THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

Financial Statements

Year ended
31 March 2022

Co-operative and Community Benefit Societies Act 2014: Registered number 17107R
Regulator of Social Housing: Registered number LH0170

Page:

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REPORT OF THE BOARD OF MANAGEMENT

Members of the Board of Management of the Society who served during the year 31 March 2022 or who have been appointed since, are as follows:

BOARD OF MANAGEMENT

Ms Brigid Sutcliffe (Chair)
Ms Jayam Dalal (appointed 22 August 2022)
Mr Nick Whitaker (Honorary Treasurer, resigned 28 March 2022)
Ms Juliet Lack (Honorary Treasurer, appointed 22 November 2021)
Mr Ben Anim-Antwi (appointed 16 May 2022)
Mr Tony Bush
Mr Matthew Creasey
Mr Satish Jassal
Ms Lakechia Jeanne (appointed 22 November 2021)
Mr Andrew Pakes (resigned 20 September 2022)
Ms Martha Slade (resigned 20 September 2021)
Ms Rebecca Southern
Mr Tony Watt (resigned 20 September 2021)
Ms Linda Wallace
Mr Nigel Wood (resigned 20 September 2021)
Mr Lawrence Zollner (resigned 15 August 2022)

Each member of the Board of Management, who is not also a member of the senior team, holds one fully paid share of £1 each in the Society.

SENIOR MANAGEMENT TEAM (SMT)

Members of the SMT during the year to 31 March 2022 were:

Linda Wallace	Chief Executive
Christina Friedenthal	Interim Corporate Services Director (appointed January 2022), previously Operations Director
Anne Hauxwell	Finance Director
Levent Kerimol	Project Director, London CLH Hub
Hony Premlal	Interim Operations Director (appointed January 2022)
David Smith	Client Services and New Business Director (resigned July 2021)
Allison Sofekun	Corporate Services Director (appointed March 2021, resigned December 2021)

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the audited financial statements of The Co-operative Development Society Limited (CDS) for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

CDS is a Charitable Community Benefit Society (previously a co-operative society) and a social landlord established in 1975 to provide, promote and support co-operative and community led housing. We are regulated by the Regulator of Social Housing (RSH) and registered with the Financial Conduct Authority (FCA). We also act as a co-op support agency providing landlord and business management services to a wide range of housing co-ops in London and the South East and we work with the GLA to reinvest some of our surpluses to promote growth in co-op and community led housing.

At March 2022, we owned 738 rented homes and 242 shared ownership and leasehold properties and provided services to 34 housing co-ops and their 1,500 homes.

Our work aims to be of benefit to the wider community, increasing opportunities for people to be well housed in a home that they can afford, with a commitment to the long-term stewardship and protection of assets and to maintaining affordability in our housing stock. We are a social business and the way we do things is as important to us as the things we do. We strive to build trust with our customers and partners by being reliable, fair and acting with integrity. With our co-op history, we believe we can achieve more by working with others, listening for understanding and showing kindness in our work to build effective collaboration.

THE YEAR UNDER REVIEW

Our mission is to help more people shape what matters to them at home or in their neighbourhood and to build a sense of belonging through co-op and community led housing.

Our strategic plan outlines our goals for our three key areas of business. In addition, the Board approves an operational plan each year which sets out specific tasks and goals for the year. During the year under review, we continued to measure our progress against these goals.

This was, in some ways, a more difficult than the first year of the pandemic. As the world opened up, customer demands changed, and we experienced more pressure on some services. We had a number of staffing challenges with roles harder than expected to recruit to and higher than usual turnover, in line with the wider shifts in the employment market. In the latter part of the year, we experienced increases in costs and more fragility in the supply chain whilst customers began to feel the real impact of economic changes and a higher cost of living.

We made some real strides on things that matter, such as safety, income management, investing in homes and governance. However, elsewhere we did not achieve the improvement that we had targeted in service experience for customers or in our core customer care and communication. We also have further improvements to make in our repairs service and in the control of our repairs spend.

We did not achieve our budgeted surplus for the year, the main reason for this was the overspend on reactive repairs and the costs of the electrical safety programme.

Service Performance for CDS residents

Our service performance for our CDS residents was mixed and overall tenant satisfaction with services fell from 75% at the end of 20/21 to 71% at the end of 21/22. We also saw continued to see issues with our repairs service, both in terms of cost and of tenant satisfaction, with the main reasons for dissatisfaction being administration of and communication about repairs, such as how long it took to get repairs organised or communication about appointments rather than the contractor or the quality of the work.

We significantly exceeded our target void turnaround times. This was affected by a high number of major voids but there were also a number of voids where our administration was not as efficient as it should have been.

We continued to see success in the work of the income collection and welfare team with debt management and support for those experiencing financial difficulty. Our combined arrears position at the end of the period compares well with our targets and our peers at just over 2% and many residents have secured income that they were entitled to through the efforts of the welfare adviser and the income collection team, supported by colleagues in the housing team.

The Board has approved the establishment of our Hardship Fund, which allocates 1% of our rental income to reliving hardship. We hope this will make a significant difference to residents in the coming year, and we are also actively using the HACT Energy Hardship Fund to help our residents.

We made significant headway with the work to ensure our homes are safe and warm with six hundred of our 738 homes receiving some sort of improvement or upgrade. Most of this was achieved through the procurement arrangements with Fusion21 which were agreed in May 2021 and have proven successful.

Service Performance for Clients

During the year a new Client Head of Service was appointed and has worked on stabilising the service and improving relationships with clients. Satisfaction levels rose at the mid-year survey and more communication and engagement is taking place both with clients and internally between teams that serve clients. For the year we also saw steady performance on our internal KPIs. We performed well on attending contracted meetings and issuing management and financial reports on time and have completed all landlord gas checks and issued all finance reports on time. We had some issues with ensuring the audited accounts were completed and filed on time for all Co-ops and have updated our processes this year and focused on improving communication between our clients and their auditors.

We have continued to work with our founder member clients and during the year one became fully independent and is demonstrating real enthusiasm and progress as a new co-op. The founder member committee has also expanded its membership so that it is more democratic and accountable.

Safety and Compliance Performance

We made substantial progress on compliance this year and have almost completed our electrical safety programme with all remaining homes being ones that have had at least three attempts at access and will now move to legal action. From a regulatory position we now consider we are doing all that we can to keep residents safe in this area.

The programme of works has ensured that each home has a "safe for 5 years" certificate but additionally, we have fitted hard wired heat and smoke detectors which give residents much more chance of alert and safe exit if a fire were to occur for any reason.

We have also completed the fire safety works at Lithos Road which was our most significant investment project in many years and the EWS1 certificate was issued by the Independent Fire Engineer at the end of May. Costs are close to being finalised and an updated estimate has been included in these accounts. The original contract sum has been exceeded by around £120k (net of our contingency) due to two main items, delay and its associated increased prelim costs and agreed variations to achieve fire standards.

Promoter Work

In 2017/18, we were instrumental in establishing The London Community Led Housing Hub with the GLA and with the support of other sector organisations such as the National CLT network and UK Cohousing Network. We now host the London CLH Hub providing practical advice, support and funding to emerging and established community led groups who wish to build homes. The GLA are supporting core costs for the hub team to deliver early stage advice for a wide range of interested organisations and alongside this are providing revenue and capital funding to support specific identified schemes. The hub administers a proportion of early stage revenue grant with advanced revenue and capital managed by the GLA directly. The GLA provides oversight of the Hub work through regular quarterly review meetings.

The Hub is making satisfactory progress in getting homes built with a number of the projects that have been worked on for several years starting to reach planning stage with sites at preferred purchaser or similar.

Satisfactory progress has also been made in developing proposals for a sustainable future for the Hub, beyond the end of the GLA funding. In the coming year we will be embedding this within the CDS plan so that the Hub continues to be a core part of our offer to the sector.

Employee Matters

After a challenging start, we have made real progress in getting permanent roles recruited, despite a competitive market. Employees have valued our equality work and we are making good progress with improving employee engagement and collaboration.

Building a Sense of Belonging

We have made progress with this goal on all fronts. With residents there have been a series of engagement activities, including consultations, estate-based events, webinars, and estate-based newsletters. Residents have been asked to join groups to improve service and whilst this is embryonic, we do now have some traction. With clients, more information and newsletters have been provided and offers of training and development have been made and with employees, there is a new staff forum, regular all staff meetings in person, opportunities to get involved in things like the race equality work and opportunities to meet with and influence the Board.

OUR FORWARD PLANS

In the coming year we will continue to implement our Corporate Plan which covers the period 2021 to 2025. This responds to our own learning through the pandemic and also to the legislative and regulatory emphasis on resident voice.

Our Vision

Our vision is that through co-op and community led housing, more people can shape the things that matter to them at home and have a sense of belonging in the place where they live.

Our mission is to help more people shape what matters to them at home or in their neighbourhood and to build a sense of belonging through co-op and community led housing.

We will do this by being a collaborative landlord, an enabling service provider and by promoting growth, innovation & co-operation.

Our Strategy

Our updated corporate strategy reflects our focus on community and belonging. Our plans for the year will enable us to meet our commitment to the Together with Tenants Charter and to respond to the regulatory and legal environment, including the building safety bill, and to proposed changes to regulation as well as the environmental agenda.

We believe that our unique position and history put us in a good position to be a leader on meaningful collaboration with residents, clients and staff and to demonstrate how this can deliver high levels of performance and satisfaction. As a relatively small organisation we can more easily try things out and change in an agile way in response to different local customer needs or wishes.

Our main challenge is our capacity; human, financial and operational, to deal with the increasingly complex requirements of being a social housing provider. We need to reduce our costs or increase our income in order to remain independent, resilient and sustainable.

During the course of the plan, we will need to keep key risks in view, particularly building safety, regulatory compliance, threats to income, increasing pressures on expenditure, and reputational risks. We also need to be proactive about opportunities to improve resilience, expand capacity and to deliver growth.

Our Priorities

Alongside our 'business as usual' targets we have our Key Overarching goals for 2022/23

Radically improve service experience

- Deliver a reliable, helpful and communicative service with brilliant repairs, measured by at least 80% tenant satisfaction with overall service and repairs.
- We have a strong reputation for being reliable and helpful.
- 85% of clients would recommend us.

Promote a culture of collaboration and belonging

- Seeking out ways to work together, to empower and to try things out, measured by 80% of tenants satisfied with listens to views and acts.
- Active plans to lean into mission with more opportunities for residents, clients, and employees to shape what matters to them.
- 85% of employees would recommend us as an employer.

Strengthen financial and operational Resilience

- Reducing our costs and increasing our income for long term sustainability.
- Better than average service for median operating cost.
- Clear and deliverable plan to reduce costs whilst improving service.
- Deliver on current financial and investment plan.

Remain well-managed and governed with a strong performance focus

- Safe compliant and delivering on our promises.
- Full legal and regulatory compliance.
- 100% of our homes meet EPC C and Decent Homes Standard.
- We have clear measurable goals and deal quickly, openly and effectively with performance issues.

To support these big goals, we have set priorities for each area of the organisation, covering business as usual, service improvement and new service areas.

RISK AND UNCERTAINTY

Our operating environment has had significant uncertainty in recent years. This has been related firstly to the continuing impact of the Grenfell Tower tragedy in June 2017 and the UK departure from the European Union in 2020. In addition, over the last two years, the impact of the Coronavirus epidemic has had an effect, particularly on income risk, on the availability of contractors and materials and on access to homes for safety related work. More recently, war in Ukraine and the general economic conditions have put increased pressure on us, on those that we work with and on our residents.

Key Risks

The RSH publishes an annual risk review which highlights the key areas of risk to the sector, including those arising from external conditions such as macroeconomic risk and external regulations and those arising from providers own situation such as condition of stock. As an organisation we are not exposed to development or sales risk and so these are excluded here.

Health & Safety Risk

As a social landlord we are responsible for ensuring that our tenants are safe in their homes and that our staff are safe at work. Compliance with the statutory requirements is a basic minimum to ensure that tenants are safe, and we are expected to do what we need to beyond this to demonstrate that health and safety risks are well managed. The CDS Board is responsible for ensuring that there are measures in place to identify, manage, monitor, and report on risk in a way that provides it with effective oversight.

The Building Safety Bill sets out extensive reforms to regulations, particularly for higher rise buildings. For CDS, with no properties in this category and no active building programme, the main requirements that will affect our work are those about ensuring responsibilities for safety are in place.

The Fire Safety Act 2021 also introduces wide ranging changes and Boards must ensure that they have comprehensive and effective building safety systems and programmes in place to provide assurance that tenants remain safe. Implementation of the changes has led to an increase in demand for qualified fire safety professionals in the sector which in turn can lead to delay in projects which must be managed.

Economic Risk

There is substantial ongoing uncertainty as a result of the pandemic and of the war in Ukraine. Labour market and supply chain disruption are affecting the prices and availability of goods and services, with significant volatility in inflation and reduction in access to labour and skills. Costs are expected to continue to rise, and it is essential we understand our cost base and continue to apply stress testing to our business plans.

Strategic Choices

In common with other similar organisations, we recognise that we face a range of competing pressures and trade-offs in setting our strategic direction and in utilising our limited financial capacity, including the need to undertake essential investment to respond to changing building safety and energy efficiency standards and to maintain the quality of our existing housing stock. At the same time, we are investing in the services that we provide to our tenants and face increased pressure from rising prices in all areas.

Delivering Value for Money

Meeting the regulatory requirements in relation to value for money is an increasingly important part of our responsibility as an organisation funded largely by rents. Our value for money report included in this report, measures our performance against the standard metrics and our own goals.

Service Delivery and Accountability to Tenants

Demands for transparency will increase following the publication of the White Paper, and we have plans in place to strengthen engagement with tenants and improve the services they receive. We also recognise that it is important that we have in place clear standards for handling complaints, including lessons learnt.

Reputational Risks

The Grenfell Tower fire brought social housing providers under extraordinary scrutiny about the way in which we operate, manage services and safety and how we relate to our residents. More than ever, we are expected to be conscious of the potential for reputational damage when things go wrong, not just for our organisation but for the sector more widely and the views of lenders, investors, central and local government. This needs to include all aspects of our work and business practices, not just safety and to make us mindful of the operating practices of our clients and partners.

Where we are supporting clients specifically in relation to their governance responsibilities, we need to ensure that clients are fully considering and appropriately responding to risk.

We are also mindful of the need to reflect more clearly the voice of our customers in the design and delivery of services and to ensure that we have process in place to guard against incorrect rent setting, data breaches and poor complaints.

Data Security and Safety Monitoring

The collection and use of data presents a number of risks for us. Firstly, good data is essential to provide oversight of our business and to accurately report on our regulatory and statutory requirements. It is also critical that the data that we use is safely and appropriately managed, taking into consideration the more onerous requirements of the GDPR which came into effect in recent years. Finally, it is crucial that accurate and transparent data is held and used by us to monitor and gain assurance about our safety requirements.

We have improved our management of data to meet the GDPR requirements, providing training to all of our staff and information for all of our clients and we have introduced a cloud-based housing management core system which gives us the protection of internationally recognised data security through the use of Microsoft products. We have also invested in a specific health and safety post and a data management system to provide the business with oversight of compliance with statutory and regulatory requirements. In terms of cyber security threats, we are improving our technology solutions, moving toward more 'industry standard' and externally hosted solutions which have built in resilience to threats. We have also increased our insurance cover for the associated impact of those threats.

The move to offsite working, prompted by the pandemic, has meant that we have seen an increase in the risk of unauthorised access to data and of attempted fraud from IT spamming incidents due to the increased reliance on electronic communication and reduction in face to face contact. Staff have been reminded of the risks and the need to exercise caution. The existing processes and controls around payment controls continue to be applied and should capture any fraud attempt.

Existing Stock

The Home Standard requires us to meet all statutory requirements for the health and safety of occupiers and to meet the decent homes standard. As part of that standard, we are also required to provide a cost effective repairs and maintenance service to homes and to communal areas and to have a prudent, planned approach to repairs and maintenance. Alongside an appropriate short and long-term approach, we need to ensure that our business plans have sufficient capacity to meet the required investment to meet the decent homes standard and ensure that our view is based on good quality and up to date information.

During 2018 we carried out a stock condition survey looking at a sample of homes on every estate that we own. This formed the basis of an asset management strategy agreed with the Board in 2019. The Government has now set a target for the UK to become 'net zero' in terms of carbon emissions by 2050. This will have significant impact on housing providers where existing homes contribute significantly. In implementing our asset management plan, we will consider how we can minimise harm with our approach and particularly focus on insulation and seeking out affordable alternatives to traditional solid fuel use.

Our stock was largely built around 25 – 30 years ago and some component elements are nearing the end of their life. Our asset management plan sees investment rise significantly over the life of the plan and with an increased ongoing commitment beyond the life of the plan. This plan was delayed during the coronavirus restrictions but is now underway. For the current and next two years we have agreed a variation to our loan covenants which will enable us to speed up the investment and spend much of our accumulated cash.

Income Collection

We have identified income collection and debt as a key risk to the business and increasing debt is a key stress test for our business plan. Historically, income collection has been stable in housing associations with high demand and relatively low rents leading to consistently high levels of collection. The government rent regime changes over the period to March 2020 reduced rent levels by 1% every year for five years but this was reversed by the rent settlement from 2020 which will see rents increase by up to CPI plus 1% until 2025. Income collection has also been under pressure from the introduction of Universal Credit which can lead to higher than usual levels of debt, particularly from the first few weeks of payment.

At the start of the pandemic, we identified an increase in the risk to income from customers being furloughed or losing their jobs. We invested in resources and prioritised helping customers who were moving to Universal Credit, perhaps for the first time, whilst ensuring that all accounts were kept under review. More recently we have seen the risk increase due to the economic situation and cost of living crisis. We are pleased with the success of these measures over the last few years and with our continued good debt performance during the year.

Financial and Treasury Risks

Whilst interest rates have risen recently and are likely to rise again, CDS' position is relatively safe. We have a low level of debt overall (£4.2m) of which less than £2m is variable rate. A variation of 1% in the interest rate would therefore equate to around £20k increase in our interest payments.

During the year, inflation rates rose significantly, compared to prior years and have continued to rise since. Our rent increase at March 2022 was 4.1% but CPI has topped 10% in the months since. Our surplus has come under pressure and there continues to be a real risk of costs rising at a significantly higher rate than our income. We are aware of the need to manage our cost base effectively to maintain our viability in the longer term.

Pensions

CDS participates in the Social Housing Pension Scheme (SHPS), which is a defined benefit scheme in relation to certain employees and past employees. The scheme is currently in deficit and the financial obligations are remeasured on a triennial basis, creating risks of increased costs if this deficit increases. Changes from 2030 to align the calculation of the Retail Prices Index with the Consumer Prices Index including owner-occupiers' housing costs will likely further reduce funding levels for many schemes.

Management of risks

At CDS we have embedded risk management throughout our business with employees at every level taking responsibility for identifying and managing risks.

Our risk map details those risks that could prevent us from achieving our strategic objectives and the controls in place for mitigating those risks. It is prepared by the Senior Management Team, approved by the Board annually, reviewed by the Finance & Audit Committee at every meeting (quarterly) and discussed regularly by SMT and Operational Managers. The risk map focuses on 'live' risks and active risk management.

Impact of Coronavirus on risk

Over the last two years, the pandemic had the effect of increasing risk in several areas, and we identified areas of concern around income collection, access to properties and the impact of working away from the office. We took steps to mitigate these risks during this period and any ongoing risks have now been incorporated into our risk map.

FINANCIAL RESULTS – HIGHLIGHTS

Overview

We delivered an Operating surplus of £1,009k (2020/21 1,405k) which equated to a net margin of 14.4% on turnover (2020/21 19.7%). We received £472k of net proceeds from property sales (2020/21 £954k) which are included in the operating surplus. Our surplus enables us to continue to invest in and improve the services we provide to our customers.

Our operating margin on social housing lettings (measured excluding losses and surpluses on disposals of properties and components) has fallen to 12% (2020/21 15%), largely due to increased property costs. Our overall operating margin (excluding disposals), increased from 6% to 9%

Our Value for Money Statement for 2021/22 (included as part of this document) reviews our financial performance in more detail including our relative performance and plans for improving our profitability in future years to provide more resilience for changing demands and risks.

2021/22 Surplus before Taxation

Our 2021/22 surplus before taxation was £852k (2020/21: £1,264k), an overall decrease of £412k. Net proceeds from property sales have decreased by £482k.

Also included in the statement of comprehensive income is the remeasurement of the SHPS pension scheme deferred benefit obligation for 2021/22, which has resulted in a credit of £383k (2020/21: a charge of £1,268k) Excluding the effect of property sales and of other income, the underlying surplus has increased by £114k.

There were a number of contributing factors, but the main ones were;

- An increase in rental income of £31k (0.7%) due to the rent increase, less increased void costs and an increase of £41k in service charge income.

- A decrease in Client income of £67k, due to some clients going elsewhere net of an inflationary price increase.
- A decrease of £205k in housing management costs, mainly due to waking watch charges at Lithos Road in the prior year.
- A reduction in reactive and void maintenance spend of £120k but an increased spend on planned and cyclical maintenance, including £363k spent on our electrical safety program. A further £42k of costs relating to the Lithos Road project has been included in the SOCI for the year, compared to £172k in the prior year, being the proportion of the cost that relates to leasehold and shared owner properties.
- An increase in spend on overheads, particularly IT costs, fees and insurance but no overall increase in staff costs, despite a pay increase due to reduced reliance on agency staff.

Allocation of Overheads (Notes 3 & 4)

Our allocation of costs between different business activities is based on a detailed review carried out with Housemark in 2015/16. We continue to use this base as there has been no significant change in the nature of work or attribution. Where possible the allocation uses an assessment of actual levels of activity and is updated for changes in the balance of activity in the business in each operating year. Overheads are apportioned in relation to either staff costs, units under ownership/management or turnover depending on the nature of the cost.

Statement of Financial Position

Our Statement of Financial Position demonstrates that we are financially strong with a significant property asset base of £33.5m at depreciated cost and reserves of £14.9m at the year end.

We have outstanding loan balances of £4.0m, producing a very low gearing, excluding cash balances, of only 8%. Our overall liquidity, including quick access to considerable cash reserves, provides us with confidence that we can meet our foreseeable commitments.

VALUE FOR MONEY

Our approach to value for money focuses on driving value through improved efficiency and improved services to both residents and clients. It also focuses on increasing our income by properly recovering the costs of our services from clients and in relation to service costs. We targeted Client services to break even from 2020.

Our value for money strategy is focused on achieving our overall mission in the most efficient, effective and economic way, whilst always working in line with our values. Our goal of making co-op and community led housing a mainstream option is all about using the value of people's own efforts to give more people the chance to have a home that they enjoy and can afford and our approach to enabling growth means that we are constantly looking ways to maximise the impact of our resources.

Our business streams

Each of our three business streams makes a unique and important contribution to achieving our goals.

Provider
As a collaborative social landlord, we seek to drive efficiency and improve service so that our surpluses grow and can be invested in delivering our vision of mainstream growth for the co-op and community led housing sector. We seek to model the benefits of effective collaboration by working closely with our customers.

Supporter
As a service agency, we make it easier for co-ops and other community led or smaller landlords to remain independent by providing reliable landlord and business services at a reasonable price. In this work we strive to embody our values, enabling clients to achieve their own goals through reliable core service and support for effective, well informed decision making. As we invest in our own infrastructure, we have an eye to how the decisions we make can enable greater independence and autonomy for clients in the future.

Promoter
As a promoter, we are a passionate advocate for mainstream growth in the co-op and community led housing market, facilitating collaboration, encouraging creativity, removing barriers and investing in the design of sustainable building, planning, legal and financial approaches that can be used by anyone.

We also host the London Community Led Housing Hub, largely funded by the GLA to provide practical advice, support and funding to emerging and established community led groups.

We recognise we are custodians of historic public grant. By using our resources in this way, we believe we are making the most effective use of our assets, getting more homes built in line with our core purpose and working with others to deliver the infrastructure to sustain a new market.

Value for Money Strategy

Throughout the year ended 31 March 2022 we measured progress towards our key strategic goals:

- To build a culture of ownership and belonging
- To radically improve service experience

Going forward we will also focus on building financial and operational resilience and ensuring we remain well managed and well governed.

Our VfM strategy focuses on driving value through improved efficiency and improved services to residents and clients. It also focuses on increasing our income by properly recovering the costs of our services from clients and in relation to service costs for both tenants and leaseholders.

To maximise income (and surplus) in the Provider stream we :

- Ensure full recovery of service charge costs.
- Manage customer debt and minimise the impact of the move to Universal Credit.
- Improve consistency and reliability in core services
- Have clear and deliverable plans to reduce costs whilst improving service, so that we deliver better than average levels of service for average costs
- Actively manage our supplier relationships and contracts
- Implement our asset management plan to ensure our homes are safe and comfortable.

To ensure that the Supporter stream is sustainable and makes a small surplus, we:

- Continue to review the pricing strategy in line with benchmarked costs.
- Balance income losses with cost reductions.
- Improve our consistency and reliability in delivering contract services.
- Proactively manage client debt.

To drive value for money in the overall business, we:

- Ensure we have the funding and flexibility in place to deliver our plans.
- Continue to prioritise employee engagement and build a collaborative culture.
- Improve our ICT for core housing services and our ICT infrastructure.

Value for money for us means achieving our goals with the right balance of quality, value and reliability and in line with our business values. Our internal reporting focuses on "controllable surplus" (excluding items such as interest or sales receipts) to encourage an active understanding of how decisions can impact on our results. We also use this as one of our selected VfM measures for external reporting along with our other key KPIs.

Measuring Value for Money

The Value for Money standard includes seven standard measures of VfM in our core landlord business, which are outlined below. In addition, it requires Providers to select their own measures which best reflect their strategic aims and overall approach to VfM. With this in mind, we have selected a small number of targets for each of our business streams.

We are primarily a service organisation and a key element of delivering value for money is that our customers know what they can expect from us, can rely on getting it and are happy with both quality and price.

We monitor VfM primarily through:

- Monitoring our business plan, operational plan and performance against targets.
- Benchmarking our performance and costs relative to our peers.
- Reviewing feedback from customers, clients, employees and other stakeholders.

In our Provider workstream we target consistent improvement in the following:

- Tenant satisfaction with overall service
- Leaseholder satisfaction with overall service and value for money
- Core Service performance, measured by improvements in arrears, complaints handling and repairs performance.
- Employee engagement
- Controllable surplus against budget and improvement from year to year – based on agreed budget.
- Improving our safety compliance and culture.

Our targets for each metric and our performance against them in the current and prior year are shown in the table below.

In our **Supporter** stream we measure progress towards profitability, with the goal of generating a 5% surplus.

In our **Promoter** stream we will measure value for money by the extent to which we are able to deliver agreed outcomes using the promoter fund.

Value for Money Self-Assessment 2021/22

Measured against the standard metrics

Our performance for the year against the standard metrics is as follows. We have given comparatives from the 2020/21 Global accounts data for smaller providers (under 2,500 homes) and the sector scorecard values from 2021.

Value for Money Metrics	Actual 21/22	Actual 20/21	Global Accounts (smaller providers) 20/21	Sector scorecard 2021
Metric 1 – Reinvestment %	0.8%	1.7%	4.6%	5.1%
Metric 2 – New supply delivered %	0%	0%	0.8%	0.9%
Metric 3 – Gearing %	-13.5%	-12.5%	33.7%	33.8%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	552%	333%	205%	216%
Metric 5 – Headline social housing cost per unit	4,537	4,595	4,790	3,891
Metric 6 – Operating Margin %				
Social housing lettings only	11.7%	15.4%	25.1%	25.5%
Overall (including Promotor)	8.8%	7.6%	22.1%	23.6%
Metric 7 – Return on capital employed (ROCE) %	2.7%	3.7%	2.9%	3.1%

The Sector scorecard comparisons are from the Housemark report which covers over 300 associations nationally. The Global Accounts analysis produced by the Regulator for Social Housing captures the data for all housing associations nationally. It also offers data for those housing associations which are over 1,000 homes but less than 2,500 homes nationally, which is the source of the comparison above.

Reinvestment

Our business plan forecasts and allows for the projected investment needed to keep our homes in good repair. As part of our annual budget, we allocate funds to spend on specific projects and on 'at fail' requirements, recognising that homes respond to use and environment as well as age and that our geography offers limited opportunities for economies of scale through procurement. The amount that we spend varies year to year depending both on what projects are planned and the "at fail" needs.

We have seen lower investment in the current and prior years as the pandemic caused delay to the implementation of our asset management plans, although we continued to have the requirement to replace components at fail. We have also made significant investment in our electrical safety program, but this is not capital works and therefore not included in this measure.

The prior year figure includes £305k capitalised as part of the works at Lithos road, whereas in the current year the figure is much lower at £73k.

Our plans to invest nearly £8m in our housing stock over the next three years will significantly change our reinvestment metrics. Our plan prioritises safety and decent homes work and then focuses on issues that affect resident comfort working with customers to ensure we prioritise those things that they most value. We also want to make sure that investment is used across our stock so that all customers feel the benefit of greater investment in some way. This will mean continuing to carry out targeted rather than blanket works on estates. We have a positive position on energy efficiency with less than 15% of the stock below EPC level C and expect to bring 100% of the stock up to this standard within two years.

New Supply Delivered

The Board has considered how CDS can best use its assets to meet the challenge of providing more homes, taking account of our capacity and our specific purpose.

We believe we can best achieve this by enabling the design and delivery of mainstream co-op and community housing solutions, in collaboration with others, measuring our success by the number of homes built overall, rather than simply additions to our own stock.

The Board recognises that we will sometimes be the developer of choice, particularly where sites are adjacent to our own, where existing relationships offer advantageous deals or where there is the opportunity to pilot a new CLH approach. In these cases, we will consider each scheme on its merits, seeking to use our borrowing capacity to deliver more affordable and community led homes in line with our overall vision. For the year 2021/22 we invested £6k in promoter activities from our surplus and we allocated £750k of the funds that we administer on behalf of the GLA, to providing support and direct grants to community led housing groups and projects. We also provided support to the GLA Hub from our central costs.

Gearing

CDS has relatively low gearing even compared to other non-developing providers, reflecting the age of the stock and low calls on borrowing for further investment. The standard measure also includes cash, so our ratio is negative and has become more negative since last year, reflecting both the fact that we continue to repay debt and the amount of cash held at the year end. The ratio indicates lower risk but also potential unused borrowing capacity for the future.

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

This measure is also an indication of risk and of borrowing capacity. We expect this to increase over time as we repay debt, improve Provider surpluses, and reduce deficit on our Supporter workstream. The increase in the current year, reflects a higher underlying operating surplus and lower spend on major repairs.

Headline social housing cost per unit

This is the cost measured across our rented (738) and shared ownership (80) homes. Compared to the prior year, Social Housing costs have increased by 12%, excluding major repairs. We have spent more on property costs this year, particularly reactive maintenance this year and also made significant investment in our electrical safety program, although we have not faced some of the one-off costs that we did in the prior year.

Operating Margin

Our operating margin on Social Housing lettings is below the sector average. Our cost per unit is higher than average and has increased compared to the prior year due to the higher property costs.

Our overall margin is lower than that on Social Housing alone, due to the inclusion of our Client Services (Supporter) business which currently just about breaks even. We missed our target of improving this to a small margin for risk (about 5%) in the year due to challenges with staffing, including having to recruit temporary staff, but it remains our target to do so. This more sustainable business will be the basis for growth in support of the emerging community led housing market and other smaller landlords. Total margin also includes the promoter stream which shows a small deficit and so reduces overall margin.

Return on Capital Employed

This measure has decreased year on year due to a lower operating surplus, mainly due to lower sales of properties.

Measured against our chosen metrics

In addition to the standard metrics, we also measure performance against our specific metrics which we have chosen to align with our strategic goals.

CDS Specific Value for Money Metrics	Target	Met or not met	Actual 21/22	Actual 20/21
Provider Stream				
Tenant satisfaction with overall service	Improving	Not Met	71%	75%
Homeowner satisfaction with overall service	Improving	Met, improved	55%	48%
Core Service Performance:				
Complaints Resolved in Target	95.0%	Met, improved	100%	93%
Average days to complete a repair	Less than 7.5	Not Met	10.4	7.91
Current tenant arrears as % rent debit	Less than 3.0%	Met, improved	1.5%	1.6%
Employee engagement	Improving	Met	74%	71%
Controllable Surplus (excluding disposal of fixed assets and promotor activities)	Improving	Met	£543k	£513k
Legal Compliance / Outstanding safety actions - % gas safety certs and FRAs in date	100%	Met	100%	100%
Supporter Stream				
Operating surplus on Client business	Improving to 5% by 2021	Not Met	-0.5%	0.7%

Customer Satisfaction – Tenants and Leaseholders

Overall tenant satisfaction for the full year has decreased from 75% for the prior year to 71%. On individual measures we have seen small increases in some areas, including satisfaction with quality of home and neighbourhood. Our lowest scores remain reliability and satisfaction with the repairs service.

Homeowner satisfaction has increased from 48% in the prior year to 55% but, in line with general experience in our sector, remains significantly lower than tenant satisfaction with reductions in satisfaction with quality of home and the repairs service. An improvement plan is in place address the key issues in the repairs service and elsewhere.

Controllable Surplus – Provider Stream

We measure controllable surplus before gains or losses on the disposal of fixed assets and excluding our Promoter activities.

Excluding disposals, our surplus has increased by £30k on the previous year (from £513k to £543k). We have spent less on reactive maintenance but more on planned works, including £360k on our electrical safety programme. We have also spent more on overheads including fees and IT costs but have controlled our spend on staff costs by reducing our reliance on agency staff. The prior year also includes the one-off cost (£208k) of providing the waking watch at our Lithos estate.

Our strategic aim is for this measure to increase year on year. In 2021/22, we did increase surplus but did not meet our original budget due to increased property costs.

Legal Compliance and Safety actions

We met our target for 100% compliance for completed Fire Risk Assessments (FRAs) and gas safety certificates. We are also close to having 100% compliance on our electrical certificates, following a program of testing and improvement in 2021/22.

Operating Surplus – Supporter Stream

Our strategic aim was for the Client Services business to break even and generate a small (5%) margin to cover risk from March 2021. We missed this target in 2021/22, making a marginal loss.

How Will We Improve Value for Money?

Alongside our existing goals, in the current year, we will focus on building financial and operational resilience. In common with many similar organisations, we are facing pressure from increasing costs and our business plan stress testing highlighted this is a key risk for us, particularly if our income stream is not able to increase at the same rate.

We have sufficient resources to invest in our stock and run our business over the next few years, but in order to build a realistic buffer for risk to respond to the expected pressures of safety, environmental and Decent Homes requirements and to the challenging economic landscape, we have identified a need to reduce our costs or increase our income over the next three to five years. Whilst this is a medium term target, it will require planning in order to take effect in a time and way that supports rather than impedes our service improvement plans.

In the coming year we will target the specific projects, including projects which are ongoing or have been delayed from last year.

- Prioritise investment in safety, decency and customer preference so that we make the most impact with our resources.

- Review our repairs processes to ensure we are getting the best value and service for customers and regularly review our service and cost performance against target.

- Implement an upgraded finance system which will enable us to work more efficiently and if required, more flexibly, including away from the office. We will also use the improved functionality to modernise and streamline our processes whilst ensuring that we retain strong controls. This will enable us to work more efficiently and to make it easier for our suppliers to get paid for their work.

- Continue our use of procurement frameworks to improve our commissioning of consultants and works.

- Ensure client services covers its costs, reviewing our service offering and pricing to check that we remain competitive whilst recovering all costs.

- Organise our resources and teams to provide the best and most efficient service to our residents and clients.

- Update pay and rewards to encourage the right culture and performance.

- Review the ways that we interact with our customers, clients and suppliers to make sure we are efficient whilst giving a great service and being easy to deal with.

- Continue to focus on our rent collection and arrears performance and support customers to pay their rent.

- Review our plans for future investment and ensure we have the funding and flexibility in place to deliver them.

- Improve our performance data to drive accountability and use benchmarking more effectively to compare our costs and performance to our peers.

- Finalise our plans for the future of the Hub.

COMPLIANCE

Governance and Financial Viability Standard

The Board confirms our compliance with the RSH's regulatory framework, particularly the Governance and Financial Viability standard for the year under review and for the period up to the date of these accounts. Our compliance is reviewed on an annual basis and the report as at 30 June 2022, which confirmed that CDS is able to demonstrate full compliance with this standard, was approved by the Board in July.

NHF Code of Governance

We have adopted the National Housing Federation Code of Governance. The NHF Code was updated in early 2015 and the Board conducts regular reviews of compliance with the updated code, with the latest taking place in Autumn 2020. We have agreed to adopt the new code and were complaint by March 2022.

NHF Voluntary Code on Mergers, Group Structures and Partnerships

In January 2016, the Board agreed to adopt the above code.

The Board has agreed that there is no immediate need or benefit to be obtained from pursuing a merger. Partnerships to share services or central costs are of interest and any approach would receive appropriate consideration as to its value in increasing the pace or scale of movement towards the business mission.

No proposals for merger were made in the year and no representations were received from any third party with any proposals for merger.

STATEMENT OF BOARD'S RESPONSIBILITIES

As a Registered Provider of Social Housing, the Board is responsible for preparing the report and financial statements for each financial year in accordance with applicable law and regulations, Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies Act 2014, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Society for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that CDS will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of CDS and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2019 and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018.

The Board has general responsibility for safeguarding the assets of CDS and hence for the prevention and detection of fraud and other irregularities.

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

STATEMENT ON INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Society is exposed. The Board ensures that there is a long-term business plan setting out both the goals of the Society and our financial capacity and this plan is robustly tested. Our risk assessment framework is directly related to ensuring that we manage and mitigate those risks that might undermine our ability to meet our business plan goals.

The process adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some of the key elements of the control framework includes:

- Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Society's activities. This process is co-ordinated through a regular reporting framework by the senior management team which regularly considers reports on significant risks facing the Society and the team is responsible for reporting to the Board any significant changes affecting key risks.

- Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to management and to the Board. This includes an agreed programme of internal audit reviews designed to provide regular and objective assurance on key internal controls. There is in place a rigorous procedure for ensuring that corrective action is identified in relation to any significant control issues, particularly those with a material impact on the financial statements.

- Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including new investment projects. The Board has adopted and disseminated to all employees a code of conduct for board members and staff based upon the NHF code of governance. This sets out the Society's requirements with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, asset protection and fraud prevention and protection.

- Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for the subsequent four years, as well as detailed cash flow forecasts for the same period. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

- Arrangements for managing the risk of fraud

The Board has an anti-fraud policy which sets out the arrangements for preventing, detection and reporting of fraud. As part of the internal fraud review, the Finance & Audit Committee has reviewed the fraud register and reported any instances of fraud to the Board, as appropriate. There have been no significant frauds or attempted frauds during the year under review.

- Key Risks

The Board considers that the key risks that are most likely to influence future performance and our ability to deliver our business objectives are economic and political, staff turnover, information and communications technology, internal controls and health and safety. More detail on the key risks and the action taken to mitigate these risks is included in the Risk and Uncertainty section above.

- Internal audit

The internal control framework and risk management process are subject to regular review by the Internal Auditors who are responsible for providing independent assurance to the Board via its Finance & Audit Committee. The Finance & Audit Committee considers internal controls and risk at each of its meetings.

- Annual review of the effectiveness of internal controls

The Board confirms that it has received the annual report of the senior management team on the effectiveness of internal controls and has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Society. This process has been in place throughout the year under review and up to the date of the approval of these statements and is regularly reviewed by the Board. The Board confirms that no weaknesses in internal controls have resulted in any material losses, contingencies or uncertainties which would require disclosure in the financial statements.

EQUALITY AND DIVERSITY

CDS is committed to operating fairly and openly and without discrimination. All decisions relating to employment practices will be objective, free from bias and based solely on work criteria and individual merit. We are responsive to the needs of our employees, residents and the community at large.

HEALTH AND SAFETY

The Board receives an annual health and safety report with regular updates on safety for employees, residents, partners and other parties. Additionally, a report on property health and safety compliance is provided at each Board meeting and health and safety is reported at each Corporate Services Committee meeting. The health and safety of CDS's employees, residents and partners is paramount to the Board and we are constantly seeking to develop a safety aware and safety confident culture.

We strive for safe and healthy working conditions, housing, equipment, and systems of work for all those connected with the Society and to provide such information, training and supervision as is needed for this purpose. In the last year, we created a dedicated Property Compliance Team and filled a newly created post dedicated to managing property health and safety compliance in order to ensure proper attention is paid to keeping our properties and our residents safe.

There have been no material health and safety breaches in the year.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of CDS's Board Members, as set out on page 2, confirm the following:

- so far as each Board Member is aware there is no relevant information needed by CDS's auditors in connection with preparing their report of which CDS's auditors are unaware; and

- each Board Member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant information needed by CDS's auditors in connection with preparing their report and to establish that CDS's auditors are aware of that information

GOING CONCERN

CDS has a significant property asset base of £33.5m at depreciated cost and reserves of £14.9m at the year end. Loans outstanding were £4.0m and although CDS has no overdraft facility we had total cash holdings of £8.5m.

CDS complies with the Governance and Financial Viability Standard, which means that we need both to have access to sufficient liquidity (for us this is met by cash reserves) to meet our obligations and to comply with our loan covenants. We monitor actual and expected compliance with loan covenants throughout the year.

Our operating budget for 2022/23 shows a good surplus and that we expect to have sufficient headroom on our loan covenants.

We performed a range of stress tests on the business plan and identified continued cost inflation, in excess of income growth as the most significant risk to the plan. We have assessed the likely impact and consider that we have appropriate mitigation in place.

We have agreed a variation to our interest rate covenant calculation for the three years to 31 March 2025 which will enable us to spend accumulated cash on key aspects of our Asset Management plan, including improving safety and maintaining Decent Homes standards, without risking breach of our covenant. Our plans have been delayed due to the pandemic, but we are now moving into the procurement phase.

Our treasury strategy also provides that we consider CDS' cash requirements over the medium term (at least the next 24 months) and that an updated cash flow is prepared on at least a quarterly basis. The cash flow shows that we have sufficient cash to meet our needs over this period.

Based on the Board's projections, including the long-term business plan and the 24-month cash forecast, The Board has a reasonable expectation that CDS will continue to deliver adequate surpluses and meet its financial covenants and that CDS has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board has concluded that a material uncertainty does not exist and as a result continues to adopt the going concern basis in preparing the financial statements.

By order of the Board of Management

Christina Friedenthal

C. Friedenthal
Secretary Date: 20 September 2022

Independent Auditor's Report to the Members of The Co-operative Development Society Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2022 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

We have audited the financial statements of The Co-operative Development Society Limited ("the Society") for the year ended 31 March 2022 which comprise the Society statement of comprehensive income, the Society statement of financial position, the Society statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' 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 Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the board members with respect to going concern are described in the relevant sections of this report.

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Society; or
- a satisfactory system of control has not been maintained over transactions; or
- the Society financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 21, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Society and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Housing and Regeneration Act 2008, the Co-operative and Community Benefit Societies Act 2014 and relevant Tax Legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition, the Society is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Employment Law, Data Protection and Health and Safety Legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

Audit procedures capable of detecting irregularities including fraud performed by the engagement team included:

- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverable amount of assets and the provisions against bad debt;
- Carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:
Laurence Elliott
C9A7C7386A35456...

Laurence Elliott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick

30 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	2022 £	2021 £
Turnover	3	7,023,317	7,137,710
Operating costs	3	(6,486,265)	(6,686,996)
Surplus on sale of housing properties	5	471,754	954,089
Other Income		-	-
Operating surplus	3	1,008,806	1,404,803
Investment and other income	6	1,513	4,393
Interest payable and similar charges	7	(158,201)	(145,265)
Surplus before taxation		852,118	1,263,931
Tax on surplus on ordinary activities	11	-	19,677
Surplus for the financial year		852,118	1,283,608
Re-measurement of pension obligation	21	383,000	(1,268,000)
Total comprehensive income for the year		1,235,118	15,608

All amounts relate to continuing activities.

These financial statements were approved by the Board of Management and signed on its behalf by:

B.A. Sutcliffe

B. Sutcliffe
Chair

L.Wallace
Board Member

C. Friedenthal
Secretary

Date of approval: 20 September 2022

The notes on pages 34 to 59 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
At 31 March 2022

	Revenue Reserve £
At 1 April 2020	13,652,690
Surplus for the year	1,283,608
Re-measurement of pension obligation	(1,268,000)
At 31 March 2021	13,668,298
Surplus for the year	852,118
Re-measurement of pension obligation	383,000
At 31 March 2022	14,903,416

The notes on pages 34 to 59 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 March 2022

	Note	2022 £	2021 £
Tangible fixed assets			
Housing properties	12	33,452,869	33,992,511
Other fixed assets	13	305,031	359,654
Fixed asset investment	14	22,005	21,364
		33,779,905	34,373,529
Current assets			
Debtors	15	413,504	262,858
Cash at bank and in hand		8,498,122	8,424,651
		8,911,626	8,687,509
Creditors: amounts falling due within one year	16	(4,659,315)	(5,240,859)
Net current assets		4,252,311	3,446,650
Total assets less current liabilities		38,032,216	37,820,179
Creditors: amounts falling due after one year	17	(21,759,020)	(22,195,943)
Defined benefit pension liability	21	(1,369,771)	(1,955,927)
Total net assets		14,903,425	13,668,309
Capital and reserves			
Share capital	22	9	11
Revenue reserve		14,903,416	13,668,298
Total capital and reserves		14,903,425	13,668,309

All shareholdings relate to non-equity interests, as disclosed in note 22.

These financial statements were approved by the Board of Management and signed on its behalf by:

B. A. Sutcliffe

B. Sutcliffe
Chair

L. Wallace
Board Member

Christina Friedenthal

C. Friedenthal
Secretary

Date of approval: 20 September 2022

The notes on pages 34 to 58 form part of these financial statements.

STATEMENT OF CASHFLOWS
For the year ended 31 March 2022

	Note	2022	2021
Cash from operations	23	231,254	1,364,476
Corporation tax paid		-	(117,489)
Net cash inflow from operating activities		231,254	1,246,987
Cash flow from investing activities			
Purchase of fixed assets – housing properties		(255,471)	(565,323)
Purchase of fixed assets – other		(39,752)	(85,885)
Net proceeds from sales of housing properties		500,876	1,102,263
Net proceeds from sales of other assets		921	-
Social Housing Grant repaid		(67,117)	(51,786)
Interest received		872	4,513
Net cash generated from (used in) investing activities		140,329	(403,782)
Cash flow from financing activities			
Repayment of borrowings		(184,909)	(184,522)
Interest paid		(113,201)	(121,265)
Share issued		2	2
Shares redeemed		(4)	(1)
Net cash used in financing activities		(298,112)	(305,786)
Net increase in cash and cash equivalents		73,471	1,344,983
Cash and cash equivalents at the beginning of the year		8,424,651	7,079,668
Cash and cash equivalents at the end of the year		8,498,122	8,424,651
Cash and cash equivalents consist of:			
Cash at bank in hand		8,498,122	8,424,651
Bank overdraft		-	-
Cash and cash equivalents		8,498,122	8,424,651

The notes on pages 34 to 58 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently from one financial year to another and in dealing with items which are considered to be material in relation to the financial statements of The Co-operative Development Society Limited (The Society).

Basis of preparation

The Society is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Housing SORP 2018 Statement of Recommended Practice for registered social housing providers (Housing SORP 2018) and comply with the Accounting Requirements for Private Registered Providers of Social Housing 2019 (the Accounting Direction).

The functional currency is GBP sterling. The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Society's management to exercise judgement in applying its accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going concern

The Society's activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board.

The Society has in place long term debt facilities as well as considerable cash reserves which provide adequate resources to finance committed reinvestment programmes along with day to day operations.

The Society also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. This plan has been stress tested, key risks, their likely impact and appropriate mitigation have been identified. The budget for the current year also shows a good surplus.

The Society's treasury strategy also provides that cash requirements over the medium term (at least the next 24 months) are considered and that an updated cash flow is prepared on at least a quarterly basis. The cash flow shows that sufficient cash is available to meet expected needs over this period.

On this basis, the Board has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, in the opinion of the Board, a material uncertainty does not exist and as a result it continues to adopt the going concern basis of preparation in the financial statements.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Turnover

Turnover represents rental income (receivable net of rent losses from voids), leaseholder service charges, first tranche sales of shared ownership properties and proceeds from sale of housing properties developed for sale, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year and amortisation of deferred capital grants.

Revenue recognition

Rental income is recognised from the point when the properties under development reach practical completion or otherwise become available for letting. Revenue grants are recognised when the conditions for receipt of grant funding have been met. Income from deferred capital grants is recognised in turnover in a systematic basis over the useful economic life of the asset (usually the properties fabric) for which it was received. Income from services contracts is recognised in the period to which it relates.

Value Added Tax

The Society is VAT registered but a large proportion of its income, comprising rents, is exempt for VAT purposes. Accordingly, expenditure relating to rental income is shown inclusive of VAT in these accounts. VAT on expenditure relating to taxable supplies is reclaimable in full and, accordingly, this expenditure is shown net of VAT in these accounts. For expenditure of a general nature (i.e. certain overheads) which cannot be directly attributed to exempt or taxable supplies the partial exemption provisions apply. This expenditure is accounted for net and irrecoverable VAT is charged to other expenditure.

Interest payable

The arrangement fees and legal costs incurred in connection with loan facilities have been capitalised as part of loan issue costs and will be amortised over the term of the facilities or until there is a significant event that would require immediate expensing.

Housing properties

Housing properties are properties available for Social rent and properties subject to shared ownership leases. Housing properties are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements which have resulted in an economic benefit to the Society as well as directly incremental overhead costs and staff time associated with new developments, improvements and component-works.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Depreciation of housing properties

The Society accounts for its expenditure on housing properties using component accounting. A housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives.

The components identified by the Society and their respective useful economic lives are as follows:

Component	Useful Economic Life
Structure	100 Years
Structure (Sylhet)	59 Years
Kitchens	20 Years
Boilers	15 Years
Wiring	25 Years
Bathrooms	25 Years
Heating	30 Years
Roof	60 Years
Windows	30 Years
Lifts	30 Years

Where a separately identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

Expenditure on items not separately identified as components are capitalised if they result in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Other fixed assets and depreciation

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged for a full year in the year of acquisition on a straight line basis with no charge in the year of disposal. The principal annual rates used for other assets are:

Improvements to leasehold offices	-	over the term of the lease
Office furniture and equipment	-	20%
Computer equipment and software	-	20%
Tenant service equipment	-	25%
Community buildings	-	2%

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of tangible fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified a detailed assessment is then undertaken at estate or block level to determine the assets or cash generating units (CGUs) recoverable amount. The recoverable amount will be the higher of fair value less costs to sell, or Existing Use Valuation for Social Housing (EUV-SH), or Value in Use (in respect of assets held for their service potential) (VIU-SP). As allowed by Housing SORP 2018 the Society uses Depreciated Replacement Cost (DRC) as a reasonable estimate of VIU-SP.

Where the carrying amount of an asset or CGU is deemed to exceed its recoverable amount, the excess will be recognised in the Statement of Comprehensive Income.

Financial assets

Basic financial assets, including tenant debtors and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Social Housing Grant (SHG) and other capital grants

SHG is receivable from Homes England, previously the Homes and Communities Agency (HCA) or the GLA, and other capital grants are receivable from local authorities and other organisations.

Grant received is recognised as deferred income in the Balance Sheet and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received, usually a housing property's fabric.

When a Grant funded property is sold, any attributable Grant becomes recyclable and is transferred to a recycled capital grant fund (RCGF) or disposal proceeds fund (DPF for right to acquire units) until it is reinvested in a replacement property. The related Grant amortisation is charged to the Income and Expenditure Account.

CDS administers grant funding on behalf of the GLA as part of its London Hub activity to support "early stage" Community Led Housing projects. This funding is released to the Statement of comprehensive income to match the costs of providing this support, including direct grants awarded to projects. Unallocated grant is shown in other creditors and accruals falling due within one year.

Recycled capital grant fund

The Grant element on the net sale receipts of Grant funded properties, typically right to buy or shared ownership staircasing but not right to acquire, are required to be credited to a recycled capital grant fund under the terms of the SHG originally paid on such properties. Within the terms defined by Homes England, the fund is to be used to provide replacement properties for rent, land acquisition and works to existing stocks or if unused within three years, is repayable.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Pension costs

CDS participates in the Social Housing Pension Scheme (SHPS), which is a defined benefit scheme in relation to certain employees and past employees. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation less the fair value of the plan assets at the reporting date.

The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as remeasurement of net defined benefit liability. Further details are shown in note 21.

Provisions

CDS only makes provision for any contractual and constructive liabilities existing at the balance sheet date.

Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the respective lease terms.

Taxation

Since 8 August 2019, CDS has been a charitable Community Benefit Society. It also has exempt tax status, effective the same date and does not therefore pay Corporation Tax on surpluses generated from its Charitable activities. In the prior year the charge for taxation is based upon the surplus generated prior to conversion and includes current tax and deferred tax.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Society anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Any assets and liabilities recognised have not been discounted.

Deferred tax is measured at the tax rates expected to apply in the periods when the timing differences are expected to reverse, based on tax rate and law enacted or substantially enacted at the balance sheet date.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 102 requires that management exercise its judgement in the process of applying the Society's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Determining whether an impairment review is required

Annually housing properties are assessed for impairment indicators and, in particular, factors that could impact on ability to let the property. These include the condition of the properties, current experience of void periods, including short term effects such as letting delays caused by the Coronavirus epidemic and demand for properties in the local area. We also consider any property specific factors such as upcoming works that might indicate the need to impair or dispose existing components and any recent valuations obtained. No indicators were identified that required a full impairment review and no impairment losses have been recognised in the year.

(b) Key accounting estimates and assumptions

Preparation of the financial statements requires management to make significant judgement and estimates. The areas in the financial statements where these have been made include impairment, capitalisation and any areas where there is estimation or uncertainty.

(i) Useful economic lives of tangible fixed assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets including any components. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

(ii) Impairment of debtors

The Society makes an estimate of the recoverable value of tenant and other debtors. When assessing impairment of tenant and other debtors, management considers factors including the ageing profile of debtors and historical experience. We make a provision of 35% against current tenant arrears and 100% against former tenant arrears. We have considered this level of provision in light of current experience of income collection during the current Coronavirus epidemic and consider it to be adequate. For other, non tenant debtors we consider the recoverability of balances on a case by case basis and make provision as required.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

(iii) Defined benefit obligation

The estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Management has adopted the assumptions proposed by the SHPs scheme actuaries. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 21). The net defined benefit pension liability at 31 March 2022 was £1,370k.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £	Other Income £	Operating costs £	2022 Operating surplus / (deficit) £	Turnover £	Other Income £	Operating costs £	2021 Operating surplus / (deficit) £
Social housing lettings (note 4)								
General needs accommodation	4,433,670	-	(4,015,906)	417,764	4,348,862	-	(3,536,701)	812,161
Shared ownership accommodation	300,227	-	(178,032)	122,195	288,172	-	(409,818)	(121,646)
	4,733,897	-	(4,193,938)	539,959	4,637,034	-	(3,946,519)	690,515
Other social housing activities								
Tenant participation / training	-	-	(11,902)	(11,902)	-	-	(13,680)	(13,680)
Leasehold services	151,966	-	(164,458)	(12,492)	147,545	-	(365,455)	(217,910)
Promoter activities	749,690	-	(755,869)	(6,179)	910,451	-	(951,163)	(40,712)
	901,656	-	(932,229)	(30,573)	1,057,996	-	(1,330,298)	(272,302)
Activities other than social housing activities								
Fees from managed associations	1,353,259	-	(1,360,098)	(6,839)	1,419,970	-	(1,410,179)	9,791
Commercial letting	34,505	-	-	34,505	22,710	-	-	22,710
	1,387,764	-	(1,360,098)	27,666	1,442,680	-	(1,410,179)	32,501
Surplus on disposal of housing properties	-	471,754	-	471,754	-	954,089	-	954,089
Total	7,023,317	471,754	(6,486,265)	1,008,806	7,137,710	954,089	(6,686,996)	1,404,803

4. INCOME AND EXPENDITURE FROM LETTINGS	General needs properties £	Shared ownership properties £	2022 Total £	General needs properties £	Shared ownership properties £	2021 Total £
Income						
Rents receivable net of identifiable service charges	3,933,569	242,939	4,176,507	3,890,110	255,222	4,145,332
Service charges income	211,729	60,492	272,221	176,092	54,838	230,930
Amortisation of deferred capital grants	288,273	(3,204)	285,169	282,660	(21,888)	260,772
Turnover from social housing lettings	4,433,670	300,227	4,733,897	4,348,862	288,172	4,637,034
Expenditure						
Management	(746,756)	(70,451)	(817,207)	(761,132)	(66,662)	(827,794)
Service charge costs	(299,610)	(41,803)	(341,413)	(440,231)	(96,194)	(536,425)
Routine maintenance	(1,458,461)	-	(1,458,461)	(1,361,889)	(9,740)	(1,371,629)
Planned maintenance	(686,305)	(38,731)	(725,036)	(148,186)	(200,908)	(349,094)
Major repairs expenditure	(79,169)	-	(79,169)	(84,101)	(17,691)	(101,792)
Bad debts	(1,154)	(5,938)	(7,092)	(1,785)	171	(1,614)
Depreciation of housing properties						
-annual charge	(730,433)	(21,109)	(751,542)	(717,807)	(18,794)	(736,601)
-accelerated on disposal of components	(14,018)	-	(14,018)	(21,570)	-	(21,570)
Operating expenditure on social housing lettings	(4,015,906)	(178,032)	(4,193,938)	(3,536,701)	(409,818)	(3,946,519)
Operational surplus/ (deficit) on social housing lettings	417,764	122,195	539,959	812,161	(121,646)	690,515
Void losses	(32,545)	-	(32,545)	(20,419)	-	(20,419)

5. SURPLUS ON SALE OF HOUSING PROPERTIES

	2022 £	2021 £
Sale proceeds	503,279	1,106,563
Costs of sale transferred from fixed assets (note 12)	(29,122)	(148,174)
Incidentals	(2,403)	(4,300)
Surplus for the year	471,754	954,089

6. INTEREST RECEIVABLE

	2022 £	2021 £
On surplus cash	1,513	4,393
	1,513	4,393

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £	2021 £
On loans	113,201	120,524
On Recycled Capital Grant Fund	-	741
Loan fee amortisation	5,000	5,000
Net Interest on defined benefit pension liability	40,000	19,000
	158,201	145,265

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2022	2021
Is stated after charging / (crediting):	£	£
Depreciation	845,427	836,297
Loss on disposal of components	14,018	21,571
Surplus on sale of fixed assets – properties	(471,754)	(954,089)
Operating lease rentals: land and buildings	101,195	214,229
Auditors' remuneration (excluding VAT):		
• for their audit of the financial statements	29,750	33,990
• in respect of other services – tax compliance services		-

9. EMPLOYEE INFORMATION

	2022 Number	2021 Number
Average number of employees		
The average monthly number of employees expressed in full time equivalents (based on a standard working week of 35 hours)	41	41

	2022 £	2021 £
Staff costs were as follows:		
Wages and salaries	1,819,469	1,695,257
Social security costs	188,601	174,848
Other pension costs	107,299	105,253
	2,115,369	1,975,358

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL

The aggregate remuneration for key management personnel, which includes the executive directors and other members of the senior management team, charged in the year is:

	2021 £	2021 £
Aggregate emoluments payable to key management personnel (including pension contributions and benefits in kind)	512,232	374,393
Emoluments payable to the highest paid director, the Chief Executive, excluding pension contributions but including benefits in kind	121,298	122,362

The figures include the cost of Employer's National Insurance contributions and of pension contributions (except where stated otherwise) and also include amounts paid in respect of previous years such as bonus to the extent that these have been included in the accounts in the current year. The number of posts included has increased by one on the prior year.

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL (continued)

The number of staff, including directors, who received emoluments, excluding pension contributions, greater than £60,000;

	2022 Number	2021 Number
£60,001 - £70,000	3	3
£70,001 - £80,000	1	2
£80,001 - £90,000	1	1
£90,001 - £100,000	-	-
£100,001 - £110,000	1	1
£110,001 - £120,000	-	
£120,001 - £130,000	1	1

The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The society does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2021: £nil).

Payments to members of the Board of Management, excluding the Chief Executive, were:

	2022 £	2021 £
A Bush	2,031	1,600
M Creasey	2,031	713
S Jassal	2,031	713
L Jeanne	687	-
D King	-	600
J Lack	687	-
A Pakes	2,031	1,600
M Slade	1,000	1,875
R Southern	2,031	1,600
B A Sutcliffe	8,899	7,875
A Watt	1,000	1,600
N Whitaker	3,047	3,000
N Wood	1,000	1,600
L F Zollner	2,031	1,600
	28,507	24,376

11. TAXATION

	2022 £	2021 £
UK corporation tax	-	-
Adjustment in respect of previous year		(19,677)
Total current tax		(19,677)
Origination and reversal of timing differences		-
Tax on profit on ordinary activities	-	(19,677)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £	2021 £
Surplus on ordinary activities before tax	852,118	1,263,931
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021: 19%)	161,902	240,147
Effect of:		
Surplus generated as a charitable society	(161,902)	(240,147)
Adjustment in respect of previous year	-	(19,677)
	-	(19,677)

12. TANGIBLE FIXED ASSETS – Housing properties

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Cost			
At 1 April 2021	46,431,914	2,772,492	49,204,406
Additions	255,471	-	255,471
Disposals - properties	-	(59,691)	(59,691)
Disposals - components	(120,020)	-	(120,020)
At 31 March 2022	46,567,365	2,712,801	49,280,166
Accumulated depreciation			
At 1 April 2021	14,610,301	601,594	15,211,895
Charge for the year	730,433	21,109	751,542
Disposals - properties	-	(30,569)	(30,569)
Disposals - components	(105,571)	-	(105,571)
At 31 March 2022	15,235,163	592,134	15,827,297
Net Book Value			
At 31 March 2022	31,332,202	2,120,667	33,452,869
At 31 March 2021	31,821,613	2,170,898	33,992,511

All housing properties are held as freehold. Loans are secured against a number of these properties. There is no capitalised interest included in housing properties (2022; nil)

Improvements to properties	2022 £	2021 £
Replacement of components	255,471	565,323
Major repairs expensed	3,747	101,792
	259,218	667,115

13. TANGIBLE FIXED ASSETS – Other

	Community buildings £	Office furniture and equipment £	Computer equipment and software £	Tenant services equipment £	Total £
Cost					
At 1 April 2021	155,417	44,884	925,814	117,643	1,243,758
Additions	-	-	39,752	-	39,752
Disposals	--	(30,073)	-	-	(30,073)
At 31 March 2022	155,417	14,811	965,566	117,643	1,253,437
Depreciation					
At 1 April 2021	10,360	44,154	765,869	63,721	884,104
Charge for year	2,590	241	73,081	17,974	93,886
Disposals	-	(29,584)	-	-	(29,584)
At 31 March 2021	12,950	14,811	838,950	81,695	948,406
Net book value					
At 31 March 2022	142,467	-	126,616	35,948	305,031
At 1 April 2021	145,057	730	159,945	53,922	359,654

14. FIXED ASSET INVESTMENT

	£
At 1 April 2021	21,364
Interest charged for the year	621
At 31 March 2022	22,005

The fixed asset investment is a holding in the loan stock of Bunker Housing Co-operative Ltd.

15. DEBTORS

	2022	2021
	£	£
Amounts due within one year:		
Rent and service charge arrears	107,850	99,302
Less: provision for bad debts	(50,048)	(48,027)
	57,802	51,275
Amounts due from clients for monies paid on their behalf	3,196	6,414
Loans to staff	-	-
Other debtors and prepayments	352,506	205,169
	413,504	262,858

16. CREDITORS: amounts falling due within one year

	2022	2021
	£	£
Housing loans (note 18)	178,237	180,677
Recycled capital grant fund (RCGF) (note 19)	48,462	140,915
Trade Creditors	286,429	199,455
Loan Interest accrued	15,847	15,397
Capital expenditure on housing properties	263,033	1,206,794
Other taxation and social security payable	92,509	96,718
Rent and service charges received in advance	317,174	311,995
Corporation tax	(12,905)	(12,905)
Amounts due to clients for monies received on their behalf	1,108,594	1,039,129
Leaseholder sinking funds	560,031	550,832
GLA grants not paid out	1,274,734	855,613
Other creditors and accruals	223,503	352,194
Deferred social housing grant (note 20)	303,667	304,045
	4,659,315	5,240,859

17. CREDITORS: amounts due after one year

	2022	2021
	£	£
Housing loans (note 18)	3,801,875	3,979,344
Recycled capital grant fund (RCGF) (note 19)	205,093	131,295
Deferred social housing grant (note 20)	17,752,052	18,085,304
	21,759,020	22,195,943

18. HOUSING LOANS

Housing loans are secured by specific charges on the Society's housing properties. Interest rates and maturities of the loans are disclosed at note 30.

Repayment profile of housing loans All repayable by instalments	**2022** **£**	**2021** **£**
Repayable in one year	178,237	180,677
Repayable in two to five years	824,793	771,162
Repayable in more than five years	2,977,082	3,208,182
	3,980,112	4,160,021

19. RECYCLED CAPITAL GRANT FUND

	2022 **£**	**2021** **£**
At 1 April 2021	272,210	182,339
Grants recycled (note 29)	48,462	140,915
Simple interest	-	273
Interest accrued	-	469
Repayments	(67,117)	(51,786)
At 31 March 2022	253,555	272,210

During the year £48,462 (2021: £140,915) of SHG including simple interest was recycled into the fund on disposal of a property that was staircasing.

Of the total £48,462 (2021: £140,915) is repayable within one year.

The notional interest charged to the fund was £nil (2021: £742).

20. DEFERRED SOCIAL HOUSING GRANT

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Social housing grant			
At 1 April 2021	26,025,876	1,518,346	27,544,222
Transferred to recycled capital grant fund	-	(48,462)	(48,462)
At 31 March 2022	26,025,876	1,469,884	27,495,760
Amortisation			
At 1 April 2021	8,715,871	439,002	9,154,873
Amortisation credit for the year	288,373	15,294	303,667
Released on disposals	-	(18,499)	(18,499)
At 31 March 2022	9,004,244	435,797	9,440,041
Net Book Value			
At 31 March 2022	17,021,632	1,034,087	18,055,719
At 31 March 2021	17,310,005	1,079,344	18,389,349

	2022 £	2021 £
Amount to be amortised within one year	303,667	304,045
Amount to be amortised after one year	17,752,052	18,085,304
	18,055,719	18,389,349

21. DEFINED BENEFIT PENSION LIABILITY

The society participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a 'last man standing' arrangement. Therefore, the society 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.

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

For the year ended 31 March 2022, sufficient information is available for the society in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2020 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2022 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2021 is £1,956k and £1,370k as at 31 March 2022.

Fair value of plan assets, present value of defined benefit obligation, and defined benefit asset

	31 March 2022 (£000s)	31 March 2021 (£000s)
Fair value of plan assets	8,784	8,393
Present value of defined benefit obligation	10,154	10,349
Surplus (deficit) in plan	(1,370)	(1,956)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(1,370)	(1,956)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2022 (£000s)
Defined benefit obligation at start of period	10,349
Expenses	7
Interest expense	223
Actuarial losses due to scheme experience	583
Actuarial (gains) due to changes in demographic assumptions	(151)
Actuarial (gains) due to changes in financial assumptions	(736)
Benefits paid and expenses	(121)
Defined benefit obligation at end of period	10,154

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

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

	Year ended 31 March 2022 (£000s)
Fair value of plan assets at start of period	8,393
Interest income	183
Gain on plan assets (excluding amounts included in interest income)	79
Contributions by the employer	250
Benefits paid and expenses	(121)
Fair value of plan assets at end of period	8,784

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £262,000.

Defined benefit costs recognised in statement of comprehensive income (SoCI)

	Year ended 31 March 2022 (£000s)
Current service cost	7
Net interest expense	40
Defined benefit costs recognised in Statement of Comprehensive Income	47

Defined benefit costs recognised in other comprehensive income

	Year ended 31 March 2022 (£000s)
Gain on plan assets (excluding amounts included in net interest cost)	79
Experience losses arising on the plan liabilities	(583)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	151
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	736
Total amount recognised in other comprehensive income -loss	383

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Assets

	31 March 2022 (£000s)	31 March 2021 (£000s)
Global Equity	1,686	1,338
Absolute Return	352	463
Distressed Opportunities	314	242
Credit Relative Value	292	264
Alternative Risk Premia	290	316
Fund of Hedge Funds	-	1
Emerging Markets Debt	256	339
Risk Sharing	289	306
Insurance-Linked Securities	205	202
Property	237	174
Infrastructure	626	560
Private Debt	225	200
Opportunistic Illiquid Credit	295	213
High Yield	76	251
Opportunistic Credit	31	230
Cash	30	-
Corporate Bond Fund	586	496
Liquid Credit	-	100
Long Lease Property	226	165
Secured Income	327	349
Liability Driven Investment	2,451	2,133
Currency Hedging	(34)	
Net Current Assets	24	51
Total Assets	8,784	8,393

Principal actuarial assumptions: Financial assumptions

	31 March 2022 % per annum	31 March 2021 % per annum
Discount Rate	2.79%	2.17%
Inflation (RPI)	3.59%	3.28%
Inflation (CPI)	3.20%	2.86%
Salary Growth	4.20%	3.86%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Mortality assumptions

The assumed life expectancies on retirement at age 65, used to value the benefit obligation at 31 March 2022 are:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

22. NON-EQUITY SHARE CAPITAL

Ordinary shares of £1 each issued and fully paid	**2022 £**	**2021 £**
At 1 April	11	10
Issued during the year	2	2
Cancelled during the year	(4)	(1)
At 31 March	9	11

Each non-executive member of the Board of Management holds one £1 share in the Society.

23. NOTES TO THE CASH FLOW STATEMENT

	2022 £	2021 £
Surplus for the financial year	852,118	1,283,608
Taxation for the year	-	(19,677)
Surplus for the financial year before taxation	852,118	1,263,931
Surplus on sale of housing properties	(471,754)	(954,089)
Interest receivable and similar income	(1,513)	(4,393)
Interest payable and similar charges	158,201	145,265
Operating Surplus	537,052	450,714
Depreciation	845,427	836,297
Grant amortisation	(285,168)	(260,772)
Accrued pension costs	-	-
Other capital adjustments – disposals	14,018	21,570
Pension deficit payment	(243,156)	(238,388)
(Increase)/ Decrease in debtors	(150,646)	87,223
(Decrease)/Increase in creditors	(486,273)	467,832
Net cash generated from operating activities	231,254	1,364,476

24. NET DEBT

	At 1 April 2021 £	Cash Flows £	Fair Value Movements £	Foreign Exchange Movements £	Other non-cash Movements £	**At 31 March 2022** £
Cash	8,424,651	73,471	-	-	-	8,498,122
Bank loans due within one year	(180,676)	184,909	-	-	(182,470)	(178,237)
Bank loans due in more than one year	(3,979,345)	-	-	-	177,470	(3,801,875)
	(4,160,021)	184,909	-	-	(5,000)	(3,980,112)
Net Debt	4,624,630	258,380	-	-	(5,000)	4,518,010

25. CAPITAL COMMITMENTS

	2022 £	2021 £
Expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Expenditure that has been authorised by the Board of Management but has not yet been contracted for	-	-

26. OPERATING LEASES

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	39,324	113,100
In 2 years	-	1,194
In 2 – 5 years	7,654	-
Total	46,978	114,294

27. CONTINGENT LIABILITIES

There were no contingent liabilities (2021: nil).

28. UNITS AND BED SPACES IN MANAGEMENT

	2022 Number	2021 Number
Units in management owned		
Units for rent	738	738
Shared ownership units	80	85
Leasehold	162	162
Total Owned	980	985
Units managed on behalf of others		
Units for rent	1,433	1,459
Shared ownership units	40	41
Leasehold	59	59
Total managed on behalf of others	1,532	1,559
Total owned and managed units	2,512	2,544

29. ACCUMULATED SOCIAL HOUSING GRANT

	Treated as a capital grant (note 20) £	Treated as revenue income £	Total 2022 £	Total 2021 £
At 1 April 2021	27,544,222	1,947,427	29,491,649	29,632,564
Recycled in year	(48,462)		(48,462)	(140,915)
At 31 March 2022	27,673,799	1,947,427	29,621,226	29,491,649

30. FINANCIAL ASSETS AND LIABILITIES

The board policy on financial instruments is explained in the board report as are references to financial risks.

Categories of financial assets and financial liabilities

	2022 £	2021 £
Financial liabilities measured at amortised cost	3,980,112	4,160,021
Total	3,980,112	4,160,021

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2022 £	2021 £
Floating rate on money market deposits	7,732,701	7,335,798
Fixed rate investments	22,005	21,364
Financial assets on which no interest is earned	765,421	1,088,853
Total	8,520,127	8,446,015

The fixed rate investment is a trade investment in the loan stock of another entity. The financial assets on which no interest is earned comprise cash balances in non interest bearing accounts. The remaining financial assets are floating rate, attracting interest at rates that vary with bank rates.

30. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities excluding trade creditors – interest rate risk profile

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

Financial liabilities measured at amortised cost			**2022 £**	**2021 £**
Fixed Rate Instruments	**Rate**	**Maturity**		
Bilateral bank loan	4.54%	2037	2,201,572	2,290,803
Bilateral bank loan	11.32%	2037	133,905	160,944
			2,335,477	2,451,747
Variable Rate Instruments	**Margin over LIBOR**	**Maturity**		
Bilateral bank loans	0.375%–0.4%	2037	1,693,518	1,762,157
			1,693,518	1,762,157
Amortised loan issue costs			(48,883)	(53,883)
Total			3,980,112	4,160,021

31. RELATED PARTY TRANSACTIONS

Certain members of the Society's Board of Management are also committee members of some independent primary and founder member co-operatives to whom the Society has provided landlord and business management services during the year. All transactions between the Society, the primary and the founder member co-operatives were conducted on an arm's length basis on its normal trading terms. The total value of fees receivable from founder member co-operatives was £194,213 (2021: £250,580) and the net balance due to founder member co-operatives at 31 March 2022 was £143,511 (2021: £134,501).

32. LEGISLATIVE PROVISIONS

The Society is incorporated under the Co-operative and Community Benefit Societies Act 2014 with registration number 17107R and is a Registered Provider registered with the Regulator of Social Housing, with number LH0170 under the Housing Act 1996.