



# Coastal Housing Group Limited

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**Report and financial statements  
For the year ended 31 March 2021**

# Information

**Co-operative and Community Benefit Society number:** 30438R

**Welsh Government registration number:** L146

**Registered office:** 3<sup>rd</sup> Floor, 220 High Street, Swansea, SA1 1NW

**Non-executive Board members:**

**Roger Williams** (Chair)  
**Alun Williams** (Vice Chair and Chair of Finance & Development Committee)  
**Ruth Glazzard** (Chair of Governance, Remuneration & Audit Committee. Appointed September 2020)  
**Patrick Hoare**  
**Jane Howells**  
**Dawn Mitchell**  
**Stephen Spill** (Appointed September 2020)  
**Sara Turnbull** (Appointed September 2020)  
**Edward White** (Appointed September 2020)

**Kirsty Ellis** (Resigned September 2020)  
**Jeannette McLellan** (Resigned April 2021)

**Executive Board members & Company Secretary**

**Debbie Green** (Group Chief Executive)  
**Simon Jones** (Executive Director of Finance, Company Secretary)

**Executive Directors:**

**Caroline Belasco** (Executive Director of HR & Corporate Services)  
**Gareth Davies** (Executive Director of Growth & New Business (Resigned December 2020))  
**Kelly Thomas** (Executive Director of Growth & New Business (Appointed January 2021))  
**Serena Jones** (Executive Director of Operations)

**Bankers:** Barclays Bank PLC  
262 Oxford Street, Swansea

**Solicitors:** Blake Morgan  
One Central Square, Cardiff

Devonshires  
30 Finsbury Circus, London

Hugh James  
Two Central Square, Central Square, Cardiff

**Auditors:** Bevan Buckland LLP  
Langdon House, Langdon Road, SA1 Swansea Waterfront

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# Chair's Statement

## 2020/21: *'Out of adversity comes opportunity'*

The past year has been unlike any other in history. For Coastal it has meant a continued journey of self-discovery to deliver safe services for residents, maintain our ambitious development programme and ensure our people's health and wellbeing as they adjust to new challenges and ways of working.

Without exception, Team Coastal has performed phenomenally through this period. As a business we are not simply surviving but thriving; our culture of innovation, problem-solving, eliminating waste and adding value has never been stronger and we are taking every opportunity to learn and grow through this time of unprecedented social change.

A particular area of focus for Coastal over the past year has been the active management of our commercial portfolio. Businesses of all types have been affected in some way by the pandemic and there has been much made of the impact on commercial properties, particularly those in city centres and business districts, as organisations embrace remote working.

We have significant internal expertise in commercial property management, alongside a strategic partnership with commercial property specialists BP2 - themselves a Coastal commercial tenant. This complementary approach has seen significant successes in 2021 during a particularly difficult time for commercial property. Our 220 High Street and Warehouse spaces in Urban Village on Swansea's High Street have been fully let during the past year with 2 significant lettings completing in its last quarter. Opposite at Mackworth Court, 3 retail units handed over at the beginning of 2020 are all let and operating - proof that business owners recognise the opportunities provided by the continued redevelopment of High Street.

In Port Talbot, we have worked closely with the local Business Improvement District on their funding bid to Welsh Government's Coastal Communities Fund, securing £220,000 to create a hub for local businesses and retail within our existing redevelopment of the former Glan Afan Comprehensive School. The homes created by Coastal are already occupied; now commercial units located within the building's striking, brick facade will provide meeting and co-working spaces on a bookable basis, as well as offering slots for market stalls and pop-ups to help new businesses. There will also be a home delivery and click and collect service for local residents and businesses, which will help meet the huge growth in demand for these services seen over the past year.

At our Leonard Charles development in Swansea city centre, we have worked with the local authority to release existing ground floor commercial units for redevelopment into homes for people sleeping rough in the city. The pandemic brought a keen focus on tackling street homelessness and showed what can happen when there is the political will to truly address the issue. We are delighted to be playing a part in the next phase of addressing street homelessness in Swansea over the longer term through this strategic partnership with the local council.

With fire safety in tall buildings still high on the sector's news agenda in spite of the pandemic, we are pleased to see our efforts in this respect reaching fruition. Coastal acted early on investigations into our one residential building above 18m, Strand Court, and following a successful award of £2.9m from Welsh Government's High Rise Residential Buildings (HRRB) Grant, work has started to replace the areas clad in High-Pressure Laminate (HPL) as well as enhance the building's fire safety performance through other means. We have created a Resident Liaison Officer role for the duration of the works and, whilst there is inevitably some disruption, residents understand the need for the work and welcome Coastal's prompt action.

Our development programme continues to test new approaches to construction whilst delivering much-needed homes. Our keen focus on sustainability and low carbon development is perfectly in step with the new Welsh Government's cabinet changes to reflect the urgency of addressing climate change. Nowhere is this more visible than in our Gwynfaen development, where we are leading a partnership which will deliver 144 low-carbon homes for open market sale, low-cost homeownership and social rent.

## Chair's Statement



In March we visited Neath Foodbank along with contractors Hale Construction to make a £600 donation as part of our community benefits package for our town centre development. The foodbank has seen a 60% increase in demand over the last year and our donation enabled them to buy groceries that supplement items donated by the public in order to provide food parcels that are nutritionally balanced.

At our Hedgerows development in Pennard, local materials are a common feature across both more conventionally-built homes and 6 properties built through sustainable construction methods by our partners Down to Earth, who have engaged a range of excluded and isolated people to contribute during the build, learning valuable transferable skills in the process. Home sales at the development have been particularly successful, with the vast majority of available homes reserved off-plan before the on-site show home was even available for viewings. All sales have been conditional on meeting local connection criteria and this will also be extended to the social rented homes via a local lettings policy, meaning this development will 100% deliver on its commitment to provide much-needed homes for local people in this sought-after area of Gower.

In December we welcomed local Senedd Member and Finance Minister Rebecca Evans to our Hedgerows development in Pennard to view progress and hear how local skills and materials are playing an important part in this much-needed development.



At Coed Darcy we have progressed 2 distinct pilots for Modern Methods of Construction (MMC) during the past year in partnership with off-site manufacturing specialists Ilke Homes and Jansnel - the latter as the first units produced by Jan Snel's UK division, incorporated in December 2020 and headquartered in Swansea. Funded through the Innovative Housing Programme, the pilots aim to test whether a combination of modular construction and off-site manufacturing can reduce the time needed to bring new homes from planning to handover.

Active and innovative development is the first part of Coastal's journey to providing high-quality, affordable homes to the people of south Wales. At handover stage our committed housing and maintenance teams take the reigns and provide an excellent ongoing service, tailored to the unique needs and circumstances of individual residents. To support these teams and provide the data to drive continuous improvement, we are pleased to be introducing new IT systems across Coastal's housing management, finance, and HR services.

## Chair's Statement

This would be a significant undertaking at any time, but to successfully implement such wholesale IT changes during a prolonged period of remote working has required the energy and commitment of internal specialists alongside their 'day' job as well as drawing on what has proved to be a timely decision pre-pandemic to invest in Coastal's Tech Team, recruiting to new operational and strategic roles.

The range of services provided by Coastal is vast. Over the past year, we've found alternative ways of delivering these and developed new approaches for emerging challenges resulting from the impact of the pandemic. Whether working in or around people's homes using new safety procedures and enhanced PPE or working at home, perhaps whilst juggling childcare and other personal commitments, Coastal's staff are a model of professionalism, empathy, and resilience.

Due to the nature of their work, our repairs and trades team have been those most 'exposed to the risks of Covid due to the nature of their work and they've been exceptional in adapting to new working practices and maintaining excellent services throughout.

Our caretakers have continued to be the front face of Coastal, out and about on estates every day maintaining those important outdoor spaces and keeping them clean and tidy for residents to enjoy. Outside space has never been more important than during this pandemic and it has allowed us to accelerate some of our planned green initiatives to better benefit people, wildlife, and the planet. We have made considerable strides with this over the past year and residents have in the main thoroughly welcomed the changes. Looking to the future, our estates teams have developed a calendar of green initiatives with the support of our Sustainability and Conservation Coordinator, which will reduce our potential for environmental damage further by up to 50%.



In December we took handover of our new development of apartments, houses and retail units at the former Pines Country Club in Treboeth. This development brought much-needed housing and amenities to the local area and has been renamed Clos Calon Lan in recognition of the fact that the hymn's lyricist, Daniel James, hails from the area.

Financial support has been a key focus for our housing teams as they assist people to navigate unforeseen changes to their financial circumstances. Our specialist Financial Health Manager has been an enormous help throughout the last year, keeping housing teams updated on all the changes facing residents through the various financial schemes provided by the UK and Welsh governments. Financial support to residents has also benefited from a continued rollout of Coastal's payment plan initiative, which sees housing officers and assistants take a much more proactive approach to resident finances. This has helped keep arrears at a reasonable level despite us seeing huge increases in Universal Credit claims amongst residents.

Despite the change in many people's circumstances, we have continued to let homes in high numbers, including new homes that have handed over from development, and are using no-contact methods to ensure our entire lettings process is Covid safe.

## Chair's Statement

We were pleased to help Swansea Libraries distribute free copies of the acclaimed book *The Midnight Library* for World Book Night 2021. Our repairs and estates teams collected over 150 books which were then offered to people with repairs booked on and around World Book Night on 23 April.



We have seen around a 50% increase in ASB issues reported to our teams, which is understandable given the difficult year we have all experienced and the huge increase in time spent at home during various lockdowns. With a very different operating environment in terms of legal action in housing and maintenance, we've really benefitted from having our in-house solicitor available to provide effective advice in some exceptionally challenging situations.

Headline financial information for the Group is shown below.

	<b>2021</b>	<b>Group</b>
	<b>£'000</b>	<b>2020</b>
		<b>(Restated)</b>
		<b>£'000</b>
Turnover	38,322	36,934
Operating surplus before exceptional items	9,871	9,031
Operating surplus/(deficit)	9,871	(4,267)
Operating surplus %	25.8%	-11.6%
Gearing %	37.1%	37.3%

The achievements of the past year are the result of a hugely motivated and committed workforce aligned with a culture of innovation, problem-solving, and doing the right thing. We've taken several steps to ensure our people have access to the support they need, particularly in relation to their wellbeing. In addition to a formal programme of support through external suppliers such as Aspire2Be and Healthy Performance, we have also increased elements that were already well-established at Coastal such as wellbeing circles, and introduced new approaches such as Spoonroom sessions, which saw people from across the business come together on a casual, drop-in basis to spend quality time listening to each other, share their experiences and just be together in a dedicated virtual space. Initiatives such as these have formed part of what it means to be part of Team Coastal during 2020/21 and will continue to do so as we navigate the changing nature of work. Whilst we don't yet know precisely what that will look like, we are committed to doing everything we can to base it on what we've learned this past year and what our people have valued, captured through a comprehensive series of open, honest Coastal conversations.

As we look to a future still shrouded in uncertainty, we can do so with renewed confidence, gained through our experiences of the past year and all that it's revealed about our team, our work, and what we value as a company.

**Roger Williams**

**Chair**



# Operating and financial review

## Group and Association highlights, five-year summary

<b>Comprehensive income – Group</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>(Restated)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>£'000</b>			
Total turnover	38,322	36,934	40,528	38,977	36,633
Operating surplus before exceptional items	9,871	9,031	10,238	9,684	9,060
Change in fair value of investment properties	-	(1,500)	-	-	-
Fire safety remediation costs	-	(11,798)	-	-	-
Surplus/(deficit) for the year	2,699	(10,918)	3,767	3,649	3,124

<b>Cash flow – Group</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net cash inflow from operating activities	5,824	10,537	118,577	10,375	13,824

<b>Financial position – Group</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>(Restated)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>£'000</b>			
Housing property at cost	470,318	444,635	427,726	409,382	394,536
Net current assets/(liabilities)	24	(27,647)	9,375	23,899	17,029
Total loans	(169,256)	(173,445)	(173,449)	(176,125)	(164,931)
Defined benefit pension liability	(8,879)	(3,343)	(7,462)	(3,590)	(4,156)
Net assets	33,090	36,616	43,679	43,953	40,255

### Statistics – Association

The following information relates solely to the results of Coastal Housing Group Limited

Units in management	5,871	5,816	5,677	5,574	5,430
Operating surplus	26.2%	-11.5%	25.2%	24.6%	24.3%
Operating surplus ( <i>before joint venture lease costs and exceptional items</i> )	31.3%	29.2%	29.0%	28.0%	27.2%
Social housing lettings surplus ( <i>before joint venture lease costs and exceptional items</i> )	28.4%	23.3%	25.7%	27.9%	28.0%
Rent lost from voids and bad debts	3.2%	2.8%	2.5%	2.9%	3.3%
Rent arrears ( <i>current residents</i> )	5.5%	5.2%	4.3%	4.0%	4.0%
Interest cover ( <i>earnings before interest, tax, depreciation, amortisation and fire remediation costs to net interest payable</i> )	1.66	1.40	1.84	1.83	1.64
Gearing ( <i>net loans to housing property at cost</i> )	36.8%	37.5%	38.3%	39.4%	42.1%



# Operating and financial review

## Principal activities

The Group comprises Coastal Housing Group Limited ('the Association'), and its subsidiary undertaking Pennant Housing Association Limited ('Pennant', together 'the Group').

The principal activities of the Group are the management of social rented housing, the construction of new housing for social rent and for sale, and associated regeneration activities.

The Association is charitable and Pennant is non-charitable. Both Group members are not-for-profit Community Benefit Societies registered as social landlords with the Welsh Government.

The Group manages 6,000 properties in the Swansea, Neath Port Talbot, Carmarthenshire and Bridgend local authority areas and has a significant development programme. The Group also continues to specialise in urban housing-led regeneration projects. In addition the Group provides properties leased from the Welsh Housing Partnership joint ventures at intermediate rents to people who cannot rent a suitable home on the open market.

## Business and financial review

### Summary

The Group has a surplus for the year of £2.7m (2020: deficit of £10.9m) before pension adjustments. The specific reasons for this result are included in this report.

The Group has restated the results for the previous financial year ended 31 March 2020. This is due to a material increase in the calculation of fire safety remediation costs provided in that financial year. The effect of the prior year adjustment is to increase the 2020 deficit by £6.6m. More information is given further in this report and in note 6.

Social housing lettings income increased by £1.7m from £31.8m to £33.5m, which primarily relates to increases in rents and service charges. Turnover and operating costs include the results of first tranche housing sales

The operating surplus and social housing lettings surplus percentages in the five year summary have been adjusted to exclude the impact of the provision for fire safety remediation costs and the reduction in value of the commercial portfolio recognised in the results for the year ended 31 March 2020. The figures also exclude the impact of joint venture lease costs as there would be no such operating cost had these properties been developed by the Association. These adjustments make this data more consistent with other similar Associations.

### Coronavirus

The results for the financial year include the effects of the coronavirus pandemic. In particular for a period of time in 2020 we were unable to let properties and saw an increase in vacant properties. Although resident arrears have not increased significantly during the financial year we have increased our bad debt provision in anticipation of reducing UK and Welsh Government employment and benefit support measures. We continued to work throughout the year to support residents as far as possible with financial pressures and make sure that our properties remain safe and secure for the people who live in them

Many of our commercial tenants also had a very difficult year. We worked hard during the financial year to provide reasonable support to commercial tenants while protecting our own financial position. Although conditions remain hard for many, we have had very few commercial tenancies fail and had a number of lets to both new and existing businesses.

Our finances are strong and the Group remains able to manage adverse financial conditions. The Board ensured that financial plans were stress tested to cover a wide range of economic impacts to our activities and is satisfied that the Group is able to manage these risks effectively. In addition, the Association has significant cash and liquidity.

We have long been committed to prompt payment of debts to suppliers and contractors. This has been maintained throughout the year.

# Operating and financial review

## Business and financial review (continued)

### Prior year adjustment

The results for the year ended 31 March 2020 include a provision in the financial statements of £11.7million for fire safety remediation costs (note 28). This includes a prior year adjustment of £6.6million in addition to the amount of £5.1million provided in the financial statements originally published in 2020 (note 6).

The provision relates to work required at three of our residential blocks. Under FRS 102 accounting estimates which prove to be incorrect must be adjusted for in the year of discovery. However, where the provision includes a misinterpretation of the facts, then a prior year adjustment needs to be accounted for. The provision at 31 March 2020 was based upon an independent schedule of works which has subsequently been proven to contain errors and omissions relating to the scope of fire safety remediation work necessary as identified in the report that was available at the time. The prior year adjustment represents the additional provision required to meet this fire safety remediation report.

We have sought and received support from our funders in the form of waivers so that this provision is excluded from our financial covenant compliance calculations.

We fully assessed our operational fire safety arrangements and where appropriate implemented additional measures, including a 'waking watch'. We have communicated openly with residents and the Housing Regulator.

### Investment in new homes

We have continued both to invest in existing housing and to develop new housing, for both rent and sale. During the financial year, 86 newly developed properties were brought into management and we have substantial work on site. We successfully delivered on our social housing grant commitments, demonstrating the Welsh Government's confidence in our ability to deliver on both commitments and value. There were small delays on many of our sites as contractors sought to implement safe and socially distant working practices, and a more substantial delay on Pennant's market sale site meaning that expected sales Other than this our overall development programme has not been materially affected.

Our subsidiary, Pennant, is the Group's home ownership vehicle. Pennant is currently on site at the Colman Vale site at Pen y Fai in Bridgend. This site of 20 homes will deliver 17 sales on the open market and 3 homes for Coastal, for low cost home ownership. Although the site has been significantly delayed due to the pandemic, the site is now nearing completion with half the properties reserved or sold. Pennant is funding the development through a combination of funding from Coastal and a development finance facility from Principality Building Society.

Via Pennant, we are an investor in Welsh Housing Partnership and there are two joint venture companies – The Welsh Housing Partnership Limited ("WHP") and WHP2 Limited. During the financial year Pennant continued its planned investment in WHP2, and as a result 40 new rented homes were brought into use by the Association. More information is given in note 16.

### Commercial portfolio

The coronavirus pandemic has placed significant financial pressure on commercial tenants across the nation, including our own. Our commercial property is accounted for as investment property under accounting standards, despite our long term interest in the properties as part of our regeneration activity. In 2020 we recognised a reduction in value of these properties of £1.5million following a valuation of the portfolio. This non-cash reduction in value represented less than 10% of the initial carrying value. We are pleased to report that the valuation of the portfolio as at 31 March 2021 confirmed that the carrying value of the portfolio is appropriate and is reflected in its market value.

# Operating and financial review

## Business and financial review (continued)

### Financial position

Our liquidity position at the balance sheet date is very strong. We had cash of £7.6m and also had access to £58m of immediately available funding. This was a result of a refinance which completed in June 2020, of which more information is provided later in this report.

During the year our annual self-evaluation was reviewed by the Welsh Government and an Interim Regulatory Judgement was published in March 2021. At the start of the pandemic the Welsh Government suspended routine regulatory oversight and the publication of regulatory judgements was suspended so that RSLs could focus on continuing to deliver services in difficult circumstances. The publishing of interim judgements was applied across the sector as a result.

The Interim Regulatory Judgement confirmed the assessments from December 2019 of "standard" for governance, and for financial viability on the basis that the Group meets viability requirements and has the financial capacity to deal with scenarios appropriately.

Note 27 describes the accounting for the Group's participation in the Social Housing Pension Scheme. The financial statements reflect the Group's share of liabilities. The liability reduced from 2019 to 2020 particularly due to a change in corporate bond yields at the start of the pandemic; this position has reverse as at 31 March 2021. The Board has not changed the assumptions put forward by the scheme administrators, currently considering them to be prudent but reasonable. This will be reviewed each financial year. The actuarial valuation as at 30 September 2020, set using actuarial assumptions and based on the economic conditions at that time, is in the process of being finalised. The Board will consider the implications of the valuation and consult with staff regarding future pension provision, such changes to take effect from 1 April 2022.

## Objectives and strategy

Our values drive our decision making from the Board and executive directors through the organisation to the services we provide. Our values are also at the heart of our corporate vision which is summarised below:

"To provide homes and services that enable our residents to thrive and the communities we serve to prosper; supported by growing our social business and extending the reach of our homes and services."

Our vision is supported by the 4 'pillars' of Coastal which we use to align our activities to our purpose:

- creating sustainable tenancies
- creating sustainable communities
- creating sustainable local economies
- creating a sustainable Coastal Group

Using Lean Systems Thinking, all of our activities are therefore assessed against their efficacy in delivering the following goals:

- **growth** – to grow by increasing the supply of housing and widening our offer
- **welfare cuts**– to support residents and applicants through the changes in welfare benefits
- **homes** – to improve the quality of our housing stock
- **regeneration** – to contribute to the regeneration of the areas that we serve
- **services** – to improve further our services to residents
- **services for older people** – to develop a wide range of housing and services for older people
- **support services** – to meet the housing needs of young people and support tenancies
- **organisation** – to create a lean, agile and innovative organisation
- **stakeholders** – to build support from partners, funders, contractors, suppliers and the regulator
- **financial strength** – to build financial strength and maintain close relationships with funders
- **transparency** – to be open and honest with all our stakeholders

# Operating and financial review

## Objectives and strategy (continued)

The executive directors are responsible for assessing whether these goals are best placed to meet our corporate vision in the future. The heads of department are responsible for prioritising the activities within the year (the annual corporate plan) which will deliver tangible gains against the goals as defined above. The executive directors and heads of department form the senior management team, and meet regularly to assess achievement of the goals.

## Value for money

Our value for money strategy directly supports our corporate objectives. We use value for money savings to:

- reinvest in service improvements,
- reinvest in our housing assets
- reinvest in our communities,
- reinvest in our local economy,
- reduce financing costs of delivering new homes,
- make capital repayments on loans, and
- retain surpluses

The Board took the decision in December 2020 to implement a lower overall rent increase than that permitted by the Welsh Government's Rent Setting Policy. The Policy would have allowed a maximum increase of 1.5% in aggregate, subject to affordability considerations. The Board limited the aggregate increase to 1.4% and many residents saw rents frozen to realign rents by property type and area. No rents increased by more than the Welsh Government guidelines. Alongside this the implementation of the findings from our review of service charges continued and many residents also saw reductions in the service charges payable by them.

## Value for money methodology

The drive to pursue and achieve value for money is both explicit and implicit in the way we work at Coastal. Achieving value for money is not something that is considered separately from the day job, it is an integral part of it. In practice a number of interlinked practices support the delivery of value for money:

- clarity of, and focus on, purpose
- lean systems thinking,
- knowing and doing the things that matter to residents
- engaged empowered staff and an entrepreneurial culture,
- a collaborative governance model,
- pro-active relationships with stakeholders,
- procurement,
- treasury management, and
- asset management

In a lean systems model, rather than manage people and budgets, we act on the system and system conditions as an integrated whole to achieve results (delivering what matters to residents) by managing the flow of work and eliminating waste. Therefore we do not look to measure budget savings in silos as this can simply drive costs elsewhere. We measure ourselves at an organisational level against the Community Housing Cymru indicators published in global accounts, and additional measures agreed by the Board. This was reported to the Board in December 2020 and the Board was satisfied with the Group's position and plans.

## Risks and uncertainties

Risks that may prevent the Group achieving its objectives are reviewed annually by the senior management team and Board as part of corporate planning. Strategic risks were reviewed and agreed by the Board in May 2020. This review was in the midst of the coronavirus pandemic. During 2021 the board has re-examined the Risk Management Policy and the Group's appetite for risk, and is in the processing of updating the strategic risk register.

# Operating and financial review

## Risks and uncertainties (continued)

Strategic risks have been identified and discussed and we have considered the likelihood of the risk occurring and it's likely severity should it do so. Risks have agreed action plans and consideration has been given to the compound impact of risks occurring in combinations. These were factored into the 'severity' and 'likelihood' scores. Major risks, presenting the greatest threats to the Group, are reported to the Board several times during the year together with action taken to manage the risks.

## Top 5 strategic risks

The top five risks (measured in terms of potential likelihood and severity) are listed below:

1. **Business continuity and coronavirus.** The pandemic has significantly changed the way we and others work and there remains the prospect of future waves of the virus. The long term impacts of the pandemic are yet to emerge.
2. **Financial hardship faced by residents.** Universal Credit has been rolled out in our operational areas. Residents are impacted by increased financial hardship from insecure employment or loss of employment due to pandemic, design of Universal Credit and/or delays to payments. This could affect affordability of rents and service charges.
3. **Fire safety.** Coastal has identified a small number of properties where fire safety remediation work will be necessary.
4. **Commercial tenants and property.** Businesses, particularly in hospitality and other non-essential retail activities, have been hugely affected by lockdown during the pandemic. This sector will take time to recover, risking loss in income and pressure on value of the property portfolio.
5. **Social Housing Pension Scheme.** The Social Housing Pension Scheme has a substantially increased deficit and the next valuation as at 30 September 2020 comes at a very difficult time in the economy. The Group needs to ensure that long term cost risk is managed while also offering quality pensions as a responsible employer aiming to attract high quality staff.

## Capital structure and treasury policy

At the year end the Group's borrowings amounted to £169.3 million:

Maturity	2021 £m	2020 £m
Within one year	2.3	37.0
Between one year and two years	0.7	1.6
Between two and five years	7.5	3.4
After more than five years	158.8	131.4
	<u>169.3</u>	<u>173.4</u>

The Group completed a refinance of its borrowings in June and July 2020. The facilities that were repaid as part of this exercise are classified as due within one year in the 31 March 2020 balance sheet. Deferred fees and break costs of £659,000 were written off in the financial year as the associated borrowings have been repaid.

At the balance sheet date the Group's borrowings are from banks, building societies and the capital markets, at both fixed and floating rates of interest. The fixed rates of interest range from 1.76% to 11.6% as compared with variable rates which had a range of 0.60% to 2.52%.

The refinance replaced a range of bank and building society facilities with capital market funding, via a private placement of £60million from Aviva Investors, of which £20million is deferred until June 2022. Liquidity requirements are met by £50million of revolving credit facilities with a number of lenders.

# Operating and financial review

## Capital structure and treasury policy (continued)

The five year summary shows our performance against interest cover and gearing measures. The additional costs relating to fire safety remediation recognised in 2020 were discussed ahead of the balance sheet date with our funders and with their agreement this provision is excluded from interest cover covenant calculations. This includes the updated provision following the prior year adjustment.

Loan agreements require compliance with a number of other financial and non-financial covenants. The position is monitored and reported to the Finance & Development Committee quarterly. The Group was in compliance with its loan covenants at the balance sheet date and the Group expects to remain compliant for the foreseeable future.

The Group's borrowings include a development loan facility lent directly to Pennant and more information is provided in Pennant's financial statements.

The Group's Treasury Management Policy was updated in June 2021 and was reviewed by our treasury advisors, Centrus Advisory, to ensure it reflects good practice.

The Group has cash balances of £7.6million at 31 March 2021 (2020: £18.8million). Cash flow forecasts are closely monitored to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs.

## Investment in new and existing properties

A key influence on the timing of borrowings is the rate at which development activity takes place and the levels of grant funding available. The Board has approved plans to spend £36million during the next financial year to develop housing for rent and for sale.

We continue to invest in our stock and in the year we spent £3.1m million maintaining our homes to Welsh Housing Quality Standard.

## Statement of compliance

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the SORP 2018.

# Report of the Board and strategic report

The Board of Coastal Housing Group Limited is pleased to present its strategic report together with audited financial statements of Coastal Housing Group Limited ('the Association') and the Group for the year ended 31 March 2021.

## Principal activities, business review and future developments

Details of the Group's principal activities, its performance during the year and factors likely to affect its future development are contained within the Operating and Financial Review, which precedes this report.

## Board members and executive directors

The non-executive and executive Board members and other executive directors of the Group are set out on the information page. The executive directors are the Group Chief Executive and other members of the Group's team of directors. They act as executives within the authority delegated by the Board. Group insurance policies indemnify Board members and officers against liability when acting for the Group.

The Group has operated unitary Boards (i.e. a Board made up of executive and non-executive directors) since 2019 and has also implemented remuneration of non-executive directors. This followed a careful review of options by the Board, which was externally supported, and consultation with the Welsh Government and residents. The Group believes that these changes will help the Board maintain strong corporate governance.

## Executive director terms and conditions

The executive directors are employed on the same terms as other staff, their notice periods ranging from three to six months. The executive directors are also members of the Social Housing Pension Scheme, a defined benefit pension scheme. They participate in the scheme on the same terms as all other eligible staff, subject to the open benefit structure in place at the time they joined the Group.

## Employees

We recognise that the success of our business depends on the quality and engagement of our employees. We continued to invest in our employees through a program of tailored learning and development, which includes an ILM accredited bespoke leadership programme and a University of Wales accredited Housing Management qualification, along with a number of coaching and mentoring programmes to further build skill and capability.

We have undertaken employee surveys to help us understand and further improve engagement, knowledge and working practices, and have carried out workshops and a world café focused on being the best we can all be. We have been recognised for our outstanding achievements in both health and well-being and our approach to health and safety. The Board is aware of its responsibilities on all matters relating to health and safety and the Group has clear health and safety policies, on which employees are fully trained and educated accordingly.

## Financial risk management objectives and policies

The Group uses financial instruments, including loans and cash to finance the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks. The main risks arising from the Group's financial instruments are considered by the Board to be interest rate risk, liquidity risk and credit risk. The Board review and agree policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group finances its operations through a mixture of retained surpluses and borrowings from financial institutions. The Group's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, with no use of standalone financial instruments. The Group considers its average cost of funds to be well managed.



# Report of the Board and strategic report

## Financial risk management objectives and policies (continued)

### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invests cash assets prudently, also limiting the amount of cash held with any one institution. At any one time the Group aims to maintain sufficient undrawn facilities to fund the committed development programme for 24 months into the future.

### Credit risk

The Group's principal credit risk relates to resident arrears. This risk is managed primarily by an area based generic housing service and the close relationship our staff have with their residents. We also have a dedicated income team within the finance department. We have adapted our services to meet the challenge of welfare 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 Operating and Financial Review. The Group has in place long-term debt which provides adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve 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.

### Internal controls assurance

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2020 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- board approved terms of reference and delegated authorities for committees
- clearly defined management responsibilities for the identification, evaluation and control of significant risks
- robust strategic and business planning processes, with detailed financial budgets and forecasts
- appropriate recruitment, retention, training and development policies for all staff
- established authorisation and appraisal procedures for development and other significant commitments
- a documented approach to strategic treasury management
- regular reporting to the appropriate committee on key business objectives and outcomes
- board approved whistleblowing and anti-fraud policies covering prevention, detection and reporting, together with recoverability of assets
- regular monitoring of loan covenants and requirements for new loan facilities

# Report of the Board and strategic report

## Internal controls assurance (continued)

The Board cannot delegate ultimate responsibility for the system of internal control but has given delegated authority to the Governance, Remuneration & Audit committee to regularly review the effectiveness of the system of internal control. The Board receives Governance, Remuneration & Audit committee meeting minutes. The annual report of the internal auditor has been reported to the Board.

## Code of Governance

The Group is committed to achieving the highest standards of Governance in everything it does. The Group's Governance and Services Interim Regulatory Judgement, published by Welsh Government in March 2021, is "Standard" on the basis that the Group identifies and manages new and emerging risks appropriately. Our governance arrangements have been reviewed against the Community Housing Cymru Code of Governance, updated in June 2018.

The Finance & Development Committee provides scrutiny of financial and development related issues. The Governance, Remuneration & Audit Committee considers internal control and assesses effectiveness of internal and external audit. This committee also considers the pay award (making its recommendation to the Board), and matters around governance, staffing structure, staff pay progression and remuneration.

In 2019 the Group updated Coastal's Rules in line with the current Model Rules issued by Community Housing Cymru, having already updated Pennant's Rules in the same way.

## 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.

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS102) Under the Housing Association legislation the directors 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers SORP 2018, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining an adequate system of internal control and keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable them 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 Requirements for Registered Social Landlords General Determination (Wales) 2015. 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.

# Report of the Board and strategic report

## Statement of the responsibilities of the Board for the report and financial statements (continued)

In so far as each of the directors are aware:

- there is no relevant audit information of which the Association's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors 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.

## Annual general meeting

The annual general meeting will be held on 23 September 2021 at 220 High Street, Swansea, SA1 1NW.

## External auditors

A resolution to re-appoint Bevan Buckland LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 29 July 2021 and signed on its behalf by:



**Roger Williams**

**Chair**

# Independent auditor's report to the members of Coastal Housing Group Limited on corporate governance

In addition to our audit on the financial statements for the year ended 31 March 2021, we have reviewed the Board's statement of Coastal Housing Association Limited's ("the Association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements.

We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

## Opinion

With respect to the Board's statement on internal controls assurance on pages 13 and 14, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work on the financial statements.



### **Bevan Buckland LLP**

Chartered Accountants & Statutory Auditors  
Langdon House  
Langdon Road  
Swansea  
SA1 8QY

Date: 29 July 2021

**Bevan Buckland LLP**  
Chartered accountants, tax and financial planners

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

## Opinion

We have audited the financial statements of Coastal Housing Group Limited and its subsidiary for the year ended 31 March 2021 which comprise the consolidated and Association statements of comprehensive income, the consolidated and Association statements of changes in reserves, the consolidated and Association statements of financial position, the consolidated cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Association's affairs as at 31st March 2021 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Requirements for Registered Social Landlords General Determination (Wales) 2015.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other Information

The Board are responsible for the other information. The other information comprises the information included in the Group annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

## **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 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the parent Association has not kept proper accounting records; or
- the parent 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**

As explained more fully in the Statement of Responsibilities of the Board (set out on pages 14 and 15), 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 determine 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 are responsible for assessing the Group'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 intend to liquidate the Group or the parent Association or to cease operations, or have no realistic alternative but to do so.

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

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

## **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

## **Identifying and assessing potential risks related to irregularities.**

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

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - Purchasing in relation to the development and maintenance programmes, including any sales to connected individuals at below market value;
  - The recognition of development and maintenance expenditure in the correct period;

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

- The rationale of any major fund flows during the period;
- The potential of rent fraud arising as a result of collusion between the asset and housing teams.
- obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Group, The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

## Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

## Use of our report

This report is made solely to the Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



Bevan Buckland LLP  
Chartered Accountants & Statutory Auditors  
Langdon House  
Langdon Road  
Swansea  
SA1 8QY

Date: 29 July 2021



# Consolidated Statement of Comprehensive Income

	Note	2021 £'000	2020 (Restated) £'000
Turnover		39,992	38,366
<b>Less:</b> share of turnover of joint ventures	<b>16</b>	<u>(1,670)</u>	<u>(1,432)</u>
<b>Group turnover:</b> continuing activities	<b>2</b>	38,322	36,934
Operating costs	<b>2</b>	(28,465)	(40,046)
Surplus on sale of fixed assets – housing properties	<b>2</b>	14	345
Change in fair value of investment properties	<b>2</b>	<u>-</u>	<u>(1,500)</u>
<b>Group operating surplus: continuing activities</b>	<b>2</b>	<b>9,871</b>	<b>(4,267)</b>
Share of operating profit of joint ventures	<b>16</b>	<u>1,486</u>	<u>1,276</u>
<b>Operating surplus/(deficit)</b>		<b>11,357</b>	<b>(2,991)</b>
<b>Interest receivable and other income</b>			
Group	<b>7</b>	16	96
Joint ventures	<b>16</b>	-	-
<b>Interest payable and similar charges</b>			
Group	<b>8</b>	(7,194)	(6,737)
Joint ventures	<b>16</b>	<u>(1,467)</u>	<u>(1,267)</u>
<b>Surplus/(deficit) on ordinary activities before taxation</b>		<b>2,712</b>	<b>(10,899)</b>
Tax on surplus/(deficit) on ordinary activities	<b>12</b>	24	2
Tax on deficit of joint ventures	<b>16</b>	(37)	(21)
<b>Surplus/(deficit) for the year</b>		<u><b>2,699</b></u>	<u><b>(10,918)</b></u>
Actuarial gain/(loss) in respect of pension schemes	<b>27</b>	(6,225)	3,855
<b>Total comprehensive income for the year</b>		<u><b>(3,526)</b></u>	<u><b>(7,063)</b></u>

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.


The financial statements were approved by the Board on 29 July 2021 and were signed on its behalf by:

**Chair**



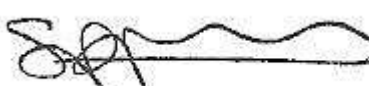
Roger Williams

**Board member**



Alun Williams

**Secretary**



Simon Jones

## Association Statement of Comprehensive Income

	Note	2021 £'000	2020 (Restated) £'000
Turnover	2a	38,059	36,933
Operating costs	2a	(28,109)	(40,023)
Surplus on sale of fixed assets – housing properties	2a	14	333
Change in fair value of investment properties	2a	-	(1,500)
<b>Operating surplus/(deficit)</b>	<b>2a</b>	<b>9,964</b>	<b>(4,257)</b>
Interest receivable and other income	7	108	135
Interest payable and similar charges	8	(7,197)	(6,737)
<b>Surplus/(deficit) on ordinary activities before taxation</b>		<b>2,875</b>	<b>(10,859)</b>
Tax on surplus/(deficit) on ordinary activities	12	-	-
<b>Surplus/(deficit) for the year</b>		<b>2,875</b>	<b>(10,859)</b>
Actuarial (loss)/gain in respect of pension schemes	27	(6,225)	3,855
<b>Total comprehensive income for the year</b>		<b>(3,350)</b>	<b>(7,004)</b>

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The financial statements were approved by the Board on 29 July 2021 and were signed on its behalf by:

**Chair**



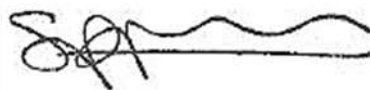
Roger Williams

**Board member**



Alun Williams

**Secretary**



Simon Jones

## Consolidated Statement of Changes in Reserves

	<b>Income and Expenditure reserve £'000</b>
At 1 April 2020 (Restated)	36,616
Deficit from statement of comprehensive income	(3,526)
<b>At 31 March 2021</b>	<b><u>33,090</u></b>

## Association Statement of Changes in Reserves

	<b>Income and expenditure reserve £'000</b>
At 1 April 2020 (Restated)	35,318
Deficit from statement of comprehensive income	(3,350)
<b>At 31 March 2021</b>	<b><u>31,968</u></b>

# Consolidated Statement of Financial Position

	Note	2021 £'000	2020 (Restated) £'000
<b>Fixed assets</b>			
Housing properties	13	470,318	444,635
Depreciation	13	(45,761)	(43,061)
		<u>424,557</u>	<u>401,574</u>
Other tangible fixed assets	17	5,683	5,362
Investments	14	21,878	20,893
Investments in joint ventures	16	13,393	11,536
Homebuy loans	15	2,797	2,997
<b>Total fixed assets</b>		<u>468,308</u>	<u>442,362</u>
<b>Current assets</b>			
Debtors due within one year	19	3,352	10,965
Properties for sale and work in progress	18	18,072	8,010
Cash at bank and in hand		7,629	18,818
		<u>29,053</u>	<u>37,793</u>
Debtors due after more than one year	19	4,055	4,320
Creditors: due within one year	22	(27,308)	(63,733)
Social housing grant due in one year	25	(1,721)	(1,707)
<b>Net current assets/(liabilities)</b>		<u>24</u>	<u>(27,647)</u>
<b>Total assets less current liabilities</b>		<u>472,387</u>	<u>419,035</u>
Creditors: due in more than one year	23	(168,079)	(137,641)
Social housing grant due after more than one year	25	(222,556)	(207,567)
Other grants due after more than one year	20	(6,440)	(1,584)
Housing grant relating to joint ventures		(12,673)	(11,296)
Homebuy grants due after more than one year	15	(2,589)	(2,825)
Housing finance grant	21	(5,654)	(5,654)
Provisions for liabilities and charges	28	(12,427)	(12,509)
Defined benefit pension liability	27	(8,879)	(3,343)
<b>Net assets</b>		<u>33,090</u>	<u>36,616</u>
<b>Capital and reserves</b>			
Revenue reserve		33,090	36,616
<b>Total capital and reserves</b>		<u>33,090</u>	<u>36,616</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 29 July 2021 and were signed on its behalf by:

**Chair**



Roger Williams

**Board member**



Alun Williams

**Secretary**



Simon Jones

# Association Statement of Financial Position

	Note	2021 £'000	2020 (Restated) £'000
<b>Fixed assets</b>			
Housing properties	13	470,318	444,635
Depreciation	13	(45,761)	(43,061)
		<u>424,557</u>	<u>401,574</u>
Other tangible fixed assets	17	5,683	5,362
Investments	14	21,639	20,654
Homebuy loans	15	1,695	1,894
<b>Total fixed assets</b>		<u>453,574</u>	<u>429,484</u>
<b>Current assets</b>			
Debtors due within one year	19	6,434	12,750
Properties for sale and work in progress	18	13,243	4,561
Cash at bank and in hand		7,054	18,201
		<u>26,731</u>	<u>35,512</u>
Debtors due after more than one year	19	4,055	4,320
Creditors: due within one year	22	(25,148)	(62,270)
Social housing grant due in one year	25	(1,721)	(1,707)
<b>Net current assets/(liabilities)</b>		<u>(138)</u>	<u>(28,465)</u>
<b>Total assets less current liabilities</b>		<u>457,491</u>	<u>405,339</u>
Creditors: due in more than one year	23	(168,079)	(137,641)
Social housing grant due after more than one year	25	(222,556)	(207,567)
Other grants due after more than one year	20	(6,440)	(1,584)
Homebuy grants due after more than one year	15	(1,488)	(1,723)
Housing finance grant	21	(5,654)	(5,654)
Provisions for liabilities and charges	28	(12,427)	(12,509)
Defined benefit pension liability	27	(8,879)	(3,343)
<b>Net assets</b>		<u>31,968</u>	<u>35,318</u>
<b>Capital and reserves</b>			
Revenue reserve		31,968	35,318
<b>Total capital and reserves</b>		<u>31,968</u>	<u>35,318</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 29 July 2021 and were signed on its behalf by:

**Chair**



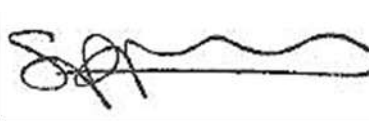
Roger Williams

**Board member**



Alun Williams

**Secretary**



Simon Jones

## Consolidated Statement of Cash Flow

	Note	2021 £'000	2020 £'000
<b>Net cash inflow from operating activities</b>	<b>31</b>	<u>5,824</u>	<u>10,537</u>
<b>Cash flow from financing activities</b>			
Loan drawdown		40,200	887
Interest payable		(7,439)	(6,986)
Loan repayments		(44,389)	(891)
<b>Net cash from financing activities</b>		<u>(11,628)</u>	<u>(6,990)</u>
<b>Cash flow from investing activities</b>			
Increase in WHP investment		(1,875)	(1,985)
Interest received		16	96
Purchase and construction of housing properties		(24,154)	(15,220)
Component replacements		(915)	(138)
Proceeds from sale of tangible fixed assets and investments		596	528
Purchase and construction of fixed asset investments		(1,023)	(676)
New capital expenditure		(906)	(674)
Other grants received		4,856	636
Social housing grant received		16,643	7,896
Social housing grant received for joint venture properties		1,377	1,480
<b>Net cash from investing activities</b>		<u>(5,385)</u>	<u>(8,057)</u>
<b>Net change in cash and cash equivalents</b>		<u>(11,189)</u>	<u>(4,510)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>18,818</u>	<u>23,328</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>7,629</u></u>	<u><u>18,818</u></u>

## Association Statement of Cash Flow

	Note	2021 £'000	2020 £'000
<b>Net cash generated from operating activities</b>	<b>31</b>	<u>5,874</u>	<u>11,304</u>
<b>Cash flow from financing activities</b>			
Loan drawdowns		40,200	-
Interest payable		(7,387)	(6,953)
Loan repayments		(44,864)	(891)
<b>Net cash from financing activities</b>		<u>(12,051)</u>	<u>(7,844)</u>
<b>Cash flow from investing activities</b>			
Interest received		108	135
Purchase and construction of housing properties		(24,329)	(15,113)
Component replacements		(915)	(138)
Proceeds from sale of tangible fixed assets and investments		596	516
Purchase and construction of fixed asset investments		(1,023)	(676)
New capital expenditure		(906)	(674)
Other grants received		4,856	636
Social housing grant received		16,643	7,896
<b>Net cash from investing activities</b>		<u>(4,970)</u>	<u>(7,418)</u>
<b>Net change in cash and cash equivalents</b>		<u>(11,147)</u>	<u>(3,958)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>18,201</u>	<u>22,159</u>
<b>Cash and cash equivalents at end of the year</b>		<u><b>7,054</b></u>	<u><b>18,201</b></u>



# Notes to the Financial Statements

## Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord with charitable status, registered with the Welsh Government.

## 1. Accounting policies

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

### Format of accounts

The Association is a public benefit entity with a trading subsidiary. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) in the United Kingdom issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for "Registered Social Housing Providers" as updated in 2018 (Housing SORP 2018), and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2015.

### Basis of consolidation

The consolidated financial statements include the results of Coastal Housing Group Limited and its subsidiary Pennant Housing Association Limited which is also a registered social landlord – 'the Group'.

The Association has the right to appoint members to the Board and thereby exercise control over the subsidiary.

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March under the requirements of FRS 102. The Association is required under the Co-operative and Community Benefit Societies Act 2014, the Housing SORP 2018 and The Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015 to prepare Group accounts. The consolidation has been carried out in accordance with current accounting standards in order to show the financial information for the Group as a single economic entity. Where any conflict arises between the Housing SORP 2018 and applicable financial reporting standards, then the Housing SORP 2018 prevails.

### Going Concern

The Group's business activities, its current financial position and the factors likely to affect its future development are set out within the strategic report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with day to day operations. The Group has a long-term business plan which shows that it can service these debt facilities while continuing to comply with lenders' covenants. The Group regularly carries out a reassessment of the business plan as well as an assessment of the likelihood of any imminent or future breach of borrowing covenants.

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

# Notes to the Financial Statements

## Significant management judgements and key sources of estimation uncertainty

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

### Impairment of social housing properties

The Association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Specifically this includes whether there is an impairment indicator for a cash-generating unit. For these purposes a cash-generating unit is defined as a property scheme.

### Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

### Categorisation of properties between investment properties and property, plant and equipment

The Association bases this assessment depending on the use of the asset and the level of rent charged.

## Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, amortisation of social housing and other government grants, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Surpluses or deficits resulting from the sale of properties and fixed asset investments are shown in the income and expenditure account under surpluses/deficits from the sale of fixed assets. Revenue is recognised when sale completion of the property has been achieved.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Amortisation of Social Housing and other government grants is accounted for in line with the accounting policy.

## Debtors

Short term debtors are measured at transaction price less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method less any impairment. Where deferral of payment terms have been agreed at below market rate and where material, the balance is shown at the present value, discounted at a market rate.

# Notes to the Financial Statements

## Value Added Tax

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 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.

## Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

## Interest payable

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

- a) interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or
- b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

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

## Retirement Benefits – defined contribution scheme

The Association makes payments to defined contribution schemes on behalf of its employees. The schemes are funded by fixed contributions from both employees and the Association. The scheme assets are invested separately from the Association assets in independently administered funds in the names of employees concerned and there is no residual liability for the Association beyond remittance of these contributions.

The associated expenditure is recognised immediately in the statement of comprehensive income in the year in which contributions are earned.

## Retirement Benefits – defined benefit scheme

The Association makes payments to defined benefit pension schemes on behalf of its employees. The schemes are funded by contributions partly from the employees and partly by the Association at rates determined by independent actuaries. The scheme assets are invested separately from the Association assets in independently administered multi-employer funds.

The cost of these benefits and the present value of the obligation depends on a number of factors including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations from in these assumptions could significantly impact the liability.

# Notes to the Financial Statements

## Housing properties

Housing properties are principally properties available for rent and are stated at cost. The cost of properties is their purchase price together with incidental costs of acquisition and direct costs of the development process. Where properties come into the ownership of the Association under Section 106 planning agreements by a public body an amount equivalent to the difference between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as social housing grant within liabilities. Where the donation is not instructed by a non-public source, the value of the donation is included as income.

Housing properties – depreciation is charged on the historic cost of property components. The depreciable amounts are written off over the estimated useful economic lives from the date of purchase / build. Freehold land is not depreciated. Leasehold properties are depreciated over the remaining period of the lease.

Properties in the course of construction are stated at cost and are transferred into social housing properties when completed. Any incremental overhead costs directly attributable to bringing fixed assets into their working condition for their intended purpose are capitalised. Expenditure on the initial purchase of land and buildings is capitalised and disclosed as part of properties in the course of construction.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Where a housing property comprises two or more components with substantially different useful economic lives then each component is accounted for separately. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Depreciation is charged on cost on a straight line basis over the components expected economic lives. Housing properties are broken down into the following three components, structure, windows and roofs.

Shared ownership properties are not depreciated on the basis that the residual value is likely to be greater than the net cost.

Profit or loss on disposal of property is recognised at the date a sale becomes certain. The profit or loss arising on disposal is the difference between the sale price, SHG income previously recognised within income, and the total of depreciated cost together with any associated costs of disposal such as legal and valuation fees.

## Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The depreciable amount is arrived at on the basis of original cost, less residual value.

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

Structure	1% to 10%
Roofs	2%
Windows	3%

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

# Notes to the Financial Statements

## Social housing grant

Social housing grant (SHG) is receivable from the Welsh Government (the WG) and is repayable in the event of disposal, demolition or change of use to an ineligible activity, save in circumstance where the Welsh Government considers it appropriate to reduce the amount repayable. These are designed as a contribution towards the capital cost of providing new social housing and are received when a property is developed or acquired.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals method.

SHG due from the WG or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the WG. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in liabilities.

Where individual components are disposed of, this does not create a relevant event for recycling purposes. Upon disposal of the associated property, the Group is required to recycle the full amount of the original grant received. A contingent liability is disclosed in the accounts in relation to SHG amortised to date, due to the potential requirement to recycle upon sale of a property.

## Housing finance grants

Housing finance grants (HFG) are capital grants receivable from the Welsh Government which are repayable to the extent that such amounts have been received in the event of the disposal, demolition or change of use to an ineligible activity. These are designed as a contribution towards the capital cost of providing new social housing and are received in instalments over a term of 30 years commencing once a scheme is approved for development.

## Investment property grants

Government grants received in respect of investment properties are recognised under the performance method. Where such grants are not subject to specified future performance related conditions they are recognised as income. Any grant received before the revenue recognition criteria are satisfied is recognised as a liability.

## Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are shown as a liability on the statement of financial position. Grants in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate. Where an asset is donated by a public body an amount equivalent to the difference between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

## Amortisation of grants

Grants relating to assets are recognised in income on a straight line basis over the expected useful life of the asset. Government grants received for housing properties are recognised in income over the expected useful life of the housing property structure – over 10 – 150 years.

Where grants are received in advance they are carried forward as current liabilities to be matched against future capital expenditure as it is incurred. Grants receivable in respect of completed schemes or those under construction are included as debtors in the financial statements.

# Notes to the Financial Statements

## Development costs

Development costs are capitalised in as much as they comprise purchase price, directly attributable costs to bring the properties into working condition for their intended use and incremental costs that would have been avoided only if the properties had not been constructed as required. Any other development costs which are not directly attributable have been written off to the Statement of Comprehensive Income.

## Accommodation managed by agents

Revenue grant received in relation to these schemes is included in turnover. A substantial portion of the grant is paid over to the managing agent, this expenditure being incorporated in operating costs.

Managing agents collect rent on the schemes, which are applied by them towards the cost of housing the residents. This income and expenditure has been excluded for the accounts of the Association.

## Impairment

Housing properties, including those with individual components and other assets are assessed whether an indication of impairment exists at each reporting date.

Where there is evidence of impairment, assets are written down to their recoverable amount, being the higher of the value in use and fair value less costs to sell. Any such write down is charged to operating surplus.

## Other tangible fixed assets

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

Buildings	10 - 150 years
Fixed plant & machinery	4 - 30 years
Furniture, fixtures and fittings	5 - 10 years
Computers and office equipment	2 - 5 years
Motor vehicles	5 years
Scheme assets	4 - 30 years

## Depreciation of other tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives based on various factors. The actual lives of the assets are re-assessed on a periodic basis and may vary depending on the standard of the asset. For housing property assets, the assets are broken down into components based on management's assessment of the properties and the specific costs incurred in replacing these components. Individual useful economic lives are assigned to these components.

## Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to expenditure over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to expenditure on a straight-line basis over the lease term.

# Notes to the Financial Statements

## Properties for sale

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

## Investment in Subsidiary

Investment in the subsidiary is accounted for at cost less any impairment.

## Fixed asset investments

Investments held as fixed assets are stated at market value.

## Home buy option

Where the Group received an allowance from Welsh Assembly Government to administer the sale of property under the "Home Buy Option" initiative and in turn has made an interest free loan to the purchaser secured by a charge on the property, the loan is accounted for under investments at cost with the associated grant included in long term liabilities on the statement of financial position.

## Investment property

Investment properties consist of commercial properties held in connection with regeneration activity. Investment properties are measured at costs on initial recognition and subsequently at fair value at the year end, with any changes in fair value recognised in the Statement of Comprehensive Income.

## Loans

Basic financial instruments are recognised at amortised historical cost. Loan arrangement fees are capitalised and recognised over the term of the loan through the effective interest rate applied to the loan and amendments there to when subsequent fees arise during the course of such loans. Interest on loans is recognised in like manner using the present value of estimated future interest payments.

## Joint ventures

The Group accounts for joint ventures under the gross equity method in line with Housing SORP 2018. The investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in share of net assets.

## Provisions for liabilities

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



# Notes to the Financial Statements

## 2. Particulars of turnover, cost of sales, operating costs and operating surplus

### Group – continuing activities

		2021				
	Note	Turnover £'000	Operating costs £'000	Surplus on disposal of fixed assets £'000	Change in fair value of investment properties £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>3</b>	33,492	(25,891)	-	-	7,601
<b>Other social housing activities</b>						
First tranche low cost home ownership sales		1,303	(848)	-	-	455
Management services		1,610	(76)	-	-	1,534
Development costs not capitalised		-	(363)	-	-	(363)
Surplus on disposal of Housing property		-	-	(27)	-	(27)
Surplus on disposal of Investments		-	-	41	-	41
<b>Non social housing activities</b>						
Commercial rents		1,343	(574)	-	-	769
Properties developed for outright sale		574	(713)	-	-	(139)
Change in fair value of investment properties		-	-	-	-	-
		<u>38,322</u>	<u>(28,465)</u>	<u>14</u>	<u>-</u>	<u>9,871</u>
<b>2020 (Restated)</b>						
	Note	Turnover £'000	Operating costs £'000	Surplus on disposal of fixed assets £'000	Change in fair value of investment properties £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>3</b>	31,820	(37,899)	-	-	(6,079)
<b>Other social housing activities</b>						
First tranche shared equity sales		1,888	(1,330)	-	-	558
Management services		1,679	(76)	-	-	1,603
Development costs not capitalised		-	(194)	-	-	(194)
Surplus on disposal of Investments		-	-	345	-	345
<b>Non social housing activities</b>						
Commercial rents		1,547	(547)	-	-	1,000
Change in fair value of investment properties		-	-	-	(1,500)	(1,500)
		<u>36,934</u>	<u>(40,046)</u>	<u>345</u>	<u>(1,500)</u>	<u>(4,267)</u>

## Notes to the Financial Statements

### 2a. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

#### Association – continuing activities

	Note	Turnover £'000	Operating costs £'000	2021		Operating surplus £'000
				Surplus on disposal of fixed assets £'000	Change in fair value of investment properties £'000	
<b>Social housing lettings</b>	<b>3</b>	<u>33,483</u>	<u>(25,915)</u>			<u>7,568</u>
<b>Other social housing activities</b>						
First tranche low cost home ownership sales		1,303	(916)	-	-	387
Management services		1,610	(76)	-	-	1,534
Development costs not capitalised		-	(363)	-	-	(363)
Surplus on disposal of Housing property		-	-	(27)	-	(27)
Surplus on disposal of Investments		-	-	41	-	41
<b>Non social housing activities</b>						
Commercial rents		1,343	(575)	-	-	768
Properties developed for outright sale		320	(264)	-	-	56
Change in fair value of investment properties		-	-	-	-	-
		<u>38,059</u>	<u>(28,109)</u>	<u>14</u>	<u>-</u>	<u>9,964</u>
<b>2020 (Restated)</b>						
	Note	Turnover £'000	Operating costs £'000	Surplus on disposal of fixed assets £'000	Change in fair value of investment properties £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>3</b>	<u>31,820</u>	<u>(37,930)</u>	-	-	<u>(6,110)</u>
<b>Other social housing activities</b>						
First tranche shared equity sales		1,888	(1,277)	-	-	611
Management services		1,679	(76)	-	-	1,603
Development costs not capitalised		-	(194)	-	-	(194)
Surplus on disposal of Investments		-	-	333	-	333
<b>Non social housing activities</b>						
Commercial rents		1,546	(546)	-	-	1,000
Change in fair value of investment properties		-	-	-	(1,500)	(1,500)
		<u>36,933</u>	<u>(40,023)</u>	<u>333</u>	<u>(1,500)</u>	<u>(4,257)</u>

# Notes to the Financial Statements

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

### Group

	2021		2020 (Restated)	
	General needs and sheltered housing £'000	Other Social Lettings £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	24,660	2,837	27,497	26,353
Rent loss due to voids	(486)	(55)	(541)	(406)
	<u>24,174</u>	<u>2,782</u>	<u>26,956</u>	<u>25,947</u>
Service charge income	4,223	-	4,223	3,933
Other revenue grants	654	-	654	266
Amortisation of grants	1,659	-	1,659	1,674
Turnover from social lettings	<u>30,710</u>	<u>2,782</u>	<u>33,492</u>	<u>31,820</u>
Overhead costs	(5,807)	(1,921)	(7,728)	(7,644)
Management	(3,046)	(275)	(3,321)	(3,558)
Services	(3,478)	-	(3,478)	(3,607)
Routine maintenance	(4,885)	(200)	(5,085)	(4,483)
Major repairs expenditure	(2,367)	-	(2,367)	(2,964)
Depreciation of housing properties	(3,447)	-	(3,447)	(3,396)
Fire safety remediation costs (Note 28)	-	-	-	(11,798)
Bad debts	(431)	(34)	(465)	(449)
Operating costs on social housing lettings	<u>(23,461)</u>	<u>(2,430)</u>	<u>(25,891)</u>	<u>(37,899)</u>
Operating surplus on social housing lettings	<u>7,249</u>	<u>352</u>	<u>7,601</u>	<u>(6,079)</u>

# Notes to the Financial Statements

## 3a. Particulars of income and expenditure from social housing lettings

### Association

	2021		2020 (Restated)	
	General needs and sheltered housing £'000	Other social lettings £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	24,660	2,837	27,497	26,353
Rent loss due to voids	(486)	(55)	(541)	(406)
	<u>24,174</u>	<u>2,782</u>	<u>26,956</u>	<u>25,947</u>
Service charge income	4,223	-	4,223	3,933
Other revenue grants	645	-	645	266
Amortisation of grants	1,659	-	1,659	1,674
Turnover from social lettings	<u>30,701</u>	<u>2,782</u>	<u>33,483</u>	<u>31,820</u>
Overhead costs	(5,807)	(1,945)	(7,752)	(7,675)
Management	(3,046)	(275)	(3,321)	(3,558)
Services	(3,478)	-	(3,478)	(3,607)
Routine maintenance	(4,885)	(200)	(5,085)	(4,483)
Major repairs expenditure	(2,367)	-	(2,367)	(2,964)
Depreciation of housing properties	(3,447)	-	(3,447)	(3,396)
Fire safety remediation costs (Note 28)	-	-	-	(11,798)
Bad debts	(431)	(34)	(465)	(449)
Operating costs on social housing lettings	<u>(23,461)</u>	<u>(2,454)</u>	<u>(25,915)</u>	<u>(37,930)</u>
Operating surplus on social housing lettings	<u>7,240</u>	<u>328</u>	<u>7,568</u>	<u>(6,110)</u>

## 4. Accommodation in management

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

Units in management at the end of the year	Group		Association	
	2021 No	2020 No	2021 No	2020 No
General needs	5,335	5,296	5,335	5,296
Property ownership in joint ventures	489	459	489	459
Shared ownership	47	61	47	61
Total social housing accommodation	<u>5,871</u>	<u>5,816</u>	<u>5,871</u>	<u>5,816</u>

In addition the Group and Association provides leasehold management services at 165 properties (2020:139).

# Notes to the Financial Statements

## 5. Operating surplus

The operating surplus is arrived at after charging	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other non-audit services (including VAT)	10	9	10	9
Auditor's remuneration (including VAT)	26	37	23	30
Depreciation of properties	3,038	3,325	3,038	3,325
Depreciation of other fixed assets	578	558	578	558
Operating lease rental costs	<u>2,235</u>	<u>1,992</u>	<u>2,235</u>	<u>1,992</u>

## 6. Prior Year Adjustment

The accounts have been restated to incorporate the impact of an error in the calculation of the provision in relation to fire safety remediation costs. The charge has resulted in the operating surplus for the year ended 31 March 2020 decreasing by £6.6 million due to these additional operating costs.

Summary of the prior year adjustment:

	Group £'000	Association £'000
<b>Comprehensive Income for the year ended 31 March 2020</b>		
Operating Surplus as previously reported within the Statement of Comprehensive Income	3,655	2,389
Prior Year Adjustment – Recalculation of the provision for fire safety remediation costs	(6,646)	(6,646)
Operating deficit as restated	<u>(2,991)</u>	<u>(4,257)</u>

	Group £'000	Association £'000
<b>Statement of Financial Position as at 31 March 2020</b>		
Revenue reserve as previously reported within the Statement of Financial Position	43,262	41,964
Prior Year Adjustment – Recalculation of the provision for fire safety remediation costs	(6,646)	(6,646)
Revenue reserve as restated	<u>36,616</u>	<u>35,318</u>

## 7. Interest receivable and other income

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Interest receivable from affiliated parties	-	-	92	39
Third party interest receivable	16	96	16	96
Interest receivable and similar income	<u>16</u>	<u>96</u>	<u>108</u>	<u>135</u>

# Notes to the Financial Statements

## 8. Interest payable and similar charges

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans and bank overdrafts	7,682	6,904	7,630	6,871
Interest payable capitalised on housing properties under construction	(557)	(338)	(502)	(305)
Unwinding of discount factor on pension liability	69	171	69	171
	<u>7,194</u>	<u>6,737</u>	<u>7,197</u>	<u>6,737</u>

## 9. Employees

Average monthly number of employees expressed as full time equivalents:

	Group		Association	
	2021 No	2020 No	2021 No	2020 No
Corporate support	40	37	40	37
Development and Pennant	20	19	15	14
Housing	202	200	202	200
	<u>262</u>	<u>256</u>	<u>257</u>	<u>251</u>

## 10. Employee costs

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Wages and salaries	7,799	7,420	7,665	7,294
Social security costs	763	720	752	708
Other pension costs	1,200	1,101	1,191	1,092
Apprentice levy	24	22	24	22
	<u>9,786</u>	<u>9,263</u>	<u>9,632</u>	<u>9,116</u>

# Notes to the Financial Statements

## 11. Board members and executives

Key management and personnel remuneration

### Directors who are executive staff members

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Basic salary	484	484
Social security costs	63	61
Pension contributions	107	107
Aggregate emoluments	<u>654</u>	<u>652</u>

The number of senior executives accruing retirement benefits is 5 (2020:5). During the year four directors have opted to pay their pension contributions by salary sacrifice, which lowers the gross salary and increases the employer contributions respectively. This option is available to all employees.

### Non-executive directors

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Remuneration	56	25
Benefit in kind	-	-
Aggregate emoluments	<u>56</u>	<u>25</u>

Expenses paid to non-executive directors amounted to £323 (2020: £4,448).

Remuneration of the highest paid director, excluding pension contributions:

	<b>2021</b> <b>Total</b> <b>£'000</b>	<b>2020</b> <b>Total</b> <b>£'000</b>
Emoluments	<u>139</u>	<u>138</u>

The Group Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply and the Association makes no contribution to any individual pension arrangement.

The full time equivalent number of key management personnel whose remuneration payable (including pension costs) in the period fell within the following bands was:

	<b>2021</b>	<b>2020</b>
£100,000 - £110,000	2	2
£110,000 - £119,000	2	2
£140,000 - £149,999	-	1
£150,000 - £159,999	1	-

# Notes to the Financial Statements

## 12. Tax on surplus on ordinary activities

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current tax reconciliation</b>				
Taxable (loss)/surplus on ordinary activities before tax	(126)	(11)	-	-
<b>Theoretical tax at UK corporation tax rate</b>				
Group – (19% (2020:19%))	(24)	(2)	-	-
Losses carried back to prior years	-	-	-	-
<b>Current tax charge</b>	<b>(24)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>

## 13. Tangible fixed assets – properties (Group and Association)

	Social Housing Properties held for letting £'000	Housing Properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total reserves £'000
<b>Cost</b>				
At 1 April 2020	415,264	23,150	6,221	444,635
Additions	8,599	17,911	-	26,510
Schemes completed in year	12,508	(12,508)	-	-
Transfers from commercial property	56	-	-	56
Transfers to commercial property	-	(38)	-	(38)
Disposals	(926)	(281)	-	(845)
At 31 March 2021	<b>435,863</b>	<b>28,234</b>	<b>6,221</b>	<b>470,318</b>
<b>Depreciation</b>				
At 1 April 2020	(42,576)	-	(485)	(43,061)
Charged in year	(2,669)	-	(40)	(2,709)
Eliminated on disposal	9	-	-	9
At 31 March 2021	<b>(45,236)</b>	<b>-</b>	<b>(525)</b>	<b>(45,761)</b>
<b>Net book value</b>				
At 31 March 2021	<b>390,627</b>	<b>28,234</b>	<b>5,696</b>	<b>424,557</b>
At 31 March 2020	<b>372,688</b>	<b>23,150</b>	<b>5,736</b>	<b>401,574</b>
<b>Additions to completed properties held for letting</b>			<b>2021 £000</b>	<b>2020 £000</b>
Replacement of components			991	138
Purchase of existing properties			316	354
Additions to existing properties			249	178
Purchase of properties under Section 106 agreements			7,043	-
Total additions			<b>8,599</b>	<b>670</b>



# Notes to the Financial Statements

## 14. Fixed asset investments

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Commercial properties</b>				
At 1 April 2020/2019	18,324	22,119	18,324	22,119
Additions	707	383	707	383
Transfers to housing property	(56)	(4,061)	(56)	(4,061)
Transfers from housing property	38	1,383	38	1,383
Change in fair value of investment properties	-	(1,500)	-	(1,500)
At 31 March 2021/2020	<b>19,013</b>	<b>18,324</b>	<b>19,013</b>	<b>18,324</b>
<b>Shared equity loans</b>				
At 1 April 2020/2019	2,569	2,005	2,330	1,766
Additions	354	598	354	598
Disposals	(58)	(34)	(58)	(34)
At 31 March 2021/2020	<b>2,865</b>	<b>2,569</b>	<b>2,626</b>	<b>2,330</b>
	<b>21,878</b>	<b>20,893</b>	<b>21,639</b>	<b>20,654</b>

In line with the accounting policy commercial property investments are accounted for at valuation and shared equity loans are held at historical cost. The Board of Management are confident that the carrying value of commercial properties is a fair reflection of their market value based upon the leases that are in place.

The commercial properties were valued by CLC Chartered Surveyors in March 2021.

## 15. Homebuy

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Homebuy loans	<u>2,797</u>	<u>2,997</u>	<u>1,695</u>	<u>1,894</u>
Homebuy grants	<u>2,589</u>	<u>2,825</u>	<u>1,488</u>	<u>1,723</u>

The homebuy loans represent secured interest free loans to freeholders on properties acquired under the 'Home Buy Option Initiative' which has been part funded by Social Housing Grant.

At 31 March 2021 the Group had 117 (2020: 123) homebuy loans, and the Association had 43 (2020: 49) homebuy loans.

# Notes to the Financial Statements

## 16. Joint ventures

The joint ventures relate to 30% holdings held by Pennant Housing Association in The Welsh Housing Partnership Limited (WHP) and WHP2 Limited (WHP2), both companies being incorporated in the United Kingdom. The principle activity of the companies is to purchase properties and lease them to housing Associations connected to the investors. Their principle place of business is the Pobl Group offices at The Old Post Office, Exchange House, High Street, Newport, NP20 1AA.

WHP was incorporated in August 2011 and WHP2 was incorporated in December 2016.

The latest financial statements of WHP and WHP2 have been prepared to 31 December 2020. The year end does not coincide with the Group's year end of 31 March 2021. The Association's share of the deficit of WHP and surplus of WHP2 from the 31 December 2020 period has been absorbed into the Group's March 2021 year end via the gross equity method. Any material transactions between 31 December 2020 and 31 March 2021 have also been accounted for in the Group's investment in joint ventures balance.

The Group's share of the joint ventures at 31 December 2020 was as follows:

	<b>WHP</b> <b>December</b> <b>2020</b> <b>£'000</b>	<b>WHP2</b> <b>December</b> <b>2020</b> <b>£'000</b>	<b>December</b> <b>2020</b> <b>£'000</b>	<b>December</b> <b>2019</b> <b>£'000</b>
<b>Turnover</b>	1,129	542	1,671	1,432
Administrative expenses	(108)	(77)	(185)	(156)
<b>Operating surplus</b>	<u>1,021</u>	<u>465</u>	<u>1,486</u>	<u>1,276</u>
Surplus on sale of fixed assets	-	-	-	-
Interest payable and similar charges	(1,035)	(432)	(1,467)	(1,267)
Other finance costs	-	-	-	-
<b>(Deficit)/Surplus on ordinary activities before taxation</b>	<u>(14)</u>	<u>33</u>	<u>19</u>	<u>9</u>
Tax on surplus on ordinary activities	(16)	(21)	(37)	(21)
<b>Deficit for the financial year</b>	<u><u>(30)</u></u>	<u><u>12</u></u>	<u><u>(18)</u></u>	<u><u>(12)</u></u>
Fixed assets	32,867	19,412	52,279	46,038
Current assets	1,028	471	1,499	1,076
Creditors: falling due within one year	(574)	(224)	(798)	(4,308)
Creditors: falling due after more than one year	(27,635)	(12,927)	(40,562)	(31,270)
<b>Shareholders' funds</b>	<u><u>5,686</u></u>	<u><u>6,732</u></u>	<u><u>12,418</u></u>	<u><u>11,536</u></u>

## Notes to the Financial Statements

### 16. Joint ventures (continued)

Group share in joint ventures:	March 2021 £'000	March 2020 £'000
<b>WHP</b>		
WHP investment as at 31 December	4,891	4,891
Interest in WHP	795	825
<b>Total interest in WHP</b>	<u>5,686</u>	<u>5,716</u>
<b>WHP2</b>		
WHP2 investment as at 31 December	6,650	5,750
Interest in WHP2	82	70
Total interest in WHP2 at 31 December 2020	6,732	5,820
Capital investment in WHP2 in January 2021	975	-
<b>Total interest in WHP2</b>	<u>7,707</u>	<u>5,820</u>
<b>Investment in joint ventures</b>	<u><b>13,393</b></u>	<u><b>11,536</b></u>

### 17. Tangible fixed assets – other (Group and Association)

	Freehold offices £'000	Computers and office equipment £'000	Furniture, Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 April 2020	3,600	977	6,039	10,616
Additions	-	458	448	906
Disposals	(2)	(455)	(471)	(928)
At 31 March 2021	<u>3,598</u>	<u>980</u>	<u>6,016</u>	<u>10,594</u>
<b>Depreciation</b>				
At 1 April 2020	(554)	(812)	(3,888)	(5,254)
Charged in year	(91)	(104)	(383)	(578)
Eliminated on disposal	2	449	470	921
At 31 March 2021	<u>(643)</u>	<u>(467)</u>	<u>(3,801)</u>	<u>(4,911)</u>
<b>Net book value</b>				
At 31 March 2021	<u>2,955</u>	<u>513</u>	<u>2,215</u>	<u>5,683</u>
At 31 March 2020	<u>3,046</u>	<u>165</u>	<u>2,151</u>	<u>5,362</u>

# Notes to the Financial Statements

## 18. Properties for sale and work in progress

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Properties for sale and work in progress	<u>18,072</u>	<u>8,010</u>	<u>13,243</u>	<u>4,561</u>

## 19. Debtors

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Due within one year</b>				
Rent and service charge receivable	2,078	1,995	2,078	1,995
Less: provision for bad and doubtful debts	<u>(1,632)</u>	<u>(1,388)</u>	<u>(1,632)</u>	<u>(1,388)</u>
	446	607	446	607
Welsh Government grant	-	9,273	-	9,273
Prepayments and accrued income	723	686	723	686
Other debtors	1,310	314	1,273	289
Accrued income	873	85	830	85
Amounts owed by Pennant	-	-	3,162	1,810
	<u>3,352</u>	<u>10,965</u>	<u>6,434</u>	<u>12,750</u>

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Due in more than one year</b>				
Housing finance grant	4,055	4,320	4,055	4,320
	<u>4,055</u>	<u>4,320</u>	<u>4,055</u>	<u>4,320</u>

## 20. Other government grants

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Innovative housing programme grant	5,157	667	5,157	667
Commercial grants	1,283	917	1,283	917
	<u>6,440</u>	<u>1,584</u>	<u>6,440</u>	<u>1,584</u>

## 21. Housing finance grant

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Housing finance grant	5,654	5,654	5,654	5,654
	<u>5,654</u>	<u>5,654</u>	<u>5,654</u>	<u>5,654</u>

## Notes to the Financial Statements

### 22. Creditors: amounts falling due within one year

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Social housing grant received in advance	11,559	17,557	11,559	17,557
Recycled capital grant fund	3,714	3,123	3,714	3,123
Debt (note 24)	2,323	36,990	636	35,778
Accruals and deferred income	4,317	2,816	4,020	2,687
Capital expenditure on housing property	2,637	1,272	2,463	1,272
Other creditors	2,059	1,059	2,057	937
Rent and service charges received in advance	661	553	661	553
Other taxation and social security	38	363	38	363
	<u>27,308</u>	<u>63,733</u>	<u>25,148</u>	<u>62,270</u>

### 23. Creditors: amounts falling due after more than one year

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Deferred income	1,146	1,186	1,146	1,186
Debt (note 24)	166,933	136,455	166,933	136,455
	<u>168,079</u>	<u>137,641</u>	<u>168,079</u>	<u>137,641</u>

### 24. Debt analysis

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

Terms of repayment	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	2,323	36,990	636	35,778
Between one and two years	719	1,582	719	1,582
Between two and five years	7,446	3,467	7,446	3,467
More than five years	158,768	131,406	158,768	131,406
	<u>169,256</u>	<u>173,445</u>	<u>167,569</u>	<u>172,233</u>

### Net debt breakdown

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank loans and private placements	174,389	178,009	172,702	176,797
Amortised loan arrangement fees	(2,972)	(2,476)	(2,972)	(2,476)
Sinking funds	(2,161)	(2,088)	(2,161)	(2,088)
	<u>169,256</u>	<u>173,445</u>	<u>167,569</u>	<u>172,233</u>

# Notes to the Financial Statements

## 24. Debt analysis (continued)

### Security

The loans with banks, building societies and capital markets are secured by fixed charges on individual properties.

### Terms of repayment and interest rates

Rates of interest during the year range from 1.19% to 11.6%. The weighted average rate of interest for 2021 was 3.79% (2020: 3.68%). As at 31 March 2021, 91% (2020: 70%) of loans bore interest at fixed rates and 9% (2020: 30%) at variable rates

## 25. Social housing grant (Group and Association)

	Social Housing Properties held for letting £'000	Housing properties for letting under construction £'000	Completed Share Ownership Housing properties £'000	Total reserves £'000
<b>Cost</b>				
At 1 April 2020	(218,383)	(10,897)	(1,390)	(230,670)
Additions	(7,049)	(16,321)	-	(23,370)
Schemes completed in year	(4,684)	4,684	-	-
Transferred to other government grants	-	9,341	-	9,341
Disposals	30	-	-	30
At 31 March 2021	<u>(230,086)</u>	<u>(13,193)</u>	<u>(1,390)</u>	<u>(244,669)</u>
<b>Amortisation</b>				
At 1 April 2020	24,577	-	158	24,735
Charged in year	1,620	-	12	1,632
Schemes completed in year	-	-	-	-
Eliminated on disposal	(11)	-	-	(11)
At 31 March 2021	<u>26,186</u>	<u>-</u>	<u>170</u>	<u>26,356</u>
<b>Other grants</b>				
At 1 April 2020	(2,722)	(828)	-	(3,550)
Additions	(68)	(2,576)	-	(2,644)
Schemes completed in year	-	-	-	-
Disposals	-	-	-	-
At 31 March 2021	<u>(2,790)</u>	<u>(3,404)</u>	<u>-</u>	<u>(6,194)</u>
<b>Amortisation</b>				
At 1 April 2020	211	-	-	211
Charged in year	19	-	-	19
Eliminated on disposal	-	-	-	-
At 31 March 2021	<u>230</u>	<u>-</u>	<u>-</u>	<u>230</u>
<b>Net Creditor</b>				
At 31 March 2021	<u>(206,460)</u>	<u>(16,597)</u>	<u>(1,220)</u>	<u>(224,277)</u>
At 31 March 2020	<u>(196,317)</u>	<u>(11,725)</u>	<u>(1,232)</u>	<u>(209,274)</u>

## Notes to the Financial Statements

### 25. Social housing grant (Group and Association) (continued)

#### Terms of repayment

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	1,721	1,707	1,721	1,707
Between one and two years	1,721	1,707	1,721	1,707
Between two and five years	5,162	5,120	5,162	5,120
More than five years	215,673	200,740	215,673	200,740
	<u>224,277</u>	<u>209,274</u>	<u>224,277</u>	<u>209,274</u>

### 26. Obligations under operating leases

	Land and Buildings		Other	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	2,115	1,904	234	258
Between one and two years	2,115	1,904	179	178
Between two and five years	6,345	5,713	113	187
More than five years	11,053	11,772	-	-
	<u>21,628</u>	<u>21,293</u>	<u>526</u>	<u>623</u>

### 27. Social Housing Pension Scheme (Group and Association)

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 triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

## Notes to the Financial Statements

### 27. Social Housing Pension Scheme (Group and Association) (continued)

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates. Coastal Housing Group agreed the following deficit contributions:

From 1 April 2019 to 30 September 2026	£717,553 per annum (increasing by 2% per annum)
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Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) Levy are included in the contribution rate. Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Two of the existing structures are now closed to new members, one based on a final salary with a 1/60th accrual rate, and the other based on career average revalued earnings (CARE), with a 1/60th accrual rate. The structures still open to new members are either based on a final salary with a 1/80th accrual rate or a CARE with a 1/80th accrual rate.

During the accounting period the Group paid contributions at the average rate of 7.9% in respect of all defined benefit pension schemes and 11% and 5% in respect of the defined contribution scheme. As at the statement of financial position date there were 114 (2020: 116) active members of the defined benefit schemes and 137 (2020: 117) active members of the defined contribution scheme.

From April 2016 the Group introduced a salary sacrifice arrangement for employees to pay their pension contributions where the employees can sacrifice their salary in exchange for pension contributions. The amount of salary sacrificed ranges from 2% to 20% of the employee's salary depending on which pension scheme they are a member of.

During the year the Association made payments of £792,000 (2020: £720,000) to the Social Housing Pension Scheme for the recovery plan of the past service deficit and employer contributions towards current service cost of £877,000 (2020: £725,500)

#### Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	31 March 2021 £'000	31 March 2020 £'000
Fair value of plan assets	27,998	23,509
Present value of defined benefit obligation	(36,877)	(26,852)
(Deficit) in plan	(8,879)	(3,343)
Unrecognised surplus	-	-
Defined benefit asset /(liability) to be recognised	<u>(8,879)</u>	<u>(3,343)</u>

#### Recognition of the impact of the asset ceiling

	Period from 31 March 2020 to 31 March 2021 £'000
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-



# Notes to the Financial Statements

## 27. Social Housing Pension Scheme (Group and Association) (continued)

### Reconciliation of opening and closing balances of the defined benefit obligation

	<b>31 March 2021 £'000</b>
Defined benefit obligation at start of period	26,852
Current service cost	911
Expenses	21
Interest expense	633
Contributions by plan participants	25
Actuarial losses (gains) due to scheme experience	60
Actuarial losses (gains) due to changes in demographic assumptions	124
Actuarial losses (gains) due to changes in financial assumptions	8,953
Benefits paid and expenses	(702)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	<u>36,877</u>

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

	<b>31 March 2021 £'000</b>
Fair value of plan assets at start of period	23,509
Interest income	564
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	2,912
Contributions by the employer	1,690
Contributions by plan participants	25
Benefits paid and expenses	(702)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	<u>27,998</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £3,746,000.

# Notes to the Financial Statements

## 27. Social Housing Pension Scheme (Group and Association) (continued)

### Defined benefit costs recognised in statement of comprehensive income (SOCl)

	<b>Period 31 March 2020 to 31 March 2021 £'000</b>
Current service cost	911
Expenses	21
Net interest expense	69
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	<u>1,001</u>

### Defined benefit costs recognised in other comprehensive income

	<b>31 March 2021 £'000</b>
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	2,912
Experience gains and losses arising on the plan liabilities - gain (loss)	(60)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(124)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(8,953)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	<u>(6,225)</u>
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	<u>(6,225)</u>

# Notes to the Financial Statements

## 27. Social Housing Pension Scheme (Group and Association) (continued)

### Assets

	31 March 2021 £'000	31 March 2020 £'000
Absolute Return	1,545	1,226
Alternative Risk Premia	1,055	1,644
Corporate Bond Fund	1,654	1,340
Credit Relative Value	881	645
Distressed Opportunities	809	453
Emerging Markets Debt	1,130	712
Fund of Hedge Funds	3	14
Global Equity	4,462	3,438
High Yield	838	-
Infrastructure	1,867	1,749
Insurance-Linked Securities	672	722
Liability Driven Investment	7,116	7,801
Long Lease Property	549	407
Net Current Assets	170	101
Opportunistic Credit	768	-
Opportunistic Illiquid Credit	712	569
Over 15 Year Gilts	-	-
Liquid Credit	334	10
Private Debt	668	474
Property	582	518
Risk Sharing	1,019	794
Secured Income	1,164	892
Total assets	<u>27,998</u>	<u>23,509</u>

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

### Key assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount Rate	2.21	2.35
Inflation (RPI)	3.22	2.55
Inflation (CPI)	2.87	1.55
Salary Growth	3.87	2.55
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance
		<b>Life expectancy at age 65 (Years)</b>
Male retiring in 2021		21.6
Female retiring in 2021		23.5
Male retiring in 2041		22.9
Female retiring in 2041		25.1

# Notes to the Financial Statements

## 28. Provisions for liabilities and charges

The Group recognises provisions and liabilities of uncertain timings and amounts. Provisions are made for specific and quantifiable liabilities measures at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the Statement of Financial position date.

	Group		Association	
	2021 £'000	2020 (Restated) £'000	2021 £'000	2020 (Restated) £'000
Restructuring provision	310	134	310	134
Provision for upgrades to existing housing	675	675	675	675
Provision for fire safety remediation costs	11,442	11,700	11,442	11,700
	<u>12,427</u>	<u>12,509</u>	<u>12,427</u>	<u>12,509</u>

An analysis of the movement in each specific provision is set out below. The fire safety and restructuring provisions are expected to be utilised by the end of the financial year ended 31 March 2023 and the provision for upgrades to existing housing by the end of the financial year ended 31 March 2024.

A covenant waiver has been agreed with funders for the fire safety remediation costs.

### Restructuring provision

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
As at April 1	134	115	134	115
Increase in provision	228	25	228	25
Release of provision	(52)	(6)	(52)	(6)
At 31 March	<u>310</u>	<u>134</u>	<u>310</u>	<u>134</u>

### Provision for upgrades to existing housing

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
As at April 1	675	675	675	675
Increase in provision	-	-	-	-
Release of provision	-	-	-	-
At 31 March	<u>675</u>	<u>675</u>	<u>675</u>	<u>675</u>

### Provision for fire safety remediation costs

	Group		Association	
	2021 £'000	2020 (Restated) £'000	2021 £'000	2020 (Restated) £'000
As at April 1	11,700	-	11,700	-
Increase in provision	-	11,700	-	11,700
Release of provision	(258)	-	(258)	-
At 31 March	<u>11,442</u>	<u>11,700</u>	<u>11,442</u>	<u>11,700</u>

# Notes to the Financial Statements

## 29. Share capital

	2021 £	2020 £
Shares of one pound each fully paid and issued	<u>37</u>	<u>37</u>

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

## 30. Analysis of changes in net debt

Group	At 1 April 2020 £	Cash flows £	Movement in creditors due within one year £	At 31 March 2021 £
Cash at bank and in hand	18,818	(11,189)	-	7,629
Housing loans due less than one year	(36,990)	35,303	(636)	(2,323)
Housing loans due in more than one year	(136,455)	(31,114)	636	(166,933)
	<u>(154,627)</u>	<u>(7,000)</u>	<u>-</u>	<u>(161,627)</u>

### Association

	At 1 April 2020 £	Cash flows £	Movement in creditors due within one year £	At 31 March 2021 £
Cash at bank and in hand	18,201	(11,147)	-	7,054
Housing loans due less than one year	(35,778)	35,778	(636)	(636)
Housing loans due in more than one year	(136,455)	(31,114)	636	(166,933)
	<u>(154,032)</u>	<u>(6,483)</u>	<u>-</u>	<u>(160,515)</u>

# Notes to the Financial Statements

## 31. Net cash flow from operating activities

	Group		Association	
	2021 £'000	2020 (Restated) £'000	2021 £'000	2020 (Restated) £'000
Surplus/(deficit) for the year	2,699	(10,918)	2,875	(10,859)
<b>Adjustments for non-cash items;</b>				
Depreciation of tangible fixed assets	3,287	3,883	3,287	3,883
Amortisation of bond premium	(40)	(40)	(40)	(40)
Amortisation of intangible assets	(1,641)	(1,643)	(1,641)	(1,643)
Surplus on sale of fixed assets	(14)	(345)	(14)	(333)
Change in fair value of investment properties	-	1,500	-	1,500
Re-measurement of pension liability	(6,225)	3,855	(6,225)	3,855
Unwinding of discount factor on pension liability	(69)	(171)	(69)	(171)
Reduction in home loans	(36)	26	(36)	26
Share of operating (deficit) in joint ventures	18	12	-	-
Uncapitalised development costs	281	194	281	194
<b>Working capital movements</b>				
Increase in properties for sale and work in progress	(9,505)	(5,597)	(8,180)	(4,034)
Decrease/(increase) in trade and other debtors	7,879	(9,420)	6,581	(10,078)
(Decrease)/increase in trade and other creditors	(3,442)	14,960	(3,488)	14,802
(Decrease)/increase in provisions	(82)	11,719	(82)	11,719
Increase/(decrease) in pension provision	5,536	(4,119)	5,536	(4,119)
<b>Adjustments for investing or financing :</b>				
Interest payable	7,194	6,737	7,197	6,737
Interest receivable	(16)	(96)	(108)	(135)
<b>Net cash generated from operating activities</b>	<b>5,824</b>	<b>10,537</b>	<b>5,874</b>	<b>11,304</b>

## 32. Capital commitments

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Capital expenditure</b>				
Contracted less certified	33,146	40,212	30,999	37,276
Expenditure authorised by the Board, but not contracted	5,266	37,601	5,266	37,601
	<b>38,412</b>	<b>77,813</b>	<b>36,265</b>	<b>74,877</b>

The above commitments will be financed primarily through borrowings, which are available for draw-down under existing loan arrangements, with the balance funded through social housing grant.

# Notes to the Financial Statements

## 33. Related party transactions

The following Board Member was also a resident during the year:

Dawn Mitchell

The Board Member has a standard tenancy agreement on normal commercial terms and received no advantage in being a member of the Board of Management.

During the year Coastal made lease payments to the joint venture companies for properties purchased by the joint ventures and leased to the Association. Charges in the year from WHP were £1,178,000 (2020: £1,178,000) and from WHP2 were £743,000 (2020: £520,000).

Coastal has a loan agreement with Pennant Housing Association Limited in that a maximum borrowing of £5m can be given at any one given time and interest is charged at a rate of 4.0% per annum (variable) on this loan to the extent that it is funding Pennant's day to day activities. Interest charged to Pennant during the year amounted to £92,051 (2020: £39,639). Under this arrangement Pennant is also able to loan surplus funds to Coastal and interest is charged at 3.5% (variable) on this loan. Interest charged to Coastal during the year amounted to £nil (2020: £nil).

During the year Pennant sold properties and managed other property transactions on behalf of Coastal. This resulted in payments of commissions and fees to Pennant of £115,881 (2020: £127,590).

## 33. Contingent assets/liabilities

The Group and Association had no contingent assets or contingent liabilities at 31 March 2021 (2020: nil).

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

Social Housing Grant may become repayable in the following circumstances:

- Disposal of a property (including disposals on assisted ownership terms) other than to another RSL;
- Change of use of a property to a use that would be eligible for a lesser amount of grant;
- Change of use of a property to a use that would not be eligible for a grant;
- Demolition of a property where the site does not form part of a new social housing development by a RSL;
- Disposal giving rise to a repayment of discount under Schedule 2 to the Housing Association Act 1985.

The Association is a participating employer member of the Social Housing Pension Scheme (SHPS). An employer debt could arise on withdrawal from the Social Housing Pension Scheme. The estimated employer debt for the Association on withdrawal from the SHPS plan based on the financial position of the scheme as at 30th September 2019 was £29,219,127. At the date of approval of these financial statements no update to this position was available. As events which could crystallise the debt are unlikely to arise in the foreseeable future, no specific provision is deemed necessary.