

# COASTAL Housing Group

Coastal Housing Group Limited

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**Report and financial statements  
For the year ended 31 March 2023**

# Information

<b>Co-operative and Community Benefit Society number:</b>	30438R
<b>Welsh Government registration number:</b>	L146
<b>Registered office:</b>	3 <sup>rd</sup> Floor, 220 High Street, Swansea, SA1 1NW
<b>Non-executive Board members:</b>	<b>Alun Williams</b> (Chair from April 2022, Vice Chair and Chair of Finance & Development Committee until April 2022) <b>Ruth Glazzard</b> (Chair of Audit, Assurance & Risk Committee) <b>Patrick Hoare</b> (Vice Chair, Chair of Finance & Development Committee from April 2022) <b>Jane Howells</b> <b>Dawn Mitchell</b> <b>Stephen Spill</b> <b>Sara Turnbull</b> (resigned September 2022) <b>Edward White</b> <b>Roger Williams</b> (resigned April 2022, Chair)
<b>Executive Board members &amp; Company Secretary</b>	<b>Debbie Green</b> (Group Chief Executive) <b>Simon Jones</b> (Executive Director of Finance, Company Secretary)
<b>Other Executive Directors:</b>	<b>Caroline Belasco</b> (Executive Director of HR & Corporate Services) <b>Serena Jones</b> (Executive Director of Operations) <b>Kelly Thomas</b> (Executive Director of Development & Regeneration)
<b>Bankers:</b>	Barclays Bank PLC 262 Oxford Street, Swansea
<b>Solicitors:</b>	Blake Morgan One Central Square, Cardiff  Devonshires 30 Finsbury Circus, London  Hugh James Two Central Square, Central Square, Cardiff
<b>Auditors:</b>	Bevan Buckland LLP Cardigan House, Castle Court, Swansea Enterprise Park, Swansea

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# Chair's Statement

## Introduction

The past year at Coastal has been characterised in large part by the prevailing economic conditions and in particular a focus on supporting residents and communities through the continuing cost of living crisis. Energy costs impacted by the war in Ukraine and the resulting effects on inflation have brought about significant financial challenges for both our residential and commercial customers, as well as for Coastal itself.

We have continued to see huge demand for our services, driven by rising costs in the private rental market, as well as by landlords exiting the market due to factors such as higher interest rates and introduction of the Renting Homes Wales Act.

Housing supply remains a critical issue for people in Wales and we have refocused efforts on increasing the homes we have available, across a range of tenures and locations, through investment into the staffing and strategic direction of our development function.

Following our first external environmental audit by SHIFT in 2021, we continued to deliver against our sustainability targets this past year by implementing more recommendations and publishing our first sustainability strategy: 'All Possible Action'.



Coastal's financial performance has remained strong and is illustrative of a well-managed, fair, and responsive organisation committed to genuine affordability of its services.

## Homes and housing services

Availability, quality and affordability of homes are all huge challenges for people in the areas Coastal works. As a social landlord with an excellent reputation and local presence, we are seeing unprecedented demand for every property we advertise and massive growth in subscribers to our website property alerts.

Each year we undertake rigorous rent and service charge-setting exercises that take in overall affordability of housing, relevant market rates and input from residents and board. For the coming year, our overall rent increase was below the Welsh Government cap of 6.5% and well below inflation. Rent is Coastal's primary income stream and pays for the buildings and services we provide, as well as our ability to develop more homes to meet rising demand.

Service charges reflect our actual costs of providing distinct services to residents; we have always been transparent about them and the impact they have on the overall cost of housing. Elements like communal heating, lighting and lift facilities are obviously affected by energy price rises and so, in some locations, such increases this past year were high. For elements such as caretaker services where Coastal has some control over how costs accumulate, we have looked to introduce changes to reduce costs whilst maintaining levels of service: for example, by reducing the number of vehicles used by caretakers, sharing vans to decrease fleet and fuel costs, and deploying staff differently.

Ahead of the introduction of the Renting Homes Wales Act, a significant consolidation exercise was undertaken by our housing team to standardise legacy tenancy agreements. As an organisation with over 30 years' experience of renting homes and a portfolio of around 6,000 properties, this was no small undertaking. However, it offered significant benefits for residents in retaining advantageous terms, as well as for Coastal's planning in respect of the change to occupation contracts. Engagement with residents through a direct mail exercise, supplemented by website and social media promotion, delivered a strong response in the first phase of the exercise, allowing best use to be made of a Coastal 'day of action' later in the year, in which staff from across Coastal were paired up to target outstanding respondents by area.

In last year's statement, I reported on our successful bid for the transfer of 96 homes operated by Wales & West Housing in the popular Caswell and Dунvant areas of Swansea. Following the announcement of Coastal as the winning bid in February 2022, both organisations worked through the transfer process in consultation with residents during the spring and summer, allowing the transfer to complete in September 2022. We are delighted to have made this significant addition to our stock in locations where we already operate, meaning residents will benefit from our local presence and the high standards of service provided by our repairs, maintenance, and estates teams.

## Chair's Statement



The view from new Coastal homes at Caswell, part of the 96 successfully transferred from Wales & West Housing in September 2022

Following the completion of significant fire safety works at two of our locations in Urban Village, we carried out a listening exercise with residents to understand how this experience affected them and how we can improve our approach in future. The exercise provided valuable insights, both for Coastal and the main contractor, as well as validation that we got a lot of things right and were active in managing a difficult situation, exacerbated by the pandemic lockdown and some unseasonably warm weather. We will take this learning forward to future fire safety upgrade works we have planned for the coming financial year, with over £5m of funding for these coming from Welsh Government's Medium and High Rise Residential Building Fire Safety Capital Grant (MHRRB).

Complaints about damp and mould in social housing doubled in England over the past two years according to the housing ombudsman. We have seen rises in resident contact on these issues too, particularly as colder, wetter weather arrived in the latter part of 2022. Whilst we encourage residents to report all instances of damp, we know that condensation is a significant contributing factor in many of the reports we investigate. We have produced new resources for residents this past year that clearly explain effective action that both residents and Coastal can take to control and manage condensation, damp and mould.

Updated advice about how to report and manage damp and mould was just one topic included in an updated resident welcome pack produced during the year. This brought together key information in one simple, well-designed document, replacing the previous approach which sometimes saw up to 9 different documents issued to new residents depending on their circumstances. This simplified document, which relies more on signposting to digital information at the Coastal website, will now be reviewed on an annual basis and updated as necessary.

Coastal's updated Resident Welcome Pack provides all the information new residents need about their new home and contract with Coastal.



### Development and regeneration

At Coastal we are proud to have continued to deliver new housing this past year despite some of the most challenging circumstances the sector has faced in recent memory.

A refinancing exercise completed in early 2020 when interest rates were very low, ensured a strong position for Coastal despite rates rising sharply in the financial year 2022/23. In addition to funding ongoing development works and strategic acquisitions, the availability of low-rate finance meant we were able to join forces with Welsh Government to support some contractors hit by large increases in materials and labour costs.

## Chair's Statement

Despite support, economic conditions proved too difficult for one of our contractors this past year and they entered administration in November 2022. We acted quickly to shore up the two affected Coastal developments in Pennard and Llandarcy respectively, providing reassurance to anyone affected and minimising delays.



Following the collapse of the construction company for homes in Coed Darcy, Coastal acted quickly to reassure residents and minimise delays

Originally scheduled for a start in summer 2020, the planned Gwynfaen scheme in Penyrheol with Pobl Group was significantly delayed due to factors including the Coronavirus pandemic and will now proceed as a Pobl development, allowing Coastal to focus on a range of other eco-home projects. Both organisations have been working through the transfer of the contract to Pobl during the past year and this was finally completed on 31<sup>st</sup> March 2023. Both parties acknowledge that this ambitious development was only made possible through collaboration, which secured over £9m in Welsh Government funding for the project thanks to a joint development bid.

Debbie Green presenting on regeneration plans at the 2023 Swansea City Centre Conference



Coastal has particular expertise in city and town centre regeneration, perhaps best illustrated by our work in Swansea High Street. Regeneration is a long-term endeavour and we were delighted to make two strategic acquisitions in High Street during early 2023 that will support future phases of our redevelopment work in the area. The King's Arms is one of the oldest buildings on High Street; the old medieval town walls and northern gate used to run right along the lane found next to the listed tavern. Following the successful demolition of 226 High Street during summer 2022, we were delighted to acquire the adjacent building at 225 in early 2023. Our interest in this building stems back to the very start of our regeneration work in this part of the city and its acquisition means later phases of our Urban Village project can be bigger in scale and ambition.



The King's Arms Tavern was another strategic acquisition for Coastal in early 2023, allowing more flexibility for future plans to regenerate this area.



## Chair's Statement



Our acquisition of 225 High Street in Swansea opens up the scope of future regeneration plans in this area of the city.

The Welsh Government's Transitional Accommodation Capital Programme (TACP) was created in July 2022 to help create much-needed extra housing capacity across Wales. The programme was particularly focused on providing permanent homes for the high number of people living in temporary accommodation, which had increased both as a result of efforts to alleviate rough sleeping during the pandemic and the arrival of people displaced by the war in Ukraine. At Coastal we've engaged fully with the grant programme during 2022/23, using funds to acquire 27 new build or existing homes that can provide immediate accommodation. The programme is also part-funding a planned redevelopment of Porthcawl Hotel to provide 17 new homes in the centre of the town.

### Corporate operations and sustainability

During the Coronavirus pandemic, Coastal captured people's learning and experiences of different ways of working through a comprehensive programme of 'Coastal Conversations'. Post-pandemic, these findings formed the basis of a large-scale staff consultation on the 'Future of Work', designed to meet the challenges of a new operating environment where technology, talent, priorities and expectations are all markedly different from what they were in early 2020. Led by our HR team, this wide-ranging consultation was a significant undertaking in terms of time and energy but has been incredibly successful in providing clarity to staff and improving our employer proposition to new talent, as well as dealing with some short-term operational issues and our legacy PHI offer, which was becoming both costly and increasingly difficult to fulfil.



The Regeneration panel at the 2023 Swansea City Centre Conference including our CEO Debbie Green (3 from left)

Sustainability remains a key commitment for Coastal and we have put considerable efforts into implementing the recommendations of our first external environmental audit over the past 12 months. Alongside the rollout of accredited carbon literacy training to staff, a key achievement was the development and publication of a new sustainability strategy - 'All Possible Action' - developed with staff from across the organisation. Published in Autumn 2022, it sets out in clear, unambiguous language the steps Coastal will take across its operations towards the aim of taking all possible action to manage the climate crisis and ensure the wellbeing and existence of future generations. The strategy places collective responsibility on everyone at Coastal to ensure we are not only working in ways that limit our impact on the environment but actively taking steps to make sustainable choices, improve biodiversity and engage others in change.

## Chair's Statement



Coastal sponsored the energy and environment zone at Swansea City Centre conference, affording our team the opportunity to promote our new sustainability strategy.

In December 2022 we embarked on another recruitment campaign for new Non-Executive Directors in order to mitigate some departures throughout the year and ahead of my own retirement from the board later in 2023. This campaign, run by our HR and Communications Teams, outperformed even our successful 2020 recruitment round, delivering close to 100 applications from people interested in the role. The standard of candidates was high and we are delighted to have 3 new potential NEDs observing meetings, ahead of their planned appointment to the board at the Annual General Meeting later this year.

After nine years as a Board Member/Chairman of Coastal Housing Group, I would like to express how much I have enjoyed working with the dedicated and passionate team at Coastal. Their commitment to delivering high-quality properties for both rent and sale at a lower cost than the private sector has made a real difference to the lives of those who need them most in our communities.

As I step down from my role, I am confident that I am leaving the organisation in safe and capable hands. Patrick Hoare, the current Vice Chair and Chair of the Finance & Development Committee, will take over as the new Chairman. I wish Patrick all the very best on his appointment and I have no doubt that he will continue to lead the organisation forward, building on all of the great work that has been done to date.

I am proud to have played a small part in the growth and success of Coastal Housing Group over the past nine years, and I will continue to follow its progress with keen interest in the future.

**Alun Williams**

**Chair**



# Operating and financial review

## Group and Association highlights, five-year summary

<b>Comprehensive income – Group</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total turnover	52,850	53,418	38,322	36,934	40,528
Operating surplus before exceptional items	11,129	10,842	9,870	9,031	10,238
Change in fair value of investment properties	-	-	-	(1,500)	-
High-Rise Residential Buildings Capital Remediation Grant	-	3,084	-	-	-
Fire safety remediation writeback/(provision)	4,522	-	-	(11,798)	-
Surplus/(deficit) for the year	8,096	6,744	2,698	(10,918)	3,767
<b>Cash flow – Group</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net cash inflow from operating activities	18,569	8,202	5,824	10,537	18,577
<b>Financial position – Group</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing property at cost	502,222	483,850	470,318	444,635	427,726
Net current assets/(liabilities)	5,105	3,476	(24)	(27,647)	9,375
Total loans	(187,425)	(175,531)	(169,256)	(173,445)	(173,449)
Defined benefit pension liability	(3,896)	(4,084)	(8,879)	(3,343)	(7,462)
Net assets	51,930	44,590	33,090	36,616	43,679

### Statistics – Association

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

Units in management	6,147	5,994	5,871	5,816	5,677
Operating surplus	32.7%	26.2%	26.2%	(11.5%)	25.2%
Operating surplus ( <i>before joint venture lease costs and exceptional items</i> )	27.6%	25.6%	31.3%	29.2%	29.0%
Social housing lettings surplus ( <i>before joint venture lease costs and exceptional items</i> )	34.6%	32.5%	28.4%	23.3%	25.7%
Rent lost from voids and bad debts	4.0%	3.2%	3.2%	2.8%	2.5%
Rent arrears ( <i>current residents</i> )	5.2%	5.9%	5.5%	5.2%	4.3%
Interest cover ( <i>earnings before interest, tax, depreciation, amortisation and fire remediation costs to net interest payable</i> )	1.61	1.66	1.66	1.40	1.84
Gearing ( <i>net loans to housing property at cost</i> )	38.2%	38.2%	36.8%	37.5%	38.3%

# Operating and financial review

## Principal activities

The Group comprises Coastal Housing Group Limited ('the Association'), and its subsidiary 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 over 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 £8.1m (2022: surplus of £6.7m) before pension adjustments. The specific reasons for this result are included in this report.

Social housing lettings income decreased by £1.4m from £38.5m to £37.1m, caused mainly by a drop in other revenue grants from £4.4m to £1.6m. Rent and service charge income rose from £32.4m to £33.8m. 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 (and release of provision) for fire safety remediation costs and changes in fair value of the commercial portfolio. 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.

The results for the year show an increase in void costs. Some of this is attributed to a single housing scheme where we are holding units vacant pending structural repairs to manage water ingress. We have also seen an increase in resident arrears and our bad debt policy makes prudent provision for bad debts. 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. During the year we carried out a systems thinking intervention on rents and arrears with a view to supporting residents while protecting our income stream. This resulted in some changes to the way we organise rent and arrears work, which together with our systems improvements are expected to improve the level of rent collected.

Service charge costs increased greatly during the year as a result of the energy crisis. Electricity contracts were renewed in October 2022 when wholesale costs remained extremely high, although gas contracts remain fixed into the new financial year.

The economy also continues to be difficult for many of our commercial tenants. We work to provide reasonable support to commercial tenants while protecting our own financial position resulting in a solidly performing and stable portfolio.

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. At the balance sheet date we had cash of £5.1m and also had access to £54.3m of immediately available funding. This was achieved by the drawing in June 2022 of £20million of capital market borrowings which had been forward fixed in the June 2020 refinance. This allowed us to clear down revolving credit facilities making them available to re-draw.

# Operating and financial review

## Business and financial review (continued)

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

### Fire safety

In the 2020 financial statements we made financial provision for work required at three of our residential blocks. We received support from our funders in the form of waivers so that this provision was excluded from our financial covenant compliance calculations.

The work to Strand Court and Strand Mews in Swansea completed in June 2022. The work was supported by grant of £3m from the Welsh Government.

Work is expected to commence on the remaining block, Harbour Quay in Swansea during the coming financial year. In March 2023 we received grant of £5.2m from the Welsh Government in support of this work. As a result of this, £4.5m of provision has been released as it is no longer required. The remaining provision is £2.8m.

### Investment in new homes

We have continued to invest in existing housing and to develop new housing, for both rent and sale, although market conditions remain very challenging. The development programme has been affected by rising materials costs, supply issues and other delays. During the financial year a development contractor working on two of our sites went into administration. This led to a small delay in programme and some increases in costs as we had to make other arrangements to continue work on site.

During the financial year, 117 newly developed social rented properties were brought into management and 13 new homes were made available for low cost home ownership. The Group also completed 22 new homes for market sale.

We were pleased to conclude the transfer in of 96 social rented and leasehold homes in the Caswell and Dunvant areas of Swansea following a competitive bidding exercise by Wales & West Housing Association. The transfer completed in September 2022.

Our subsidiary, Pennant, is the Group's home ownership vehicle. We are pleased to report that Pennant's 20-home Colman Vale site at Pen y Fai in Bridgend concluded during the year. Pennant part funded the delivery of this site using development finance from Principality Building Society and a facility has been agreed for Pennant's owned site at Llannon, Carmarthenshire.

Coastal's site at Pennard, Gower is a mixed tenure site including properties for sale on the open market. The companies agreed that the Association would sell the properties to Pennant and that Pennant would sell the properties on the open market. Pennant was responsible for purchasing the properties within a set time following practical completion, and carried the risk and reward of the ultimate selling price. The price paid per property represents a fair value for each transaction. During the financial year 12 properties were sold by Pennant and 13 by the Association. At the end of the year there was one remaining property for sale by Pennant.

### Commercial portfolio

Despite the current economic pressures the commercial property portfolio has performed well, with low levels of arrears and new rents broadly achieving market levels. We had very few vacant units at any point in time. 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 and has been valued as at 31 March 2023. However we remain mindful of the difficult economic conditions and the possibility that commercial valuations will be less strong next year.

# Operating and financial review

## Business and financial review (continued)

### Joint ventures

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. There were no new properties acquired by the joint ventures and leased to the Association during the year. WHP2 is in the process of refinancing which may result in an increase in the lease cost to the Association. This has been allowed for in future budgets. More information is given in note 15.

### Pension scheme

Note 26 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 overall liability is comparable to 2022. However the assets and liabilities of the scheme have both reduced significantly due to the LDI (Liability Driven Investment) crisis in September 2022. 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 resulted in an increase in the deficit payments required to be paid by the Association. Following consultation with staff the Group ended future defined benefit accrual from 1 April 2022 and now offers the SHPS defined contribution scheme to all staff. This will reduce cost risk for the Group arising from future valuations. The deficit is expected to be repaid by 31 March 2028. The next valuation is due as at 30 September 2023.

### Regulation

Our Regulatory Judgement was published by the Welsh Government in July 2023.

The Regulatory Judgement considers the areas of:

- governance and tenant services
- financial viability

The judgement confirms that Coastal Housing Group is compliant with the regulatory standards and will receive routine regulatory oversight.

### Other matters

The planned, large-scale development of eco-homes at Gwynfaen was only made possible through a collaboration between Pobl Group and Coastal Housing, which saw a joint development bid submitted to the Welsh Government’s Innovative Housing Programme. This was successful in attracting over £9m towards the cost of developing the scheme’s 144 low carbon, off-gas homes for sale and rental, which were to be shared by the two organisations. Originally scheduled for a start in Summer 2020, the scheme has been significantly delayed due to factors including the Coronavirus pandemic, and will now proceed as a Pobl development, allowing Coastal to focus on a range of other eco-home projects such as those it has recently delivered in Pennard, Gower and Llandarcy, Skewen.

# Operating and financial review

## 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 three pillars of purpose are:

- sustaining tenancies
- sustaining communities, and
- sustaining the local economy

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

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 has set lower overall rent increase than the aggregate permitted by the Welsh Government's Rent Setting Policy in 2023 (6.2% rather than 6.5%) and 2022 (3% rather than 3.1%) as well as in previous years. Many residents saw rent frozen to realign rents by property type and area.

Service charge cost increases had been minimised in most areas in the year, however in April 2023 service charge costs have unfortunately had to increase for many residents, caused in particular by increased electricity costs as a result of the ongoing energy crisis. We have worked hard to reduce the impact of this as far as possible. In particular we have reorganised our Estates service including a small reduction in the team size (by not filling vacant posts) and changing working arrangements.

# Operating and financial review

## Value for money (continued)

### 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 last reported to the Board in December 2022.

The Group recently concluded a systems thinking review of rents and rent arrears.

## Sustainability

The Group recognises climate change as a strategic risk. The Group participates in the Optimised Retrofit Programme with other Associations, a project which also received Welsh Government funding and should support good future investment in property. We have developed a number of innovative low carbon, energy efficient new homes with Welsh Government support through Innovative Housing Programme funding.

The Group continues to develop its sustainability strategy with the launch of 'all possible action' – ten steps towards a sustainable Coastal. This was established by the sustainability group (which consists of members from each department within the organisation – recognising that this is a business wide commitment). Last year, we commissioned an external sustainability audit by independent specialists, SHIFT Environment. This resulted in Silver accreditation. The action plan arising from this to build our environmental credentials has reaped rewards with Coastal now achieving a Gold accreditation.

## 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.

As part of the identification of strategic risks we have considered the likelihood of the risk occurring and the 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. The board reviews the register at set intervals during the year.



# Operating and financial review

## Risks and uncertainties (continued)

### Top strategic risks

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

- Rental income – Rent arrears or unaffordability leads to significant shortfall in rental income vs business plan
- Data integrity – Data is not captured consistently or adequately resulting in inadequate information/reports about key business areas that impacts performance and/or health & safety
- Development of new homes – Building of new homes does not match housing demand and/or becomes unviable due to skills and capacity shortages, increased costs, insufficient grant, or reduced net income
- Staff recruitment and retention – Loss of skills or inability to attract the right staff

The next highest strategic risks are treasury – existing loans, cyber security and health and safety.

## Capital structure and treasury policy

At the year end the Group's borrowings amounted to £188.5 million:

<b>Maturity</b>	<b>2023 £m</b>	<b>2022 £m</b>
Within one year	0.6	0.3
Between one year and two years	2.1	1.0
Between two and five years	21.2	17.1
After more than five years	164.6	158.2
	<u>188.5</u>	<u>176.6</u>

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 5.07% to 6.75%.

Liquidity requirements are met by £59million of revolving credit facilities with a number of lenders. This availability was enhanced by the drawing down of a forward-fixed £20million private placement from Aviva Investors, which was used to clear down revolving facilities.

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..

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 entered into by Pennant and more information is provided in Pennant's financial statements.

The Group's Treasury Management Policy was updated in June 2023 and has been reviewed by our treasury advisors, Centrus Advisory, to ensure it reflects good practice.

The Group has cash balances of £5.1million at 31 March 2023 (2022: £4.2million). 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.

# Operating and financial review

## 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 £31million 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 £3.9million 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 2023.

## 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 operates unitary Boards (i.e. a Board made up of executive and non-executive directors) and non-executive directors are remunerated. The Group considers that this helps to 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 eligible for membership of the Social Housing Pension Scheme, a defined contribution pension scheme. They participate in the scheme on the same terms as all other eligible staff.

## 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 skills 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.

During the year the Group carried out an extensive consultation on 'Future of Work' which has resulted in some revisions to employment benefits, focussing on the things that matter most to staff, within existing budgets.



Coastal enjoyed significant profile at the 2023 Swansea City Centre Conference

# Report of the Board and strategic report

## 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 rate 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.

### 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 and the cost of living crisis.

## 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 2022 up to the date of approval of the report and financial statements.

# Report of the Board and strategic report

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

The Board cannot delegate ultimate responsibility for the system of internal control but has given delegated authority to the Audit, Assurance & Risk committee to regularly review the effectiveness of the system of internal control. The Board receives Audit, Assurance & Risk 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. Our Regulatory Judgement, published by the Welsh Government in July 2023, confirms that we are compliant with the regulatory standards, including governance and tenant services. Our governance arrangements have been reviewed against the Community Housing Cymru Code of Governance.

The Finance & Development Committee provides scrutiny of financial and development related issues. The Audit, Assurance & Risk Committee considers strategic risk, internal control and assesses effectiveness of internal and external audit. The Remuneration & Nominations Committee meets as required and considers the pay award (making its recommendation to the Board), and matters around governance (including arrangements for non-executive director recruitment), staffing structure, staff pay progression and remuneration.

The Rules of the Association and Pennant were previously updated in line with the current Model Rules issued by Community Housing Cymru.

## 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:

# Report of the Board and strategic report

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

- 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.

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 28 September 2023 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 20 July 2023 and signed on its behalf by:



**Patrick Hoare**

**Chair of the meeting**



# 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 2023, 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 15 and 16, 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  
Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

Date: 25 July 2023

**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 2023 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 2023 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 16 and 17), 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  
Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

Date: 25 July 2023

# Consolidated Statement of Comprehensive Income

	Note	2023 £'000	2022 £'000
Turnover		54,906	55,339
<b>Less:</b> share of turnover of joint ventures	<b>15</b>	<u>(2,056)</u>	<u>(1,921)</u>
<b>Group turnover:</b> continuing activities	<b>2</b>	52,850	53,418
Operating costs	<b>2</b>	(37,885)	(39,560)
Surplus on sale of fixed assets	<b>2</b>	686	68
<b>Group operating surplus: continuing activities</b>	<b>2</b>	<b>15,651</b>	<b>13,926</b>
Share of operating profit of joint ventures	<b>15</b>	<u>1,813</u>	<u>1,699</u>
<b>Operating surplus</b>		<b>17,464</b>	<b>15,625</b>
<b>Interest receivable and other income</b>			
Group	<b>6</b>	76	2
<b>Interest payable and similar charges</b>			
Group	<b>7</b>	(7,458)	(6,990)
Joint ventures	<b>15</b>	<u>(1,855)</u>	<u>(1,557)</u>
<b>Surplus on ordinary activities before taxation</b>		<b>8,227</b>	<b>7,080</b>
Tax on surplus on ordinary activities	<b>11</b>	(119)	(270)
Tax on surplus of joint ventures	<b>15</b>	(12)	(66)
<b>Surplus for the year</b>		<b><u>8,096</u></b>	<b><u>6,744</u></b>
Actuarial (loss)/gain in respect of pension schemes	<b>26</b>	(756)	4,756
<b>Total comprehensive income for the year</b>		<b><u>7,340</u></b>	<b><u>11,500</u></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 20 July 2023 and were signed on its behalf by:

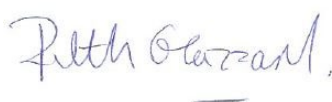
**Chair of the meeting**

**Board member**

**Board member/Secretary**



Patrick Hoare



Ruth Glazzard



Simon Jones

## Association Statement of Comprehensive Income

	Note	2023 £'000	2022 £'000
Turnover	2a	45,077	45,217
Operating costs	2a	(30,921)	(32,770)
Surplus on sale of fixed assets	2a	588	45
<b>Operating surplus</b>	<b>2a</b>	<b>14,744</b>	<b>12,492</b>
Interest receivable and other income	6	112	133
Interest payable and similar charges	7	(7,458)	(6,991)
<b>Surplus on ordinary activities before taxation</b>		<b>7,398</b>	<b>5,634</b>
Tax on surplus on ordinary activities	11	4	(5)
<b>Surplus for the year</b>		<b>7,402</b>	<b>5,629</b>
Actuarial (loss)/gain in respect of pension schemes	26	(756)	4,756
<b>Total comprehensive income for the year</b>		<b>6,646</b>	<b>10,385</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.

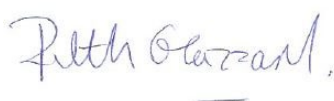
The financial statements were approved by the Board on 20 July 2023 and were signed on its behalf by:

**Chair of the meeting**



Patrick Hoare

**Board member**



Ruth Glazzard

**Board member/Secretary**



Simon Jones



## Consolidated Statement of Changes in Reserves

	Income and Expenditure reserve £'000
At 1 April 2022	44,590
Surplus from statement of comprehensive income	7,340
<b>At 31 March 2023</b>	<b><u>51,930</u></b>

## Association Statement of Changes in Reserves

	Income and Expenditure reserve £'000
At 1 April 2022	42,353
Surplus from statement of comprehensive income	6,646
<b>At 31 March 2023</b>	<b><u>48,999</u></b>

# Consolidated Statement of Financial Position

	Note	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Housing properties	12	502,222	483,850
Depreciation	12	(52,300)	(48,977)
		<u>449,922</u>	<u>434,873</u>
Other tangible fixed assets	16	7,327	7,260
Investments	13	26,082	23,218
Investments in joint ventures	15	13,415	13,469
Homebuy loans	14	2,430	2,552
<b>Total fixed assets</b>		<u>499,176</u>	<u>481,372</u>
<b>Current assets</b>			
Debtors due within one year	18	12,205	2,534
Properties for sale and work in progress	17	4,957	17,815
Cash at bank and in hand	29	5,059	4,221
		<u>22,221</u>	<u>24,570</u>
Debtors due after more than one year	18	3,555	3,800
Creditors: due within one year	21	(15,395)	(19,373)
Social housing grant due in one year	24	(1,721)	(1,721)
<b>Net current assets</b>		<u>5,105</u>	<u>3,476</u>
<b>Total assets less current liabilities</b>		<u>507,836</u>	<u>488,648</u>
Creditors: due after more than one year	22	(187,870)	(176,320)
Social housing grant due after more than one year	24	(231,357)	(225,368)
Deferred income due after more than one year	22	(7,101)	(733)
Other grants due after more than one year	19	(1,625)	(8,642)
Housing grant relating to joint ventures		(12,675)	(12,673)
Homebuy grants due after more than one year	14	(2,221)	(2,343)
Housing finance grant	20	(5,654)	(5,654)
<b>Provisions for liabilities</b>			
Provisions for liabilities and charges	27	(3,507)	(8,241)
Defined benefit pension liability	26	(3,896)	(4,084)
<b>Net assets</b>		<u>51,930</u>	<u>44,590</u>
<b>Capital and reserves</b>			
Revenue reserve		51,930	44,590
<b>Total capital and reserves</b>		<u>51,930</u>	<u>44,590</u>

The accompanying notes form part of these financial statements.

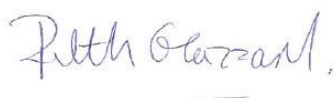
The financial statements were approved by the Board on 20 July 2023 and were signed on its behalf by:

Chair of the meeting



Patrick Hoare

Board member



Ruth Glazzard

Board member/Secretary



Simon Jones

# Association Statement of Financial Position

	Note	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Housing properties	12	502,222	483,850
Depreciation	12	(52,300)	(48,977)
		<u>449,922</u>	<u>434,873</u>
Other tangible fixed assets	16	7,327	7,260
Investments	13	25,870	22,979
Homebuy loans	14	1,420	1,489
<b>Total fixed assets</b>		<u>484,539</u>	<u>466,601</u>
<b>Current assets</b>			
Debtors due within one year	18	12,450	5,284
Properties for sale and work in progress	17	3,435	13,901
Cash at bank and in hand	29	3,930	3,722
		<u>19,815</u>	<u>22,907</u>
Debtors due after more than one year	18	3,555	3,800
Creditors: due within one year	21	(14,967)	(18,911)
Social housing grant due in one year	24	(1,721)	(1,721)
<b>Net current assets</b>		<u>3,127</u>	<u>2,275</u>
<b>Total assets less current liabilities</b>		<u>491,221</u>	<u>472,676</u>
Creditors: due after more than one year	22	(187,870)	(176,320)
Social housing grant due after more than one year	24	(231,357)	(225,368)
Other grants due after more than one year	19	(1,625)	(8,642)
Deferred income due after more than one year	22	(7,101)	(733)
Homebuy grants due after more than one year	14	(1,212)	(1,281)
Housing finance grant	20	(5,654)	(5,654)
<b>Provisions for liabilities</b>			
Provisions for liabilities and charges	27	(3,507)	(8,241)
Defined benefit pension liability	26	(3,896)	(4,084)
<b>Net assets</b>		<u>48,999</u>	<u>42,353</u>
<b>Capital and reserves</b>			
Revenue reserve		48,999	42,353
<b>Total capital and reserves</b>		<u>48,999</u>	<u>42,353</u>

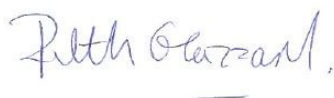
The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 20 July 2023 and were signed on its behalf by:

**Chair of the meeting**

**Board member**

**Board member/Secretary**


Patrick Hoare

Ruth Glazzard

Simon Jones

## Consolidated Statement of Cash Flow

	Note	2023 £'000	2022 £'000
<b>Net cash inflow from operating activities</b>	<b>30</b>	<u>18,569</u>	<u>8,202</u>
<b>Cash flow from financing activities</b>			
Loan drawdown		23,801	9,600
Interest payable	<b>7</b>	(7,884)	(7,280)
Loan repayments		(11,908)	(3,326)
<b>Net cash from financing activities</b>		<u>4,009</u>	<u>(1,006)</u>
<b>Cash flow from investing activities</b>			
Increase in WHP investment		-	-
Interest received	<b>6</b>	76	2
Purchase and construction of housing properties		(20,900)	(13,883)
Component replacements	<b>12</b>	(614)	(253)
Proceeds from sale of tangible fixed assets and investments		1,527	1,058
Purchase and construction of fixed asset investments		(1,619)	(1,980)
New capital expenditure		(867)	(2,255)
Other grants received		(7,017)	2,202
Social housing grant received		7,674	4,505
Social housing grant received for joint venture properties		-	-
<b>Net cash from investing activities</b>		<u>(21,740)</u>	<u>(10,604)</u>
<b>Net change in cash and cash equivalents</b>		<u>838</u>	<u>(3,408)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>4,221</u>	<u>7,629</u>
<b>Cash and cash equivalents at end of the year</b>		<u>5,059</u>	<u>4,221</u>

## Association Statement of Cash Flow

	Note	2023 £'000	2022 £'000
<b>Net cash generated from operating activities</b>	<b>30</b>	<u>18,282</u>	<u>6,438</u>
<b>Cash flow from financing activities</b>			
Loan drawdowns		23,801	9,000
Interest payable	<b>7</b>	(7,855)	(7,195)
Loan repayments		(11,908)	(1,038)
<b>Net cash from financing activities</b>		<u>4,038</u>	<u>767</u>
<b>Cash flow from investing activities</b>			
Interest received	<b>6</b>	112	133
Purchase and construction of housing properties		(20,963)	(13,923)
Component replacements	<b>12</b>	(614)	(253)
Proceeds from sale of tangible fixed assets and investments		1,182	1,034
Purchase and construction of fixed asset investments		(1,619)	(1,980)
New capital expenditure		(867)	(2,255)
Other grants received		(7,017)	2,202
Social housing grant received		7,674	4,505
<b>Net cash from investing activities</b>		<u>(22,112)</u>	<u>(10,537)</u>
<b>Net change in cash and cash equivalents</b>		<u>208</u>	<u>(3,332)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>3,722</u>	<u>7,054</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>3,930</u></u>	<u><u>3,722</u></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 Group 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 Group. The scheme assets are invested separately from the Group assets in independently administered funds in the names of employees concerned and there is no residual liability for the Group 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 Group 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 Group at rates determined by independent actuaries. The scheme assets are invested separately from the Group 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

## Financial instruments

Financial assets and financial liabilities are initially measured at the transaction price adjusted, where the financial asset or liability is not required to be held at fair value, for any directly attributable costs of acquisition.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Group are classified as follows:

- cash is held at cost
- financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method
- financial liabilities such as bonds and loans are held at amortised cost using the effective interest method
- loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method
- commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- a) the best evidence of fair value is a quoted price in an active market
- b) when quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate
- c) where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations

# Notes to the Financial Statements

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

### Group – continuing activities

		2023			
	Note	Turnover £'000	Operating costs £'000	Surplus on disposals £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>3</b>	<u>37,136</u>	<u>(26,785)</u>	<u>-</u>	<u>10,351</u>
<b>Other social housing activities</b>					
First tranche shared equity sales		3,066	(2,580)	-	486
Management services		1,645	(50)	-	1,595
Development costs not capitalised		-	(239)	-	(239)
Surplus on disposal of housing property		-	-	472	472
Surplus on disposal of investments		-	-	214	214
<b>Non social housing activities</b>					
Commercial rents		1,884	(848)	-	1,036
Commercial grant writeback		686	-	-	686
Properties developed for outright sale		8,433	(7,383)	-	1,050
		<u>52,850</u>	<u>(37,885)</u>	<u>686</u>	<u>15,651</u>
		2022			
	Note	Turnover £'000	Operating costs £'000	Surplus on Disposal of fixed asset £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>3</b>	<u>38,489</u>	<u>(29,040)</u>	<u>-</u>	<u>9,449</u>
<b>Other social housing activities</b>					
First tranche shared equity sales		1,983	(1,478)	-	505
Management services		1,536	(67)	-	1,469
Development costs not capitalised		-	(114)	-	(114)
Loss on disposal of housing property		-	-	(36)	(36)
Surplus on disposal of investments		-	-	104	104
<b>Non social housing activities</b>					
Commercial rents		1,649	(890)	-	759
Commercial grants released to I&E		-	-	-	-
Properties developed for outright sale		9,761	(7,971)	-	1,790
		<u>53,418</u>	<u>(39,560)</u>	<u>68</u>	<u>13,926</u>



# Notes to the Financial Statements

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

### Association – continuing activities

		2023			
	Note	Turnover £'000	Operating costs £'000	Surplus on disposals £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>3a</b>	37,583	(26,787)	-	10,796
<b>Other social housing activities</b>					
First tranche shared equity sales		3,066	(2,729)	-	337
Management services		1,645	(50)	-	1,595
Development costs not capitalised		-	(238)	-	(238)
Surplus on disposal of housing property		-	-	472	472
Surplus on disposal of investments		-	-	116	116
<b>Non social housing activities</b>					
Commercial rents		1,885	(848)	-	1,037
Commercial grant writeback		686	-	-	686
Properties developed for outright sale		212	(269)	-	(57)
		<u>45,077</u>	<u>(30,921)</u>	<u>588</u>	<u>14,744</u>
		2022			
	Note	Turnover £'000	Operating costs £'000	Surplus on Disposal of fixed asset £'000	Operating surplus £'000
<b>Social housing lettings</b>	<b>3a</b>	38,489	(28,765)	-	9,724
<b>Other social housing activities</b>					
First tranche shared equity sales		2,030	(1,609)	-	421
Management services		1,536	(67)	-	1,469
Development costs not capitalised		-	(114)	-	(114)
Loss on disposal of housing property		-	-	(36)	(36)
Surplus on disposal of investments		-	-	81	81
<b>Non social housing activities</b>					
Commercial rents		1,649	(890)	-	759
Properties developed for outright sale		1,513	(1,325)	-	188
		<u>45,217</u>	<u>(32,770)</u>	<u>45</u>	<u>12,492</u>

# Notes to the Financial Statement

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

### Group

		<b>2023</b>		<b>2022</b>
	<b>General needs and sheltered housing £'000</b>	<b>Other social lettings £'000</b>	<b>Total £'000</b>	<b>Total £'000</b>
Rent receivable net of identifiable service charges	25,835	4,374	30,209	28,697
Rent loss due to voids	(712)	(194)	(906)	(622)
	<u>25,123</u>	<u>4,180</u>	<u>29,303</u>	<u>28,075</u>
Service charge income	3,956	499	4,455	4,302
Other revenue grants	1,631	-	1,631	4,403
Amortisation of grants	1,747	-	1,747	1,709
Turnover from social lettings	<u>32,457</u>	<u>4,679</u>	<u>37,136</u>	<u>38,489</u>
Overhead costs	(6,653)	(2,215)	(8,868)	(8,802)
Management	(3,649)	(310)	(3,959)	(3,843)
Services	(4,086)	(4)	(4,090)	(3,161)
Routine maintenance	(7,993)	(11)	(8,004)	(6,535)
Major repairs expenditure	(2,219)	-	(2,219)	(2,831)
Depreciation of housing properties	(3,387)	(288)	(3,675)	(3,305)
Bad debts	(492)	-	(492)	(563)
Fire safety provision writeback	4,522	-	4,522	-
Operating costs on social housing lettings	<u>(23,957)</u>	<u>(2,828)</u>	<u>(26,785)</u>	<u>(29,040)</u>
Operating surplus on social housing lettings	<u>8,500</u>	<u>1,851</u>	<u>10,351</u>	<u>9,449</u>

# Notes to the Financial Statements

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

### Association

	2023		2022	
	General needs and sheltered housing £'000	Other social lettings £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	25,835	4,821	30,656	28,697
Rent loss due to voids	(712)	(194)	(906)	(622)
	<u>25,123</u>	<u>4,627</u>	<u>29,750</u>	<u>28,075</u>
Service charge income	3,956	499	4,455	4,302
Other revenue grants	1,631	-	1,631	4,403
Amortisation of grants	1,747	-	1,747	1,709
Turnover from social lettings	<u>32,457</u>	<u>5,126</u>	<u>37,583</u>	<u>38,489</u>
Overhead costs	(6,655)	(2,215)	(8,870)	(8,527)
Management	(3,649)	(310)	(3,959)	(3,843)
Services	(4,086)	(4)	(4,090)	(3,161)
Routine maintenance	(7,993)	(11)	(8,004)	(6,535)
Major repairs expenditure	(2,219)	-	(2,219)	(2,831)
Depreciation of housing properties	(3,387)	(288)	(3,675)	(3,305)
Bad debts	(492)	-	(492)	(563)
Fire safety provision writeback	4,522	-	4,522	-
Operating costs on social housing lettings	<u>(23,959)</u>	<u>(2,828)</u>	<u>(26,787)</u>	<u>(28,765)</u>
Operating surplus on social housing lettings	<u>8,498</u>	<u>2,298</u>	<u>10,796</u>	<u>9,724</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	
	2023 No	2022 No	2023 No	2022 No
General needs	5,612	5,452	5,612	5,452
Property ownership in joint ventures	496	496	496	496
Shared ownership	39	46	39	46
Total social housing accommodation	<u>6,147</u>	<u>5,994</u>	<u>6,147</u>	<u>5,994</u>

In addition the Group and Association provides leasehold management services at 193 properties (2022:164).

# Notes to the Financial Statements

## 5. Operating surplus

The operating surplus is arrived at after charging	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Auditor's remuneration (including VAT)	39	26	29	23
Other non-audit services (including VAT)	3	10	3	10
Depreciation of properties (Note 12)	3,493	3,254	3,493	3,254
Depreciation of other fixed assets (Note 16)	800	678	800	678
Operating lease rental costs	2,521	2,504	2,521	2,504

## 6. Interest receivable and other income

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Interest receivable from affiliated parties	-	-	38	131
Third party interest receivable	76	2	74	2
Interest receivable and similar income	76	2	112	133

## 7. Interest payable and similar charges

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Loans and bank overdrafts	7,884	7,280	7,855	7,195
Interest payable capitalised on housing properties under construction	(525)	(484)	(496)	(398)
Unwinding of discount factor on pension liability	99	194	99	194
	7,458	6,990	7,458	6,991

## 8. Employees

Average monthly number of employees expressed as full time equivalents:

	Group		Association	
	2023 No	2022 No	2023 No	2022 No
Corporate support	47	45	47	45
Development and Pennant Housing	21	18	17	13
	197	204	197	204
	265	267	261	262

# Notes to the Financial Statements

## 9. Employee costs

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Wages and salaries	8,532	7,980	8,333	7,830
Social security costs	864	761	850	748
Other pension costs	1,239	1,181	1,235	1,172
Apprentice levy	27	25	27	25
	<u>10,662</u>	<u>9,947</u>	<u>10,445</u>	<u>9,775</u>

## 10. Board members and executives

Key management and personnel remuneration

### Directors who are executive staff members

	2023 £'000	2022 £'000
Basic salary	514	394
Social security costs	68	49
Pension contributions	105	90
Aggregate emoluments	<u>687</u>	<u>533</u>

The number of senior executives accruing retirement benefits is 5 (2022:4). 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

	2023 £'000	2022 £'000
Remuneration	48	56
Benefit in kind	-	-
Aggregate emoluments	<u>48</u>	<u>56</u>

Expenses paid to non-executive directors amounted to £nil (2022: £nil).

# Notes to the Financial Statements

## 10. Board members and executives (continued)

Remuneration of the highest paid director, excluding pension contributions:

	<b>2023 Total £'000</b>	<b>2022 Total £'000</b>
Emoluments	<u>144</u>	<u>141</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>2023</b>	<b>2022</b>
£100,000 - £110,000	-	2
£110,000 - £119,000	4	1
£150,000 - £159,999	1	1

## 11. Tax on surplus on ordinary activities

	<b>Group</b>		<b>Association</b>	
	<b>2023 £'000</b>	<b>2022 £'000</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
<b>Current tax reconciliation</b>				
Taxable surplus/(loss) on ordinary activities before tax	<u>611</u>	<u>1,700</u>	<u>(36)</u>	<u>303</u>
<b>Theoretical tax at UK corporation tax rate</b>				
Group – 19% (2022:19%)	123	323	-	58
Losses carried forward	(4)	(53)	(4)	(53)
<b>Current tax charge</b>	<u>119</u>	<u>270</u>	<u>(4)</u>	<u>5</u>

## Notes to the Financial Statements

### 12. 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 £'000
<b>Cost</b>				
At 1 April 2022	451,113	26,516	6,221	483,850
Additions	1,002	19,626	-	20,628
Schemes completed in year	30,649	(30,649)	-	-
Transfers from housing property	(1,489)	-	-	(1,489)
Disposals	(637)	-	(130)	(767)
At 31 March 2023	<u>480,638</u>	<u>15,493</u>	<u>6,091</u>	<u>502,222</u>
<b>Depreciation</b>				
At 1 April 2022	(48,413)	-	(564)	(48,977)
Charged in year	(3,353)	(100)	(40)	(3,493)
Schemes completed in year	(100)	100	-	-
Eliminated on disposal	152	-	18	170
At 31 March 2023	<u>(51,714)</u>	<u>-</u>	<u>(586)</u>	<u>(52,300)</u>
<b>Net book value</b>				
At 31 March 2023	<u>429,195</u>	<u>15,222</u>	<u>5,505</u>	<u>449,922</u>
At 31 March 2022	<u>402,700</u>	<u>26,516</u>	<u>5,657</u>	<u>434,873</u>
<b>Additions to completed properties held for letting</b>			<b>2023 £000</b>	<b>2022 £000</b>
Replacement of components			614	253
Additions to existing properties			388	626
Total additions			<u>1,002</u>	<u>879</u>

# Notes to the Financial Statements

## 13. Fixed asset investments

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Commercial properties</b>				
At 1 April 2022	19,860	19,013	19,860	19,013
Additions	971	597	971	597
Transfers from housing property	1,218	250	1,218	250
At 31 March 2023	<b>22,049</b>	<b>19,860</b>	<b>22,049</b>	<b>19,860</b>
<b>Shared equity loans</b>				
At 1 April 2022	3,358	2,865	3,119	2,626
Additions	919	609	919	609
Disposals	(244)	(116)	(217)	(116)
At 31 March 2023	<b>4,033</b>	<b>3,358</b>	<b>3,821</b>	<b>3,119</b>
	<b>26,082</b>	<b>23,218</b>	<b>25,870</b>	<b>22,979</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 is 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 Astleys Chartered Surveyors in March 2023.

## 14. Homebuy

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Homebuy loans	<u>2,430</u>	<u>2,552</u>	<u>1,420</u>	<u>1,489</u>
Homebuy grants	<u>2,221</u>	<u>2,343</u>	<u>1,212</u>	<u>1,281</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 2023 the Group had 109 (2022: 111) homebuy loans, and the Association had 37 (2022: 39) homebuy loans.



# Notes to the Financial Statements

## 15. 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 2022. The year end does not coincide with the Group's year end of 31 March 2023. The Association's share of the deficit of WHP and surplus of WHP2 from the 31 December 2022 period has been absorbed into the Group's March 2023 year end via the gross equity method. Any material transactions between 31 December 2022 and 31 March 2023 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 2022 was as follows:

	<b>WHP</b> <b>December</b> <b>2022</b> <b>£'000</b>	<b>WHP2</b> <b>December</b> <b>2022</b> <b>£'000</b>	<b>December</b> <b>2022</b> <b>£'000</b>	<b>December</b> <b>2021</b> <b>£'000</b>
<b>Turnover</b>	1,129	927	2,056	1,921
Administrative expenses	(116)	(128)	(244)	(230)
Surplus on sale of fixed assets	1	-	1	8
<b>Operating surplus</b>	<u>1,014</u>	<u>799</u>	<u>1,813</u>	<u>1,699</u>
Interest payable and similar charges	(995)	(860)	(1,855)	(1,557)
<b>Surplus on ordinary activities before taxation</b>	<u>19</u>	<u>(61)</u>	<u>(42)</u>	<u>142</u>
Tax on surplus on ordinary activities	(19)	7	(12)	(66)
<b>Surplus/(deficit) for the financial year</b>	<u>-</u>	<u>(54)</u>	<u>(54)</u>	<u>76</u>
Fixed assets	32,674	27,880	60,554	58,661
Current assets	1,261	501	1,762	1,689
Creditors: falling due within one year	(580)	(566)	(1,146)	(780)
Creditors: falling due after more than one year	(27,653)	(20,102)	(47,755)	(46,101)
<b>Shareholders' funds</b>	<u>5,702</u>	<u>7,713</u>	<u>13,415</u>	<u>13,469</u>

## Notes to the Financial Statements

### 15. Joint ventures (continued)

Group share in joint ventures:	March 2023 £'000	March 2022 £'000
<b>WHP</b>		
WHP investment as at 31 December	4,891	4,891
Interest in WHP	810	810
<b>Total interest in WHP</b>	<u>5,701</u>	<u>5,701</u>
<b>WHP2</b>		
WHP2 investment as at 31 December	7,625	7,625
Interest in WHP2	89	143
<b>Total interest in WHP2</b>	<u>7,714</u>	<u>7,768</u>
<b>Investment in joint ventures</b>	<u><u>13,415</u></u>	<u><u>13,469</u></u>

### 16. 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 2022	3,601	2,869	6,378	12,848
Additions	-	334	533	867
Disposals	-	-	-	-
At 31 March 2023	<u>3,601</u>	<u>3,203</u>	<u>6,911</u>	<u>13,715</u>
<b>Depreciation</b>				
At 1 April 2022	(790)	(702)	(4,096)	(5,588)
Charged in year	(19)	(274)	(507)	(800)
Eliminated on disposal	-	-	-	-
At 31 March 2023	<u>(809)</u>	<u>(976)</u>	<u>(4,603)</u>	<u>(6,388)</u>
<b>Net book value</b>				
At 31 March 2023	<u>2,792</u>	<u>2,227</u>	<u>2,308</u>	<u>7,327</u>
At 31 March 2022	<u>2,811</u>	<u>2,167</u>	<u>2,282</u>	<u>7,260</u>

### 17. Properties for sale and work in progress

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Properties for sale and work in progress	<u>4,957</u>	<u>17,815</u>	<u>3,435</u>	<u>13,901</u>

# Notes to the Financial Statements

## 18. Debtors

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Due within one year</b>				
Rent and service charge receivable	2,357	2,295	2,357	2,295
Less: provision for bad and doubtful debts	<u>(2,093)</u>	<u>(1,856)</u>	<u>(2,093)</u>	<u>(1,856)</u>
	264	439	264	439
Welsh Government grant	-	-	-	-
Prepayments and accrued income	819	609	819	609
Other debtors	374	959	341	1,023
Accrued income	10,748	527	10,748	528
Amounts owed by Pennant	-	-	278	2,685
	<u>12,205</u>	<u>2,534</u>	<u>12,450</u>	<u>5,284</u>

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Due in more than one year</b>				
Housing finance grant	3,555	3,800	3,555	3,800
	<u>3,555</u>	<u>3,800</u>	<u>3,555</u>	<u>3,800</u>

## 19. Other government grants

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Innovative housing programme grant	-	7,289	-	7,289
Commercial grants	1,625	1,353	1,625	1,353
	<u>1,625</u>	<u>8,642</u>	<u>1,625</u>	<u>8,642</u>

## 20. Housing finance grant

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'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

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

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Social housing grant received in advance	3,634	7,950	3,634	7,950
Recycled capital grant fund	3,430	3,024	3,430	3,024
Debt (note 23)	618	316	618	316
Accruals and deferred income	2,371	3,033	2,249	2,949
Capital expenditure on housing property	1,671	2,563	1,394	2,348
Other creditors	1,020	1,097	1,113	1,178
Rent and service charges received in advance	714	747	714	747
Other taxation and social security	1,937	643	1,815	399
	<u>15,395</u>	<u>19,373</u>	<u>14,967</u>	<u>18,911</u>

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

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Deferred income	1,063	1,105	1,063	1,105
Debt (note 23)	<u>186,807</u>	<u>175,215</u>	<u>186,807</u>	<u>175,215</u>
	187,870	176,320	187,870	176,320
Grant deferred income	<u>7,101</u>	<u>733</u>	<u>7,101</u>	<u>733</u>
	<u>194,971</u>	<u>177,053</u>	<u>194,971</u>	<u>177,053</u>

## 23. Debt analysis

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

Terms of repayment	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Within one year	618	316	618	316
Between one and two years	2,101	1,047	2,101	1,047
Between two and five years	21,203	17,139	21,203	17,139
More than five years	163,503	157,029	163,503	157,029
	<u>187,425</u>	<u>175,531</u>	<u>187,425</u>	<u>175,531</u>

## Net debt breakdown

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Bank loans and private placements	193,518	181,671	193,518	181,671
Amortised loan arrangement fees	(2,735)	(2,873)	(2,735)	(2,873)
Sinking funds	(2,295)	(2,162)	(2,295)	(2,162)
	<u>188,488</u>	<u>176,636</u>	<u>188,488</u>	<u>176,636</u>

# Notes to the Financial Statements

## 23. 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 1.76% to 11.6%. The weighted average rate of interest for 2023 was 3.94% (2022: 3.70%). As at 31 March 2023, 92% (2022: 86.6%) of loans bore interest at fixed rates and 8% (2022: 13.4%) at variable rates.

## 24. 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 2022	(236,037)	(11,362)	(1,390)	(248,789)
Additions	-	(2,156)	-	(2,156)
Schemes completed in year	(7,872)	7,872	-	-
Transferred to other government grants	-	-	-	-
Disposals	269	-	51	320
At 31 March 2023	<u>(243,640)</u>	<u>(5,646)</u>	<u>(1,339)</u>	<u>(250,625)</u>
<b>Amortisation</b>				
At 1 April 2022	27,845	-	181	28,026
Charged in year	1,704	-	13	1,717
Schemes completed in year	-	-	-	-
Eliminated on disposal	(54)	-	(9)	(63)
At 31 March 2023	<u>29,495</u>	<u>-</u>	<u>185</u>	<u>29,680</u>
<b>Other grants</b>				
At 1 April 2022	(2,797)	(3,781)	-	(6,578)
Additions	(4,882)	(935)	-	(5,817)
Schemes completed in year	(2,382)	2,361	-	21
Disposals	-	-	-	-
At 31 March 2023	<u>(10,061)</u>	<u>(2,355)</u>	<u>-</u>	<u>(12,416)</u>
<b>Amortisation</b>				
At 1 April 2022	252	-	-	252
Charged in year	31	-	-	31
Eliminated on disposal	-	-	-	-
At 31 March 2023	<u>283</u>	<u>-</u>	<u>-</u>	<u>283</u>
<b>Net Creditor</b>				
At 31 March 2023	<u>(223,923)</u>	<u>(8,001)</u>	<u>(1,154)</u>	<u>(233,078)</u>
At 31 March 2022	<u>(210,737)</u>	<u>(15,143)</u>	<u>(1,209)</u>	<u>(227,089)</u>

## Notes to the Financial Statements

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

#### Terms of repayment

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Within one year	1,721	1,721	1,721	1,721
Between one and two years	1,721	1,721	1,721	1,721
Between two and five years	5,163	5,161	5,163	5,161
More than five years	224,472	218,486	224,472	218,486
	<u>233,077</u>	<u>227,089</u>	<u>233,077</u>	<u>227,089</u>

### 25. Obligations under operating leases

	Land and Buildings		Other	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Within one year	2,146	2,152	252	273
Between one and two years	2,146	2,152	174	212
Between two and five years	5,695	6,308	133	146
More than five years	7,621	9,189	-	-
	<u>17,608</u>	<u>19,801</u>	<u>559</u>	<u>631</u>

### 26. 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 (as amended) 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 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028. Coastal Housing Group is required to pay the following deficit contributions:

From 1 April 2022 to 31 March 2028 – £1,003,708 per annum (increasing by 5.5% per annum)

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

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

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.

With effect from 1 April 2022 the Group closed all defined benefit structures to future accrual and all staff have the option of the defined contribution scheme. The minimum employee contribution rate is 5% and the Group matches contributions with a cap at 10%.

During the accounting period the Group paid contributions at the average rate of 7.1% in respect of the defined contribution scheme. As at the statement of financial position date there were 246 (2022: 145) active members of the defined contribution scheme.

The Group operates 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 £982,000 (2022: £684,000) to the Social Housing Pension Scheme for the recovery plan of the past service deficit and employer contributions towards current service cost of £61,000 (2022: £716,000)

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

	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
Fair value of plan assets	18,662	31,767
Present value of defined benefit obligation	<u>(22,558)</u>	<u>(35,851)</u>
(Deficit) in plan	(3,896)	(4,084)
Unrecognised surplus	-	-
Defined benefit asset /(liability) to be recognised	<u>(3,896)</u>	<u>(4,084)</u>

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

	<b>Period from 31 March 2022 to 31 March 2023 £'000</b>
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

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

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

	<b>31 March 2023 £'000</b>
Defined benefit obligation at start of period	35,851
Current service cost	-
Expenses	22
Interest expense	988
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(2,006)
Actuarial losses (gains) due to changes in demographic assumptions	(49)
Actuarial losses (gains) due to changes in financial assumptions	(11,641)
Benefits paid and expenses	(607)
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>22,558</u>

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

	<b>31 March 2023 £'000</b>
Fair value of plan assets at start of period	31,767
Interest income	889
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(14,452)
Contributions by the employer	1,065
Contributions by plan participants	-
Benefits paid and expenses	(607)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	<u>18,662</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was £13,563,000.



## Notes to the Financial Statements

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

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

	<b>Period 31 March 2022 to 31 March 2023 £'000</b>
Current service cost	-
Expenses	22
Net interest expense	99
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>121</u>

#### Defined benefit costs recognised in other comprehensive income

	<b>31 March 2023 £'000</b>
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(14,452)
Experience gains and losses arising on the plan liabilities - gain (loss)	2,006
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	49
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	11,641
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	<u>(756)</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><u>(756)</u></u>

## Notes to the Financial Statements

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

#### Assets

	31 March 2023 £'000	31 March 2022 £'000
Absolute Return	202	1,274
Alternative Risk Premia	35	1,048
Corporate Bond Fund	-	2,119
Credit Relative Value	704	1,056
Distressed Opportunities	565	1,137
Emerging Markets Debt	100	924
Fund of Hedge Funds	-	-
Global Equity	348	6,096
High Yield	65	274
Infrastructure	2,132	2,263
Insurance-Linked Securities	471	741
Liability Driven Investment	8,595	8,864
Long Lease Property	563	817
Net Current Assets	48	88
Opportunistic Credit	1	113
Opportunistic Illiquid Credit	798	1,067
Cash	135	108
Liquid Credit	0	-
Private Debt	830	814
Property	803	858
Risk Sharing	1,374	1,046
Secured Income	857	1,184
Currency Hedging	36	(124)
Total assets	<u>18,662</u>	<u>31,767</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 2023 % per annum	31 March 2022 % per annum
Discount Rate	4.84	2.78
Inflation (RPI)	3.17	3.47
Inflation (CPI)	2.8	3.14
Salary Growth	3.8	4.14
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 2023		21.0
Female retiring in 2023		23.4
Male retiring in 2043		22.2
Female retiring in 2043		24.9

# Notes to the Financial Statements

## 27. 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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Restructuring provision	82	82	82	82
Provision for upgrades to existing housing	675	675	675	675
Provision for fire safety remediation costs	2,750	7,484	2,750	7,484
	<u>3,507</u>	<u>8,241</u>	<u>3,507</u>	<u>8,241</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 2025 and the provision for upgrades to existing housing by the end of the financial year ended 31 March 2026.

### Restructuring provision

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
As at April 1	82	310	82	310
Increase in provision	-	-	-	-
Release of provision	-	(228)	-	(228)
At 31 March	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>

### Provision for upgrades to existing housing

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
As at April 1	7,484	11,442	7,484	11,442
Increase in provision	-	-	-	-
Provision utilised	(212)	(3,958)	(212)	-
Release of provision	(4,522)	-	(4,522)	(3,958)
At 31 March	<u>2,750</u>	<u>7,484</u>	<u>2,750</u>	<u>7,484</u>

# Notes to the Financial Statements

## 28. Share capital

	2023 £	2022 £
Shares of one pound each fully paid and issued	<u>28</u>	<u>34</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.

## 29. Analysis of changes in net debt

### Group

	At 1 April 2022 £'000	Cash flows £'000	Movement in creditors due within one year £'000	At 31 March 2023 £'000
Cash at bank and in hand	4,221	838	-	5,059
Housing loans due less than one year	(316)	-	(302)	(618)
Housing loans due in more than one year	(176,320)	(11,852)	302	(187,870)
	<u>(172,415)</u>	<u>(11,014)</u>	<u>-</u>	<u>(183,429)</u>

### Association

	At 1 April 2022 £'000	Cash flows £'000	Movement in creditors due within one year £'000	At 31 March 2023 £'000
Cash at bank and in hand	3,722	208	-	3,930
Housing loans due less than one year	(316)	-	(302)	(618)
Housing loans due in more than one year	(176,320)	(11,852)	302	(187,870)
	<u>(172,914)</u>	<u>(11,644)</u>	<u>-</u>	<u>(184,558)</u>

## Notes to the Financial Statements

### 30. Net cash flow from operating activities

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Surplus/(deficit) for the year	8,096	6,744	7,402	5,629
<b>Adjustments for non-cash items;</b>				
Depreciation of tangible fixed assets	4,293	3,932	4,293	3,932
Amortisation of bond premium	(42)	(41)	(42)	(41)
Amortisation of intangible assets	(1,684)	(1,691)	(1,684)	(1,691)
Surplus on sale of fixed assets	(906)	(68)	(588)	(45)
Re-measurement of pension liability	(756)	4,756	(756)	4,756
Unwinding of discount factor on pension liability	(99)	(194)	(99)	(194)
Reduction in home loans	-	-	-	(1)
Share of operating (deficit) in joint ventures	54	(76)	-	-
Uncapitalised development costs	215	90	215	90
<b>Working capital movements</b>				
Decrease/(increase) in properties for sale and work in progress	13,384	741	10,962	(259)
Decrease/(increase) in trade and other debtors	(9,427)	1,073	(6,921)	1,406
Increase/(decrease) in trade and other creditors	2,981	(5,072)	3,076	(5,022)
Decrease in provisions	(4,734)	(4,186)	(4,734)	(4,186)
Decrease in pension provision	(188)	(4,794)	(188)	(4,794)
<b>Adjustments for investing or financing :</b>				
Interest payable	7,458	6,990	7,458	6,991
Interest receivable	(76)	(2)	(112)	(133)
<b>Net cash generated from operating activities</b>	<b>18,569</b>	<b>8,202</b>	<b>18,282</b>	<b>6,438</b>

### 31. Capital commitments

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Capital expenditure</b>				
Contracted less certified	23,576	17,805	16,348	9,198
Expenditure authorised by the Board, but not contracted	14,639	12,897	14,639	12,897
	<b>38,215</b>	<b>30,702</b>	<b>30,987</b>	<b>22,095</b>

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

# Notes to the Financial Statements

## 32. Related party transactions

There was one Board Member who was also a resident during the year.

The Board Member has a secure occupation contract 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 (2022: £1,178,000) and from WHP2 were £963,000 (2022: £1,010,000).

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 £37,844 (2022: £131,415). 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 (2022: £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 £169,751 (2022: £197,550)

## 33. Contingent assets/liabilities

The Group and Association has no no contingent assets at 31 March 2023 (2022: nil).

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

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 2020 was £28,761,280. 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.

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.

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Recycled Capital Grant Fund</b>				
As at April 1	3,024	3,748	3,024	3,748
Additions	407	336	407	336
Usage	-	(1,060)	-	(1,060)
<b>At 31 March</b>	<u>3,431</u>	<u>3,024</u>	<u>3,431</u>	<u>3,024</u>

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;

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- Disposal giving rise to a repayment of discount under Schedule 2 to the Housing Association Act 1985.

Stock acquisitions previously undertaken include original government grant funding of £2.0 million which has an obligation to be recycled in accordance with the original grant funding terms and conditions.

This comprises a stock acquisition during the year from Wales & West Housing Association Limited. Coastal Housing Association Limited is responsible for the recycling of the grant in the event of the housing properties being disposed.

**Surety Bonds**

The Association and Pennant entered into a shared deed of indemnity with Tokio Marine HCC. This enables Pennant to issue a surety bond with Tokio Marine HCC in relation to sectional agreements for Pennant developments. During the year, Pennant issued a bond for a Section 38 agreement, in relation to its development at Coleman Vale, Pen y Fai to the value of £401,530.