	36,256	(36,291)	(35)	35,861	(35,861)	-

4.1 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP

	General Housing £'000	Supported housing & housing for older people £'000	Low cost home Ownership £'000	Care Homes £'000	Key Worker £'000	Other £'000	Total 2022 £'000	Total 2021 £'000
Income from social housing lettings								
Rent receivable net of identifiable service charges	83,999	17,632	4,415	242	3,348	179	109,815	110,646
Service charges receivable	4,222	11,989	3,614	11	350	277	20,463	18,725
Charges for support services	25	140	22	-	-	-	187	241
Facility fee	-	-	-	-	381	-	381	385
Government grant taken to income	3,214	1,091	318	48	-	1	4,672	4,613
Cheshire PFI	-	6	-	-	-	-	6	1,697
Other income	154	3,372	60	-	-	409	3,995	5,408
	91,614	34,230	8,429	301	4,079	866	139,519	141,715

4.1 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP (CONTINUED)

	General Housing £'000	Supported housing & housing for older people £'000	Low cost home ownership £'000	Care Homes £'000	Key Worker £'000	Other £'000	Total 2022 £'000	Total 2021 £'000
Expenditure on social housing letting activities								
Management	(30,630)	(13,239)	(2,990)	(200)	(1,262)	367	(47,954)	(47,448)
Routine maintenance	(17,270)	(3,093)	(305)	(51)	(188)	(33)	(20,940)	(20,312)
Planned maintenance	(6,623)	(6,003)	(261)	(70)	(519)	(7)	(13,483)	(10,700)
Major repairs expenditure	(457)	(2,720)	(27)	-	(1)	(35)	(3,240)	(1,798)
Decommissioning Costs	-	-	-	-	-	-	-	-
Service charge costs	(5,422)	(11,484)	(902)	(73)	(940)	(39)	(18,860)	(17,245)
Cost of support services	(10)	(386)	(26)	(3)	-	-	(425)	(259)
Rent losses from bad debts	(939)	112	213	(630)	(133)	(7)	(1,384)	(1,718)
Housing property depreciation	(13,055)	(3,016)	(636)	(80)	(653)	(593)	(18,033)	(16,374)
Ground rent	(642)	(8)	(12)	-	-	-	(662)	(543)
Impairment (note 14.7)	-	(22)	-	-	-	999	977	(297)
Payment to SPV	-	(1,786)	(972)	-	-	-	(2,758)	(4,940)
Total expenditure on social housing lettings	(75,048)	(41,645)	(5,922)	(1,107)	(3,696)	652	(126,766)	(121,634)
Operating surplus/(deficit) on social housing lettings	16,566	(7,415)	2,507	(806)	383	1,518	12,753	20,081
Void losses	(844)	(1,661)	(43)	(66)	(389)	(122)	(3,125)	(2,552)

Included in Other is a credit to impairment costs of £999,000. Following a comprehensive review of the other fixed assets impairment provision, £999,000 was released in the year as it is no longer necessary. The provision related to assets that have now been disposed.

4.2 PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS – GROUP

	2022 £'000	2021 £'000
Full market rent	4,717	4,033
Intermediate market rent	733	709
Other	2,520	536
	7,970	5,278

5. GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Group	2022 £'000	2021 £'000
Proceeds of sales	8,636	10,938
Cost of sales	(5,243)	(6,211)
Surplus for year	3,393	4,727

The above surplus can be analysed as follows:

	2022 £'000	2021 £'000
Right to buy/ Right to acquire	1,671	464
Staircasing	2,022	1,279
Other disposals	(300)	2,984
	3,393	4,727

6. ACCOMMODATION IN MANAGEMENT – GROUP

The number of units in management at 31 March for each class of accommodation is as follows:

	2022 No.	2021 No.
General needs	18,951	19,100
Housing for older people	3,388	3,187
Low-cost home ownership	1,825	1,777
Supported housing	809	803
Care homes	121	121
Key worker	635	635
Market rented	426	427
Intermediate market rented	81	74
Other	65	65
Accommodation managed on behalf of other associations	505	505
	26,806	26,694
Managed by others	-	-
Total owned and managed	26,806	26,694
Accommodation in development at year end	1,479	1,340

Property numbers for the year ended 31 March 2022 meet the Statistical Data Return definition of accommodation in management as far as is possible to be consistent with the accounting required under the Accounting Direction 2019.

Overall, there was an increase of 112 in owned properties. 217 new properties were developed in the year: 97 general needs, 113 low-cost home ownership and 7 intermediate market rented.

The Association does not own any properties.

7. OPERATING (DEFICIT) / SURPLUS

Operating (deficit) / surplus is stated after charging:

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Depreciation of housing properties (note 14.2)	18,033	17,198	-	-
Depreciation of other tangible fixed assets (note 14.6)	6,373	6,055	-	-
Fixed asset write off	-	183	-	-
Amortisation of intangible fixed assets (note 15)	1,158	886	-	-
Amortisation of finance debtor	1,251	661	-	-
Impairment of housing properties (note 14.2)	22	283	-	-
Impairment of inventories	-	1,703	-	68
Reversal of impairment of other fixed assets (note 14.6)	(999)	-	-	-
Bad and doubtful debts	1,364	1,718	-	-
Operating lease rentals:				
- vehicles and equipment	997	972	-	-
- land and buildings	3,624	5,859	-	-

Auditor's remuneration (excluding VAT) was paid by Your Housing Group Limited on behalf of its subsidiaries and is included in the consolidated financial statements. The estimated charge is detailed below:

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Fees payable to the company's auditor for the audit of the financial statements	305	227	38	31
Fees payable to the company's auditors in respect of:				
Tax compliance	44	36	4	3
Taxation advisory services	25	-	-	-
Other advisory services	27	31	10	5
	401	294	52	39

8. INTEREST RECEIVABLE AND OTHER INCOME

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Finance debtor interest	2,666	714	-	-
Other interest receivable	629	772	-	-
Loan forgiven by SMDC	1,855	-	-	-
	5,150	1,486	-	-

9. INTEREST PAYABLE AND SIMILAR COSTS - GROUP

	2022 £'000	2021 £'000
Loans and bank overdrafts	20,127	15,353
Interest payable capitalised on assets	(1,165)	(697)
Pension Interest	771	334
Fair value movement of non-basic instruments	(727)	46
Refinancing Costs	-	4,300
Finance Leases	93	100
	19,099	19,436

Interest is capitalised using an average monthly interest rate of 3.04% (2021: 3.10%).

Included in loan and bank overdrafts interest payable is £nil (2021: £320,000) in relation to a fair value adjustment on a loan of the Group (note 21).

10. EMPLOYEES

	Group		Association	
Average monthly number of employees expressed as full time equivalents	**2022 No.**	**2021 No.**	**2022 No.**	**2021 No.**
Administration	335	368	295	325
Housing, support and care	651	659	185	168
Development	15	18	15	18
	1,001	1,045	495	511

Staff costs:	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Wages and salaries	32,895	33,393	18,772	18,888
Social Security costs	2,985	3,003	1,765	1,769
Other pension costs	1,445	1,465	964	981
	37,325	37,861	21,501	21,638

The Association participates in the SHPS, Arena Housing Group Pension Scheme and Staffordshire County Council Pension. Further details are provided in note 31.

10. EMPLOYEES (CONTINUED)

The full time equivalent number of Directors and staff who received emoluments greater than £60k were:

	2022 £'000	2021 £'000
£60,001 - £70,000	16	32
£70,001 - £80,000	10	10
£80,001 - £90,000	10	11
£90,001 - £100,000	5	6
£100,001 - £110,000	3	6
£110,001 - £120,000	-	2
£120,001 - £130,000	2	2
£130,001 - £140,000	4	5
£140,001 - £150,000	-	1
£150,001 - £160,000	1	2
£170-001 - £180,000	1	-
£180,001 - £190,000	1	2
£190,001 - £200,000	-	1
£230-001 - £240,000	1	-
£240,001 - £250,000	-	1
	54	81

11. BOARD MEMBERS AND EXECUTIVE DIRECTOR

The emoluments of the highest paid executive, the Group's Chief Executive, are; basic salary £190,312 (2021: £190,260), car allowance £19,000 (2021: £19,000), target based remuneration £14,250 (2021: £nil), payment in lieu of annual leave £8,038 (2021: £3,654), benefits in kind £537 (2021: £500) and pension £9,690 (2021: £9,690).

The Group's Chief Executive is also an Executive Director and a member of the Group board. He is an ordinary member of the Social Housing Pension Scheme and does not receive any enhancements or special terms.

The total emoluments of the Executive and Non-Executive directors were:

	Salary £'000	Employer's NI £'000	Benefits in kind £'000	Pension contributions £'000	2022 Total £'000	2021 Total £'000
Executive director	703	87	1	39	830	516
Non-Executive directors	150	6	-	-	156	116
	853	93	1	39	986	632

11. BOARD MEMBERS AND EXECUTIVE DIRECTOR (CONTINUED)

Board Members

Your Housing Group operates a Common Board structure; the Common Board operates on behalf of the following entities – Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

All the Common Board members have a role in addition to their Board role; they either chair a Committee, Subsidiary or are a Committee member. Their level of remuneration reflects these additional responsibilities. The disclosure below relates to salaries for Non-Executive members of the Board.

	2022 £'000	2021 £'000
Kathy Doran	27	27
Tom Miskell	9	-
Oliver Jennings	9	-
Fred Leatherbarrow	2	-
Val Aherne	-	7
Alison Cambage	9	9
Derek Cash	13	13
Roy Grant	5	13
Richard Groome	17	14
Bev Messinger	10	-
Brenda Smith	13	13
Paula Steer	3	9
Chris Mackenzie-Grieve	9	9
David Done	9	2
Darrell Mercer	13	2
Stuart Coe	8	-
	156	**118**

12. KEY MANAGEMENT PERSONNEL

The aggregate remuneration for key management personnel, which includes all members of the executive leadership team, including the Group's Chief Executive were:

	Salary £'000	Employer's NI £'000	Benefits in kind £'000	Pension contributions £'000	2022 Total £'000	2021 Total £'000
Executive leadership team	704	87	1	39	831	675

13. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Taxation charge for the year	361	432	-	-
Adjustment for prior periods	(99)	-	-	-
Total current tax	262	432	-	-
Deferred taxation – origination and reversal of timing differences	(133)	(253)	-	-
Effect of tax rate change on opening balance	366	1	-	-
Total tax on results on ordinary activities	495	180	-	-

The standard rate of tax for the year based on the UK standard rate of corporation tax is 19% (2021: 19%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the reconciliation below.

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
(Deficit)/surplus on ordinary activities before tax	(4,687)	4,909	315	312
Theoretical tax at 19% (2021: 19%)	(891)	933	60	59
Effects of:				
Losses caried back	(15)	-	-	-
Expenses not deductible for tax purposes	1,490	3,763	166	293
Difference between capital gain for accounts and tax purposes	-	(219)	-	-
Adjustment for prior periods	(84)	1	-	-
Income not taxable	(3,851)	(4,675)	(275)	(422)
Deferred tax not recognised	3,936	-	49	70
Net adjustment to deferred tax	42	377	-	-
Amounts relating to other comprehensive income or otherwise transferred	(132)	-	-	-
Total tax charge	495	180	-	-

14. TANGIBLE FIXED ASSETS

14.1 NET BOOK VALUE (NBV)

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Housing Properties (Note 14.2)	1,106,005	1,040,526	-	-
Other Fixed Assets (Note 14.6)	45,413	44,567	-	-
	1,151,418	1,085,093	-	-

The value of assets held as security on loan financing arrangements at 31 March 2022 was £787m on EUV-SH basis.

14.2 HOUSING PROPERTIES – GROUP

	Housing properties held for letting £'000	Housing properties under construction £'000	Low cost home ownership held for letting £'000	Low cost home ownership under construction £'000	Total £'000
Cost					
At 1 April 2021	1,147,410	36,756	68,741	29,331	1,282,238
Additions – works to existing properties	48,209	-	-	-	48,209
Additions – new properties developed	-	30,836	-	9,350	40,214
Schemes completed in year	13,030	(16,382)	9,266	(5,914)	-
Disposals	(9,427)	(27)	(1,731)	-	(11,185)
At 31 March 2022	1,199,222	51,211	76,276	32,767	1,359,476
Depreciation					
At 1 April 2021	229,584	-	7,892	-	237,476
Charge for year	17,436	-	597	-	18,033
Disposals	(6,062)	-	(235)	-	(6,297)
At 31 March 2022	240,958	-	8,254	-	249,212
Impairment					
At 1 April 2021	4,067	-	170	-	4,237
Charge for year	22	-	-	-	22
At 31 March 2022	4,089	-	170	-	4,259
Net Book Value					
At 31 March 2022	954,175	51,211	67,852	32,767	1,106,005
At 31 March 2021	913,759	66,088	60,679	-	1,040,526

For the year ended 31 March 2022, Low cost home ownership properties held for letting under construction have been split out from Housing properties held for letting under construction with opening balances being split accordingly.

14.2 HOUSING PROPERTIES – GROUP (CONTINUED)

	Housing properties held for letting £'000	Housing properties held for letting under construction £'000	Low cost home ownership held for letting £000	Low cost home ownership under construction £'000	Total 2022 £'000	Total 2021 £'000
Freehold properties	723,484	51,211	47,532	32,767	854,994	791,735
Long-leasehold properties	213,464	-	20,320	-	233,784	230,925
Short-leasehold properties	17,227	-	-	-	17,227	17,866
	954,175	51,211	67,852	32,767	1,106,005	1,040,526

14.3 MAJOR REPAIRS EXPENDITURE ON EXISTING PROPERTIES – GROUP

	2022 £'000	2021 £'000
Capitalised major repairs works	48,039	21,922
Revenue major repairs works charge to income and expenditure	3,240	1,798
	51,279	23,720

14.4 SOCIAL HOUSING ASSISTANCE – GROUP

	2022 £'000	2021 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income (note 4.1)	4,673	4,673
Held as deferred income (note 23)	481,680	449,012
	486,353	453,685

14.5 FINANCE COSTS – GROUP

	2022 £'000	2021 £'000
Amount of finance costs included in the cost of housing properties	1,165	697

14.6 OTHER TANGIBLE FIXED ASSETS – GROUP

	Freehold office property	Short leasehold property	Leasehold property improvements	Furniture, fixtures, fittings, office equipment	Computer and telephone equipment	Plant and Machinery	Scheme assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost									
At 1 April 2021	13,618	2,750	726	832	19,800	378	26,079	2,787	66,970
Additions	985	-	(8)	141	644	134	5,904	26	7,826
Reclassification	(260)	(2,750)	2,961	(303)	63	(98)	1,002	(99)	516
Disposals	(2,295)	-	(567)	(436)	(2,544)	(280)	(1,511)	(40)	(7,673)
At 31 March 2022	12,048	-	3,112	234	17,963	134	31,474	2,674	67,639
Depreciation									
At 1 April 2021	2,419	1,965	436	586	11,983	81	3,934	-	21,404
Charge for year	340	-	200	40	3,944	62	1,787	-	6,373
Reclassification	607	(1,965)	1,561	(132)	(1,179)	121	970		(17)
Disposals	(1,393)	-	(443)	(434)	(1,793)	(202)	(1,269)	-	(5,534)
At 31 March 2022	1,973	-	1,754	60	12,955	62	5,422	-	22,226
Impairment									
At 1 April 2021	954	-	-	-	45		-	-	999
Reversal of impairment	(954)	-	-	-	(45)		-	-	(999)
At 31 March 2022	-	-	-	-	-		-	-	-
Net book value									
At 31 March 2022	10,075	-	1,358	174	5,008	72	26,052	2674	45,413
At 31 March 2021	10,245	785	290	246	7,772	297	22,145	2,787	44,567

The reclassifications were made during the year following a review of the appropriateness of the categorisation of all other fixed assets and intangible software.

14.7 IMPAIRMENT

During the year an impairment review has been undertaken to consider whether there are any impairment triggers, which would require a wider impairment review. The Group considers individual schemes to be separate cash generating units (CGU's) when assessing for impairment, in accordance with the requirements of FRS102 and SORP. Impairment triggers in relation to housing properties consider known issues, long term void performance and other economic factors.

During the year an impairment of £26,000 was recognised in relation to long term voids at 88 Daisy Haye and 50 Gloucester Avenue. This was offset by the disposal of 77 Geoffrey Street which released an impairment of £4,000.

Following a comprehensive review of the other fixed assets impairment provision, £999,000 was released to comprehensive income in the year as it is no longer necessary. The provision related to assets that have now been disposed.

For all other tangible and intangible asset balances, the approach to impairment is to focus on the future economic value of capitalised project spend. During the year an impairment review has been undertaken to consider whether there are any impairment triggers, which would require a wider impairment review. This review concluded that there are no such impairment.

No further impairments have been provided for arising from the onset of Covid-19 as this has had negligible impact on development sales.

15. INTANGIBLE FIXED ASSETS

	Software £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 2021	6,390	1,685	8,075
Additions	1,227	4,790	6,017
Reclassification	(515)	-	(515)
Disposals	(1,137)	-	(1,137)
At 31 March 2022	5,965	6,475	12,440
Amortisation			
At 1 April 2021	1,702	42	1,744
Charge for year	1,069	89	1,158
Reclassification	17	-	17
Disposals	(898)	-	(898)
31 March 2022	1,890	131	2,021
Impairment			
At 1 April 2021	-	-	-
Charge for year	-	-	-
31 March 2022	-	-	-
Net book value			
At 31 March 2022	4,075	6,344	10,419
At 31 March 2021	4,688	1,643	6,331

Goodwill of £4,790,307 has been recognised during the year, a provisional fair value assessment was reviewed at the date of acquisition. Following further information relating to the events and conditions that existed at the date of acquisition, the fair value assessment has been updated resulting in an increase to the carrying value of goodwill.

Avantage was identified as a single CGU, an impairment review has been undertaken to consider whether there are any impairment triggers, which would require a wider impairment review. Impairment indicators were identified and the expected cash flows from the services provided under the PFI arranged were discounted to present value at a rate of 6.49%. Resulting in no impairment when compared to the assets of the CGU.

Sensitivity analysis performed by management shows that net cashflows would have to reduce to 30% of forecasted values to trigger an impairment of goodwill. Management do not consider this scenario to be likely. The value in use calculations indicate sufficient headroom and therefore do not give rise to impairment.

16.1 FIXED ASSET INVESTMENTS – GROUP

	Associates investment fund £'000	Shared equity investment £'000	2022 Total £'000	2021 Total £'000
Valuation				
At 1 April	2,544	1,960	4,504	5,809
Additions	-	263	263	542
Disposals	-	(263)	(263)	(1,238)
Repayments	(47)	(77)	(124)	(633)
Impairment	-	(511)	(511)	-
Reclassification	-	-	-	23
At 31 March	2,497	1,370	3,867	4,503

Associates Investment Fund

Loan balances between Associate entities:	2022 £'000	2021 £'000
Sapphire Extra Care (Holding) Limited	2,133	2,133
Grove Village Holdings Limited	364	411
	2,497	2,544

Shared Equity Investments
The Group operates a scheme by lending a percentage of the cost to home purchasers, secured on the property. An equity loan is provided by YHL to the value of between 20% and 25% of the property value. YHL charge interest on this loan to the Client. The mortgage period is variable up to 25 years. The portion loaned by YHL is settled on the termination date of the mortgage. Should the customer sell the property before the end of the mortgage period in this case the mortgage would be settled. Should the purchaser run into financial hardship and not be able to settle the loan to YHL the property will be sold. Shared Equity Investments are valued at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

FIXED ASSET INVESTMENTS – ASSOCIATION

The association had the following invested capital in investments:	2022 £'000	2021 £'000
Nuvu Development Limited	43,620	43,620
Nuvu Living LLP	6,431	6,431
	50,051	50,051

All entities are 100% owned subsidiaries of the Group with investments held at cost.

16.2 SHARE OF ASSOCIATES – GROUP

The Group had the following aggregate interest in the net assets of the associates:

	Grove Village Holdings Limited	Sapphire Extra Care (Holding) Limited	Total £'000
At 1 April	2,596	25	2,621
Increase/ (decrease) in net assets	(44)	28	(16)
At 31 March	2,552	53	2,605

Investment in Associates

The Group had an interest in the following associates as at 31 March 2022, all of which are shareholdings held by Your Housing Limited:

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held 2022	Proportion of nominal value of issued shares held 2021	Nominal value of issued shares held 2022 £
Grove Village Holdings Limited	England	Ordinary £1 B shares	25.5%	25.5%	12,750
Sapphire Extra Care (Holding) Limited	England	Ordinary £1	33.3%	33.3%	16,667

Grove Village Holdings Limited

The Group holds a 25.5% interest in the ordinary share capital of Grove Village Holdings Limited, a company registered in England and Wales. The principal activity of the company is that of designing, refurbishing, financing, maintaining property and providing housing management services on the A6 Plymouth Grove social housing estate in Manchester, under a contract under the Government's Private Finance Initiative (PFI). During 2007 the Association provided funding in the form of unsecured loan notes to Grove Village Limited of £952,000, the balance on the notes at 31 March 2022 was £364,000 (2021: £411,000). The loan notes are due for final redemption in 2031 and accrue interest at 9.07% p.a. Dividends of £133,000 were received during the year (2021: £75,000). Transactions are disclosed in note 30.

Sapphire Extra Care (Holding) Limited

During 2014 the Association provided long term funding in the form of unsecured loan notes to Sapphire Extra Care (Holding) Limited of £1,718,000, additional loan notes of £542,000 were provided in June 2021. The balance of outstanding notes at 31 March 2022 was £2,133,000 (2021: £2,133,000). The loan notes are due for final redemption in 2039 and accrue interest at 11.5% p.a. The Association held a 25.0% interest in the ordinary share capital of Sapphire Extra Care (Holding) Limited, a company registered in England and Wales, which was increased to 33.33% on 18th June 2021. The principal activity of the company is that of design, finance, build and provision of management and maintenance services of extra care housing facilities under a Private Finance Initiative ('PFI') contract with Stoke-On-Trent City Council. No dividends were received during the year (2021: £nil). Transactions are disclosed in note 30.

16.3 INVESTMENT PROPERTIES

	2022 £'000	2021 £'000
Valuation		
At 1 April	83,972	70,113
Additions	995	14,107
Disposals	(2,519)	(681)
Fair value movement	1,497	181
Reclassification	(9,828)	(24)
Impairment	-	276
At 31 March	74,117	83,972

The Board appointed JLL as the independent expert in the impartial valuation of properties held for market rent of the Group as at 31 March 2022. The Board have used the independent experts' report to determine the fair value of properties held for market rent of the Group as at the year end. The key valuation for market rent properties has been completed on a market value subject to the existing tenancies (MV-T) basis.

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

Discount rate	7.5% - 8.0%
Annual rental growth (nominal)	3.5% (Year 1); 3.0% (Year 2); 2.5% (Years 3 & 4) 3.0% (Years 5+)
Exit yield	5.25% - 5.75%

Valuations for commercial properties are based on third-party valuation reports on a 5-year basis with an annual update to those reports, based on market conditions, in the intervening reporting periods. Valuations of self-constructed investment properties under development are based on the cost at initial recognition.

Reclassification

During the year a decision was taken to change the tenure type from market rent to rent to buy and as a result they were reclassified as housing properties. These properties are included in note 14.2 as Housing properties held for letting under construction.

17. INVENTORIES

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Outright sales - completed	4,141	-	-	-
Shared ownership – completed	4,410	817	-	-
Outright sales – under construction	2,569	20,421	-	-
Shared ownership – under construction	36,973	11,481	-	-
Repairs stock	1,441	496	-	84
	49,534	33,215	-	84

During the year there was a change in the planned tenure type for the properties under construction for outright sale and as a result they were reclassified as properties under construction for shared ownership.

17.1 CASH AND CASH EQUIVALENTS

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents	76,144	64,187	4,087	3,929
	76,144	64,187	4,087	3,929

Cash and Cash equivalents include £8,589,241 restricted cash comprising of: £2,089,241 insurance cash in Avantage (Cheshire) Limited and £6,500,000 pension bond in Your Housing Limited.

18. TRADE AND OTHER DEBTORS

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	10,042	9,585	-	-
Less: provisions for bad and doubtful debts	(5,920)	(5,266)	-	-
	4,122	4,319	-	-
Amounts due from group undertakings (note 30)	-	-	3,241	567
Trade receivables	2,928	1,769	-	-
Prepayments	3,421	3,329	3,238	2,917
Accrued income	1,880	1,047	17	28
Insurance debtor	21,000	25,790	-	-
Finance debtor	1,133	716	-	-
Other debtors	2,184	1,752	510	342
	36,668	38,722	7,006	3,854

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Due after more than one year				
PFI finance debtor	43,705	46,401	-	-
Deferred Taxation	1,236	1,236	-	-
	44,941	47,637	-	-

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans (note 21)	5,938	12,102	-	-
Other loans	-	19,000	-	-
Trade Creditors	6,954	8,361	405	965
Amounts due to group undertakings (note 30)	-	-	9,631	5,225
Rent and service charges received in advance	5,744	5,651	-	-
Recycled Capital Grant Fund (note 24)	-	1,580	-	-
Deferred grant income (Note 23)	4,849	4,641	-	-
Corporation tax	256	292	-	-
Finance lease obligations	19	15	-	-
Accruals	19,669	19,630	1,890	2,972
Other creditors	3,771	4,759	669	536
Other taxation and social security	1,530	1,048	1,028	1,014
Deferred income – services	1,080	1,346	-	2
Sinking fund creditor	5,128	4,578	-	-
Accrued contractor capital works	6,136	6,407	-	-
	61,074	89,410	13,624	10,712

Other loans related to a loan from Staffordshire Moorlands District Council (SMDC) which was repaid on 26th January 2022 when the Group acquired the 49% of Ascent Housing LLP previously owned by SMDC.

20. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans and Private Placements (note 21)	537,936	455,664	-	-
Financial derivatives	79	813	-	-
Recycled Capital Grant Fund (note 24)	9,669	11,373	-	-
Deferred Grant Income (note 23)	476,831	444,371	-	-
Finance Lease obligations (note 21)	1,001	1,020	-	-
	1,025,516	913,241	-	-

21. DEBT ANALYSIS

Bank debt and Private Placements are repayable as follows:

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Due within one year (note 19)	5,938	12,102	-	-
Due after more than one year:				
Between one and two years	13,242	6,568	-	-
Between two and five years	22,432	26,384	-	-
After five years	506,053	422,392	-	-
Less: Debt issue costs	(3,791)	(3,163)	-	-
Fair value adjustment	-	320		
	537,936	452,501	-	-
Total borrowings	543,874	464,603	-	-

The loans are secured by fixed charges on individual properties. As at 31 March 2022, the weighted average interest rate was 3.65% (2021: 3.32%).

During the year the Group executed additional Private Placements totalling £130 million. The transactions completed in May 2021 and November 2021 and the proceeds were used to repay revolving credit facilities. These new facilities are on consistent terms with the Private Placements executed during the year ended 31 March 2021. £75m was drawn during the year from the Private Placements agreed in the prior year.

The majority of debt is currently secured by way of first legal charges on certain housing properties of the Company. These properties are valued periodically by professional valuers and are stated either on an Existing Use Value for Social Housing or Market Value subject to tenancies basis. At 31 March 2022, the amount of undrawn committed facilities was £225,065,000 (2021 - £98,591,000).

The lender for Avantage (as security trustee for the senior finance parties) holds a fixed and floating charge over the Avantage company and its assets.

21. DEBT ANALYSIS (CONTINUED)

Variable rate debt within our facilities has been updated to move from LIBOR to apply a SONIA reference rate plus a credit adjustment spread.

Avantage Debt

The PFI's largest loan obligations relate to a senior loan facility, the security for which is principally the cashflow generated by the project company. In the event that Avantage was unable to make its scheduled repayments and was therefore in default, the lender would have no recourse to Your Housing Limited as the parent entity of Avantage, either in terms of asset security or as any guarantor of Avantage's loans. This is the same for Your Housing Group.

Avantage has currently paused repayment of loans.

Bank and other loans comprise the following:

	£'000	Fixed/variable	Interest rates	Repayment profile
Bank and building society loans	260,460	Fixed and variable	0.33% to 8.05%	Bullet and instalments by June 2041
Private placements and other non-bank funding.	287,205	Fixed	2.44% to 11.35%	Bullet and instalments by May 2071
Less: Debt issue costs	(3,791)			
	543,874			

Within the bank and building society loans, the range includes certain tranches which are drawn on a SONIA plus margin basis as well as fixed rate plus margin basis. The other loans were predominantly executed pre 2008 and the associated fixed rates are somewhat higher than the rates currently available on similar fixed rate loans. 79% of the £260.8m bank and building society loans are on a fixed rate.

Finance leases are repayable as follows:	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Due within one year	19	15	-	-
Between one and two years	23	19	-	-
Between two and five years	101	84	-	-
After five years	877	917	-	-
	1,020	1,035	-	-

The finance leases are secured over individual assets to which they relate.

22. FINANCIAL ASSETS AND LIABILITIES

The Treasury Strategy is designed to ensure that the Group has sufficient funding in place for all developments for the next 12 to 24 months, and that refinancing risk is managed to ensure that the Group does not need to refinance material amounts of debt in any one year. The Group does not hold any financial instruments for speculative purposes.

The Treasury Strategy manages short term cash flows by depositing facilities until they are required. Returns are maximised using money market deposits for free cash balances.

The Group holds £15,000,000 of financial derivative swaps to protect against interest rate risk, the movement in the fair value of the swap of £(726,708) was confirmed by an external valuation and has been included within the interest expense for the year.

Financial assets and liabilities are categorised as follows:	**2022** **£'000**	**2021** **£'000**
Cash and cash equivalents	76,144	64,187
Trade and other debtors	32,114	34,677
Financial assets measured at amortised cost – PFI Debtor	44,838	47,117
Financial liabilities measured at amortised cost – debt	(543,874)	(467,767)
Financial liabilities measured at amortised cost – other loans	-	(19,000)
Financial liabilities measured at amortised cost – finance leases	(1,020)	(1,035)
Financial liabilities measured at fair value through surplus or deficit	(85)	(812)
Trade and other creditors	(36,528)	(39,157)
	(428,411)	(381,790)

23. DEFERRED GRANT INCOME – GROUP

	2022 **£'000**	**2021** **£'000**
At 1 April	449,012	402,514
Grants received	38,110	53,764
Government grants taken to income	(4,694)	(4,656)
Grants recycled	(748)	(2,610)
At 31 March	481,680	449,012
Due in less than one year (note 19)	4,849	4,641
Due in greater than one year (note 20)	476,831	444,371
	481,680	449,012

The grant value above is shown net of amortisation, the gross value is £569,256,000 (2021: £529,187,000).

24. RECYCLED CAPITAL GRANT FUND – GROUP

	2022 £'000	2021 £'000
At 1 April	12,953	12,972
Grants recycled and disposed	(3,309)	(32)
Interest accrued	25	13
At 31 March	9,669	12,953
Due in less than one year (note 19)	-	1,580
Due in greater than one year (note 20)	9,669	11,373
	9,669	12,953

Recycled Capital Grant Fund is capital grant provided through Homes England and Local Authorities which is repayable in certain circumstances, but for which the Group is proposing to exercise its option to recycle into new projects. Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties. The Group is actively working with the relevant agencies to mitigate the risk of being required to payback any sums by allocating amounts to schemes that are currently progressing.

25. PROVISIONS FOR LIABILITIES

Total provision

		Group		Association	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Deferred taxation	25.1	1,391	1,159	-	-
Onerous lease	25.2	1,837	-	-	-
Dilapidations	25.3	1,072	1,022	-	-
Asset reinstatement	25.4	32,734	26,148	-	-
Fire safety works	25.5	7,809	5,500		
At 31 March 2022		44,843	33,829	-	-

25. PROVISIONS FOR LIABILITIES (CONTINUED)

25.1 DEFERRED TAXATION

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At 1 April	1,159	1,411	-	-
Charge to the Statement of Comprehensive Income	232	(252)	-	-
At 31 March	1,391	1,159	-	-

Analysis of deferred tax balances	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Accelerated capital allowances	788	597	-	-
Short term timing differences	(41)	-	-	-
Provision for rollover relief	644	562	-	-
Provision for deferred tax	1,391	1,159	-	-

25.2 ONEROUS LEASE

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
Charge to income and expenditure account	1,837	-	-	-
At 31 March	1,837	-	-	-

The group leases a building at 602 Aston Avenue which was previously used as a head office. Due to a shift towards home working and the purchase of a new head office, this building is only being used for storage and occasional meetings. As the future economic benefit of this lease is now negligible, a provision has been made for the remaining lease payments due until the break clause can be exercised in 2024.

25. PROVISIONS FOR LIABILITIES (CONTINUED)

25.3 DILAPIDATIONS

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 April	1,022	973	-	-
Unwind of discount	50	49	-	-
At 31 March	1,072	1,022	-	-

As part of the group's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The above dilapidations provision includes the cost of reinstating 602 Aston Avenue on termination of the lease, which expires in 2029. The cost of the reinstatement works was valued by Stephen D Buxton & Associates in March 2020.

There has been limited wear and tear on the building since the valuation and no structural changes, therefore management have determined that there is no material change in the dilapidation valuation provided in March 2020.

25.4 ASSET REINSTATEMENT

Asset reinstatement provision	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 April	26,148	-	-	-
Additional Provisions in the year	6,738	26,148	-	-
Utilisation of provision	(152)	-	-	-
At 31 March	32,734	26,148	-	-

The asset reinstatement provision relates to the rebuild of Beechmere, a scheme owned by Avantage which was destroyed by fire in 2019. Rebuild is required under Clause 63.3 Reinstatement of the Project Agreement between Avantage and the Councils. The construction is expected to commence in April 23 and conclude in April 25. The payments for the construction will largely be met by the insurance property damage claim with any shortfall, currently estimated to be up to £7.0m of the £32.7m rebuild cost, funded by additional sub-debt lent to Avantage by YHL. The provision has increased during the year due to required changes in the new building specification and rising materials costs. Funds will be drawn to meet the build contract payments and will only commence once the Deed of Variation to the Project Agreement is completed with the Councils.

25. PROVISIONS FOR LIABILITIES (CONTINUED)

25.5 FIRE SAFETY WORKS

Fire safety work provision	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 April	5,500	-	-	-
Additional Provisions in the year	3,700	5,500	-	-
Utilisation of provision	(1,391)	-	-	-
At 31 March	7,809	5,500	-	-

Fire safety works

The fire safety works are required to:

- Meet the deadline in the Cheshire Fire and Rescue's report on resolving the requested modifications to those remaining Mere schemes to address the findings resulting from the fire at Beechmere. Avantage must comply in accordance with meeting the requirements of the Output Specification on Health and Safety; and
- Install sprinkler systems to meet the conditions of the requirement of the solution to respond to the Cheshire Fire and Rescue report to ensure meeting the requirement of the Output Specification on Health and Safety.

The funding for this work is a combination of early works by use of existing undrawn facilities within the Avantage Funder.

26. NON-EQUITY SHARE CAPITAL

	2022	2021
Shares of £1 each issued and fully paid	£	£
At 31 March	9	9

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. The members' liability is limited to £1 on a winding up of the Association.

27. FINANCIAL COMMITMENTS

	Group		Association	
Capital commitments	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Expenditure contracted for but not provided in the accounts	141,875	123,983	-	-
Expenditure authorised by the board, but not contracted	33,340	24,829	-	-
	175,215	148,812	-	-
Financed by				
Social housing grant	-	10,972	-	-
Loans / cash funds	175,215	137,840	-	-
	175,215	148,812	-	-

27. FINANCIAL COMMITMENTS (CONTINUED)

Operating lease commitments

The future minimum payments of leases are set out below.

	Group		Association	
		Restated		
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Land and buildings - Office				
Within one year	867	867	-	-
Between two and five years	1,733	3,467	-	-
More than five years	-	2,605	-	-
	2,600	6,939	-	-
Land and buildings - PFI Contracts				
Within one year	2,024	1,968	-	-
Between two and five years	8,698	8,455	-	-
More than five years	33,788	36,056	-	-
	44,510	46,480	-	-
Vehicles and Equipment				
Within one year	864	1,151	864	1,151
Between two and five years	1,273	2,081	1,273	2,081
	2,137	3,232	2,137	3,232
	46,647	49,712	2,137	3,232

There has been a restatement to the FY21 figures relating to the elimination of operating lease commitments with Avantage which became a subsidiary of the Group during FY21.

28. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES – GROUP

	2022 £'000	2021 £'000
(Deficit) / Surplus for the year	(4,957)	5,678
Adjustments for non-cash items:		
Non-controlling interest share	(224)	(949)
Depreciation of housing properties	18,033	17,198
Depreciation of other fixed assets	6,373	6,055
Amortisation of intangible assets	1,158	866
Grant amortisation	(4,694)	(4,656)
Impairment of housing properties	22	284
Reversal of impairment of other fixed assets	(999)	-
Impairment of inventories	-	1,771
Movement in fair value of investments	(1,471)	(181)
Decrease/(increase) in trade and other debtors	2,626	4,771
(Decrease)/increase in trade and other creditors	(6,489)	13,052
Increase in inventories	(6,491)	(19,894)
Increase in other provisions	11,014	-
Pension costs less contributions payable	(4,206)	(4,725)
Adjustment to acquisition of subsidiary	(2,924)	-
Adjustments for investing or financing activities:		
Net gain on sale of fixed assets	(2,989)	(4,727)
Pension Interest	771	334
Fair value movement of non-basic instruments	(727)	46
Interest payable	19,055	19,006
Finance debtor interest	(2,666)	714
Interest received	(2,482)	(2,201)
Taxation	459	180
Net cash flow from operating activities	18,192	32,622

Analysis of changes in net debt

	At 1 April 2021 £'000	Cash flows £'000	Loan drawdown £'000	Loan repayment £'000	Non-cash movement £'000	At 31 March 2022 £'000
Cash at bank and in Hand	64,187	11,957	-	-	-	76,144
Cash and cash equivalents	64,187	11,957	-	-	-	76,144
Borrowings						
Bank loans due within one year	(12,102)	-	-	11,314	(5,150)	(5,938)
Bank loans due after one year	(458,827)	-	(275,000)	186,950	5,150	(541,727)
Other loans due within one year	(19,000)	-	-	17,233	1,767	-
Finance Leases	(1,020)	-	-	-	-	(1,020)
Total	(426,762)	11,957	(275,000)	215,497	1,767	(472,541)

The non-cash movement on other loans relates to the forgiveness of a portion of a loan due from Ascent Housing LLP to Staffordshire Moorlands District Council.

29. GROUP UNDERTAKINGS AND RELATED PARTIES

The group undertakings consolidated within the Your Housing Group financial statements, all of which were owned by the Your Housing Group Limited, unless otherwise stated, were as follows:

Name of Undertaking	Nature of Undertaking	Principal Activity
100% Owned		
Your Housing Limited	Registered Community Benefit Society	Registered provider of social housing
Frontis Homes Limited	Registered Community Benefit Society	Registered provider of social housing
Fix 360 Ltd	Company incorporated and limited by shares under the Companies Act 2006	Dissolved on 3 May 2022
Nuvu Development Limited	Company incorporated and limited by guarantee under the Companies Act 2006	Property development company
Your Housing (Development) Limited[2]	Company incorporated and limited by shares under the Companies Act 2006	Property development company
Outlook Homes Limited[4]	Company incorporated and limited by guarantee under the Companies Act 2006	Management of residential properties
Avantage (Cheshire) Holdings Limited[3]	Company incorporated and limited by shares under the Companies Act 2006	The provision of management and maintenance services
Avantage (Cheshire) Limited[10]	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract
Nuvu Living LLP[5]	Limited Liability Partnership	Property partnership
Nuvu Living (Wavertree) LLP[6]	Limited Liability Partnership	Property partnership
Amberley Drive Development Limited[7]	Company incorporated and limited by shares under the Companies Act 2006	Dissolved on 15 June 2022
Madison Gardens Garage Company Limited[4]	Company incorporated and limited by guarantee under the Companies Act 2006	Dormant company
Arena Housing Group Pension Trustees Limited[2]	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
Your Hive (No. 2) Limited[1]	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
YHG & EWG Developments Limited[1]	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
Nuvu Living (Liverpool Waters) LLP[6]	Limited Liability Partnership	Dormant company
Nuvu Living (No.2) LLP[6]	Limited Liability Partnership	Dormant company
Nuvu Living (No.3) LLP[6]	Limited Liability Partnership	Dormant company
Ascent Housing LLP[9]	Limited Liability Partnership	Registered provider of social housing
Controlling Interests:		
Live Verde LLP[8]	Limited Liability Partnership	Dissolved on 14 September 2021
Minority Interests:		
Grove Village Holdings Limited[11]	Company incorporated and limited by shares under the Companies Act 2006	Holding company
Grove Village Limited[13]	Company incorporated and limited by shares under the Companies Act 2006	Provider of social housing under PFI contract
Sapphire Extra Care (Holding) Limited[12]	Company incorporated and limited by shares under the Companies Act 2006	Holding company
Sapphire Extra Care Limited[14]	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

Key to numbering:

1 Entity is a wholly-owned subsidiary undertaking of Your Housing Group Limited.
2 Entity is a wholly-owned subsidiary undertaking of Your Housing Limited.
3 Entity was a wholly-owned subsidiary of Your Housing Limited.
4 Entity is a wholly-owned subsidiary undertaking of Frontis Homes Limited.
5 Entity is 99.9% owned by Your Housing Group and 0.01% by Nuvu Development Limited.
6 Entity is 99.9% owned by Nuvu Living LLP and 0.01% by Nuvu Development Limited.
7 Entity was a wholly-owned subsidiary undertaking of Live Verde LLP.
8 Entity was 50% owned by Your Hive (No.2) Limited.
9 Entity is 51% owned by Your Housing Group Limited and 49% by Your Housing Limited. Your Housing Limited purchased its 49% shareholding on 26th January 2022.
10 Entity is 100% owned by Avantage (Cheshire) Holdings Limited.
11 Entity is 25.5% owned by Your Housing Limited.
12 Entity is 33.3% owned by Your Housing Limited.
13 Entity is 100% owned by Grove Village Holdings Limited, treated as an Associate in the consolidation.
14 Entity is 100% owned by Sapphire Extra Care (Holding) Limited, treated as an Associate in the consolidation.

All entities are incorporated in England and Wales. The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions, with the exception of Arena Development & Construction Limited, Arena Future Limited, Arena Homes Limited, Ascent Housing LLP, Avantage (Cheshire) Holdings Limited, Avantage (Cheshire) Limited, Fix 360 Ltd, Grove Village Holdings Limited, Grove Village Limited, Nuvu Development Limited, Nuvu Living LLP, Nuvu Living (Liverpool Waters) LLP, Nuvu Living (Wavertree) LLP, Outlook Homes Limited, Your Housing (Development) Limited and Your Hive (No. 2) Limited, where the Group is entitled to dividends or distributions.

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

The Group has taken advantage of the exemption not to disclose transactions with other wholly owned members of Your Housing Group Limited, which are registered providers. Transactions with non-registered providers are shown below, along with associate entities.

Management charges between entities are calculated based on the number of units managed, increasing on an annual basis by RPI.

2022	Sales/ interest £'000	Purchases £'000	Debtor £'000	Creditor £'000	Loan £'000
Subsidiaries:					
Fix 360 Limited	-	(1,346)	-	-	-
Your Housing Development Limited	-	-	-	(530)	-
NUVU Development Limited	1,058	(32,560)	67,830	-	-
NUVU Living (Wavertree) LLP	72	-	82	-	-
Avantage (Cheshire) Holdings Limited	520	-	-	-	2,407
Avantage (Cheshire) Limited	2,046	(3,120)	866		-
Associates:					
Grove Village Holdings Limited	943	-	381	-	364
Sapphire Extra Care (Holdings) Limited	760	(2,758)	148	-	2,133

2021 (re-stated)	Sales/ interest £'000	Purchases £'000	Debtor £'000	Creditor £'000	Loan £'000
Subsidiaries:					
Fix 360 Limited	69	(22,220)	-	(982)	3,620
Your Housing Development Limited	4	-	-	(39)	-
NUVU Development Limited	-	-	54,493	-	-
NUVU Living (Wavertree) LLP	56	-	-	(80)	-
Avantage (Cheshire) Holdings Limited	1,131	-	-	-	2,407
Avantage (Cheshire) Limited	2,009	(3,057)	434		-
Associates:					
Grove Village Holdings Limited	905	-	309	-	411
Sapphire Extra Care (Holdings) Limited	759	(2,722)	-	-	2,133

The loan to Avantage (Cheshire) Holdings Limited is provided at a rate on 10.45%. The loan to Grove Village Holdings Limited is provided at a rate of 9.07%. The loan to Sapphire Extra Care (Holdings) Limited is provided at a rate of 11.50%.

In FY21, amounts transferred to Nuvu Development Limited by Your Housing Limited as payments in advance of golden brick were allocated to loans in this note but they should be debtors and so have been reallocated.

30. PENSIONS

The Social Housing Pension Scheme (SHPS)

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme 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 last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 inclusive.

The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

The Association has been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes which could potentially impact the value of Scheme liabilities. The contingent liability is disclosed in note 31.

The net defined benefit liability at the year ended 31 March 2022 is £14,647,000 (2021: £33,778,000).

	2022	2021
	£'000	£'000
Fair value of plan assets	115,901	106,040
Present value of defined benefit obligation	(130,139)	(139,818)
Defined benefit liability to be recognised	(14,238)	(33,778)

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2022 £'000	2021 £'000
Defined benefit obligation at start of period	139,818	108,889
Expenses	96	96
Interest expense	2,906	2,526
Actuarial losses/(gains) due to scheme experience	6,985	(1,733)
Actuarial (gains)/losses due to changes in demographic assumptions	(1,981)	486
Actuarial (gains)/losses due to changes in financial assumptions	(14,867)	32,314
Benefits paid and expenses	(2,818)	(2,760)
Defined benefit obligation at end of period	130,139	139,818

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	106,040	94,733
Interest income	2,230	2,229
Experience on plan assets (excluding amounts included in interest income) - gain	7,216	8,667
Contributions by the employer	3,233	3,171
Benefits paid and expenses	(2,818)	(2,760)
Fair value of plan assets at end of period	115,901	106,040

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £9,446,000 (2021: £10,896,000)

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SOCI)

	2022 £'000	2021 £'000
Expenses	96	96
Net interest expense	676	297
Defined benefit costs recognised in statement of comprehensive income (SoCI)	772	393

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

Defined Benefit Costs Recognised in Other Comprehensive Income

	2022 £'000	2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain	7,216	8,667
Experience gains and losses arising on the plan liabilities – (loss)/gain	(6,985)	1,733
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	1,981	(486)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	14,867	(32,314)
Total gain/(loss) recognised in other comprehensive income	17,079	(22,400)

Assets

	2022 £'000	2021 £'000
Global Equity	22,242	16,900
Absolute Return	4,650	5,853
Distressed Opportunities	4,148	3,062
Credit Relative Value	3,852	3,337
Alternative Risk Premia	3,822	3,994
Fund of Hedge Funds	-	12
Emerging Markets Debt	3,372	4,281
Risk Sharing	3,816	3,860
Insurance-Linked Securities	2,702	2,547
Property	3,129	2,202
Infrastructure	8,256	7,070
Private Debt	2,971	2,529
Opportunistic Illiquid Credit	3,894	2,696
Cash	394	1
High Yield	999	3,176
Opportunities Credit	412	2,907
Corporate Bond Fund	7,732	6,265
Liquid Credit	1	1,266
Long Lease Property	2,982	2,078
Secured Income	4,318	4,410
Liability Driven Investment	32,341	26,949
Currency Hedging	(454)	-
Net Current Assets	322	645
Total assets	115,901	106,040

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

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

Key Assumptions

	2022 % per annum	2021 % per annum
Discount Rate	2.79	2.10
Inflation (RPI)	3.49	2.10
Inflation (CPI)	3.15	2.10
Salary Growth	3.60	3.30
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	2022 No. of Years	2021 No. of Years
Retiring today (member age 65) - Male	21.1	21.6
Retiring today (member age 65) - Female	23.7	23.5
Retiring in 20 years (member age 45 today) - Male	22.4	22.9
Retiring in 20 years (member age 45 today) - Female	25.2	25.1

Arena Housing Group Pension Scheme

The Association has a pension liability in relation to a defined benefit scheme with the Arena Group Pension Scheme.

Assumptions as at 31 March

	2022 % p.a.	2021 % p.a.
Inflation assumption	3.60	3.30
Salary increases – year one	3.60	2.00
Salary increases – year two onwards	3.60	3.30
Discount rate	2.80	2.10

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2022 No. of Years	2021 No. of Years
Retiring today (member age 65) - Male	21.1	21.8
Retiring today (member age 65) - Female	23.0	23.7
Retiring in 20 years (member age 45 today) - Male	22.1	23.2
Retiring in 20 years (member age 45 today) - Female	24.7	25.3

30. PENSIONS (CONTINUED)

Arena Housing Group Pension Scheme (continued)

Analysis of amounts recognised in the Statement of Financial Position:

	2022 £'000	2021 £'000
Estimated employer assets	33,247	31,993
Present value of scheme liabilities	(27,715)	(32,401)
Defined benefit pension scheme surplus/(deficit) per valuation	5,532	(408)
Non-recoverable surplus	(5,532)	-
Net pension asset/(liability) included in the financial statements	-	(408)

The scheme has been valued showing a surplus of £5,532,000 as at 31 March 2022 and a deficit of £408,000 as at 31 March 2021. Defined benefit pension scheme surpluses are limited to the extent they are considered recoverable either through reduced contributions or agreed refunds from the scheme. Neither are applicable and therefore the surplus is restricted to nil.

Analysis of amount charged to operating profit:

	2022 £'000	2021 £'000
Administration charges	164	130
Total operating charge	164	130

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SOCI)

	2022 £'000	2021 £'000
Expenses	164	200
Expected return on scheme assets	(663)	(703)
Interest on pension scheme liabilities	673	665
Total finance costs	174	162

30. PENSIONS (CONTINUED)

Arena Housing Group Pension Scheme (continued)

Amounts recognised in the Statement of Comprehensive Income:

	2022 £'000	2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain	228	1,236
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	4,686	(4,361)
Actuarial gains/(losses)	4,914	(3,125)

Reconciliation of defined benefit obligation:

	2022 £'000	2021 £'000
Opening defined benefit obligation	32,401	28,037
Interest cost	673	665
Actuarial (gains)/losses	(4,686)	4,361
Benefits paid	(673)	(732)
Loss on curtailments/changes/introductions	-	70
Closing defined benefit obligation	27,715	32,401

Reconciliation of fair value of employer assets:

	2022 £'000	2021 £'000
Opening fair value of employer assets	31,993	29,716
Interest Income	663	703
Contribution by the employer	1,200	1,200
Administration expenses	(164)	(130)
Actuarial gains	228	1,236
Benefits paid	(673)	(732)
Closing fair value of employer assets	33,247	31,993

Contributions

The Association expects to contribute £nil (2021: £1,200,000) to the Arena Group Pension Scheme during the 2022/23 financial year in respect of the shortfall in funding as the shortfall has now been paid in full. The last triennial valuation was carried out at 31 March 2019, with the 31 March 2022 triennial valuation currently in progress. A new schedule of contributions will be agreed as part of this valuation.

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund (SCCPF)

The SCCPF is a multi-employer scheme, administered by Staffordshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2020 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2022 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2022 is £24,282,000 (2021: £25,580,000).

The employer's contributions to the SCCPF by the association for the year ended 31 March 2022 were £24,000 (2021: £24,000). No employees are contributing to the scheme. Estimated employer's contributions to the SCCPF during the accounting period commencing 1 April 2023 are £24,000 (2021: £24,000).

Assumptions as at 31 March

	2022	**2021**
	% p.a.	**% p.a.**
Inflation assumption	3.2	2.9
Salary increases	3.2	3.3
Discount rate	2.7	2.1
Commutations	50.0	50.0

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2022 No. of Years	**2021 No. of Years**
Retiring today (member age 65) - Male	21.2	21.4
Retiring today (member age 65) - Female	23.8	24.0
Retiring in 20 years (member age 45 today) - Male	22.2	22.5
Retiring in 20 years (member age 45 today) - Female	25.5	25.7

Analysis of amounts recognised in the balance sheet:
Net pension liability at

	2022	**2021**
	£'000	**£'000**
Estimated employer assets	23,582	21,482
Present value of scheme liabilities	(24,282)	(25,580)
Present value of unfunded liabilities	-	-
Total value of liabilities	(24,282)	(25,580)
Net pension liability	(700)	(4,098)

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund (continued)

Analysis of amount charged to operating profit:

	2022 £'000	2021 £'000
Current service cost	-	-
Past service cost	-	-
Total operating charge	-	-

Analysis of defined benefit cost recognised in Statement of Comprehensive Income:

	2022 £'000	2021 £'000
Expected return on employer asset	(446)	(392)
Interest on pension scheme liabilities	531	467
Total finance costs	85	75

Analysis of amounts recognised in Other Comprehensive Income:

	2022 £'000	2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain	2,135	4,249
Experience gains and losses arising on the plan liabilities – (loss)/gain	(49)	277
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	124	(286)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	1,245	(5,046)
Actuarial gain/(losses)	3,455	(806)

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund (continued)

Reconciliation of defined benefit obligation:

	2022 £'000	2021 £'000
Opening defined benefit obligation	25,580	20,533
Interest cost	531	467
Actuarial (gains)/losses	(1,320)	5,055
Estimated unfunded benefits paid	(4)	-
Estimated benefits paid	(505)	(475)
Closing defined benefit obligation	24,282	25,580

Reconciliation of fair value of employer assets:

	2022 £'000	2021 £'000
Opening fair value of employer assets	21,482	17,287
Interest Income	446	392
Actuarial gains	2,135	4,249
Contribution by the employer	24	24
Benefits paid	(505)	(470)
Closing fair value of employer assets	23,582	21,482

30. PENSIONS (CONTINUED)

Aggregate Position of Pension Funds

	2022 £'000	2021 £'000
Assets		
Fair Value of plan Assets	172,730	159,515
Liabilities		
Present value of defined benefit obligation	(182,136)	(197,708)
Present value of unfunded liabilities	-	(91)
Total value of liabilities	(182,136)	(197,799)
Non-recoverable surplus	(5,532)	-
Defined benefit liability to be recognised	(14,938)	(38,284)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2022 £'000	2021 £'000
Defined benefit obligation at start of period	197,799	157,459
Expenses	96	96
Interest expense	4,110	3,658
Actuarial (losses)/gains	(15,869)	40,553
Estimated unfunded benefits paid	(4)	-
Benefits paid and expenses	(3,996)	(3,967)
Defined benefit obligation at end of period	182,136	197,799

Reconciliation of fair value of employer assets:

	2022 £'000	2021 £'000
Opening fair value of employer assets	159,515	141,736
Interest Income	3,339	3,324
Contribution by the employer	4,457	4,395
Actuarial gains	9,579	14,152
Benefits paid	(4,160)	(4,092)
Closing fair value of employer assets	172,730	159,515

30. PENSIONS (CONTINUED)

Aggregate Position of Pension Funds (continued)

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SOCI)

	2022 £'000	2021 £'000
Expenses	260	296
Net interest expense	771	334
Defined benefit costs recognised in statement of comprehensive income (SoCI)	1,031	630

Defined Benefit Costs Recognised in Other Comprehensive Income

	2022 £'000	2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain	9,579	14,152
Experience gains and losses arising on the plan liabilities – (loss)/gain	(7,034)	2,010
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	2,105	(772)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	20,798	(41,721)
Total gain/(loss) recognised in other comprehensive income	25,448	(26,331)
Restriction of non-recoverable pension surplus	(5,532)	1,679
Total gain/(loss) recognised in other comprehensive income	19,916	(24,652)

31. CONTINGENT LIABILITY

The Association has been notified by the Trustee of the Social Housing Pension Scheme (SHPS) that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

32. BUSINESS COMBINATION AND ASSET PURCHASE

Your Housing Limited, is a housing association registered in England and Wales, which is 100% owned by Your Housing Group Limited. The principal activity includes the provision of affordable homes to rent, homes for sale, sheltered and supported accommodation for older people, and hostels and foyer accredited schemes which support vulnerable people.

On 1st April 2021, the Your Housing Limited acquired the assets and liabilities of Fix360 Limited, a wholly owned subsidiary of Your Housing Group Limited. Because both Your Housing Limited and Fix 360 were wholly owned by Your Housing Group Limited this transaction had no impact on the consolidated position of the Group.

On 26th January 2022, the Association acquired the housing property portfolio of Ascent Housing LLP, a registered provider of social housing owned 51% by Your Housing Group Limited and 49% by Staffordshire Moorlands District Council (SMDC). The consideration paid was £19,091,000 which was equal to the net book value of the properties purchased. The transaction was a purchase of assets and therefore not accounted for as a business combination.

The proceeds were used to repay in full the £14,000,000 loan facility from SMDC to Ascent LLP and repay in part the two £5,000,000 loans with Your Housing Limited and SMDC. In previous years the loan provided by Your Housing Limited was impaired down to £204k, which was written off in the current year. Following the asset purchase the 49% membership held by SMDC was transferred to YHL for consideration of £1.