# ARAWAK WALTON
# HOUSING ASSOCIATION LIMITED
(A Charitable Co-operative and Community Benefit Society)

Financial Statements

For the Year Ended 31 March 2021

# Contents

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| **Board of Management** | Ms Evelyn Asante-Mensah (Chair)<br>Mr David Brown (Deputy Chair)<br>Ms Anita Patel<br>Ms Hilda Kaponda (Resigned September 2020)<br>Ms Jenny McGarry<br>Ms Sally Penni<br>Mr P Roberts (Resigned September 2020)<br>Ms Elizabeth Webster<br>Mr Troy Tull (Joined September 2020 – Not yet appointed – Co-opted)<br>Mr Rob Brown (Joined September 2020 – Not yet appointed – Co-opted)<br>Mr Sharon Thomas (Joined September 2020 – Not yet appointed – Co-opted)<br>Ms David McGovern (Joined September 2020 – Not yet appointed – Co-opted) |
| **Secretary** | Ms. C. D'Souza, A.C.A. |
| **Executive Officers** | Ms. C. D'Souza, A.C.A. (Chief Executive)<br>Mr C Page, BA (Hons, MSc), MCIH, DipHSM (Operations Director)<br>Mrs A Harris BA (Hons) ACMA (Finance Director) |
| **Bankers** | Royal Bank of Scotland Plc.<br>Customer Service Centre Drummond House<br>1 Redheughs Avenue<br>Edinburgh<br>EH12 9JN |
| **Solicitors** | Knights plc<br>Riverside Court<br>Bollin Walk<br>Wilmslow<br>SK9 1DL |
| **Auditors** | Beever and Struthers Chartered Accountants<br>St. George's House<br>215-219 Chester Road<br>Manchester<br>M15 4JE |
| **Registered office** | Margaret House<br>23 Manor Street<br>Ardwick<br>Manchester<br>M12 6HE |
| **Registration Number** | L3713 - Regulator of Social Housing<br><br>25160R - Co-operative and Community Benefit Societies Act 2014 |

The Board presents its report and audited financial statements for the year ended 31 March 2021.

### Principal activities

The Association's principal activities are the acquisition and management of social housing primarily for the Black and Minority Ethnic communities in the North West.

### Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider with charitable status.

The Association is a Public Benefit Entity as defined by FRS102.

### Review of the year

The financial year 2020/21 saw our stock of homes increasing by an additional 13 units taking our total properties owned to 1,109. The Association also continues to manage 76 properties on behalf of the Boaz Trust. Turnover was slightly higher than the 2020 levels at £5.5million. The total comprehensive income for the year of £103,602 has taken total reserves to £12,929,110. Our reserves have been re-invested and helped to fund the acquisitions of new properties costing £944,701 and replacing components such as bathrooms, kitchens, windows and boilers in our existing stock costing £515,422.

The Association now has approximately £19.4 million of loan facilities in place at 31st March 2021, of which £16.2 million has been utilised.

The Association has been successful in achieving the Customer Service Excellence Standard in 2019 and, whilst the 2020 assessment could not take place due to the pandemic, we continue to be committed to providing excellent customer service to our tenants. The award is a mark of excellent customer service and continuous improvement in service provision. It also denotes that services that are provided are effective and represent Value for Money (VfM).

The impact of Covid-19 has impacted on 2020/21 in that some repairs and maintenance work was not able to be carried out due to lockdown restrictions and will now be carried out during 2021/22. Additional costs for cleaning and other health and safety measures have also been incurred but have been within overall budgeted levels. The impact on the business has been discussed by our Board throughout the year. Stress testing and sensitivity analysis has been undertaken in order to understand the potential further impact of the pandemic. The financial business plan already assumes an increase in arrears and bad debt write offs of arrears as part of prudent projections however these will continue to be reviewed throughout the year.

### Future developments

The Association intends to continue with its programme of modest growth. Growth will be through partnerships with other Housing Associations, local authorities and by acquisitions from the open market.

### Changes in fixed assets

Details of the movements in fixed assets are set out in note 11 to the accounts.

### Board of Management and Executive Officers

The Board of Management and Executive Officers of the Association are listed on page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and, although not having legal status of Directors, they act as Executives within the Authority delegated to them by the Board of Management.

## Financial risk management objectives and policies

The Association uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board receives regular reports on these figures in order to manage the Association's requirements.

## Employees

The strength of the Association lies in the quality and commitment of its employees. The Association operates an appraisal system and provides training programmes focused on quality and customer service and seeks employees' views on how to improve systems and on matters of concern.

Details of employees are set out in note 9 of the accounts.

## Auditors

A resolution to reappoint Beever and Struthers as auditors will be proposed at the Annual General Meeting.

## Principal Risks and Uncertainties

The Board has adopted a comprehensive planning, risk and control framework. It has identified the following as the principal risks and sources of uncertainty which may impact on the Association's plans, and has put in place measures to monitor and, where appropriate, to mitigate these:

Government Policy

- A change to government policy results in a new measure which reduces the income which can be generated by the Association, increases the Association's costs, threatens its ability to operate independently, or otherwise has a negative impact on the Association.

Operating Environment

- A change in the operating environment such as an increase in inflation or interest rates increases the costs of the Association's work or otherwise has a negative impact on the Association.

Governance

- A problem of governance results in the Association making poor decisions, either about the Association's future strategy, its finances or the management of risks.

Property Risks

- The Association delivers its work primarily through letting physical property assets. This work is threatened if there are problems in letting or maintaining these assets in a cost effective way.

Compliance Risks

- The Association operates in an environment which requires compliance with both internal and external rules, standards and legislation. The failure to comply with one or more of these could lead to reputational damage, financial loss or harm to people.

Covid-19

The main issue affecting the UK and creating global concern is the Coronavirus (COVID-19) pandemic. During lockdowns the Association has been providing virtually all its services remotely with all health and safety repairs being carried out, with all services now resumed. The economic impact of the pandemic is not fully known. In addition to implementing a "business as usual" approach, we have set in place the following:

- Regular review of budget and business plan assumptions
- Stress testing and sensitivity analysis specific to Covid-19

- Regular updates to Board so members are up to speed on issues and changes we are making to address the impact of COVID on the Association
- Specific KPIs being measured and reported to Senior Management
- By not furloughing any staff we have been able to increase our support for vulnerable tenants in order that they can access the support that's available to them
- Ensuring our website is kept up to date for our tenants with relevant COVID updates and information about our services

The key areas of uncertainty identified are:

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|---|---|
| Increased costs of repairs | It is not known how the economic environment will affect the cost of repairs, however the Association uses a number of local contractors who have continued to trade. We have stress tested the business plan on this area and the plan can sustain an increase in costs. Management will continue to monitor the level of spend. |
| Impairment trigger | EUV-SH values are not expected to be impacted and therefore we do not expect any impairment. |
| Increased rent arrears | Additional monitoring of rent arrears has been introduced. By not furloughing any staff we have been able to increase our support for vulnerable tenants in order that they can access the support that's available to them. |
| Cashflow implications | Reduced income from an increase in rent arrears has been modelled through the business plan. The Associations has access to £3.25m of undrawn loan facility. |
| Loan covenant compliance | The financial plan has been reviewed and demonstrates that all loan covenants can be met. |

**Statement of the Board's responsibilities in respect of the accounts**

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these accounts the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and the Housing Acts. 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, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board of Management is aware:-

- there is no relevant audit information of which the Association's auditor is unaware, and;
- the Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Statement of the Board of Management on internal controls**

The Board is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms there is an ongoing process for identifying, evaluating, and managing the significant risks faced by the Association, that has been in place for the year under review and up to the date of approval of the annual report and accounts, and that this process is regularly reviewed by the Board.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

The Board are responsible for the identification and evaluation of significant risks together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

A control self-assessment and hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across all operations and provide for successive assurances to be given at increasingly higher levels of management and finally to the Board. This process is facilitated by internal audit that also provide a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

The executive officers report regularly on their review of risk and how they are managed to the Board. Internal audit independently review the risk identification procedures and control process implemented by the executive officers and report to the Audit Committee as part of the internal controls framework at least three times a year. The Audit Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee presents its findings to the Board on a regular basis.

The Chief Executive also reports to the Board on behalf of the Executive officers on significant changes in the business and the external environment, which affect significant risks. The Finance Director provides the Board with regular financial information, which includes key performance and risk indicators. Where areas for improvement in the system are identified, the Board considered the recommendations made by the delegated Committee.

## Value for Money Report 2020/21

### Executive Summary

Arawak Walton Housing Association (AWHA) has used Housemark and the Regulator of Social Housing's (RSH) VFM metrics and 2020 Global Accounts figures to help understand and compare its performance across a range of value for money metrics and identify priorities for the future. At the time of writing 2020/21 comparative data is not available.

AWHA's headline cost per unit (cpu) of £3,375 in 2020/21 (£3,444 in 2019/20) which is £449 per property lower than our peer's median of £3,824 in 2019/20. In 2021/22 and beyond, our plans are to invest more in maintaining our properties and reduce carbon emissions which will mean that our costs per unit will increase and this is reflected in our future targets.

By working in inner-city areas with high levels of deprivation, the service we provide to our tenants is our key focus. We offer an intensive service to those who need it which we recognise will incur greater costs. In addition, the majority of our properties are pre-1919 terraced properties and as such our costs will be higher than many associations.

During the year we have reviewed our asset management strategy, focussing on establishing plans to invest in carbon reductions measures for all of our properties. Our budget for 2021/22 and our 30 year business plan include provisional figures for this investment and we plan to carry out further research in this area during 2021/22.

We recognise that we should continue to review the delivery of our maintenance and major repairs functions to ensure we are operating efficiently, and to that end we work with similar groups in the North West through the Community Housing Association's North West Group to compare prices and discuss best practice to get value for money for the Association. In the past year this group has compared responses to the Covid-19 pandemic, health and safety and also strategies to meet zero carbon targets. Despite the interruptions during the year due to Covid-19 our repairs satisfaction result for the year is 99.77% with 100% of emergency repairs being carried out on time and over 98% for all other repairs.

### Section 1. Value for Money Strategy

As a specialist Black and minority ethnic (BME) housing provider, Arawak Walton's mission is to champion the provision of quality affordable homes in sustainable multi-cultural communities. We aim to redress the inequity faced by BME communities in accessing good housing, health, education, training and employment. To do this, we work in areas where BME communities predominantly live or aspire to live. We play a direct role in contributing to the success of the local economy by directly employing local staff and utilising the services of local contractors and suppliers. Over £2m of our rental stream is reinvested directly into the local economy.

We recognise that we operate in areas with high level of deprivation and the service we provide to our tenants is our key focus. We offer an intensive service to those who need it which we recognise will incur greater costs. We also aim to procure services locally which also may not be the cheapest option. Our VFM targets are informed by the work we identify in order to achieve our mission and objectives, as per below:

We benchmark our costs and performance annually and will look into any areas where we appear high cost.

### Our Vision and Values delivered through our business plan

**We are keen financial managers;** We need financial strength and effective financial management to underpin and expand our work; we use our resources to add value and release potential.

**We are open and accountable;** We provide user-friendly information about our performance as a housing association.

- **Retain strong financial position with capacity to grow**
- **Achieved agreed set of performance measures**
- **Retain G1 / V1**

The Board has overall responsibility for the Association's Value for Money Strategy and each year sets annual targets in line with the approval of the Business Plan and KPIs. Value for Money is at the centre of everything we do in terms of achieving our Business Plan objectives and targets. Specific elements of our approach to value for money are:

**Managing our costs and assets**

- a thorough budgeting and business planning process
- an annually updated Asset Management Strategy which sets out our plans for sustaining and enhancing the value of our asset base
- a feasibility model that incorporates not only funding but also housing management and long-term maintenance issues to ensure the financial soundness of potential new property acquisitions
- a Treasury Strategy and Annual Treasury Plan which maps out treasury activities for the coming year, balancing value for money and mitigating risks to the Association
- the requirement to tender certain procurements and obtain quotes for others to ensure market prices are paid, whilst maintaining our objective to work with local contractors where possible.
- we review contractor performance regularly, with a formal review undertaken every 3 years. This review includes a review of value for money of services provided.

**Reviewing our services**

- an annual review of our customer profile in terms of housing and geographical location aspirations to ensure it delivers housing opportunities where our customers want to live
- consideration of the value for money implications of new initiatives at Senior Management Team (SMT) and Board level
- An independent STAR survey is undertaken every 3 years to assess our customers' levels of satisfaction

**Reviewing & improving our performance**

- Weekly, monthly and quarterly KPIs are reported and reviewed by SMT
- A regular review of contractor's performance by officers and tenants and an annual appraisal.
- attendance at a range of procurement, value for money and function specific best practice events, sharing good practice and contributing to some of our procurement efficiencies
- participation in formal and informal benchmarking activities to identify areas where our performance does not meet that of our peers
- setting specific VFM projects or objectives as part of the VFM statement on an annual basis.

**Section 2. Value for Money Metrics**

The VFM standard, introduced from April 2018, requires that seven key metrics are measured along with other financial and non-financial KPIs selected by the Association. This allows for a rounded view of the activities of the organisation.

The table below shows our results for our VFM KPIs and compares these against our peers' data from 2019/20 (2020/21 data is not yet available). Following a four-year period of rent reductions, 2019/20 was the first year of the new rent regime, which has seen our turnover increase and an improvement in our operating margin from 24% to 25%. Whilst we are keen to keep costs as low as possible we feel that investing in our properties is key to providing good quality homes for our tenants and we have built into our future plans further investment into carbon reduction measures, scheme 21st century improvements and also further investment for roof and first safety works. This has meant that our projections for operating margin show a reduced level of around 18-20% over the next 5 years.

Our VFM future targets for the next three years are also shown, which have been taken from our 30 year financial plan and were approved by our Board.

During 2020/21 we reviewed our Housemark peer group and this continues to includes – all Traditional Registered Providers with less than 5,000 properties, based in the North (NW, NE, York & Humberside) and Midlands (East

Midlands & West Midlands). These results are shown together with the peer results from the RSH's latest global accounts (see RSH's VFM report for 2020/21).

The Covid-19 pandemic has had some impact on our costs in terms of intensive cleaning at our communal schemes and costs incurred for PPE, however we have seen a reduction in our arrears and we have been able to carry on with our component replacements programmes with only minor delays. We continue to support our tenants throughout this period and beyond. Our financial business plan is prepared on a prudent basis, allowing for increases in arrears, voids and interest costs. This is to ensure effective planning and to reduce any need for stopping our acquisitions programme or scaling back our service offer.

VFM KPIs

| | | AWHA | | | | | HOUSEMARK PEER | | | RSH | Future Targets | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Detail | Actual | Actual | 12 months Actual to | 12 months Target | Target Achieved? | Median | Upper Quartile | Lower Quartile | Global Accounts (1) | AWHA | AWHA | AWHA |
| | | 2018/19 | 2019/20 | 2020/21 | | | 2019/20 | | | | 2021/22 | 2022/23 | 2023/24 |
| 1 | Operating Margin | 28% | 24% | 25% | 20% | Yes | 22% | 27% | 19% | 24% | 18% | 20% | 20% |
| 2 | Operating Margin (social Housing) | 28% | 24% | 25% | 20% | Yes | 24% | 28% | 20% | 20% | 19% | 20% | 21% |
| 3 | Interest Cover (EBITDA MRI) % | 296% | 235% | 311% | 195% | Yes | 212% | 290% | 148% | 199% | 131% | 147% | 154% |
| 4* | New Supply Delivered % | 0% | 0% | 0% | 0% | N/a | 1.78% | 3.47% | 1.00% | 0.7% | 0% | 0% | 0% |
| 5 | New Supply Delivered % (non-social) | 0% | 0% | 0% | 0% | N/a | 0 | 0 | 0 | 0.0% | 0% | 0% | 0% |
| 6 | New Supply (incl prop acquisitions ) | 1.3% | 2.4% | 1.2% | 0.9% | Yes | 1.78% | 3.47% | 1.0% | 0.7% | 1% | 1% | 1% |
| 7** | Gearing | 46% | 46% | 44% | 45% | Yes | 37% | 25% | 44% | 35% | 45% | 44% | 43% |
| 8*** | Reinvestment % (new & existing) | 1% | 1.6% | 1.4% | 1.7% | No | 5.06% | 8.48% | 2.85% | 5.60% | 2.7% | 2.6% | 2.7% |
| 9 | Return on Capital Employed | 4.41% | 3.48% | 3.80% | 3.0% | Yes | 2.99% | 3.58% | 2.64% | 3.00% | 2.9% | 3.1% | 3.2% |
| 10 | Cost Per Unit £ | 3,218 | 3,444 | 3,375 | 3,655 | Yes | 3,824 | 3,365 | 4,086 | 4,600 | 4,133 | 4,219 | 4,328 |
| 11 | Customer Satisfaction | 90% | 92% | 92% | >91% | Yes | 88% | 92% | 86% | N/A | >91% | >91% | >91% |
| 12 | Ratio of resp repairs to planned maint. | 94% | 70% | 73% | 63% | No | 64% | 47% | 100% | N/A | 54% | 57% | 57% |
| 13 | Occupancy | 99.7% | 99.7% | 99.9% | 99% | N/A | 99.3% | 99.8% | 98.86% | N/A | 99.30% | 99.20% | 99.10% |
| 14 | Rent collected | 100.7% | 100.3% | 101.87% | 99.3% | Yes | 100.4% | 100.4% | 99.7% | N/A | 98.0% | 98.0% | 98.0% |

Equal to / better than Housemark peer median
Within 10% of peer
Below / worse than peer

*(1) - Taken from RSH's VFM Metrics Report - under 2500 units*

* The RSH's metric only classes newbuild properties as new supply. For new supply incl prop aqcuistions see No 6.

** A considerable amount of AWHA grant (£26m) was gained via stock transfer it is shown differently in the accounts than other RP's grant. If the treatment was consistent our gearing figures would be 25%

*** If we include investment in property acquisitions our 20/21 result is 4% which is slightly below our peer median.

### Section 3. Analysis of Metrics

The Association's intention is to use the RSH's global accounts alongside Housemark where possible. References within this report to peer results will be our Housemark peer group unless stated otherwise. Our Key Performance Indicators are agreed annually by Board in order to drive change in the future and are reported quarterly to Board during the year. The use of the cost per unit measures help us identify areas of focus for investigation and subsequent cost review, however we are cognisant of the impact of working in mainly high deprivation areas coupled together with our community-based approach on our costs. Where the Association's results are significantly different from the sector median these will be investigated and detailed in this report.

The analysis in this section focuses on the seven key metrics together with our own KPI's as chosen by the Board.

### 1) Operating Margin (overall)

Our 2020/21 operating margin of 25% was higher than our peers' figure of 22%. This has increased by 1% since 2019/20 largely due an increase in rental income and also some budget savings during the year. However, we have seen an increase in our day to day repairs expenditure which is expected to continue.

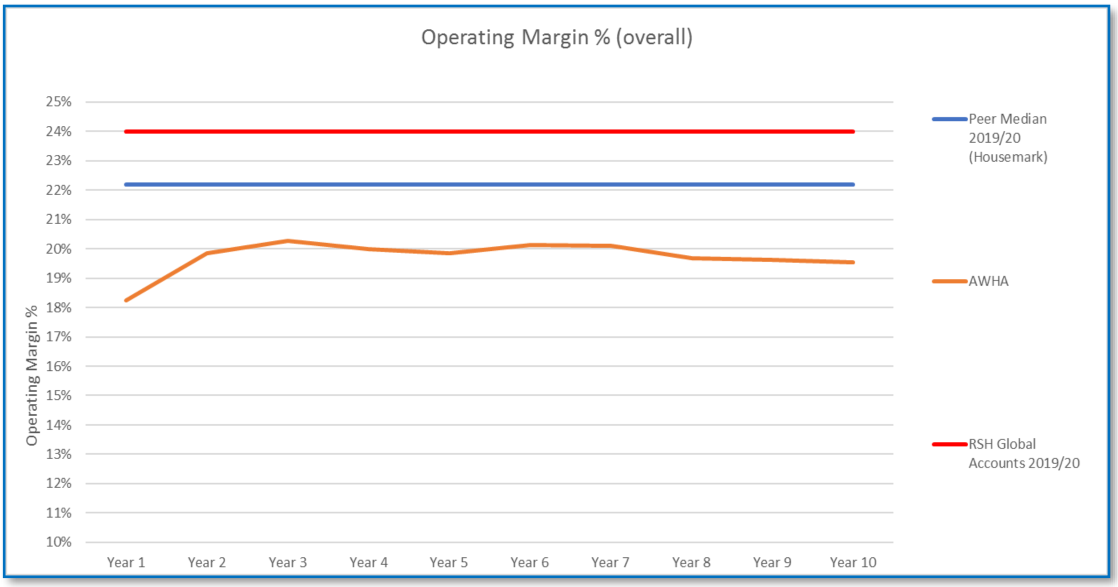
We want to continue investing in our properties and our investment in our properties is planned to continue with greater investment in capital works. During the year our Board has agreed to increase our property investment levels in order to invest in carbon reduction measures in order to get all our properties to an EPC minimum level of C. In addition to this we have also planned for modernisation improvements in our communal schemes in order to keep them attractive and somewhere where tenants enjoying living. Due to this additional investment our operating margin is forecast to reduce to 18% in 2020/21.

In addition to this, to ensure we attract and retain staff we regularly carry out salary benchmarking reviews. In 2019/20 a review showed that some salaries were below sector average and therefore some salary costs increased from April 2020.

Our analysis of our costs per unit is shown below in section 10.

Our key challenges for the future to ensure Value for Money will be:
- minimising cost increases, especially in key areas of expenditure such as maintenance and staff costs, possibly as a result of economic factors. The Association continues to be part of procurement groups and explores cost savings opportunities.

Our forecasts of our operating margin are shown below:




### 2) Operating Margin (Social Housing)

The margin in 2020/21 of 25% is above our housemark peer figure of 24% and also the RSH's global accounts figure of 20%.

As mentioned above in 1) our operating margin has improved slightly since 2019/20 but is forecast to decrease due to increases in property investment – increases in day to day repairs and significant increases in property improvements.

In January our Board reviewed our rent levels to ensure that with any increase applied, rents would still remain affordable for our tenants. Our average rent level for 2019/20 was £83.83 per week which is below the Local Housing Allowance level and also below the Living rent level (a rent level framework developed by Joseph Rowntree Foundation and the National Housing Federation which links rent levels to local incomes).

### 3) Interest cover

The Association's interest cover ratio of 311% compares favourably to the peer median of 212%. 30% of our loans are on variable interest rates and therefore we have seen some savings in interest charges due to the low interest rates during the year. Going forward interest cover is expected to fall due to our planned increased spend on component replacements and prudent assumptions for interest costs, although we will still be well within the minimum cover required by our funders. Our capital investment programme is smoothed over a number of years in the business plan to reduce the effects of one-off spikes in future years.

During 2020/21 we reviewed our treasury strategy to ensure that our funding position is fit for purpose, gives the best value for money and also to establish the effect on our funding position from increasing our property investment plans and carbon reduction. We have plans to consider a refinancing exercise in 2021/22 to enable us to free up security tied to a variable loan.

### 4) & 5) New Supply Delivered – Social and Non-Social

The Association is not currently developing new properties as the availability and affordability of land in the areas we operate is prohibitive. The Association's mission is to provide safe sustainable homes in the areas we operate in. We are keen to avoid charging high rents that would put our tenants into the poverty trap. Having achieved Investment Partner status with Homes England, we are now in a position to attract grant funding, enabling us to ensure rents are affordable for our tenants.

Although the Association is not currently developing new properties, there have been opportunities to acquire properties from different sources which has resulted in some years seeing significant growth. Our growth is reflected in the KPI below.

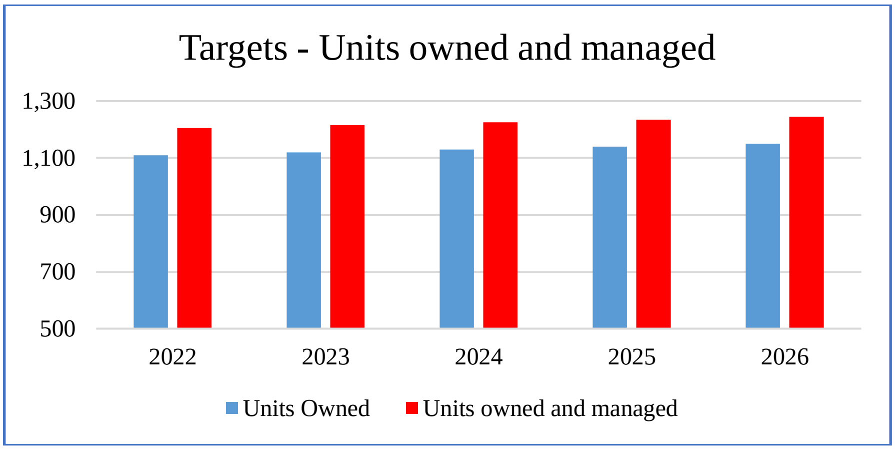
### 6) New Supply Delivered – Social and Non-Social – including acquisitions

This KPI is our own measure and includes properties acquired on the open market or from other registered providers, which is excluded from the RSH's VFM metrics.

In 2020/21, the Association acquired 13 properties against an annual target of 10, with 26 acquired in 2019/20. The Association has been particularly successful in acquiring properties from partner associations who were looking to divest these from their portfolio. 11 of the properties acquired this year have been let at social rent levels, which is a priority for our tenants living in areas of high deprivation.

Our long-term financial plan includes a rolling 1 year budget of £1m per year for 10 acquisitions and we will review this should further opportunities arise. Our annual target is to grow by at least 10 properties per year.

Our future units targets are projected as below:




## 7) Gearing

The Association has a gearing figure of 44% as per the RSH's metrics calculation. This is above the 2019/20 median figure of 37%. However, it must be noted that with FRS102, any grants received by the Association via acquisition are required to be netted off against fixed asset costs with the result that cost of assets are reduced by £26m. If these grants were added back in, the calculation would show a gearing calculation of 25% which would put the Association in the upper quartile when compared with peers.

During 2020/21 no additional borrowing was required from our existing loan with Warrington BC despite us acquiring 13 acquisitions. As at 31.3.21 we have £3.25m undrawn with this facility and this is expected to meet our requirements until 2024/25.

## 8) Reinvestment % (new and existing properties)

During the year we invested £515k on improving our properties in the following ways:

- We spent £151k on replacing 31 kitchens;
- We spent £125k on replacing windows and doors
- We spent £97k on roof and structural upgrades
- We spent £142k on other property improvements such as boilers and bathrooms.

Due to Covid 19 we were unfortunately unable to complete our bathroom programme and this is one of the reasons why our actual percentage of 1.4% is below our target for the year.

As in the RSH's New Supply KPIs, investment in properties that have been acquired is not included in this calculation. During 2020/21 we spent £945k in acquiring and improving properties. Had this been included in this metric, our result would have been 4% which is slightly below the median of our peer group.

Our revised 30 year financial plan incorporates our stock condition data and shows the requirement to increase our investment in this area in the next few years which will increase this percentage, as shown in our future targets. During 2020/21 we have a number of asset management projects to look at investment levels needed to meet carbon reduction targets and also reassess our roofing programme using drone technology. Our forecast over the next 5 years is that our reinvestment % will be an average of 2.7% each year – this is excluding our investment in acquisitions.

Whilst achieving a high percentage on this KPI is deemed good we are mindful that increasing investment in existing properties would also increase our headline cost per unit and therefore make us look expensive.

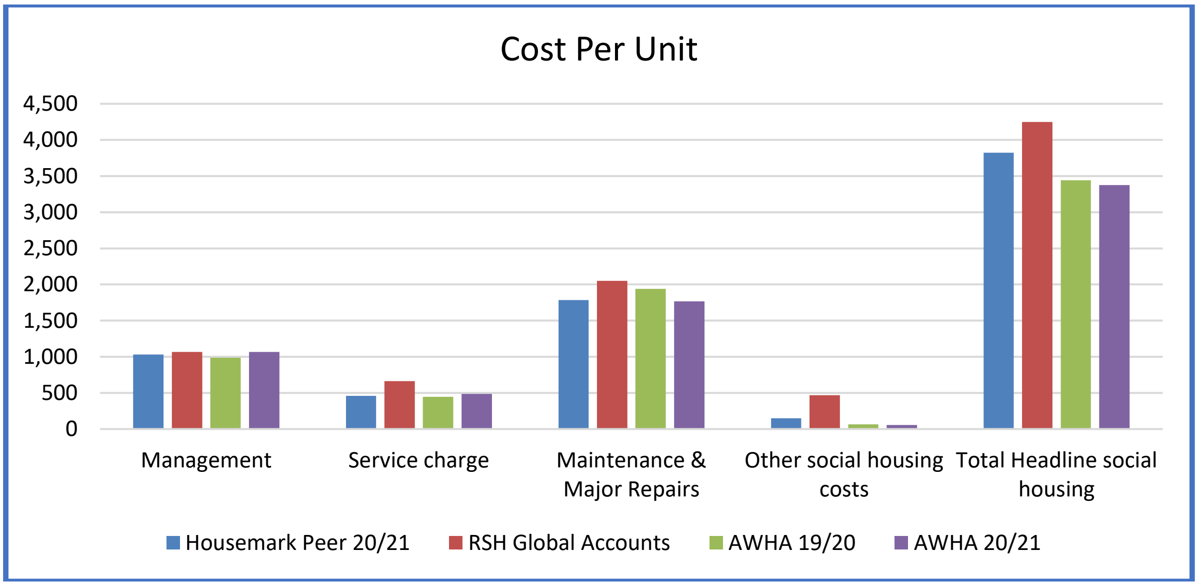
### 9) Return on Capital Employed (ROCE)

The Association has a Return on Capital Employed of 3.8% as measured by the RSH's metric calculation. This is above the peer median 2020 figure of 2.99% and demonstrates a good return on investment for the Association's assets compared to its peers.

Our Manchester homes were largely acquired before those in Trafford and Stockport and therefore have a lower Net Book Value, and whilst the average Manchester rent is lower than in Trafford and Stockport, the low property value results in a higher ROCE. For our submarket rent properties, rents are typically almost 50% higher than general needs rents, but these properties were acquired more recently and therefore have significantly higher net book values, resulting in a modest contribution.

### 10) Cost Per Unit (CPU)

The chart below shows our cost per unit (cpu) figures for 2020/21 together with our previous year and our peer unit costs for 2019/20.




The Association's headline cost per unit (CPU) for 2020/21 was £3,375 which is below our target and also less than the 2019/20 median figure of our peers £3,824. Largely due to Covid 19 we were able to make some savings on staff travel, staff and board events and also some resident events were unable to take place. We installed a new phone system which will see ongoing savings over the next few years, whilst providing enhanced features. During the year there was also some maintenance work that could not be carried out due to Covid-19 which would have increased our costs more in line with the previous year's level.

Our annual report from Housemark for 2019/20 shows that our overheads are £795 per property, with our peers at £798. Our annual report can be found here. The adaptation to working under Covid 19 restrictions has gone very well and all staff were working remotely at the start of the year with only minimal disruption to services. Our head office remains the hub of our community and we want this to continue, so whilst some agile working will take place going forward, we have no plans to reduce our office size.

During 2021 and 2022 we will be concentrating on implemented a mobile working software solution which is aimed to improve our services and eliminate duplication, whilst also making some processes paperless and keeping our data more secure. Although no costs savings are envisaged at this moment, we will review this throughout the project.

Our costs over the last few years have increased in some areas and we have plans to invest more into our properties so our business plan shows that unit costs will increase over the next few years – further details are shown below:

**Management Costs**

Our management cpu for 2020/21 was £1,066 compared to a peer median figure of £1,032. The increase in our costs has been as a result of salary review to realign salaries to more in line with sector levels together with more overheads being allocated to this area. Overall overheads across the Association have remained at similar levels to 2019/20 but during 2020/21 more were allocated to management costs.

Our vision is to improve tenant and community involvement and to retain our high levels of customer satisfaction whilst ensuring we offer a VFM service. We feel we offer a unique approach to customer service that is culturally sensitive and people centred which we believe drives high tenant satisfaction.

We work in a bustling, diverse inner city with some of the poorest people in society. In addition 80% of our tenants are BME which brings extra challenges with language and cultural sensitivities. In addition they tend to have larger households that inflict greater wear and tear on the properties.

Over the past few years due to welfare reform it has been necessary to increase the hours of staff members working in critical areas in order to maintain the arrears levels. The requirement to tender for services above a certain value will help to ensure that value for money is obtained for these services.

All managers have been involved in systems thinking training to build continuous improvement and a culture of innovation. In the last year we have reviewed the way we handle Anti-Social Behaviour and Safeguarding and managers are empowered to change services to deliver at their optimum level.

Along with the housing management service we are mindful that the association has a historic social purpose to demonstrate that a BME association can be an example for success and force for good in the community. We are committed to playing a role to champion and promote multi-cultural sustainable neighbourhoods. To do this we participate in events and community group and contribute to local events and have a close and meaningful relationship with several local charities. As well as providing a housing management service to a local refugee accommodation charity.

Withdrawing from these activities might enable a slight reduction in costs however we believe this

**Maintenance & Major Repairs**

The Association mainly works in deprived inner-city areas and consequently has a significant percentage of pre-1930's terraced stock which incur higher levels of maintenance. Our costs for 2020/21 were £1,767 per unit and were lower than the 2019/20 Housemark median of £1,784 and the RSH average of £2,051. There was one component replacement project that could not be fully completed during the year and therefore our spend in the area has been less than planned. Works will be carried forward to 2021/22.

Our mission to accommodate diversity means that additional costs are incurred such as the provision of wet rooms in some properties plus burglar alarms in each property. These initiatives contribute around £30k to the cost base of the Association each year. During the year a strategic decision was made during to use our voids in a more targeted manner in order to resolve current tenant housing issues, thus reducing the pressure on housing services and improve the service to our tenants. As a result it has meant that unreported repairs are identified at the changeover stage and together with standard safety checks this has meant increased costs of around £17k. Overall our average relet costs for the year were £1.7k per relet, which compares favourably to our peers figure of £2k.

Our investment in updating and replacing property components (eg kitchens & bathrooms) is driven by stock data intelligence and is also reviewed each year to ensure that replacements only occur when they need to. Our property requirements are expected to increase over the next few years and whilst we recognise that this will increase our cost per unit and reduce our surpluses we feel that investing in our properties is key to providing good quality homes for our tenants.

In 2020/21 we introduced a fencing programme, which some other RPs to save costs have chosen not to do. We believe that this will help to continue to make our neighbourhoods attractive and reduce resident dissatisfaction.

The Association maintains its position of selecting local contractors as part of its social purpose in terms of reinvesting in the local economy and value for money is always obtained for every contract. The Association is part of procurement groups and Community Housing NW Association group and regularly compare prices to ensure we are getting the best prices in the market. Quotes for all repairs work contributes more to building a healthy and harmonious community and that is priceless.

**Our future plans:**
In 2021 we began our mobile working project to allow better access to our systems whilst being out and about in our neighbourhoods. We believe this will make our housing staff more efficient. The first areas that we will be implementing are:

- digitalising our support plans
- digitalising our health and safety checks at our communal schemes
- digitalising our tenancy sign up process
- reporting a repair whilst off-site;

We have changed our structure to allow managers to take more responsibility for higher level strategic tasks to free the Operations Director to oversee the critical projects in the Asset Management Strategy.

We have aligned a number of budgets to enable a planned approach to be taken in the upgrade of communal blocks of flats.

over £500 are received to ensure we are getting good value for money from our contractors.

All of our maintenance programmes are tendered to ensure we are getting the best price we can.

**Our future plans:**

- Our key challenges for the future to ensure Value for Money will be to deliver the responsive repairs service at the sector median. The Association will work towards increasing the level of planned works in the year as this could lead to greater efficiencies and cost savings in day to day repairs. However, we are cognisant of the diverse needs of our tenants and the potential impact on their cultural and religious needs in terms of some of our responsive works
- We will continue to tender all maintenance contracts over £15k;
- We will review the cost/benefit of our electrical re-wiring programme;
- We will review our climate change strategy to look at investing carbon reduction measures.

**Services**
Our service costs per unit of £487 were slightly higher than the 2019/20 peer median of £459. Whilst are costs have been lower in previous years we have seen some increases in communal cleaning and energy prices. During the year we incurred additional costs for cleaning due to Covid-19 of £31k due to increased cleaning
We will continue to review costs and re-tender contracts on an annual programme to ensure we are getting the best value for money services for our tenants.

**Other Costs**
Our other costs per unit are significantly below our peers with a cpu of £55 against a peer of £150. Our costs relate to supporting people charges and the management costs for the properties we manage on behalf of The Boaz Trust.

## 11) Customer satisfaction

One of our strategic aims is to continue to provide high quality and accessible services to customers by ensuring that services meet the needs of people who use them or are affected by them. In 2019/20 we instructed an independent company to carry out a STAR survey and the results gave us a 92% satisfaction rating the highest we have ever achieved despite a reduction in income for 4 years.

We continue to carry out satisfaction surveys on a weekly basis for all day to day repairs and our rates continue to be above 99%.

We are assisted in our review work by our Tenants Quality Panel, who during the year have assisted us in reviewing our Complaints Policy and Procedure, in light of the Housing Ombudsman's new Code. This has resulted in an update to the Complaints section on our website to make it easier for tenants to understand and utilise the Complaints process. It has also provided us with reassurance that our Policies and Procedures are in line with the Ombudsman's Code and the needs of our tenants.

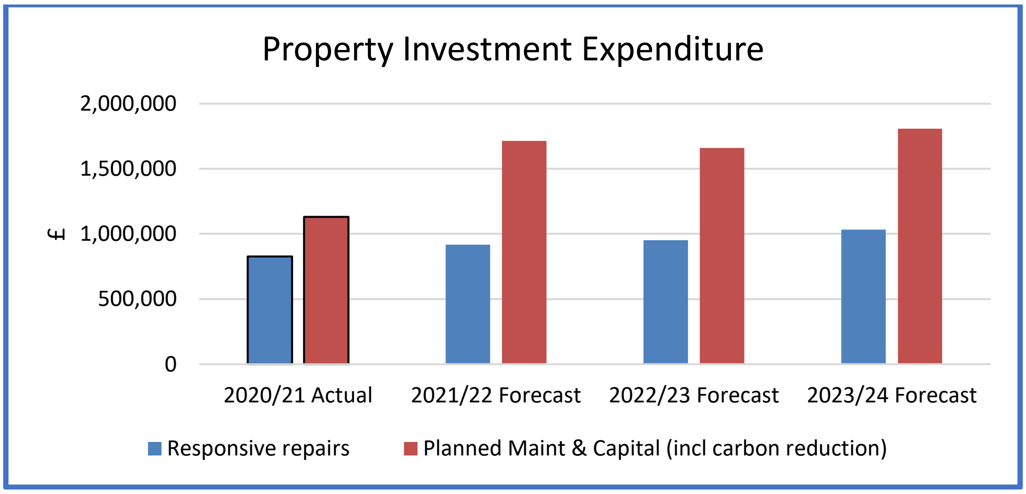
### 12) Ratio of Responsive Repairs to Planned Maintenance

This measure looks at the ratio of expenditure on responsive repairs as a percentage of total planned maintenance expenditure (incl major repairs and capital major repairs expenditure). We reviewed the categorisation of costs during 2019/20 and have reallocated more costs to planned works – as a result our percentage reduced in that year. During 2020/21 we incurred increases in responsive repairs and this together with some reduced expenditure on component replacements has meant that our ratio has increased more than expected and we have not met our target.

Our decision to utilise mutual exchanges and transfers in order to address tenancy or ASB issues has meant that the relet repair costs have increased, as more repairs are being picked up during the process. We plan to carry on with our approach as we have already seen the positive impact it has had on tenants so far.

Whilst we currently have a higher ratio than our peers our plans to increase investment in carbon reduction measures and scheme 21st century improvements mean that our forecasts for this ratio are around 54%-57% over the next 3 years, which will place us in the upper quartile of our peers.

Over the next few years our plans are to increase our planned programmes whilst maintaining similar levels of responsive repairs which will reduce our percentage of responsive to planned. The graph below shows our investment levels for 2020/21 and the next three years.




### 13) Occupancy

Our occupancy levels continue to be high at 99.9% for 2020/21. This is as a result of the relatively low turnover of our customer base plus also quick turnarounds from our contractors to complete the works on a property when it becomes vacant. The Association currently has a waiting list for properties which is shows a very high demand for all types of properties in our areas. The impact of Covid-19 at the start during the year has meant that there has been a slight increase in the number of voids but this is well within our target – our budget and business plan has been compiled using prudent numbers for this area.

### 14) Rent Collected

The amount of rent collected in the year has exceeded 100% for the fifth year in a row, resulting in rent due being collected plus an element of arrears which has exceeded our target. During 2020/21 we have seen our arrears levels reduce from 2.7% at the start of the year to 2.5%. This is due to the continued proactive work by the Association's housing staff who assist our residents with any money concerns and work with them to ensure that they are receiving their full entitlement to any necessary benefits due which has been particularly key during the pandemic. Our approach to growth – by acquiring properties, the majority of which are at social rent has hopefully helped tenants by keeping rents affordable.

Our budget and business plan assumptions are set prudently and already assume an increase in arrears, however we will keep a watchful eye on this area.

## Section 4. Social Value

The Association has continued to provide support to community groups in the local area often working with disadvantaged people. As mentioned earlier in this report one of our aims is to work with utilise the services of local contractors and suppliers.

Some examples of social added value are shown below:

- During the year we worked with other Social Landlords working in an area of Manchester that witnessed a shocking double murder at an illegal gathering. With the other associations we agreed an action plan to respond to the incident and to encourage positive developments in the area. We established a community fund to support local groups that worked particularly with young people.

- We worked with another organisation to put on an event to encourage small businesses from the BME community to improve their business practices. Through the event we developed a relationship with a small cleaning and multi trade business who have become a regular contractor for the association.

- Our electrical contractor is continuing to grow & develop their business with the Association. After winning a 3 year contract with us they have recently taken on more locally based staff and purchasing materials from local suppliers.

- Our component replacement programme and especially the replacement of boilers have positive benefits for our tenants. Their improved energy efficiency reduces household heating bills and fuel poverty.

- During the course of the year we have continued to work closely with the Boaz Trust, a local charity with a national profile which provides support to refugees and asylum seekers, to provide tenancy management and repairs services at marginal cost to the Trust. AWHA manages 75 properties on behalf of Boaz.

- This year we have entered into negotiation with a local developer and a support provider to help create a 30 bed homeless hostel in the centre of Manchester. The City Council have stated that this is a key tool in their drive to end homelessness in the City.

## Section 5. How will we use Value for Money gains?

Value for money gains which generate a cash saving will be used to reduce the cost of borrowing to contribute to the purchase of additional homes. This will include homes acquired from partner associations plus properties acquired through the Manchester City Council Homelessness initiative.

## Section 6. Conclusion

The Association has performed well against the VFM targets set for the year. Rent collection continues to exceed 100% and we have also increased the number of homes in ownership during the year by 1%, by acquiring an additional 13 homes for letting to applicants on our waiting list.

We have continued to use Housemark's sector scorecard analysis together with the RSH's Global Accounts to measure performance against peers in order to further understand the costs of the Association and drive through efficiencies.

Our focus on investing in properties, including carbon reduction measures will mean that our costs will increase and this is reflected in our future VFM targets. However a key part of our mission and vision is to provide quality homes and an excellent service.

Arawak Walton Housing Association complies with the requirements of the new Value for Money standard.

## Statement of Compliance

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2018 SORP for Registered Social Housing Providers.

The Board has undertaken a review of the requirements of the Governance and Financial Viability Standard (April 2015) published by the Homes and Communities Agency, together with the Association's performance against these requirements. Based on this review, the Board certifies its compliance with the requirements of this Standard.

The Board adopted the National Housing Federation Code of Governance (2015) in December 2015. The Board complies with the requirements of the code.

**By Order of the Board:**

**Signed:** **Date: 21st July 2021**

## Independent Auditor's Report to the Members of Arawak Walton Housing Association Limited

### Opinion

We have audited the financial statements of Arawak Walton Housing Association Limited "the Association" for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves and the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### 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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

### Other information

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

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

We have nothing to report in this regard.

**Matters on which we are required to report by exception**

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

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

**Responsibilities of the Board of Management**

As explained more fully in the Statement of the Board's responsibilities set out on pages 4-6, the Board of Management 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 of Management 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 of Management are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the 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.

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

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

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

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

- We obtained an understanding of laws and regulations that affect the association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud.
- We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing, recognising the nature of the association's activities and the regulated nature of the association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

**Use of our report**

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

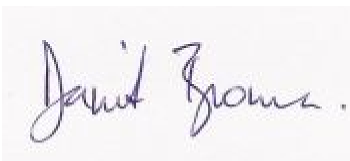
Date: 29 July 2021

# Arawak Walton Housing Association Limited
## Statement of Comprehensive Income
## For the Year Ended 31 March 2021

| | Notes | **Year ended 31 Mar 2021** | Year ended 31 Mar 2020 |
|---|---|---|---|
| | | **£** | £ |
| Turnover | **2** | **5,480,017** | 5,269,107 |
| Operating expenditure | **2** | **(4,109,307)** | (4,014,654) |
| Surplus on disposal of property, plant and equipment (fixed assets) | | **-** | - |
| **Operating surplus** | **2** | **1,370,710** | 1,254,453 |
| Interest receivable | | **291** | 2,723 |
| Interest and financing costs | **5** | **(542,399)** | (605,687) |
| **Surplus for the year** | **6** | **828,602** | 651,489 |
| **Other Comprehensive income** | | | |
| Actuarial (losses)/gains in respect of pension scheme | 10 | **(725,000)** | 675,450 |
| **Total Comprehensive income for the year** | | **103,602** | 1,326,939 |

The financial statements on pages 22 to 47 were approved and authorised for issue by the Board on 21st July 2021 and were signed on its behalf by:

**Chairperson:** **Board Member:** **Secretary:**


**The results relate wholly to continuing activities and the notes on pages 26 to 47 form an integral part of these accounts.**

## Arawak Walton Housing Association Limited
## Statement of Financial Position
## For the Year Ended 31 March 2021

| | Notes | Year ended 31 Mar 2021 £ | Year ended 31 Mar 2020 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 11 | 36,827,019 | 36,252,693 |
| | | 36,827,019 | 36,252,693 |
| **Current assets** | | | |
| Trade and other debtors | 12 | 126,907 | 182,857 |
| Cash and cash equivalents | 13 | 746,137 | 1,017,828 |
| | | 873,044 | 1,200,685 |
| **Less: Creditors:** amounts falling due within one year | 14 | 1,598,837 | 1,466,447 |
| **Net current (liabilities)** | 14 | (725,793) | (265,762) |
| **Total assets less current liabilities** | | 36,101,226 | 35,986,931 |
| **Creditors**: amounts falling due after more than one year | 15a | 22,047,797 | 22,676,925 |
| **Provisions for liabilities** | | | |
| Pension – defined benefit liability | 10 | 1,124,297 | 484,474 |
| **Total net assets** | | 12,929,132 | 12,825,532 |
| **Reserves** | | | |
| Non-equity share capital | 18 | 22 | 24 |
| Income and expenditure reserve | | 12,929,110 | 12,825,508 |
| **Total reserves** | | 12,929,132 | 12,825,532 |

The financial statements on pages 22 to 47 were approved and authorised for issue by the Board on 21st July 2021 and were signed on its behalf by:

**Board Member:** **Board Member:** **Secretary:**

**The notes on pages 26 to 47 form an integral part of these accounts.**

| | Income and expenditure reserve £ |
|---|---|
| Balance as at 1 April 2019 | 11,498,569 |
| Surplus for the year | 651.489 |
| **Other Comprehensive Income** | |
| Actuarial gains in respect of pension scheme | 675,450 |
| **Balance at 31 March 2020** | 12,825,508 |
| **Surplus for the year** | 828,602 |
| **Other Comprehensive Income** | |
| Actuarial losses in respect of pension scheme | (725,000) |
| **Balance at 31 March 2021** | 12,929,110 |

**The notes on pages 26 to 47 form an integral part of these accounts.**

## Arawak Walton Housing Association Limited
## Statement of Cashflows
## For the Year Ended 31 March 2021

| | **Year ended 31 Mar 2021 £** | Year ended 31 Mar 2020 £ |
|---|---|---|
| **Net cash generated from operating activities** | **2,238,704** | 1,972,396 |
| **Cash flow from investing activities** | | |
| Purchase of tangible fixed assets | **(1,509,552)** | (2,468,939) |
| Proceeds from sale of tangible fixed assets | **-** | - |
| Interest received | **291** | 2,723 |
| Grant received | **148,827** | 397,886 |
| **Cash flow from financing activities** | | |
| Interest paid | **(545,486)** | (569,662) |
| (Surrender)Issue of ordinary shares | **(2)** | 2 |
| New secured loans | **-** | 4,518,847 |
| Repayment of borrowings | **(604,473)** | (3,354,315) |
| **Net change in cash and cash equivalents** | **(271,691)** | 498,938 |
| **Cash and cash equivalents at beginning of the year** | **1,017,828** | **518,890** |
| **Cash and cash equivalents at end of the year** | **746,137** | **1,017,828** |

| | **Year ended 31 Mar 2021 £** | Year ended 31 Mar 2020 £ |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating surplus for the year | **1,370,710** | 1,254,453 |
| **Adjustments for non-cash items:** | | |
| Depreciation of tangible fixed assets | **935,226** | 838,806 |
| Decrease in trade and other debtors | **55,950** | 9,726 |
| (Increase) / decrease in trade and other creditors | **99,311** | 39,421 |
| Increase in provisions | **(85,177)** | (33,800) |
| Pension costs less contributions payable | **-** | - |
| **Adjustments for investing or financing activities:** | | |
| Government grants utilised in the year | **(109,017)** | (106,537) |
| Interest payable | **(28,299)** | (29,673) |
| **Net cash generated from operating activities** | **2,238,704** | 1,972,396 |

**The notes on pages 26 to 47 form an integral part of these accounts.**

**Notes to the Financial Statements**

**Legal Status**

Arawak Walton Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator for Social Housing as a Private Registered Provider of Social Housing. The registered office is Margaret House, 23 Manor Street, Ardwick, Manchester M12 6HE.

**1. Principal Accounting Policies**

**Basis of Accounting**
The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £.

The financial statements have been prepared in compliance with FRS102.

The Association is a Public Benefit Entity.

**Going concern**
The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Association undertakes an annual review of its Business Plan and its ability to meet its financial covenants together with stress testing and sensitivity analysis. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

**Judgements and key sources of estimation uncertainty**
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. **Development expenditure.** The Association capitalises development expenditure in accordance with the accounting policy described on page 28. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. **Categorisation of housing properties.** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.

c. **Impairment.** The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.

## Principal Accounting Policies (continued)

d. **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 10.

### Other key sources of estimation and assumptions:

a. **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

b. **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following the assessment of impairment no impairment losses were identified in the reporting period.

### Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the RSH, income from the sale of shared ownership and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

### Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

### Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge.

**Principal Accounting Policies (continued)**

**Loan interest costs**
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

**Loan finance issue costs**
These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

**Taxation**
The Association is granted charitable exemptions by HM Revenue and Customs, under reference XR48512, effective from the 19th August 1998.

**Value Added Tax**
The Association is not registered for VAT. All amounts disclosed in the accounts are inclusive of VAT.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, less accumulated depreciation. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

| | | | |
|---|---|---|---|
| Housing properties - new build | 100 years | Housing properties – rehab | 60 years |
| Kitchens | 15 years | Bathrooms | 30 years |
| Boilers | 15 years | Rewire | 40 years |
| Windows & Doors | 30 years | Lifts | 25 years |

The Association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

| | | | |
|---|---|---|---|
| Fixtures and fittings | 15% on cost | Office Equipment | 15% on cost |
| Computer equipment | 25% on cost | Office improvements (minor) | 33% on cost |
| Office Building | 60 years | | |

**Principal Accounting Policies (continued)**

**Low cost home ownership properties**
The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

**Capitalisation of interest and administration costs**
Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

**Property managed by agents**
Where the Association carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income Account.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Association's Statement of Financial Position.

**Leasing and hire purchase**
Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

**Short-term debtors and creditors**
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

**Social Housing and other government grants**
Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

**Principal Accounting Policies (continued)**

**Recycling of Capital Grant**
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

**Holiday pay accrual**
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

**Retirement benefits**
The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The Association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multi-employer pension scheme administered by TPT Retirement Solutions ('TPT').

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS is recognised in Other Comprehensive Income. Further disclosures in this area are included in note 10.

**Financial Instruments**
Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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:

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 assets such as cash, 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 loans are held at amortised cost using the effective interest method,

**Categorisation of debt**
The Association's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. At both 31.3.15 and 31.3.16 the Association had an undrawn loan facility which included provision for a fixed rate loan which had a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non basic". On the grounds that the Association believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Association has retained its "basic" treatment of its debt following the FRC announcement.

## 2. Turnover, cost of sales, operating expenditure and operating surplus

| | 2021 | | |
|---|---|---|---|
| | **Turnover** | **Operating expenditure** | **Operating surplus** |
| | **£** | **£** | **£** |
| **Social housing lettings (note 3)** | 5,393,265 | 4,040,786 | 1,352,479 |
| **Other social housing activities** | | | |
| Supporting people | 17,875 | 17,018 | 857 |
| **Other:** | | | |
| Managed Associations | 48,349 | 40,171 | 8,178 |
| **Activities other than social housing** | | | |
| Other | 20,528 | 11,332 | 9,196 |
| **Total** | 5,480,017 | 4,109,307 | 1,370,710 |

| | 2020 | | |
|---|---|---|---|
| | £ | £ | £ |
| **Social housing lettings (note 3)** | 5,167,966 | 3,930,547 | 1,237,419 |
| **Other social housing activities** | | | |
| Supporting people | 33,844 | 33,640 | 204 |
| **Other:** | | | |
| Managed Associations | 47,250 | 39,371 | 7,879 |
| **Activities other than social housing** | | | |
| Other | 20,047 | 11,096 | 8,951 |
| **Total** | 5,269,107 | 4,014,654 | 1,254,453 |

## 3. Turnover and operating expenditure

| | General Housing £ | Housing for Older People £ | Total 2021 £ | Total 2020 £ |
|---|---|---|---|---|
| **Income** | | | | |
| Rent receivable net of identifiable service charge | 4,269,020 | 526,932 | 4,795,952 | 4,606,041 |
| Service charge income | 143,480 | 344,816 | 488,296 | 455,388 |
| Amortised government grants | 103,177 | 2,400 | 105,577 | 103,097 |
| Other grants | - | 3,440 | 3,440 | 3,440 |
| **Turnover from Social Housing Lettings** | 4,515,677 | 877,588 | 5,393,265 | 5,167,966 |
| **Operating expenditure** | | | | |
| Management | 1,022,923 | 158,392 | 1,181,315 | 1,081,698 |
| Service charge costs | 161,499 | 378,620 | 540,119 | 490,484 |
| Routine maintenance | 717,585 | 109,372 | 826,957 | 874,032 |
| Planned maintenance | 398,166 | 19,257 | 417,423 | 335,616 |
| Major repairs expenditure | 170,831 | 27,228 | 198,059 | 342,930 |
| Bad debts | (10,693) | 2,994 | (7,699) | 8,360 |
| Depreciation of Housing Properties | 793,237 | 88,111 | 881,348 | 797,427 |
| Other Costs | 3,264 | - | 3,264 | - |
| Operating expenditure on Social Housing Lettings | 3,256,812 | 783,974 | 4,040,786 | 3,930,547 |
| **Operating Surplus on Social Housing Lettings** | 1,258,865 | 93,614 | 1,352,479 | 1,237,419 |
| **Void losses** | 6,687 | 11,162 | 17,849 | 7,109 |

## 4. Accommodation owned, managed and in development

| | 2021 No. of properties | | 2020 No. of properties | |
|---|---|---|---|---|
| | Owned | Managed | Owned | Managed |
| **Social Housing** | | | | |
| Under management at end of year: | | | | |
| General needs housing | | | | |
| Social Rent | 918 | 9 | 907 | 9 |
| Supported housing and housing for older people | 147 | - | 147 | - |
| Affordable Rent | 9 | - | 8 | - |
| Low-cost home ownership | 6 | - | 6 | - |
| Leasehold Housing | 10 | - | 11 | - |
| Submarket Rent | 19 | - | 18 | - |
| | 1,109 | 9 | 1,097 | 9 |
| **Non-Social Housing** | | | | |
| Under management at end of year: | | | | |
| Staff Units | 1 | - | 1 | - |
| Rental Housing | - | 76 | - | 76 |
| | 1 | 76 | 1 | 76 |

## 5. Interest and financing costs -

| | 2021 £ | 2020 £ |
|---|---|---|
| On loans repayable within five years | 409 | 9,611 |
| On loans wholly or partly repayable in more than five years | 502,158 | 513,853 |
| Costs associated with financing | 29,832 | 55,223 |
| | 532,399 | 578,687 |
| **On defined benefit pension scheme** | | |
| Deferred Benefit pension charge | | |
| Expected return on plan assets | (84,000) | (77,000) |
| Interest on scheme liabilities | 94,000 | 104,000 |
| | 542,399 | 605,687 |

## 6. Surplus for the year -

| | 2021 £ | 2020 £ |
|---|---|---|
| The surplus is stated after charging/(crediting):- | | |
| Auditors remuneration (excluding VAT): | | |
| Audit of the financial statements | 7,150 | 6,715 |
| In respect to other services | 1,337 | 950 |
| Operating lease rentals: | | |
| - Office equipment | 15,749 | 16,107 |
| Depreciation of housing properties | 881,348 | 797,427 |
| Depreciation of other fixed assets | 53,878 | 41,379 |

## 7. Taxation

The Association has charitable status and hence is exempt from paying Corporation Tax on its charitable activities.

## 8. Directors' remuneration

| | **2021** | 2020 |
|---|---|---|
| | **£** | £ |
| The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors | **4,283** | 5,549 |
| The aggregate emoluments paid to or receivable by executive Directors and former executive directors | **247,434** | 245,425 |
| The emoluments paid to the highest paid Director excluding pension contributions | **99,437** | 97,318 |

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a defined benefit scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £10,270 (2020: £9,340) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

With the exception of the chair of the Board, non-executive directors do not receive remuneration from the Association. Remuneration paid to non-executive directors is as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£** | £ |
| Evelyn Asante-Mensah, Chair of the Board | **4,283** | 4,199 |

## 9. Employee information

| | 2021 No. | 2020 No. |
|---|---|---|
| The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was: | | |
| Office staff | 25 | 26 |
| Wardens and cleaners | 4 | 3 |
| | 29 | 29 |

| | 2021 £ | 2020 £ |
|---|---|---|
| Staff costs | | |
| Wages and salaries | 958,411 | 934,405 |
| Social Security costs | 91,972 | 89,097 |
| Other pension costs | 94,700 | 117,905 |
| Temporary Staff | 13,320 | 61,070 |
| | 1,158,403 | 1,202,477 |

| Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period: | 2021 No. | 2020 No. |
|---|---|---|
| £60,000 - £70,000 | 1 | 2 |
| £70,000 - £80,000 | 1 | - |
| £80,000 - £90,000 | - | - |
| £90,000 - £100,000 | - | - |
| £100,000- £110,000 | 1 | 1 |

## 10. Pension obligations

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

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

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

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

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

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

### Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

| | **31 March 2021 (£000s)** | 31 March 2020 (£000s) |
|---|---|---|
| Fair value of plan assets | **4,099** | 3,466 |
| Present value of defined benefit obligation | **5,223** | 3,950 |
| Surplus (deficit) in plan | **(1,124)** | (484) |
| Unrecognised surplus | **-** | - |
| Defined benefit asset (liability) to be recognised | **(1,124)** | (484) |
| Deferred tax | **-** | - |
| Net defined benefit asset (liability) to be recognised | **(1,124)** | **(484)** |

## 10. Pensions Obligations (continued)

### Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

| | Year to 31 March 2021 (£000s) |
|---|---|
| Defined benefit obligation at start of year | **3,950** |
| Current service cost | **89** |
| Expenses | **6** |
| Interest expense | **94** |
| Members contributions | **50** |
| Actuarial losses (gains) due to scheme experience | **(4)** |
| Actuarial losses (gains) due to changes in demographic assumptions | **18** |
| Actuarial losses (gains) due to changes in financial assumptions | **1,067** |
| Benefits paid and expenses | **(47)** |
| 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 year | **5,223** |

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

| | Year to 31 March 2021 (£000s) |
|---|---|
| Fair value of plan assets at start of year | 3,466 |
| Interest income | 84 |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss) | 356 |
| Contributions by the employer | 190 |
| Contributions by plan participants | 50 |
| Benefits paid and expenses | (47) |
| Assets acquired in a business combination | - |
| Assets distributed on settlements | - |
| Exchange rate changes | - |
| Fair value of plan assets at end of year | 4,099 |

The actual return on the plan assets (including any changes in share of assets) over the year to 31 March 2021 was £440,000.

## 10. Pensions Obligations (continued)

### Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

| | Year to 31 March 2021 (£000s) |
|---|---|
| Current service cost | 89 |
| Expenses | 6 |
| Net interest expense | 10 |
| 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 (SoCI) | 105 |

### Defined Benefit Costs Recognised in Other Comprehensive Income

| | Year to 31 March 2021 (£000s) |
|---|---|
| Experience on plan assets (excluding amounts included in net interest cost) – gain/ (loss) | 356 |
| Experience gains and losses arising on the plan liabilities - gain /(loss) | 4 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/ (loss) | (18) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/ (loss) | (1067) |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/ (loss) | (725) |
| 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) | (725) |

## 10. Pensions Obligations (continued)

### Assets

| | 31 March 2021 (£000s) | 31 March 2020 (£000s) |
|---|---|---|
| Global Equity | **654** | 507 |
| Absolute Return | **226** | 181 |
| Distressed Opportunities | **118** | 67 |
| Credit Relative Value | **129** | 95 |
| Alternative Risk Premia | **154** | 242 |
| Fund of Hedge Funds | **-** | 2 |
| Emerging Markets Debt | **166** | 105 |
| Risk Sharing | **149** | 117 |
| Insurance-Linked Securities | **99** | 106 |
| Property | **85** | 76 |
| Infrastructure | **273** | 258 |
| Private Debt | **98** | 70 |
| Opportunistic illiquid Credit | **104** | 84 |
| High Yield | **123** | - |
| Opportunistic Credit | **112** | - |
| Corporate Bond | **242** | 198 |
| Liquid Credit | **49** | 1 |
| Long Lease Property | **80** | 60 |
| Secured Income | **171** | 132 |
| Over 15 Year Gilts | **-** | - |
| Index Linked All Stock Gilts | **-** | - |
| Liability Driven Investment | **1,042** | 1,150 |
| Net Current Assets | **25** | 15 |
| Total assets | **4,099** | 3,466 |

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.

| | 31 March 2021 % per annum | 31 March 2020 % per annum |
|---|---|---|
| Discount Rate | **2.19** | 2.36 |
| Inflation (RPI) | **3.26** | 2.58 |
| Inflation (CPI) | **2.87** | 1.58 |
| Salary Growth | **3.87** | 2.58 |
| Allowance for commutation of pension for cash at retirement | **75% of maximum allowance** | 75% of maximum allowance |

## 10. Pensions Obligations (continued)

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

| | Life expectancy at age 65 (Years) |
|---|---|
| Male retiring in 2021 | 21.6 |
| Female retiring in 2021 | 23.5 |
| Male retiring in 2041 | 22.9 |
| Female retiring in 2041 | 25.1 |

## 11. Tangible fixed assets

| | Housing Properties | ------ Other fixed assets ------ | | | | | Total Fixed Assets |
|---|---|---|---|---|---|---|---|
| | Social Housing Properties for Letting Completed £ | Office Improvements £ | Fixtures & Fittings £ | Office Equipment £ | Computer Equipment £ | Office Buildings £ | Total fixed assets £ |
| **Cost** | | | | | | | |
| At start of the year | 43,463,548 | 132,009 | 99,236 | 34,825 | 118,690 | 579,301 | 44,427,609 |
| Additions to properties acquired | 944,701 | 17,856 | - | - | 31,573 | - | 994,130 |
| Works to existing properties | 515,422 | - | - | - | - | - | 515,422 |
| Disposals | (175,139) | (10,274) | - | - | (20,590) | - | (206,003) |
| At end of the year | **44,748.532** | **139,591** | **99,236** | **34,825** | **129,673** | **579,301** | **45,731,158** |
| **Depreciation and impairment** | | | | | | | |
| At start of the year | 7,781,990 | 130,064 | 64,842 | 34,473 | 65,349 | 98,198 | 8,174,916 |
| Charge for the year | 881,348 | 6,925 | 8,036 | 211 | 29,051 | 9,655 | 935,226 |
| Disposals | (175,139) | (10,274) | - | - | (20,590) | - | (206,003) |
| At end of the year | **8,488,199** | **126,715** | **72,878** | **34,684** | **73,810** | **107,853** | **8,904,139** |
| **Net book value at 31 March 2021** | **36,260,333** | **12,876** | **26,358** | **141** | **55,863** | **471,448** | **36,827,019** |
| **Net book value at 31 March 2020** | **35,681,558** | **1,945** | **34,394** | **352** | **53,341** | **481,103** | **36,252,693** |

| **Housing Properties comprise:** | **2021 £** | 2020 £ |
|---|---|---|
| Freeholds | **21,758,047** | 20,976,099 |
| Long leaseholds | **14,502,286** | 14,705,459 |

| | **2021 £** | 2020 £ |
|---|---|---|
| Works to existing properties in the year: | | |
| Improvement works capitalised | **101,448** | 259,801 |
| Components capitalised | **413,974** | 313,078 |
| Amounts charged to expenditure | **614,440** | 678,546 |

Nb The cost figure above is net of grant acquired at transfer amounting to £26.6m (see note 21).

## 12. Trade and other debtors

| | 2021 £ | 2020 £ |
|---|---|---|
| Rent arrears | 103,064 | 161,395 |
| Less: provision for bad debts | (55,267) | (73,916) |
| Other debtors | 1,740 | 5,554 |
| Prepayment and accrued income | 77,370 | 89,824 |
| Debtors are all due within one year | 126,907 | 182,857 |

## 13. Cash and cash equivalents

| | 2021 £ | 2020 £ |
|---|---|---|
| Cash at bank | 746,137 | 1,017,828 |
| | 746,137 | 1,017,828 |

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

| | 2021 £ | 2020 £ |
|---|---|---|
| Loans and overdrafts (Note 15b) | 624,745 | 606,501 |
| Trade creditors | 156,039 | 172,648 |
| Rents and service charges paid in advance | 223,564 | 159,502 |
| Other taxation and social security payable | 22,428 | 21,880 |
| Accruals and deferred income | 432,633 | 374,605 |
| Deferred Capital Grant (Note 16) | 105,577 | 103,097 |
| Other Grant | 3,440 | 3,440 |
| Other creditors | 18,025 | 24,774 |
| Recycled Capital Grant Fund (Note 17) | 12,386 | - |
| | 1,598,837 | 1,466,447 |

Net current liabilities would be funded by available undrawn loan facilities.

## 15(a). Creditors: amounts falling due after more than one year

| | 2021 £ | 2020 £ |
|---|---|---|
| Loans (Note 15b) | 12,627,194 | 13,239,967 |
| Bond (Note 15b) | 3,399,418 | 3,440,748 |
| Deferred Capital Grant (Note 16) | 6,003,986 | 5,963,216 |
| Other grant | 17,199 | 20,639 |
| Recycled Capital Grant Fund (Note 17) | - | 12,355 |
| | 22,047,797 | 22,676,925 |

## 15(b). Debt analysis

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| **Loans repayable by instalments:** | | |
| Within one year | 624,745 | 606,501 |
| In one year or more but less than two years | 634,894 | 621,226 |
| In two years or more and less than five years | 1,999,124 | 1,962,529 |
| In five years or more | 10,169,576 | 10,842,557 |
| Less: issue costs | (176,400) | (186,345) |
| Total loans | 13,251,939 | 13,846,468 |

The loans are repayable monthly/quarterly and half yearly at varying rates of fixed and variable interest rates. The loans are repayable over terms of 15,25,30 and 35 years.

All loans are secured by specific charges on the Association's Housing Properties.

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| **Bond due for repayment :** | | |
| In five years or more | 2,725,000 | 2,725,000 |
| Less: issue costs | (48,232) | (49,620) |
| Add: premium costs | 722,650 | 765,368 |
| Total loans | 3,399,418 | 3,440,748 |

Arawak Walton Housing Association Limited entered a Loan Bond agreement with GB Social Housing Plc which is repayable in February 2038. The agreement is secured by specific charges on the Association's Housing Properties.

The interest rate profile of the Association at 31 March 2021 was:

| | Total<br>£ | Variable Rate<br>£ | Fixed rate<br>£ | Weighted Average rate<br>% | Weighted average term<br>Years |
|---|---|---|---|---|---|
| Loans | 16,153,340 | 4,890,942 | 11,262,398 | 2.94 | 15 |

The amount charged, by charge holder is as follows:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Lloyds Bank | 3,087,954 | 3,205,860 |
| Newcastle Building Society | 2,730,374 | 2.967,582 |
| Royal Bank of Scotland | 3,545,708 | 3,612,376 |
| Triodos Bank | 2,442,192 | 2,562,250 |
| Orchardbrook | 2,817 | 3,850 |
| Warrington Borough council | 1,619,295 | 1,680,895 |
| GB Social Housing | 2,725,000 | 2,725,000 |
| Total Loans and Bonds | 16,153,340 | 16,757,813 |

## 16. Deferred capital grant

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| At start of the year | 6,066,313 | 5,868,353 |
| Released to income in the year | (105,577) | (103,097) |
| Grant Received in year | 148,827 | 301,057 |
| At the end of the year | 6,109,563 | 6,066,313 |

| | | |
|---|---|---|
| | £ | £ |
| Amount due to be released < 1 year | 105,577 | 103,097 |
| Amount due to be released > 1 year | 6,003,986 | 5,963,216 |
| | 6,109,563 | 6,066,313 |

## 17. Recycled capital grant fund

| | | 2021 | 2020 |
|---|---|---|---|
| | | £ | £ |
| **Opening balance** | | 12,355 | 80,412 |
| **Inputs to RCGF:** | Grants recycled | - | - |
| | Interest accrued | 31 | 44 |
| | Transfers from other PRPs | - | - |
| **Recycling of grant:** | New build | - | - |
| | Major repairs and works to existing stock | - | (68,101) |
| | Transfers to other PRPs | - | - |
| | Other | - | - |
| **Repayment of grant to the Homes England/GLA** | | - | - |
| **Closing Balance** | | 12,386 | 12,355 |
| **Amount three years or older where repayment may be required** | | - | - |

## 18. Non-equity share capital

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Allotted Issued and Fully Paid | | |
| At the start of the year | 24 | 22 |
| Issued during the year | - | 2 |
| Surrendered during the year | 2 | - |
| At the end of the year | 22 | 24 |

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

## 19. Capital commitments

| | 2021 £ | 2020 £ |
|---|---|---|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements: | **62,678** | 2,400 |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for: | **2,273,544** | 1,734,400 |
| | **2,336,222** | 1,736,800 |
| The Association expects these commitments to be financed with: | | |
| Social Housing Grant | **-** | - |
| Cash | **436,222** | - |
| Committed loan facilities | **1,900,000** | 1,736,800 |
| | **2,336,222** | 1,736,800 |

## 20. Operating leases

The Association holds office equipment under non-cancellable operating leases. At the end of the year the Association had commitments of future minimum lease payments as follows:-

| | 2021 £ | 2020 £ |
|---|---|---|
| Within one year | **13,048** | 13,107 |
| In one year or more but less than two years | **11,595** | 11,141 |
| In two years or more and less than five years | **770** | 9,821 |
| In five years or more | **-** | - |

## 21. Grant and financial assistance

| | 2021 £ | 2020 £ |
|---|---|---|
| Net amortised Capital Grant | **1,584,167** | 1,478,590 |
| Obligation to recycle grant on disposal of stock transfers | **26,626,889** | 26,381,374 |
| Deferred Capital Grant (note 16) | **6,109,563** | 6,066,313 |
| **Total Obligation to recycle on event of housing property disposal** | **34,320,619** | 33,926,277 |

The Association has received grant from Homes England which was used to fund the acquisition and development of housing properties and their components. The Association is responsible for recycling the grant in the event of the housing properties being disposed of. At 31st March 2021 this amounted to £34,320,619 (2020 - £33,926,277).

## 22. Related parties

The following are related parties:

The Board has tenant members who hold tenancy agreements on normal terms and could not use their position to their advantage. Rent charged to the Tenant Board member was £4,328 (2020: £4,221). The are no arrears on their tenancies at the end of the reporting year end £NIL (2020:£230).

Related party balances are not secured.

## 23. Financial Instruments

| | 2021 £ | 2020 £ |
|---|---|---|
| **Financial assets that are debt instruments measured at amortised cost:** | | |
| Cash at bank and in hand | **746,137** | 1,017,828 |
| Trade Debtors | **47,797** | 87,479 |
| Other debtors | **1,740** | 5,554 |
| **Financial liabilities at amortised cost:** | | |
| Loans | **13,251,939** | 13,846,468 |
| Bonds | **3,399,418** | 3,440,748 |
| Trade Creditors | **156,039** | 172,648 |
| Rents and Service charges in advance | **223,564** | 159,502 |
| Accruals and deferred income | **432,633** | 374,605 |
| Deferred capital Grant | **6,109,563** | 6,066,313 |
| Other grant | **20,639** | 24,079 |
| Other creditors | **18,025** | 24,774 |
| Recycled capital grant fund | **12,386** | 12,355 |
| Other taxation and social security payable | **22,428** | 21,880 |