Castles & Coasts Housing Association Limited

Annual Report and Financial Statements
For the year ended 31st March 2021

Registered number: RS007617

Contents

Castles & Coasts Housing Association Limited
Board of Directors, Executives and Advisers for the Year Ended 31st March 2021

Registered Office: 3 Paternoster Row, Carlisle, Cumbria, CA3 8TT

Non-Executive Director Details	Board	Audit & Risk Committee (A&RC)	Finance & Investment Committee (F&IC)	Staffing & Governance Committee (S&GC)
Fiona Moore (former Chair of Board) (retired Sept 2020)	✓	✓	✓	✓
Stephen Bennett (retired Sept 2020)	✓	✓	-	-
Barbara Cannon (retired Sept 2020)	✓	✓	✓	-
Ian Hudson (Chair of A&RC)	✓	✓	✓	-
Chris Lewis (Chair of Board from Sept 2020 – March 2021)	✓	-	-	-
Kevin Parr (resigned June 2021)	✓	-	✓	-
Adrienne Reid (Chair of S&GC)	✓	-	-	✓
Simon Roberson (Caretaker Chair from March 2021)	✓	✓	✓	-
Malcolm Rogers (Caretaker Chair of F&IC from March 2021)	✓	-	✓	✓
Jane Vickers	✓	-	✓	-
Helen Forsyth (from Sept 2020)	✓	-	-	✓
David Williams (from Sept 2020)	✓	-	✓	-
Erica Morriss (from Jan 2021)	✓	✓	-	✓
Amber Hill (Co-optee from Jan 2021)	✓	✓	-	-

The Non-Executive Directors are paid at the following annual rates:

Chair - £11,674 (1.4.21 £11,790)

Committee Chairs - £6,633 (1.4.21 £6,699)

Other Non-Executive Directors - £4,245 (1.4.21 £4,287)

Trainee (co-opted) Non-Executive Director – £2,389 (1.4.21 £2,413)

The position above is as at the date of signing of this Annual Report.

The Association's remuneration policy for the non-executive directors is in line with the National Housing Federation Code of Governance good practice. There is one Board Member who has elected not to take remuneration.

Executive Officers

Stephanie Murphy	Chief Executive
Gillian Boyd	Finance Director and Company Secretary
Dawn Clark	Housing Services Director
Rob Brittain	Property Services Director

Auditor

Mazars LLP
2 Chamberlain Square
Birmingham
B3 3AX

Solicitors

Trowers & Hamlins
55 Princess Street
Manchester
M2 4EW

Bankers

Barclays Bank plc

Chair's Introduction

Welcome to the Annual Report and Financial Statements of Castles & Coasts Housing Association.

2020/21 has been an unprecedented year due to the continuing Covid-19 pandemic, with a level of social and economic disruption never before witnessed by most people alive today. While we reported last year on how we had successfully adapted to the first lockdown, few would have expected to be in the same situation for most of the following year.

Throughout the emergency, our priority has always been the safety and security of our people, both residents and staff. The Association has worked hard to maintain services to residents within the limitations of government guidance. I would also like to commend my colleagues at every level in the organisation for the positive way they have responded to the unprecedented challenges, whether as front-line workers, in adapting to home working, or in managing the performance of the association in such exceptional conditions.

I must also refer to the fact that this introduction should have been written by Chris Lewis, whom the Board selected as Chair to replace Fiona Moore on her retirement in September 2020. Chris suffered a serious accident in his role as a mountain rescue volunteer and was severely injured. I am honoured to have been chosen by the Board to act as Caretaker Chair in his absence, and we send Chris our best wishes for his recovery. Chris had made an immediate impact in continuing to move the organisation forward, and the Board and I are maintaining that momentum.

Despite these challenges, you will see that we have much positive progress to report. Castles & Coasts remains financially strong: we have successfully managed our rental income through Covid, and the first tranche of our new long-term funding is now in place for capital investment. As a Board we have adapted well to using digital technology and plan to maintain some of the benefits in a new hybrid work style. This has even enabled us to welcome four new members during the year, all of whom bring additional skills and background experience, further increasing our resilience. The growing strength of the Board has enabled us to delegate more effectively to the appropriate committees, generating capacity for the Board to focus on strategic planning and decisions. This has encompassed treasury, strategic risk, governance, and we are engaged in refreshing the Association's development strategy post-Covid and working towards Net Zero. During the coming year we will start to renew our Corporate Strategy.

I look forward to another year of progress for the association and hope that next year's report will not have to deal with quite such exceptional circumstances.

DocuSigned by:

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Simon Roberson, Caretaker Chair
Castles & Coasts Housing Association

July 2021

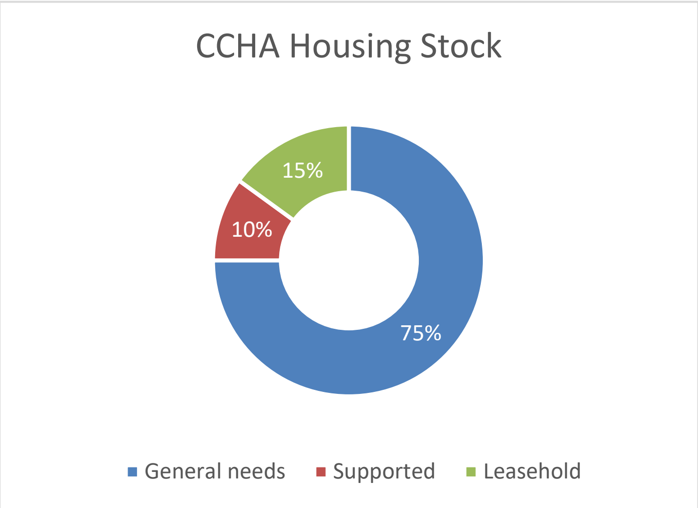
Strategic Report

The Board of Directors presents its Strategic Report on the affairs of the Association, together with the Financial Statements and auditor's report for the year ended 31st March 2021.

Castles & Coasts Housing Association Limited (**CCHA** or **the Association**) is a Community Benefit Society registered under the Co-operative and Community Benefit Societies Act 2014 (Registered No: 7617), a registered provider of social housing as defined in the Housing and Regeneration Act 2008 (Registered No: 4858) and an exempt charity.

Business Model

CCHA is a traditional Registered Provider (**RP**) with over 7,000 properties across the north of England. The Company's principal activities are the building and management of rented and leasehold housing. CCHA provides some of its maintenance and services through its own internal labour force. The Association also works in partnerships with other associations and seeks to develop innovative and cost saving delivery solutions for its maintenance services to customers.



The Association has a broad mix of stock, with its portfolio split between general needs (75%), supported and older persons' housing (10%) and leasehold accommodation (15%). The state of the stock has been validated by external consultants and is considered to be good, with all of the relevant stock meeting the Decent Homes Standard. It is mainly of traditional build construction, and with no high rise or high risk stock.

The Association's rental stock is spread across the north of England. In total the Association works with fifteen local authorities, with the five largest stock holding being in Allerdale (51%), Carlisle (10%), South Lakes (7%), Sunderland (7%) and Eden (6%).

The Association is regulated by the Regulator of Social Housing (**RSH**) and is required to comply with the RSH Regulatory Standards. For the financial year under review, the Association, in January 2021, retained its regulatory judgment of V1 for financial viability and G1 for governance.

CCHA's key stakeholders include customers, the RSH, Local Authorities, funders and external partners.

Objectives and Strategies

CCHA's mission is 'Providing affordable homes and sustainable communities with pride, passion, principles and partnership'.

The Association's Corporate Strategy details its key corporate objectives, how it will achieve them and how it will monitor achievements. The key corporate objectives are as follows:

Objective 1: Customer - to deliver high quality services to residents and prospective residents.

Objective 2: Governance - to ensure that we have effective and accountable leadership and governance to enable us to meet challenges and opportunities, and manage risks.

Objective 3: Financial Viability - to be a financially viable, well run organisation.

Objective 4: Organisational Development/Staffing - to be an attractive employer for both existing and prospective employees - to recruit, develop and retain staff who will add value to our business.

Objective 5: Procurement and Development - to build and maintain safe, secure and sustainable homes and communities.

In addition, CCHA has a number of cross cutting objectives including equality and diversity, value for money, compliance and technology.

Resourcing the Corporate Goals

The Financial Plan (**FP**) reflects the current and projected financial position for the Association. This is measured over a 30-year time horizon, with the budget monitoring annual performance.

The FP is reviewed on a regular basis. It reflects the Association's objectives and long-term affordability along with a careful assessment of the risks associated with the social housing environment and makes prudent assumptions in all major areas of its operations. In particular, it concentrates on the financially critical areas of major repairs, development and treasury.

Delivery of the Corporate Goals

The Board is responsible for the design, delivery and monitoring of the Association's corporate goals. The table below shows how major initiatives for 2020/21 have been achieved.

Corporate Objectives and Initiative	Main Corporate Objective (can impact on more than one)					Comments at year end 2020/21
	G1	G2	G3	G4	G5	
Development of a Digital Service Improvement Strategy and Implementation Plan (**DSIS**)	✓					**Complete –** The DSIS was approved by Board in November 2020 and the Implementation Plan was presented to the Board in May 2021.
Continued implementation of customer experience and equality and diversity plan	✓					**Complete** – Planned actions have been successfully delivered, including an update in relation to the Social Housing White Paper.
Strategic review of service charges to ensure VFM and customer satisfaction	✓					**Complete** – An operational review will take place to identify and implement system and process improvements.
Establish Business Improvement Team (**BIT**)	✓	✓	✓	✓	✓	**Complete** – The BIT has started operations in Q2 2020/21.
Recruitment of the Board Chair and new Board Members		✓				**Complete** – Chair and Board Members have taken up office.
Response to the requirements of the Modern Slavery Statement, as required		✓				**Complete –** A Modern Slavery Statement has been developed and compulsory staff training has been rolled out.
End to end review of CCHA Corporate Strategy		✓				**Ongoing** – A mid-term strategy review was completed at the Board Conference in November 2020. Work has commenced on the new Corporate Strategy following year end.
Test capacity for corporate objectives following the completion of the PIC Private Placement and the stock conditioning exercise			✓			**Complete**

Corporate Objectives and Initiative	Main Corporate Objective (can impact on more than one)					Comments at year end 2020/21
	G1	G2	G3	G4	G5	
FP and stress testing			✓			**Complete** – The 30-year FP is reported four times a year, with an in-depth report (including stress testing) carried out twice a year. The Association proved to be resilient to a number of stresses.
Option appraisals for high flood risk schemes and progress agreed actions			✓			**Complete**
Develop and deliver a plan to support agile working practices across the business				✓		**Ongoing** - CCHA has learnt significant lessons about working in an agile way during the year and has put a range of measures in place to support this. Work will continue in 2021/22.
Deliver Carlisle office solution and review remaining office accommodation				✓		**Complete** – Works have started on site at 5 Paternoster Row, Carlisle, and will complete during Q4 2021/22. No further action is planned in respect of other offices before the completion of the Carlisle office.
Develop and deliver Employee Wellbeing Strategy and Action plan to support the business				✓		**Complete** – Employee wellbeing has been a high priority during the Covid-19 pandemic with a range of activities to provide support to staff, including a focus on maintaining a positive work life balance whilst home working.
Develop a new Asset Management Strategy to take into account the impact of the Government's Carbon Neutral 2050 Initiative and Lettable Standard of EPC C by 2030.					✓	**Complete**
Implement the updated Stock Condition Survey and continue with Phase 2 of the property survey to inform the Association's new Asset Management Strategy and 30-year FP					✓	**Complete** – Phase 3 had commenced before the end of the financial year.
Expansion of Castles & Coasts Services (**CCS**)					✓	**Ongoing** - The 2nd Stage of expansion went live from 1st April 2021. The next phases of expansion will take place during 2021/22.

Corporate Objectives and Initiative	Main Corporate Objective (can impact on more than one)					Comments at year end 2020/21
	G1	G2	G3	G4	G5	
Deliver Property Safety Compliance	✓				✓	**Ongoing** – The Property Compliance Module has been implemented and is working well. Key Performance Indicator (**KPI**) dashboard reporting is continuing to being developed during 2021/22.

Dynamics of the Social Landlord and Covid-19

The Association recognises that the social, political and economic environment is rapidly changing and that it needs to have strategies in place to ensure it can identify and meet the challenges and opportunities it will face in the future.

At the time of writing, the impact of Covid-19 on the world's economy continues to be uncertain. CCHA believes it is well placed to weather the financial impact of Covid-19, in particular as it has a strong liquidity position. In common with many in the sector, Covid-19 has had an adverse impact on voids together with the ability to deliver both planned maintenance and new housing supply. CCHA has managed, throughout Covid-19, to maintain good performance for both bad debts and arrears. The impact of Covid-19 is expected to be relatively short term and, as such, affordable. Throughout the pandemic the Board has closely monitored the impact of Covid-19 through its risk register and the 30-Year FP, including scenario modelling.

It is important to identify and mitigate risks in a robust manner. The risk setting and monitoring methodology is reviewed annually. The key strategic risks are reviewed on a quarterly basis by directors and the Audit & Risk Committee (**A&RC**). These go onward to Board quarterly for final discussion and approval.

Key Strategic and Operational Risks

Risk management is fundamental to CCHA and is a main element for driving our Corporate Strategy and monitoring financial viability. During the year, the Board reviewed its corporate risk methodology and risk appetite. The key strategic risks affecting CCHA, are summarised in the table below.

Strategic Risk	Key Mitigations
Risk that, following the October 2018 tender renewal, the current insurance arrangements, whilst delivering a substantial saving, may not be sustainable in the medium term	Successful implementation in 2018/19 of a revised flood strategy resulted in a reduction of the overall risk. Insurance premiums are stable, with our flood response plan which is tested a number of times in the year, having had recognition from both the National Housing Federation (**NHF**) and peers. In January 2021, the Board had a strategy session on flood risk. CCHA is currently evaluating its options following this session to determine the renewal options for 2021/22.
Risk that we may become unviable due to the poor management of the treasury function	The Board, which includes Members with specific treasury experience, oversees the treasury function through regular reporting, clear delegation of responsibilities, monitoring both external and internal KPIs, regular reviews of policies and strategies as well as the appointment of an external treasury consultant. Treasury forms an integral part of delivering new units and is a prime area in monitoring financial planning and stress testing. In April 2020, the Board secured finance from PIC; completing its objective of reducing both repricing and refinancing risk by balancing the portfolio

Strategic Risk	Key Mitigations
	between long- and short-term debt and between fixed and floating debt. The PIC funding has improved the weighted average cost of borrowing. The Board has a strong liquidity position which it believes adds weight to CCHA's robustness in the face of Covid-19.
Risk that we fail to properly maintain our stock due to insufficient funds available in the FP or insufficient up to date asset management information available to make well-judged decisions	The Board oversees stock investment through regular reviews of strategies and policies, ongoing plans and regular reports to Board and its Committees. The importance the Board places on maintaining properties means this is a major area of expenditure and the Board ensures, through the FP and its scenario testing, that the Association is financially robust in meeting its obligations. In March 2021, the Board approved a new Asset Management Strategy which includes CCHA's initial approach to energy efficiency and the Carbon Neutral Agenda. We are also monitoring the development of the new Building Safety Regulator and the Draft Building Safety Bill with a view to incorporate any impacts into the Asset Management Strategy. Covid-19 has resulted in additional responsibilities for CCHA, and we are in regular contact with contractors to ensure compliance with safe working. The latest updated Stock Condition Survey has confirmed that the FP provision for major repairs is adequate, over the 30 year period.
Risk of unacceptable pressure on our income streams as a result of, amongst other things, Government policy on rental income and Welfare Reform	The Board monitors overall income through the review of KPIs, management accounts, budgets and the FP (including stress testing). The impact of Welfare Reform is controlled and monitored by the Finance & Investment Committee (**F&IC**). CCHA has a dedicated Income Team managing arrears. The Association uses benchmarking data which shows us we are comparing well to our peers. During the initial stages of lockdown due to Covid-19, CCHA took additional measures to support the income team, which have now ended. Going forward, we are closely monitoring the political climate which may result in a new housing or welfare policy shift.
Risk that we will be unable to meet one of the Board's key objectives; to build new homes.	The Board retains responsibility for the Development Strategy, including the overall planned investment in new supply. The importance the Board places on new supply means that this is a major area of expenditure and the Board ensures, through the FP and its scenario testing, that there is sufficient capacity to deliver its objective. The delivery of new supply is closely linked to treasury and future cashflows are fundamental in this relationship.

Strategic Risk	Key Mitigations
	The potential impact of Covid-19 has resulted in increased monitoring of contractors' and developers' liquidity and compliance with safe working, together with review of cost implications and the potential impact on sales and shared ownership tenure.
Risk that we fail to meet our obligations under health and safety regulations including Safer Buildings.	The Board leads the Association's compliance with health and safety and appoints a health and safety champion from its membership. The Board and its committees receive regular monitoring reports and have implemented an action plan. Health and safety is embedded throughout the organisation, with clear policies and procedures including regular training for all staff with support from the Health and Safety Manager. In respect of Covid-19, the Association adheres to government advice and guidelines including the completion of RSH CORS returns which have now been suspended. Covid-19 has also resulted in a company wide increased focus on risk assessments for all key operational activities.
Risk that we fail to deliver and maintain high levels of IT security and encounter potential system loss to a virus, ransomware or other significant threat	Data protection and cyber security is owned by the Board, Executive and Senior Leadership Teams. CCHA performs a number of cyber security tests and audits both internal and external throughout the year to ensure the resilience of our systems. CCHA also implemented multifactor authentication in Q3 2020/21 for all Office 365 accounts to increase security for all users. In addition, the Sophos Phishing Threat Simulator was launched in March 2021 to enable learning and targeted training.
Risk that we enter into a vehicle or arrangement which contradicts Charitable Status or which is not fully understood by the Board or where funders have not agreed permission.	The Board leads and oversees all entry into new markets or rapid expansion of existing activity e.g. merger opportunities. The Board ensures new activity is compliant with its objectives and seeks support from professional advisors at all stages of the process. The Board also ensures there are sufficient skills in its membership, which include the potential for co-optees.

Analysis Using Financial Performance Indicators

The operational performance of the Association is monitored by measuring actual performance against a suite of KPIs and Golden Rules and these are included in key financial reports throughout the year.

Golden Rule	Parameter	Result as at 31st March 2021
Liquidity	Minimum operational liquidity of £1.75m with access to 24 months liquidity	Met
Headroom over existing covenants	Interest cover of 1.20 and gearing of 63% (traditional) or 45% (historic cost)	Met
Development	Overall programme to have a positive NPV with sales and shared ownership combined not to exceed 25% of overall programme	Met

It should be noted that the tightest funders' interest cover covenant excludes any form of sales activity. As this is extremely prudent, the Board agreed that a Golden Rule of 1.20 was a sufficient uplift. The Board also determined that a fourth Golden Rule, Operating Margin, should, following a detailed review during 2019/20, be measured from 1st April 2021.

The accounting policies for the year are disclosed in 'Notes to the Financial Statements for the year ended 31st March 2021', in the Financial Statements, and the Board confirms that there have been no substantial changes during the year.

On 31st March 2021, the Group had total comprehensive income for the year of £5,144k (2020: £7,858k).

The Association continues to have strong financial performance with key liquidity and gearing ratios outperforming the RSH Global Accounts 2020 data for our peer group (RPs with 5,000 to 9,999 units)

The key financial highlights over the last three years are shown below.

Consolidated Results	**2020/21 £000's**	**2019/20 £000's**	**2018/19 £000's**
Lettings income	31,759	31,807	31,511
Current asset property net sales	105	424	547
Surplus on disposal of property, plant and equipment	841	1,015	539
Other net income	530	565	366
Lettings expenditure	24,207	23,275	23,088
Operating surplus	9,028	10,536	9,875
Interest receivable	20	29	17
Interest payable	3,235	3,174	3,681
Tax	0	0	0
Surplus for the year	5,813	7,391	6,211
Operating margin	25.0%	30.0%	28.3%
Pension adjustment (loss)/gain	(669)	467	(996)
Comprehensive income for the year	5,144	7,858	5,215
Interest cover – parent (measured on tightest interest cover covenant)	2.66	2.48	2.03
Housing properties at cost less depreciation	248,600	247,630	244,065
Other fixed assets	4,187	3,788	4,220
Current assets	16,989	10,589	10,983
Short-and long-term debt	74,161	74,707	75,925
Unamortised grant	82,758	82,376	83,263
Pension provision, other short-and long-term creditors	9,526	6,736	7,307
Revenue reserve	103,331	98,187	90,329
Gearing – parent (measured on tightest interest cover covenant)	40.0%	41.5%	44.0%
Net investing activities	4,028	5,147	7,931
Loans drawn down	25,000	N/A	N/A
Loans repaid	25,821	1,218	2,473
Revolving Credit Facility (**RCF**) repaid/(drawn)	-	-	(1,750)

The Association's total income is stable over the three years. The Association is not reliant upon the sale of property in order to produce a surplus for the year, nor does it have any "off balance sheet" financing or complex leasing arrangements.

As in previous years, there has been a significant amount (£669k) recognised in the statement of comprehensive income in relation to changes in the actuarial assumptions of the defined benefit scheme. This scheme is closed to new members.

Capital Structure and Treasury Policy

Group borrowings, as at 31st March 2021, were £74.1m, with £45.6m available for drawdown. On 30th April 2020, the Association completed a private placement with PIC for £55m; the first £25m was drawn on 30th April 2020 with a further £30m to be drawn in October 2021. The Association has sufficient funding in place to complete its existing contractual development commitments.

CCHA has a combination of traditional loan and private placement finance. CCHA is able to minimise its external finance by use of the £45.6m RCF. CCHA met its covenants in respect of loan interest, gearing and security. The Association had, at 31st March 2021, a fixed to floating debt ratio of 86:14 (31st March 2020 60:40). The Association does not use derivatives.

In completing the private placement deal, the Association has rebalanced its portfolio between fixed and floating-, short-and long-term debt, reduced its average cost of borrowing and has reduced exposure to repricing and refinancing risk.

The management of treasury is the responsibility of the Finance Director (**FD**), with the Association being supported by independent treasury consultants. The Treasury Strategy is reviewed by the Board and F&IC.

The table below shows the repayment profile of the group of the debt drawn as at 31st March 2021.

Repayment bands (Years)	< 1	1-2	2-3	3-5	5-10	10-15	15-20	20-25	>25	Total
Amount repayable £000's	1,585	25,175	1,584	3,238	6,192	10,112	5,442	20,833	-	**74,161**

Of the whole of the loan portfolio, £35m is repayable as a bullet with £24m of this repayable within the next five years. The remainder of the portfolio being repaid on an amortising basis. The second tranche of the PIC loan is not included in the above table; this will be due for repayment between April 2039 and April 2045.

Cash flow

The cash flow for the period is set out in the Financial Statements. Net cash inflows from operating activities are from the management of housing stock. Cash flows from investing activities are primarily in relation to development, whilst cash flow from financing activities primarily relate to the loan portfolio. As at 31st March 2021 the Group held cash resources of £14.0m (2020: £7.8m), of which £1.4m was held in trust for leaseholders.

Current Liquidity

As of 31st March 2021, the cash and investments amounted to £14.0m. Of this figure, £1.4m was held in a bank account in trust for leaseholders. There are £45.6m undrawn loan facilities and an overdraft facility of £2m with the Association's principal bank.

The Association funds its day-to-day activities, including the major repairs programme, out of the income generated from renting or leasing its properties and consequently only holds debt in order to fund its development programme. The Association's gearing at the year-end was 40.0%, with the tightest gearing ratio within the financial covenants capped at 70% (grant and reserve basis). The Association's cash flow is not affected by seasonal movements.

Credit Risk

The Group's principal financial assets are bank balances and cash, rent arrears and other receivables. The Group's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.

Value for Money (VFM)

CCHA's mission 'Providing affordable homes and sustainable communities with pride, passion, principles and partnership' is supported by the five corporate objectives. VFM is intrinsic within this framework, either as a deliverer (customer, procurement and development) or as an enabler (governance, finance and organisational development).

CCHA does not see VFM as an 'add-on'; rather it underpins everything that we do and forms a key consideration in all new projects.

The Board provides visible leadership and emphasises the importance of VFM. The Board annually sets, and quarterly assesses, performance of the five corporate objectives through the Corporate Strategy Delivery Plan, which in turn is supported by a suite of KPIs. The Board also reviews our performance against the RSH VFM metrics. The Board's corporate objectives and their measurement are cascaded through the executive and staff via the performance management framework. The Board may also elect for certain 'priority' KPIs to be subject to additional scrutiny from our quarterly A&RC meeting.

High level VFM metrics set by the RSH

The Board ensures that CCHA has an outward focus and learns from others and undertakes benchmarking of certain performance and costs. In line with the RSH VFM Standard, CCHA is reporting against the published metrics. In reporting on these metrics, the Association has looked to monitor three years' actual and one year forecasted statistics against target. We have also benchmarked our performance for 2019/20 against RPs of a similar size as well as the sector weighted average. The Association's benchmarking group is based on the most recently available RSH information (2019/20) and is for RPs between 5,000 and 9,999 units. The benchmark group reflects that which best represents CCHA whilst including a reasonable number of comparator RPs. For transparency purposes, we have reported against the Parent Company ('Parent') as well as the Group; however, as the subsidiary, Two Castles Limited has very little activity, the figures are identical unless stated otherwise.

Reinvestment and new supply show a deterioration over the three years of actual performance. This is primarily due to the tail off of the old development programme and the commencement of the new 600 unit programme which has experienced a delay in 2020/21 due to Covid-19. The Association has been building up its portfolio of pipeline schemes during 2020/21, and we expect increased investment and an increase in new supply from 2021/22. An additional factor in the deterioration of reinvestment is the capitalised major repair spend, where approximately £1.3m of major repair works had to be deferred into future years due to Covid-19. We expect that, with the easing of lockdown, both our development programme and major repairs programme will gain momentum and our performance compared to the benchmark group will improve in future years. We will seek to finalise a Recovery Plan by the end of 2021/22, to ensure that all deferred works are completed without detriment to the overall stock condition. Although we do not have yet sector information for 2020/21, we believe that these issues are likely to have been experienced by all RPs, keeping us in line with sector performance.

Our gearing performance continues to outperform that of our benchmark group and the sector's weighted average.

EBITDA(MRI) continues to show improvement with the re-financing of some of the existing debt at lower rates. EBITDA for 2021/22 is forecast to decrease as we are drawing down the second tranche of one of our loans. However, overall performance is well ahead of the sector.

CCHA's cost per unit continues to be lower than that of our peers. Despite being slightly lower in 2020/21, predominantly due a delay in major repair spend due to Covid-19, the trend shows an increase in costs per unit. This is partly due to inflation, but also the result of CCHA investing in staffing resources as part of our commitment to our corporate goals. The metric is shown as £k, the figure in 2020/21 of £3.40k equates a £3,396 per unit.

The operating margin based on actual performance is showing a downward trend as the effects of cost inflation and investment in our infrastructure squeeze the operating margin. Our forecasted position is adversely affected by the implementation of our corporate objectives, predominantly the implementation of the digitalisation strategy and the catch up of delayed major repair spend. Our performance, whilst acceptable to the Board, is in general, below that of our benchmarking group. We have investigated the possible causes of this in 2020/21 and we are looking to improve the operating margin in the next three years to 26%.

Our Return on Capital Employed matrix is currently in line with the sector. With increased investment planned in our development programme, major repairs and digitalisation, this is expected to reduce in 2021/22.

CCHA Metrics	RSH 2019/20			CCHA Performance					
Metric	Weighted Average	Benchmark Group[1]	Entity	Target	Forecast for Group 2021/22	Group 2020/21	Group 2019/20	Group 2018/19	Trend on Actual
Reinvestment %	7.6%	8.1%	Group and Parent	8.5%	7.9%	2.3%	2.8%	3.5%	↓
New supply delivered (social housing units) %	1.8%	1.5%	Group and Parent	1.5%	0.7%	0.1%	0.4%	0.8%	↓
New supply delivered (non-social housing units) %	0.31%	0.0%	Group and Parent	tbc[2]	0.00%	0%	0.04%	0.14%	↓
Gearing %	47.7%	46.3%	Group	<45%[3]	25.8%	24.5%	27.4%	29.3%	↑
			Parent		25.8%	24.6%	27.5%	29.4%	
EBITDA MRI %	138.0%	174.0%	Group	<120%	229.4%	288.7%	282.6%	235.6%	↑
			Parent		229.4%	288.6%	282.6%	235.5%	
Headline social housing cost per unit (£k)	4.25	3.74	Group and Parent	< Bench-mark Group	3.58	3.40	3.43	3.36	↔
Operating margin (social housing lettings only) %	27.8%	27.0%	Group and Parent	26.0%	22.6%	23.8%	26.8%	26.7%	↓
Operating margin (overall) %	22.1%	24.4%	Group and Parent	tbc[4]	23.5%	25.1%	28.6%	27.7%	↓
Return on capital employed	3.2%	3.8%	Group	tbc[2]	2.7%	3.5%	4.2%	3.9%	↔
			Parent		2.7%	3.5%	4.2%	4.0%	

Key:

↑ - improving performance

↔ - steady performance

↓ - declining performance

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[1] The benchmark group is based on the RSH VFM metrics for RPs between 5,000 and 9,999 units

[2] The Board will be reviewing targets during 2021/22

[3] Based on historic costs

[4] In line with the Golden Rule (see below)

VFM within the corporate strategy delivery plan

During 2019/20, the Board reviewed its ability to deliver corporate objectives in the most effective and efficient manner. It concluded that, for projects which cut across more than one activity, procurement activities and performance reviews would be better served by creating a Business Improvement Team (**BIT**). Following the Board's decision, the BIT team started their work in Q2 2020/21. Two of the key tasks for this new function are to review our procurement strategy and drive the digitalisation of our operations in order to deliver VFM for our residents.

In 2018/19 the Association confirmed its commitment to providing excellent service to its customers, both current and future. The Board redesigned its KPIs to reflect its belief that customer satisfaction is a key measure in assessing if we are offering true value for money, as perceived by our customers. Fundamental to this was the introduction of continuous customer feedback, enabling more data to be collated and, more importantly, the ability to fix issues quickly, identify trends and put forward solutions – all in a timely manner. The redesigned KPIs revolved around offering good levels of repairs and stock investment, ready access to information and support and a sound approach to tenant engagement.

During 2020/21, the Association continued gathering and recording continual resident satisfaction data; this has allowed the Association to receive more real-time feedback from residents upon receipt of a services. Satisfaction by service area is reported to Board on a quarterly basis and as shown within the KPI performance table to the left, resident satisfaction KPI targets were exceeded across all service areas.

For the two years actual data there has been an overall improvement in performance, an assumption which is also supported by the declining number of complaints in the below table:

Delivery KPIs reflecting VFM					
KPI	**2020/21Target**	**2020/21 Actual**	**2019/20 Actual**	**2018/19Actual**	**Trend on Actual**
Number of Stage 1, 2 and 3 complaints	<80	36 Stage 1, 7 Stage 2&3	50 Stage 1, 6 Stage 2&3	68 Stage 1, 7 Stage 2&3	↑

Following the Board's review of the corporate workplan in 2020/21 (see below) and the impact of Covid-19 on services, the Board decided to leave the customer satisfaction KPI target unchanged for 2021/22 following low survey response rates as the Association continues to emerge from the impact of Covid-19.

The Board supports investment in both its current and future stock. Following underspend of Major Repairs of £1.3m due to Covid-2019 in 2020/21, the Board has approved for that spend to be included in future years. In addition, the Association is planning to spend up to £5.2m in 2021/22 in its major repairs programme, which includes some works that could not be completed in 2020/21. Following the completion of the redesign of the stock condition survey in 2019/20, the Association continued with Phase 2 of the property surveys to develop the Association's new Asset Management Strategy and, towards the end of the financial year, commence Phase 3. Phase 2 included a focus on expanding our energy performance data and a gradual expansion of our mapping data and the use of BiM[5] as a tool to record data. Investment in our stock represents a major cash commitment and, in supporting effective decision making, the stock condition is supported by an internal asset viability model. All stock condition survey work in 2020/21 was performed by an external third party specialist consultant.

To date we have a low number of disrepair claims arising from Homes fit for Habitation coming into force and have been able to utilise comprehensive stock and repair data to defend claims and will continue to do so robustly. Following very successful previous years' performance in achieving value for money savings and the set up of a new procurement function, there were no major procurement initiatives completed during 2020/21.

2020/21 saw further expansion to the services delivered by our direct labour force Castles & Coasts Services (**CCS**) with CCS now accounting for approximately 25% of our day-to-day repairs work. From 1st April 2021, CCS has taken over all day to day repairs works from one of our external contractors. The Board sees CCS as a valuable resource in improving the quality of service to our customers and will, during 2021/22, continue its expansion where it delivers VFM to our customers. Any expansion will look to deliver efficient customer focused services that are more resilient compared to current solutions. The Association's work during 2020/21, will see the expansion of other key partnership arrangements during 2021/22, including our use of established Cost Sharing Groups.

KPI	2020/21 Target	2020/21 Actual	2019/20 Actual	2018/19 Actual	Trend on Actual
Responsive repairs achieved within timescale	95%	95%	95%	95%	↔
Major repairs achieved against plan	90%	83%[6]	95%	85%	↓
Gas safety certificates outstanding	0.0%	0.36%	0.02%[7]	0.2%	↔
Properties with a valid fire risk assessment (where applicable)	100%	100.0%	100.0%	100.0%	↔
Properties failing decent homes standard	0.0%	0%	0.0%	0.0%	↔

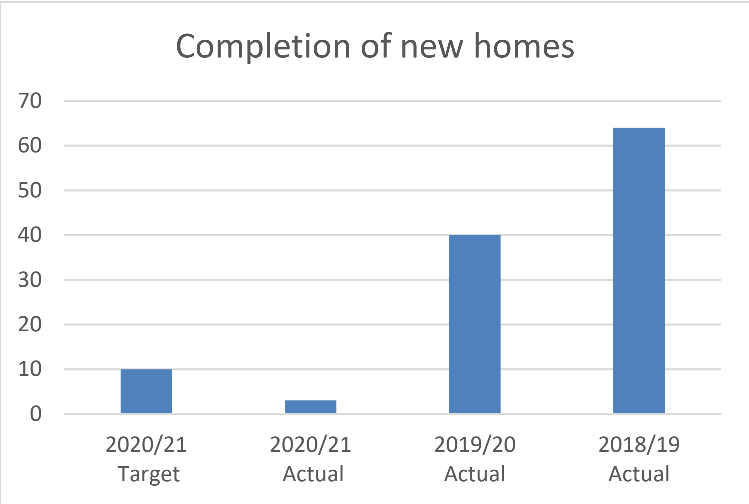
The Board is pleased to note the good performance around the delivery of property maintenance and, property compliance which have a direct benefit to our customers.

In March 2018, the Board committed to supplying an additional 600 new homes between 2020 and 2025. Due to Covid-19, the current development has been delayed with the completion of only three units in 2020/21. We are planning to deliver 47 units in 2021/22 with a further 560 units in the current pipeline. The development programme looks to provide homes of different tenure. The majority of the 600 unit programme (75%) is allocated to rented, both social and affordable, with a further 15% allocated to shared ownership and 10% to outright sale. In ensuring value for money, all development is subject to a housing needs assessment with financial performance benchmarked.

5 BiM is a process supported by various tools, technologies and contracts involving the generation and management of digital representations of physical and functional characteristics of places

6 The major repairs performance in 2020/21 was below target as the lockdown measures imposed by the Government due to Covid-19 restricted our ability to deliver some works.

7 The KPI was marginally over the 0.0% required due to access being denied by tenants and the need to obtain legal injunctions. In all cases our procedures were followed.



We also commenced a fundamental review of our Development Strategy, which we anticipated will be agreed by Q2 2021/22. This will include our response to the Carbon Neutral Agenda.

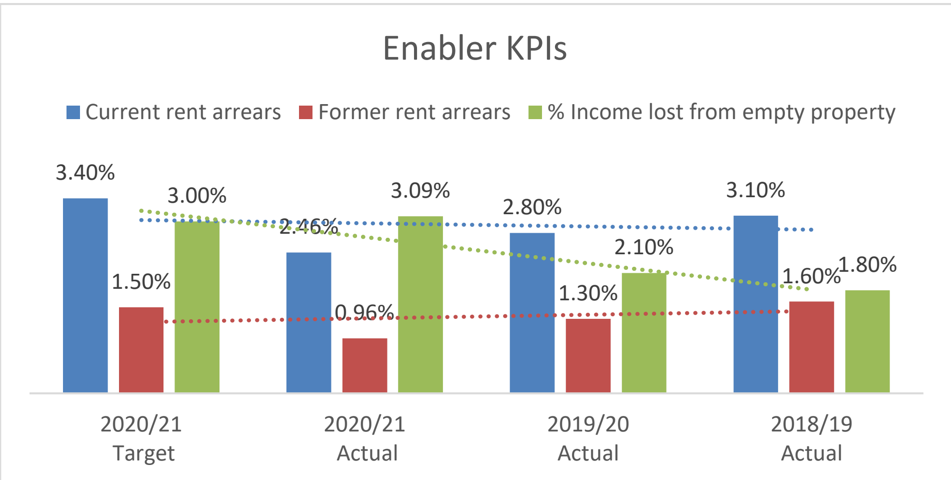
The KPI result for the delivery of new units was below that of the target due to Covid-19; however, whilst the impact of Covid-19 on the delivery remains somewhat uncertain, this is viewed as an issue of timing rather than an inability to deliver.

One major enabler task this year was the completion of new finance on a private placement deal. This exercise took place throughout 2019/20 and, despite uncertainty in the market caused by Covid-19, the transaction was completed in April 2020, when the first £25m was drawn at a 2.63% fixed rate for 25 years. This enabled us to maximise the flexibility within our RCF through the planned interim repayment of £21m RCF by the end of June 2020. This also allowed us to reduce the weighted average interest rate to 3.69% by 31st March 2021, down from 3.80% at 31st March 2020. Any treasury savings means that there is more cash available to support the delivery of customer, procurement and development aspirations.

The Board had a small programme of planned disposals of both property and office accommodation, which together with sales from development activity, realised sales proceeds of £1.2m in 2020/21 which is being reinvested into our development programme.

In delivering both its own and tenants' aspirations, the Association looks to maximise its use of both financial and staffing resources, whilst continuing to maintain good governance. In January 2021, the Association retained its governance rating of G1 and financial viability rating of V1 from the RSH; both the highest gradings available. The Board regards this as a strong indicator that we are performing as we should be, whilst acknowledging there is always the scope to do more. We set out below our corporate KPIs, targets and actual performance in relation to VFM, which reflect our purpose and ensure we are constantly seeking to maximise value in the delivery of our corporate objectives:

Enabler KPIs are designed around maximising our income and the timelines of collecting that income. The KPI results on rent arrears collection show an improving trend. This is particularly pleasing given financial pressures experienced by many of our customers.



The income lost through voids shows a declining performance, predominantly due to Covid-19. This is mainly due to a higher than usual turnover in our Independent Living properties and a reduced demand for specific older persons accommodation across the sector.

In addition, void properties have also taken longer to become ready to let, as a result of delays arising from contractors having to operate in a COVID safe way and staff and materials supply chain shortages. From internal benchmarking exercises carried out, a number of other housing associations are experiencing the same issues. A range of measures have been approved by the Board which will be implemented during 2021/22, with the aim of improving our void and re-let performance.

Enabler KPIs reflecting VFM					
KPI	**2020/21 Target**	**2020/21 Actual**	**2019/20 Actual**	**2018/19 Actual**	**Trend on Actual**
New Resident – using our preferred payment methods	95.0%	100.0%	99.0%	N/A	↑

Our actual arrears performance continues to improve, due to a number of initiatives including ensuring new residents sign up to a preferred payment method.

The Board's aspirations for improving its offer to both existing and new tenants needs to be adequately resourced. The Association is financially sound with good performance on interest cover, gearing and liquidity. The staffing structure is under continuous review to ensure the Association is adequately resourced in meeting future needs.

During 2020/21 the Board carried out its review of the delivery of the corporate work plan for 2021/22 and as part of this revised and simplified the KPI reporting suite which is overseen by the Board. The intention of the Board is that at Board level KPIs should be strategic and should be targets which drive the Association forward. For 2021/22 the Board's KPIs and Targets are shown below:

Primary KPIs: Retain G1 Regulatory Grading / Retain V1 Regulatory Grading			
Strategic KPIs supporting Engagement		Strategic KPIs supporting Value	
KPI	Target	KPI	Target
1. Overall resident satisfaction with CCHA services	Not less than 90% average across all measured services	7. To increase the Social Housing Lettings Operating Margin (SLH OM)	To increase the SHL OM from 24% to 26% by 2024/25
2. Reducing the number of complaints which have to be dealt with as formal complaints (as resolution not achieved at an earlier stage)	No more complaints received annually than equivalent to 0.7% of stock numbers	8. Achievement of SS projects which underpin the successful delivery of the Corporate Strategy	All SS projects identified for completion in 2021/22 delivered on time, to budget, with identified benefits achieved
3. Percentage of staff committed to the success of CCHA	99%		
4. Percentage of staff proud to work for CCHA	90% in 2021/22 and 95% in 2022/23		
Strategic KPIs supporting Sustainability		Strategic KPIs supporting Growth	
KPI	Target	KPI	Target
5. Full compliance with 2020 NHF Code of Governance	100% compliance	9. To increase new housing supply (social) by 2024/25	1.5%
6. To achieve Energy Performance Certificate (EPC) Level 'C' across all properties	80% by 2025 100% by 2028	10. Achievement of Reinvestment target by 2024/25	8.5% (made up of 2% for capital works including major works and 6.5% for development of new homes)

The Association will continue to monitor a number of operational, health and safety and safer buildings KPIs, through either Board, committees or the management structure.

VFM and social value

The Association looks to add social value where possible. It supports modern apprentice schemes for both its own staff and through its contractors to the wider community. The staff are actively engaged in the support of the Great North Air Ambulance Service and the Association actively encourages staff wellbeing and promotes good practice in mental health awareness. The Association published its Modern Slavery Statement.

Statement of compliance with VFM Standard

CCHA Board recognises that it is ultimately responsible for ensuring compliance with the regulatory standard on VFM. The Board believes that through the range of internal and external information, completed metrics, validation and assurance it regularly receives, it has obtained sufficient evidence to demonstrate compliance with the VFM standard.

Code of Governance

For the year 2020/21, the Board followed the NHF Code of Governance 2015 – 'Promoting Board Excellence for Housing Associations'. CCHA is compliant with all areas of the Code. CCHA is currently adopting the NHF Code of Governance 2020 which will be in place for 2021/22 Annual Report and Financial Statements.

Board Performance and Adding Value

The Board is committed to achieving the highest standards of corporate governance in its delivery of CCHA's strategies, risk management, values and ethics.

The Board reviews its performance annually using a range of mechanisms. These include individual Board Member and Chair appraisals, a whole Board effectiveness review and self-assessment against the NHF Code of Governance.

The Board is responsible for delivering the Corporate Strategy, adhering to all relevant legislation and complying with the RSH standards.

Board Payment

The Board pays its Members and details of payments are listed separately at the beginning of the Annual Report and Financial Statements document. One Member has elected not to take payment. The Board's payment amounts are subject to regular external review, usually at the point of recruitment of new Board Members, but, in any event, at least every three years. This ensures that these are in line with good practice in the not-for-profit sector. Payments to Board Members do not exceed half a per cent of turnover.

Board and Delegation

The Board is responsible for the strategic direction of the organisation, for setting its policy framework and for ensuring that its functions are properly performed. The Board has agreed a scheme of delegation to the three sub-committees of the Board through the relevant terms of reference of those committees:

- **Finance & Investment Committee (F&IC)** – Its role is to support the Board in monitoring how CCHA generates income and how income is reinvested. The Committee considers matters such as reviewing performance of financial reporting, treasury management, maintenance spend and development finance. It also reviews key policies.

- **Staffing & Governance Committee (S&GC)** – The Committee considers matters relating to staff, salary structure and the organisation's policy on employee remuneration and benefits. On governance, it supports the Board in reviewing governance policies, annually reviewing collective Board and Committee performance and effectiveness, Board recruitment, Board development and training, Board appraisal and self-assessment against the Code of Governance.

- **Audit & Risk Committee (A&RC)** – Its role is to independently contribute to the Board's overall process for ensuring that an effective internal control system is maintained and overseeing the implementation of the Risk Management Strategy. In line with best practice, it has an *in-camera* meeting with the auditors, without officers present, before each meeting. CCHA's Residents' Scrutiny Panel reports directly to A&RC.

All Committees report back to the Board at each Board meeting. Membership of the Committees is drawn from Board Members with the exception of one member of the A&RC, (who is a resident of CCHA).

Day-to-day management is delegated to the Chief Executive supported by Directors of Finance, Property Services and Housing Services.

The Board meets at least six times per year and has additional away-day sessions. All Board Members serve on sub-committees, and the Board retains responsibility for appointing the Chair and members of all sub-committees and any time limited Board Working Groups or Steering Groups.

Responsibilities of the Board

The Board of CCHA is responsible for preparing the Annual Report and the Financial Statements in accordance with Financial Reporting Standard 102 and to comply with the Statement of Recommended Practice for registered social housing providers 2018, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. The Board must not approve the Financial Statements unless it is satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the surplus of the Group and Association for that period. In preparing these accounts, the Board is required to:

1. Select suitable accounting policies and then apply them consistently
2. Make judgements and estimates that are reasonable and prudent
3. State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
4. Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business
5. Keeping adequate accounting records that are sufficient to show and explain the Group's and Association's transactions and disclose with reasonable accuracy at any time, the financial position of the Group and Association,
6. Safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Board Members at the date of approval of this report has confirmed that:

- As far as the Board Members are aware, there is no relevant audit information of which the auditor is unaware, and
- The Board Members have taken all steps they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Board Membership

At 31st March 2021, the Board consists of eleven non-executive Members, one of which is a co-optee Board trainee role. The Board has a skills matrix which ensures that it has the appropriate level of skills across the whole Board which is required for the effective running of the organisation.

There are no executive Board Members. Details of serving Board Members and their payment are listed separately at the beginning of the Annual Report and Financial Statements document.

Shareholding Board Members

All Board Members, other than the co-optee, are £1 shareholders.

Internal Controls Assurance Statement

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

The Board recognises that no system of internal controls can provide absolute assurance against material misstatement or loss; or eliminate all risk of failure to achieve business objectives. The system of internal controls is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association'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 processes. The Board retains responsibility for internal controls and is assisted by the Audit & Risk Committee (**A&RC**).

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**
  The Board has responsibility for defining the process of identification, evaluation and control of significant risks. There is a formal and ongoing process of Board review in each area of the Association's activities. The executive team regularly considers and updates significant risks facing the Association and these are reported to all A&RC meetings. The Chief Executive is responsible for reporting to the Board any significant changes affecting key risks and reports are provided to Board quarterly.

- **Overall control procedures**
  The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues, including treasury strategy and new investment projects. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, whistleblowing, data and asset protection and fraud prevention and detection.

- **Information and financial reporting systems**
  Financial reporting procedures include: detailed budgets for the year ahead, detailed management accounts produced quarterly, forecasts for the remainder of the financial year, and detailed 30 year plans reviewed at least every six months. These are reviewed, considered and approved by the Board. The Board also regularly assesses progress towards the achievement of key business objectives, targets and outcomes as detailed in the Corporate Strategy Delivery Plan (Strategy Scorecard).

- **Monitoring and corrective action**
  A process of regular management reporting on control issues provides assurance to senior management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the Financial Statements and delivery of our services.

The internal controls framework and the risk management process are subject to regular review by internal auditors who advise the Executive Leadership Team and report to the A&RC. The A&RC considers internal controls and risk at each of its meetings during the year.

The A&RC conducts a quarterly review of the Association's Assurance Map as to the effectiveness of the system of internal controls and takes account of any changes needed to maintain the effectiveness of risk management and control process.

There were no actual cases of fraud reported or found during 2020/21.

The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the Annual Report and Financial Statements and is regularly reviewed by the Board.

Compliance with the RSH Governance and Financial Viability Standard

The Board has assessed compliance with the Governance and Financial Viability Standard for the year 2020/21, including the requirement for a robust Assets and Liabilities Register and compliance with the Value for Money Standard. The Board certifies compliance with the Governance and Financial Viability Standard 2020/21.

Donations

The Association has made no political donations during the course of its ordinary activities.

Indemnity for directors' liability

The Association has in place directors' and officers' insurance.

Post Balance Sheet Events

There are no post balance sheet events.

This strategic report was approved by the Board on 27th July 2021.

DocuSigned by:

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Board Member

DocuSigned by:

Malcolm Rogers

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Board Member

Independent auditor's report to the Members of Castles & Coasts Housing Association Limited

OPINION

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board's Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Board's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF BOARD

As explained more fully in the Board's Responsibilities Statement set out on page 3, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the company'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 company 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 the financial statements.

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. Based on our understanding of the Trust and its sector, we identified that the principal risks of non-compliance with laws and regulations related to the pensions legislation, employment and health and safety regulations, Homes England, Regulator of Social Housing and implementation of government support schemes relating to COVID-19, anti-bribery, corruption and fraud, money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Board and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 THE AUDIT REPORT

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Vincent S Marke

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Vincent Marke (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

2 Chamberlain Square

Birmingham

B3 3AX

16-08-21 2021

Consolidated Statement of Comprehensive Income

	Notes	2021 £000s	2020 £000s
Turnover	**2**	32,649	33,333
Operating expenditure	**2**	(24,462)	(23,812)
Gain on disposal of housing properties		841	1,015
Operating surplus	**2**	9,028	10,536
Interest receivable	**5**	20	29
Interest and financing costs	**6**	(3,235)	(3,174)
Surplus before taxation		5,813	7,391
Taxation	**7**	-	-
Surplus for the year	**10**	5,813	7,391
Other comprehensive income			
Actuarial (losses)/gains in respect of pension schemes	**24**	(669)	467
Total comprehensive income for the year		5,144	7,858

The notes 1-35 which follow form an integral part of the financial statements. All amounts relate to continuing activities.

The financial statements were approved by the Board of Management on 27th July 2021 and were signed on its behalf by:

Board Member: DocuSigned by: SA Pal 411CD94333EA4FF...

Board Member: DocuSigned by: Malcolm Rogers 7A311D8FBD5243C...

Secretary: DocuSigned by: Gill Boyd 1001B3190A9647F...

Parent Company Statement of Comprehensive Income

	Notes	2021 £000s	2020 £000s
Turnover	**2**	32,649	33,333
Operating expenditure	**2**	(24,461)	(23,807)
Gain on disposal of housing properties		841	1,015
Operating surplus	**2**	9,029	10,541
Interest receivable	**5**	18	24
Interest and financing costs	**6**	(3,235)	(3,174)
Gift aid		4	2
Surplus before taxation		5,816	7,393
Taxation	**7**	-	-
Surplus for the year	**10**	5,816	7,393
Other comprehensive income			
Actuarial (losses)/gains in respect of pension schemes	**24**	(669)	467
Total comprehensive income for the year		5,147	7,860

The notes 1-35 which follow form an integral part of the financial statements. All amounts relate to continuing activities.

The financial statements were approved by the Board of Management on 27th July 2021 and were signed on its behalf by:

Board Member: DocuSigned by: 411CD94333EA4FF...

Board Member: DocuSigned by: Malcolm Rogers 7A311D8FBD5243C...

Secretary: DocuSigned by: Gill Boyd 1001B3190A9647F...

Consolidated Statement of Financial Position

	Notes	2021 £000s	2020 £000s
Fixed assets			
Intangible assets	**11**	457	518
Tangible fixed assets - Housing properties	**12**	248,600	247,630
Other property, plant and equipment	**13**	3,730	3,270
Total fixed assets		252,787	251,418
Current assets			
Shared ownership first tranche	**14**	-	187
Property developed for outright sale	**15**	609	684
Trade and other debtors	**16**	2,339	1,898
Cash and cash equivalents	**17**	14,041	7,820
		16,989	10,589
Creditors			
Amounts falling due within one year	**18**	(10,133)	(10,546)
Net current assets		6,856	43
Total assets less current liabilities		259,643	251,461
Creditors			
Amounts falling due after more than one year	**19**	154,009	151,474
Provision for liabilities			
Pension - Defined benefit liability	**24**	2,303	1,800
		156,312	153,274
Net assets		103,331	98,187
Capital and reserves			
Called-up share capital	**27**	-	-
Income and expenditure reserve		103,331	98,187
Total reserves		103,331	98,187

The notes 1-35 which follow form an integral part of the financial statements. All amounts relate to continuing activities.

The financial statements were approved by the Board of Management on 27th July 2021 and were signed on its behalf by:

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Parent Company Statement of Financial Position

	Notes	2021 £000s	2020 £000s
Fixed assets			
Intangible assets	**11**	457	518
Tangible fixed assets - Housing properties	**12**	248,600	247,630
Other property, plant and equipment	**13**	3,730	3,270
Total fixed assets		252,787	251,418
Current assets			
Shared ownership first tranche	**14**	-	187
Property developed for outright sale	**15**	609	684
Trade and other debtors	**16**	2,339	1,901
Cash and cash equivalents	**17**	13,727	7,769
		16,675	10,541
Creditors			
Amounts falling due within one year	**18**	(10,131)	(10,813)
Net current assets/(liabilities)		6,544	(272)
Total assets less current liabilities		259,331	251,146
Creditors			
Amounts falling due after more than one year	**19**	154,009	151,474
Provision for liabilities			
Pension - Defined benefit liability	**24**	2,303	1,800
		156,312	153,274
Net assets		103,019	97,872
Capital and reserves			
Share capital	**27**	-	-
Income and expenditure reserve		103,019	97,872
Total reserves		103,019	97,872

The notes 1-35 which follow form an integral part of the financial statements. All amounts relate to continuing activities.

The financial statements were approved by the Board of Management on 27th July 2021 and were signed on its behalf by:

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Consolidated and Parent Company's Statements of Changes in Reserves

Income and Expenditure Reserve (Group)

	2021 Group £000s	2020 Group £000s
At beginning of year	98,187	90,329
Surplus from Statement of Comprehensive Income	5,144	7,858
At end of year	103,331	98,187

Income and Expenditure Reserve (Parent Company)

	2021 Parent Company £000s	2020 Parent Company £000s
At beginning of year	97,872	90,012
Surplus from Statement of Comprehensive Income	5,147	7,860
At end of year	103,019	97,872

Consolidated Statement of Cash Flows

	Notes	2021 £000s	2020 £000s
Surplus for the year		5,813	7,391
Adjustment for non-cash items:			
Depreciation of property, plant and equipment		4,693	4,796
Amortisation of intangible assets		149	194
Reversal of asset impairment		-	(100)
Bad debt expenditure		(271)	284
Carrying amount of property, plant and equipment disposals		309	710
Defined benefit pension scheme		-	(401)
Other non-cash movements		6	(59)
(Increase)/decrease in inventories		(250)	123
Decrease/(increase) in debtors		441	943
Increase/(decrease) in creditors		2,122	(2,119)
Adjustments for investing or financing activities:			
Proceeds from the sale of property, plant and equipment	**4**	(1,167)	(1,743)
Government grants utilised in the year	**22**	(1,023)	(1,188)
Interest payable	**6**	2,846	2,915
Interest received	**5**	(20)	(29)
Net cash generated from operating activities		**13,648**	**11,717**
Cash flows from investing activities			
Purchase of property, plant and equipment	**13**	(6,500)	(7,202)
Purchase of intangible assets	**11**	(88)	(113)
Proceeds from sale of property, plant and equipment	**4**	1,167	1,743
Grants received	**22**	1,428	396
Interest received	**5**	20	29
Net cash flows from investing activities		**(3,973)**	**(5,147)**
Cash flows from financing activities			
Interest paid		(2,633)	(3,260)
New loans		25,000	-
Repayments of borrowings		(25,821)	(1,218)
Taxation		-	-
Net cash flows from financing activities		**(3,454)**	**(4,478)**
Net increase in cash and cash equivalents		**6,221**	**2,092**
Cash and cash equivalents at beginning of year	**17**	**7,820**	**5,728**
Cash and cash equivalents at end of year	**17**	**14,041**	**7,820**

Notes to the Consolidated Financial Statements

Castles & Coasts Housing Association ('the Association') is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are as set out on the second page of this Annual Report and Financial Statements.

The financial statements are presented in GBP which is also the Association's functional currency.

1. Principal accounting policies

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies which are set out below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102') (March 2018) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 ('SORP'), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. Castles & Coasts Housing Association Group ('CCHA' or 'the Group') is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The March 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard. There is no material effect on the amounts recognised in these financial statements as a result of early adopting these amendments.

CCHA meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. As such, CCHA has not presented a Statement of Cash Flows for the parent company.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31st March each year. Uniform accounting policies are adopted across the Group.

Going concern

These financial statements have been prepared on a going concern basis.

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors, such as inflationary pressures and the direct and indirect impact from Brexit. There is also significant uncertainty in respect of Covid-19, which was declared a global pandemic on 13th March 2020.

The Group has a long-term business plan addressing the factors affecting its activities. The business plan takes into account a number of different variables to meet the covenants required for our funders. The business plan has also been subject to multi-variable stress testing. The business plan and our long term funding demonstrate that the Group has adequate resources to provide the finance required to support the day-to-day operations, our development programme and all loan repayments. Bank covenants have been met in all plans and forecasts.

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

1. Principal accounting policies (continued)

Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements, in conformity with FRS 102, requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. The areas where the Board believes that a higher degree of judgement or estimations are required, are discussed in the relevant accounting policies under the following headings:

- Property, plant and equipment – Housing properties
- Impairment of social housing properties
- Trade and other debtors
- Provisions
- Pensions

Property, plant and equipment - Housing properties

Housing properties and office buildings are stated at historic cost less accumulated depreciation and any provision for impairment. Cost includes the costs of acquiring land and buildings, both development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged on a straight-line basis, over the useful economic lives of the assets. Freehold land and shared ownership properties are not depreciated.

Major components

Major components of housing properties, which have significantly different patterns in consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	100 years
Roofs	70 years
Electrical wiring	40 years
Solar panels/PV	35 years
Doors, windows, heating systems and insulation	30 years
Bathrooms	25 years
Heat pumps and electrical heating	25 years
Electrical fittings	20 years
Kitchens	20 years
Boilers	15 years

Properties held on long leases are depreciated over the shorter of their estimated useful economic lives or the life of the lease.

Management has reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings and has concluded that asset lives and residual values are appropriate.

On new development properties, the allocation of total costs to major components involves judgement and estimation. Management believes that their allocation method is appropriate.

Notes to the Consolidated Financial Statements

1. Principal accounting policies (continued)

Property, plant and equipment - Housing properties (continued)
Capitalisation of Works to Existing Properties
Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or do not result in an incremental future benefit are charged as expenditure to the Statement of Comprehensive Income.

Amounts capitalised within works to existing properties include the cost of replacing components of housing properties. This involves judgement and estimation around areas such as which cost to include in the amount capitalised, how much cost to de-recognise as a replacement, the number of different components and their assigned useful economic lives.

Leaseholders
Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Group is recharged to the leaseholder and recognised as an expenditure in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Other property, plant and equipment
Other property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all other property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over their estimated useful lives as follows:

Furniture, fixtures and fittings	5-10 years
Vehicles	5 years
Computer hardware	5 years
Scheme equipment	5-25 years

Intangible assets
Intangible assets are stated at historic cost, less accumulated amortisation and any provision for impairment and comprise of computer software. Amortisation is calculated on a straight line basis over 5 years.

Impairment of social housing properties
Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

Each year management has to make an assessment as to whether an indicator of impairment exists. In making this judgement management has considered the detailed criteria as set out in the SORP and FRS 102. Where an indicator of impairment is identified an assessment of the recoverable amount for that asset is made, based on either value in use or depreciated replacement cost. The difference between the carrying amount for the asset and its recoverable amount is charged to the Statement of Comprehensive Income.

The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included as income in the Statement of Comprehensive Income.

1. Principal accounting policies (continued)

Shared ownership properties

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within Property, plant and equipment – Housing properties. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Properties for outright sale

Properties that are developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Trade and other debtors

Trade debtors are stated at fair value less any provision for bad and doubtful debts. Provisions for bad and doubtful debts are calculated based on an estimate of the collectible amount of trade and other debtors when collection of the full amount is no longer probable. For individually significant amounts of current tenant debt, this estimation is performed on an individual basis. Former tenant debt is assessed collectively and a provision is applied based on historical recovery rates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Grants

Where grants are received from government agencies such as Homes England or local authorities that meet the definition of government grants, they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue, such as the Covid-19 Furlough monies, are recognised in Turnover on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and not be recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

1. Principal accounting policies (continued)

Grants (continued)

On disposal of an asset for which a government grant was received, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in the Statement of Comprehensive Income, if there is no obligation to repay or recycle the grant.

Donation or acquisition of land or other asset at below market value

Donations or acquisitions of land and/or other assets at below market value from a government source are accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Donations or acquisitions of land and/or other assets at below their market value from a third party that does not meet the definition of a government source are recognised as an asset in the Statement of Financial Position at fair value, taking into account any restrictions on the use of the asset. Income equivalent to the difference between any amounts paid or payable for the asset and the fair value of the asset is recognised as cost or income in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

Leasing

CCHA assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Finance Leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Finance assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Financial instruments

Financial assets and financial liabilities are recognised when CCHA becomes a party to the contractual provisions of the instrument. All the Group's financial assets and financial liabilities are carried at amortised costs.

Financial assets

Financial assets carried at amortised cost comprise rent arrears, other debtors and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred to a third party.

Notes to the Consolidated Financial Statements

1. Principal accounting policies (continued)

Financial instruments (continued)

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities

Financial liabilities include trade and other creditors, interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised in respect of all timing differences at the Statement of Financial Position date.

Timing differences are differences between the Group’s taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date that are expected to apply to the reversal of the timing difference.

Provisions

The Group recognises provisions if there is a present legal or constructive obligation as result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

Management bases its judgements on the circumstances relating to each specific event and upon currently available information. However, given the inherent difficulties in estimating liabilities in these areas, it cannot be guaranteed that additional costs will not be incurred beyond the amounts accrued.

Pensions

Defined contribution scheme

The Group participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Notes to the Consolidated Financial Statements

1. Principal accounting policies (continued)

Pensions (continued)

Defined benefit pension plan (SHPS)

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan where the retirement income is based on salary and the number of years of service of an employee, rather than the amount of money contributions.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at the end of the reporting period (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with fair value hierarchy and in accordance with the entities policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as interest and financing costs.

The estimation of the defined benefit obligation requires assumptions and estimates at the end of the current reporting period, that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next financial year and therefore results in a key source of estimation uncertainty.

In choosing the assumptions such as discount rate and inflation used to estimate the defined benefit obligation, the directors have exercised management judgement that has a significant effect on the amounts recognised in the financial statements (Note 24).

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion. Service charge income is recognised when the related expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Supported housing and other managing agents

Where the Group has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

1. Principal accounting policies (continued)

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and

recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position in trade and other debtors. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Borrowing costs

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion.

Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Notes to the Consolidated Financial Statements

2. Turnover, operating costs and operating surplus before taxation by class of business (Group)

2021

	Note	Turnover £000s	Cost of Sales £000s	Operating Expenditure £000s	Operating Surplus £000s
Social housing lettings	**3**	31,759	-	(24,207)	7,552
Other social housing activities					
First tranche low-costs home ownership sales	**14**	355	(250)	-	105
Other		309	-	-	309
Other non-social housing activities					
Current asset property sales - outright sale		-	-	-	-
Other lettings income		226	-	(5)	221
Total		32,649	(250)	(24,212)	8,187

2020

	Note	Turnover £000s	Cost of Sales £000s	Operating Expenditure £000s	Operating Surplus £000s
Social housing lettings	**3**	31,807	-	(23,275)	8,532
Other social housing activities					
First tranche low-costs home ownership sales	**14**	416	(236)	-	180
Other		434	-	(5)	429
Other non-social housing activities					
Current asset property sales - outright sale		540	(296)	-	244
Other lettings income		136	-	-	136
Total		33,333	(532)	(23,280)	9,521

A detailed analysis of the income and expenditure from lettings can be found in Note 3.

Notes to the Consolidated Financial Statements

2. Turnover, operating costs and operating surplus before taxation by class of business (Parent Company)

			2021		
	Note	**Turnover £000s**	**Cost of Sales £000s**	**Operating expenditure £000s**	**Operating surplus £000s**
Social housing lettings	**3**	31,759	-	(24,207)	7,552
Other social housing activities					
First tranche low-costs home ownership sales	**14**	355	(250)	-	105
Other		309	-	-	309
Other non-social housing activities					
Current asset property sales - outright sale		-	-	-	-
Other lettings income		226	-	(4)	222
Total		**32,649**	**(250)**	**(24,211)**	**8,188**

			2020		
	Note	**Turnover £000s**	**Cost of Sales £000s**	**Operating expenditure £000s**	**Operating surplus £000s**
Social housing lettings	**3**	31,807	-	(23,275)	8,532
Other social housing activities					
First tranche low-costs home ownership sales	**14**	416	(236)	-	180
Other		434	-	-	434
Other non-social housing activities					
Current asset property sales - outright sale		540	(296)	-	244
Other lettings income		136	-	-	136
Total		**33,333**	**(532)**	**(23,275)**	**9,526**

A detailed analysis of the income and expenditure from lettings can be found in Note 3.

Notes to the Consolidated Financial Statements

3. Income and expenditure from lettings

	2021					2020
	General Needs Housing	**Supported & Older People Housing**	**Shared Ownership**	**Lease-holders**	**Total**	**Total**
Income	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Rent receivable	24,231	2,695	575	-	27,501	27,351
Service charge income	1,025	1,448	226	493	3,192	3,228
Rent and service charge income	**25,256**	**4,143**	**801**	**493**	**30,693**	**30,579**
Amortised government grant	768	185	53	17	1,023	1,188
Other income	-	-	-	-	-	36
Other grants	37	3	2	1	43	4
Turnover from social housing lettings	**26,061**	**4,331**	**856**	**511**	**31,759**	**31,807**
Expenditure						
Housing accommodation						
Management	(4,858)	(1,142)	(132)	(174)	(6,306)	(5,754)
Services charge costs	(1,319)	(1,711)	(218)	(489)	(3,737)	(3,809)
Routine maintenance	(4,025)	(462)	(30)	(41)	(4,558)	(4,459)
Planned maintenance	(2,781)	(652)	(55)	(55)	(3,543)	(3,119)
Major repairs expenditure	(993)	(871)	(53)	(68)	(1,985)	(1,622)
Bad debts expenditure	267	27	(14)	(9)	271	(284)
Depreciation of housing properties	(3,852)	(497)	-	-	(4,349)	(4,329)
Reversal of impairment of housing properties	-	-	-	-	-	100
Operating costs on social housing lettings	**(17,561)**	**(5,308)**	**(502)**	**(836)**	**(24,207)**	**(23,275)**
Operating surplus/(loss) on social housing lettings	**8,500**	**(977)**	**354**	**(325)**	**7,552**	**8,532**
Void losses	(464)	(474)	-	-	(938)	(643)

Notes to the Consolidated Financial Statements

4. Disposal of housing properties

	2021			2020
	Shared Ownership	Other	Total	Combined Total
	£000s	£000s	£000s	£000s
Proceeds of sales	674	493	1,167	1,743
Less: Cost of sales	(52)	(274)	(326)	(728)
Surplus	622	219	841	1,015

5. Interest receivable

During the year, the Group received £20k of bank interest (2020: £29k). Interest received by the Parent Company amounted to £18k (2020: £24k). Bank interest receivable is shown after allowing for transfer to the Recycled Capital Grants Fund.

6. Interest and financing costs

	2021		2020	
	Group	Parent Company	Group	Parent Company
	£000s	£000s	£000s	£000s
Bank loans and overdrafts	2,842	2,842	2,915	2,915
Bank charges and commissions	115	115	130	130
Finance lease interest	4	4	4	4
Amortisation of loan issue costs and non-utilisation fees	283	283	178	178
	3,244	3,244	3,227	3,227
Capitalised borrowing costs	(9)	(9)	(53)	(53)
	3,235	3,235	3,174	3,174

Borrowing costs have been capitalised based on a capitalisation rate of 3.69% (2020: 3.80%) which is the weighted average of rates applicable to the Association's general borrowings outstanding during the year.

7. Taxation on surplus on ordinary activities

The parent company is a Co-operative and Community Benefit Society, registered with HM Revenue & Customs and able to claim the tax reliefs available to charities. As all of its income is derived from its primary purpose there is no liability for Corporation Tax in accordance with s478 CTA 2010.

The Association's subsidiary, Two Castles Limited, is a trading company and subject to Corporation Tax on the profits of its activities.

No taxable profits arise in the trading subsidiary as it gift aids any profits to the Association.

8. Directors' remuneration

	2021	2020
The aggregate remuneration paid to or receivable by executive directors and former directors	513	491
The aggregate remuneration paid to or receivable by non-executive directors and former directors	52	60
The remuneration paid to the highest paid director of the Association excluding pension contribution	149	146

Included within the above amounts are company car and private medical benefits received by directors. The amounts also include the value of accrued holiday entitlement at the financial year end for which no payment will be received.

Number of senior staff with remuneration (including pension & benefit in kind) in excess of £60,000 expressed as full-time equivalents:

	2021	2020
	No.	No.
60,000 - 69,999	2	1
70,000 - 79,999	3	2
80,000 - 89,999	-	-
90,000 - 99,999	-	1
100,000 - 119,999	2	1
120,000 - 129,999	1	1
130,000 - 139,999	-	-
140,000 - 149,999	-	-
150,000 - 159,999	-	1
160,000 - 169,999	1	-
	9	7

The Chief Executive is an ordinary member of CCHA's defined contribution pension scheme. The pension scheme is a defined contribution scheme funded by annual contributions by the employer and employee (see Note 24). No enhanced or special terms apply. There are no additional pension arrangements for the Chief Executive. A contribution by the Association of £12,501 (2020: £12,256) was paid in addition to the personal contributions of the Chief Executive.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Leadership Team or its equivalent.

9. Employee information

The average weekly number of persons employed during the year was (expressed as full-time equivalents of 36.25hrs):

	2021 No.	2020 No.
Office staff	142	135
Other staff	65	56
	207	191

	2021		2020	
	Staff	Non-executive	Staff	Non-executive
	£000s	£000s	£000s	£000s
Staff and non-executive costs (for the above persons)				
Wages and salaries	5,978	52	5,450	60
Social security costs	556	-	493	-
Pension costs - defined contribution schemes	358	-	339	-
Pension costs - defined benefit schemes	9	-	11	-
	6,901	52	6,293	60

10. Surplus for the year

	2021 £000s	2020 £000s
Is stated after charging/(crediting):		
Depreciation on tangible fixed assets – housing properties	4,349	4,329
Depreciation on scheme fixed assets – housing properties	132	248
Depreciation on tangible and other fixed assets	212	219
Depreciation on intangible fixed assets	149	194
Reversal of Impairment of properties for outright sale	-	(100)
Government grant amortisation	1,023	1,188
Audit fees: statutory audit	29	23
Audit fees: tax advisory services	13	6
Audit fees: other advisor services	10	5
Operating leases	100	97
Bad debt expenditure	(271)	284

11. Intangible fixed assets

	Computer Software £000s
Cost	
At beginning of year	1,402
Additions	88
At end of year	**1,490**
Depreciation	
At beginning of year	(884)
Charge for the year	(149)
At end of year	**(1,033)**
Net book value	
At end of year	457
At beginning of year	518

Notes to the Consolidated Financial Statements

12. Tangible fixed assets - Housing Properties

	Note	Housing properties held for letting	Housing properties under construction	Shared ownership housing properties	Shared ownership housing properties under construction	Total
		£000s	£000s	£000s	£000s	£000s
Cost						
At beginning of year		288,996	363	13,414	-	302,773
New build properties acquired		503	-	-	-	503
Development of new properties		-	2,251	-	-	2,251
Schemes completed		-	-	-	-	-
Works to existing properties		3,032	-	37	-	3,069
Transfers from current assets	**14**	-	-	(63)	-	(63)
Disposals		(1,069)	-	(43)	-	(1,112)
At end of year		**291,462**	**2,614**	**13,345**	**-**	**307,421**
Depreciation						
At beginning of year		(55,143)	-	-	-	(55,143)
Charge for the year		(4,349)	-	-	-	(4,349)
Charge for the year scheme equipment		(132)	-	-	-	(132)
Eliminated in respect of disposals		803	-	-	-	803
At end of year		**(58,821)**	**-**	**-**	**-**	**(58,821)**
Net book value						
At end of year		232,641	2,614	13,345	-	248,600
At beginning of year		233,853	363	13,414	-	247,630

Notes to the Consolidated Financial Statements

12. Tangible fixed assets - Housing Properties (continued)

Costs are analysed as follows:	2021 £000s	2020 £000s
Freehold	264,877	259,281
Long Leasehold	22,906	26,175
Short Leasehold	-	-
Scheme Equipment	3,679	3,540
	291,462	288,996

The aggregate of capitalised finance costs included in tangible fixed assets amounts to £5,462k (2020: £5,453k).

The total major repairs expenditure (excluding overheads) amounts to £3.7m (2020: £5m) of which £2.6m was capitalised (2020: £4.2m).

The total value of property under security arrangements amounts to £189.6m (2020: £176.6m).

The Group considers individual schemes (collection of properties) to be separate cash generating units when assessing impairment, in accordance with the requirements of FRS 102 and SORP 2014. No impairment charge has been recognised for the year ended 31st March 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

13. Other property, plant and equipment

	Note	Property - freehold offices £000s	Property - leasehold offices £000s	Plant and equipment, fixtures & fittings £000s	Motor vehicles £000s	Computer hardware £000s	Total other fixed assets £000s
Cost							
At beginning of year		3,418	674	167	395	345	4,999
Additions		630	-	15	-	27	672
Disposals		-	-	-	-	-	-
At end of year		4,048	674	182	395	372	5,671
Depreciation							
At beginning of year		(1,216)	(205)	(61)	(104)	(143)	(1,729)
Charge for the year	**10**	(30)	(16)	(25)	(79)	(62)	(212)
Eliminated in respect of disposals		-	-	-	-	-	-
At end of year		(1,246)	(221)	(86)	(183)	(205)	(1,941)
Net book value							
At end of year		2,802	453	96	212	167	3,730
At beginning of year		2,202	469	106	291	202	3,270

Motor vehicles comprise vans held under finance leases with a carrying value of £172k (2020: £242k).

All assets have been reviewed for impairment and no impairment has been identified (2020: Nil).

Notes to the Consolidated Financial Statements

14. Shared ownership first tranche

	Note	2021 Group £000s	2021 Parent Company £000s	2020 Group £000s	2020 Parent Company £000s
Shared ownership at beginning of year		187	187	669	669
Additions in the year	**12**	-	-	183	183
Reclassifications	**15**	-	-	(60)	(60)
Cost of sales		(250)	(250)	(236)	(236)
Costs transferred from/(to) tangible fixed assets	**12**	63	63	(369)	(369)
Shared ownership at the end of year		-	-	187	187

15. Property developed for outright sale

	Notes	2021 Group £000s	2021 Parent Company £000s	2020 Group £000s	2020 Parent Company £000s
Property developed for outright sale at beginning of year		684	684	1,743	1,743
Reclassifications	**12, 14**	(82)	(82)	60	60
Additions in year		7	7	408	408
Costs transferred to tangible fixed assets	**12**	-	-	(1,232)	(1,232)
Cost of sales		-	-	(295)	(295)
Property developed for outright sale at end of year		609	609	684	684

16. Trade and other debtors

	2021 Group £000s	2021 Parent Company £000s	2020 Group £000s	2020 Parent Company £000s
Rent arrears	1,532	1,532	1,736	1,736
Less: Provision for bad debts rent and service charge	(340)	(340)	(988)	(988)
	1,192	1,192	748	748
Prepayments	1,032	1,032	734	734
Accrued income	64	64	321	321
Other debtors	51	51	95	95
Amounts due from subsidiary	-	-	-	3
	2,339	2,339	1,898	1,900

At year end, no amounts were outstanding in respect of grants receivable or any other financial assistance. No disclosure has been made of the net present value of rent arrears subject to repayment plans as the amount is deemed to be insignificant.

Notes to the Consolidated Financial Statements

17. Cash and cash equivalents

	2021		2020	
	Group £000s	Parent Company £000s	Group £000s	Parent Company £000s
Cash at bank	4,380	4,066	3,374	3,324
Short term investment	8,251	8,251	3,000	3,000
Cash held in Trust for leaseholders	1,410	1,410	1,446	1,446
	14,041	13,727	7,820	7,770

18. Creditors - amounts falling due within one year

		2021		2020	
	Note	Group £000s	Parent Company £000s	Group £000s	Parent Company £000s
Amounts held in Trust for leaseholders		1,410	1,410	1,445	1,445
Trade creditors		1,759	1,757	906	906
Other taxation and social security payable		12	12	13	13
Accruals		2,775	2,775	1,435	1,427
Rents received in advance		889	889	834	834
Housing loans	20	1,585	1,585	4,546	4,821
Loan interest payable		521	521	137	137
Deferred income - Government grants	22	1,050	1,050	1,052	1,052
Recycled Capital Grant Fund	21	65	65	111	111
Finance lease liability	29	67	67	67	67
		10,133	10,131	10,546	10,813

19. Creditors - amounts falling due after more than one year

		2021		2020	
		Group £000s	Parent Company £000s	Group £000s	Parent Company £000s
Housing loans	20	71,905	71,905	69,524	69,524
Recycled Capital Grant Fund	21	141	141	317	317
Deferred income - Government grants	22	81,708	81,708	81,325	81,325
Leased repairs provision	23	150	150	133	133
Finance lease liability	29	105	105	175	175
		154,009	154,009	151,474	151,474

The loans are secured on freehold housing properties. Interest is payable at 3.69% (2020: 3.80%).

The total accumulated amount of capital grant received or receivable at the balance sheet date is £82. 8m (2020: £82.4m).

20. Housing loans (Parent Company)

Housing loans from banks, building societies and other lending institutions are secured by specific charges on the Association's housing properties and floating charges on all of the Association's assets and are repayable at varying rates of interest as follows:

	2021 £000s	2020 £000s
On demand or within a year	-	275
By instalments		
Within one year	1,585	1,271
Between one and two years	1,457	1,585
Between two and five years	4,822	4,543
In more than five years	31,329	8,065
	39,193	15,464
Not by instalments		
Within one year	-	3,275
Between one and two years	23,718	-
Between two and five years	-	29,718
In more than five years	11,250	26,250
Less: Loan issue costs	(671)	(637)
	73,490	74,345

At 31st March 2021 the Association had £149.8m bank finance facilities in place and a committed overdraft facility of £2m.

21. Recycled Capital Grant Fund

Funds pertaining to activities within areas covered by:

	2021 £000s	2020 £000s
At beginning of year	428	459
Grants recycled	30	111
Grants recycled on new builds	(252)	(142)
At end of year	206	428

Included in the above are no amounts that are 3 years old or older where repayment may be required.

Notes to the Consolidated Financial Statements

22. Deferred income - Government grants

	2021 £000s	2020 £000s
At beginning of year	105,835	105,439
Grants received	1,428	396
Disposals	-	-
Prior year adjustment	62	-
At end of year	107,325	105,835
Amortisation		
At beginning of year	(23,459)	(22,177)
Additions	(1,050)	(1,188)
Disposals	27	-
Recycled	(23)	(94)
Prior year adjustment	(62)	-
At end of year	(24,567)	(23,459)
Net Deferred income - Government grants		
Due within one year	1,050	1,052
Due after one year	81,708	81,324
At end of year	82,758	82,376

23. Leased repairs provision

	2021 £000s	2020 £000s
Opening balance	133	116
Charged to income and expenditure	17	17
Utilised in year	-	-
Closing balance	150	133

The provision will be used to fund future dilapidation liabilities for properties leased from other parties. The next lease expires in 2048.

24. Pensions

The Group participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme has both a defined benefit and a defined contribution section.

The company also participates in a legacy defined contribution scheme administered by Scottish Widows Defined Contribution Section.

Under CCHA's defined contribution pension schemes, employees pay contributions to an independently administered fund, into which the Group also pays contributions based upon a fixed percentage of the employee's contributions.

The Group has no further payment obligations once its contributions have been paid. Contributions paid for defined contribution schemes of £358k (2020: £339k) have been recognised in the Group Statement of Comprehensive Income, of which £23k (2020: £20k) have been outstanding at the balance sheet date.

Defined Benefit Section

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

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

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30th September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31st March 2019 to 29th February 2020 inclusive. Similarly, actuarial valuations of the scheme were carried out as at 30th September 2019 to inform the liabilities for accounting year ends from 31st March 2020 to 28th February 2021 inclusive, and as at 30th September 2020 to inform the liabilities for accounting year ends from 31st March 2021 to 28th February 2022 inclusive.

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

Assumptions

The principal assumptions used are as follows:

	2021 % per annum	2020 % per annum
Discount rate	2.21	2.20
Inflation (RPI)	3.24	2.85
Inflation (CPI)	2.87	1.85
Salary growth	3.87	2.56

Notes to the Consolidated Financial Statements

24. Pensions (continued)

The mortality assumptions adopted imply the following life expectancies:

	2021 Life expectancy at age 65 (Years)	2020 Life expectancy at age 65 (Years)
Male retiring in 2021	21.6	21.5
Female retiring in 2021	23.5	23.3
Male retiring in 2041	22.9	22.9
Female retiring in 2041	25.1	24.5

Financial Statement information

	2021 £000s	2020 £000s
Fair value of plan assets	7,684	6,756
Present value of defined benefit obligation	(9,987)	(8,556)
Net defined benefit liability to be recognised	(2,303)	(1,800)

Changes in the value of the fair value of assets and defined benefit obligation are as follows:

	2021 £000s	2020 £000s
Fair value of plan assets		
Fair value of plan assets at beginning of period	6,756	6,714
Interest income	150	156
Experience gain on plan assets	676	79
Contributions by the employer	212	243
Benefits paid and expenses	(110)	(436)
Fair value of plan assets at end of period	7,684	6,756
Defined benefit obligation		
Defined benefit obligation at start of period	(8,556)	(9,158)
Current service cost	-	-
Expenses	(9)	(11)
Interest expense	(187)	(211)
Actuarial (losses)/gains - scheme experience	108	(6)
Actuarial (losses)/gains - demographic assumptions	(35)	27
Actuarial (losses)/gains - financial assumptions	(1,418)	367
Benefits paid and expenses	110	436
Defined benefit obligation at end of period	(9,987)	(8,556)

The actual return on the plan assets over the period ended 31st March 2021 was £826,000 (2020: £235,000).

Notes to the Consolidated Financial Statements

24. Pensions (continued)

Defined benefit costs recognised in Statement of Comprehensive Income (SOCI)

	2021 £000s	2020 £000s
Expenses	9	11
Net interest expense	37	55
Defined benefit costs recognised in statement of comprehensive income (SOCI)	46	66

Defined benefit costs recognised in other comprehensive come

	2021 £000s	2020 £000s
Experience gain on Plan assets	676	79
Experience gains/(losses) arising on the Plan liabilities	108	(6)
(Losses)/gains due to changes in the demographic assumptions underlying the present value of the defined benefit obligation	(35)	27
(Losses)/gains due to changes in the financial assumptions underlying the present value of the defined benefit obligation	(1,418)	367
Total amount recognised in other comprehensive income - (loss)/gain	(669)	467

The Plan assets are invested as follows:

	2021 £000s	2020 £000s
Global Equity	1,224	988
Absolute Return	424	352
Distressed Opportunities	222	130
Credit Relative Value	242	185
Alternative Risk Premia	289	472
Fund of Hedge Funds	1	4
Emerging Markets Debt	310	205
Risk Sharing	280	228
Insurance-Linked Securities	185	208
Property	160	149
Infrastructure	512	503
Private Debt	183	136
Opportunistic Illiquid Credit	195	164
High Yield	230	-
Opportunistic Credit	211	-
Corporate Bond Fund	454	385
Liquid Credit	92	3
Long Lease Property	151	117
Secured Income	319	256
Liability Driven Investment	1,953	2,242
Net Current Assets	47	29
	7,684	6,756

24. Pensions (continued)

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

Sensitivities

The effect of an increase in the assumptions by 0.1% (increases)/decreases the defined benefit obligation as follows:

	2021 £000s
Discount rate	230
Rate of inflation	(220)
Rate of salary growth	(10)

The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth where appropriate.

25. Financial Instruments

The carrying values of the consolidated and Association's financial assets and liabilities are summarised by category below:

		2021		2020	
	Notes	**Group £000s**	**Parent Company £000s**	**Group £000s**	**Parent Company £000s**
Financial assets					
Measured at undiscounted amount receivable					
Rent arrears and other debtors	**16**	1,243	1,243	843	846
Cash and cash equivalents	**17**	14,041	13,727	7,820	7,770
		15,284	14,970	8,662	8,616
Financial liabilities					
Measured at amortised cost					
Loans payable	**18,19**	74,161	74,161	74,707	74,982
Finance leases	**18,19**	172	172	242	242
Measured at undiscounted amount payable					
Trade and other creditors	**18,19**	8,566	8,564	6,133	6,125
Recycled capital grant fund	**18,19**	206	206	317	317
		83,105	83,103	81,399	81,665

Notes to the Consolidated Financial Statements

25. Financial Instruments (continued)

The consolidated income, expense, gains and losses in respect of financial instruments are summarised below:

	Notes	2021 Group £000s	2021 Parent Company £000s	2020 Group £000s	2020 Parent Company £000s
Interest income and expense					
Total interest income for financial assets held at amortised cost		-	-	-	-
Total interest expense for financial liabilities held at amortised cost	**6**	(3,235)	(3,235)	(3,174)	(3,174)
		(3,235)	(3,235)	(3,174)	(3,174)

26. Analysis of Net Debt

	At beginning of year £000s	Cash flows £000s	Other non-cash changes £000s	At end of year £000s
Cash and cash equivalents				
Cash	3, 375	1,006	-	4,381
Cash equivalents	4, 445	5,215	-	9,660
	7,820	6,221	-	14,041
Borrowings				
Debt due within one year	1,271	(1,271)	1,585	1,585
Debt due after one year	73,711	450	(1,585)	72,576
	74,982	(821)	-	74,161

Included in cash and cash equivalents are balances amounting to 2021 £1,410k (2020: £1,446k) held in Trust for leaseholders.

27. Called-up Share Capital

Each member of the Board of Management holds one share of £1 in the Association. The shares do not have a right to any dividend or distribution in a winding up and are not redeemable. Each shareholder has full voting rights.

Allotted issued and fully paid	2021 Group	2021 Parent Company	2020 Group	2020 Parent Company
	£	£	£	£
At beginning of year	17	17	19	19
Issued during year	3	3	1	1
Forfeited during year	(4)	(4)	(3)	(3)
At end of year	16	16	17	17

28. Commitments

	2021 £000s	2020 £000s
Capital expenditure that has been contracted but has not been provided for in the Financial Statements	6,001	2,140
Capital expenditure that has been authorised by the Board but has not yet been contracted	96,185	77,350
	102,186	79,490
The Association expects to finance the expenditure above by:		
Proceeds from the sale of properties	26,001	18,390
Social Housing Grant	15,572	13,718
Cash and committed loans facilities	60,613	47,382
	102,186	79,490

29. Leases

The Group holds properties and office equipment under non-cancellable operating leases. At the end of the year CCHA had annual commitments under these leases as follows:

Payments due	2021 £000s Land & Buildings	2021 £000s Other	2020 £000s Land & Buildings	2020 £000s Other
Within one year	19	81	46	51
Between one and five years	159	27	44	33
After five years	270	-	61	-
	448	108	151	84

Notes to the Consolidated Financial Statements

29. Leases (continued)

The Group holds vehicles under non-cancellable finance leases. At the end of the year the CCHA had annual commitments under these leases as follows:

	2021 £000s Other	2020 £000s Other
Payments due		
Within one year	67	67
Between one and five years	105	175
After five years	-	-
	172	242

30. Housing Stock

	Number of units				
	At beginning of year	Additions	Converted/ Reclassified	Disposals	At end of year
Social Housing					
General needs					
Social rent	4,553	4	1	(4)	4,554
Affordable rent	756	-	(5)	-	751
Supported housing and housing for older people					
Social rent	667	-	(1)	-	666
Affordable rent	47	-	-	-	47
Intermediate rent	16	-	1	-	17
Shared ownership	369	-	-	(3)	366
Leasehold	303	-	-	(1)	302
Other	367	-	5	-	372
Total owned Social Housing	7,078	4	1	(8)	7,075
Non-social Housing					
Offices	7	-	-	-	7
Total owned	7,085	4	1	(8)	7,082

31. Accommodation managed by agents

The Association owns property managed by other bodies.

	2021	2020
No. of units of accommodation	18	18

32. Subsidiaries

The Association has the following subsidiary that is 100% owned and based in the UK:

- Two Castles Limited - not a Registered Provider (limited company incorporated in England and Wales)

The Association has prepared group accounts.

33. Legislative Provisions

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the RSH as a Registered Provider as defined by the Housing and Regeneration Act 2008.

34. Contingent Liability

The Group is not party to any contingent liabilities that require disclosure.

35. Related Parties

The Group did not enter into any transactions with key management personnel during the year.

Debtor and creditor balances between members of the Group are trading balances which are non-interest bearing and are due to be settled within one year of their recognition.

During the year, CCHA charged Two Castles Limited £2,230 (2020: £4,216) for accounting and administrative services provided. At 31st March 2021, £2,063 were payable to the Group (2020: £10,431).

The Group repaid the £275k unsecured loan with Two Castles Limited, its subsidiary, during the year.