Coastal Housing Group Limited

Report and financial statements
For the year ended 31 March 2022

Information

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

Contents

Chair's Statement

The past year has continued to present challenging circumstances for many businesses including Coastal as well as for the communities in which we work. The ongoing impact of the Coronavirus pandemic, removal of the Universal Credit uplift, alongside rising National Insurance, inflation, energy and fuel costs have each contributed to significant difficulties for many of the people who rent homes from Coastal.

The biggest cost of living crisis for a generation brings with it increased demand for our services as well as a responsibility to ensure the homes we offer are truly affordable and as energy efficient as possible; a responsibility shared across both our development programme and our existing housing stock.

Against this backdrop, Coastal's financial performance over the past 12 months has been very strong and is illustrative of a well-managed, responsive organisation with a collective focus on providing value for money.

New homes, new development team

Our development programme continued apace last year, delivering 124 new homes for rent and for sale despite an overhaul of our development team to ensure we have the skills and structure to meet future challenges and ambitions. Led by Kelly Thomas, Executive Director of Development & Regeneration, our new development team is now fully in place and boasts an enviable mix of roles including some unique to the housing sector in Wales.

20 new homes at Clos yr Efail handed over in summer 2021. Located adjacent to Morriston Hospital we were delighted to let some of these high-quality new homes to hospital staff.

In what is a fast-moving and competitive employment market, we were delighted to retain some formidable existing talent through the restructure in addition to securing new hires with excellent sector experience and who share Coastal's values and ethos.

In February 2022 we were delighter to welcome Welsh Government's Minister for Climate Change to the UK's first low-carbon modular homes from Daiwa House Modular Europe.

Chair's Statement

Of particular note in our 2021/22 development programme was the completion of two builds funded through Welsh Government's Innovative Housing Programme (IHP): eco-homes utilising local skills and materials with Down to Earth in Pennard, Gower and the UK's first low-carbon modular homes from Daiwa House Modular Europe at Coed Darcy in Neath. Both of these developments exemplify our commitment to exploring approaches to low or zero carbon development that reduce the overall cost of running a home for future residents.

The planned Gwynfaen project to deliver 144 low-carbon homes with Pobl Group in Penyrheol, Swansea was also part funded through the Innovative Housing Programme. Originally scheduled for a start in Summer 2020, the scheme has been significantly delayed due to factors including the Coronavirus pandemic. Over the last 6 months, significant work has been undertaken between the partners and Welsh Government to allow the development to move forward in future as a Pobl development, allowing Coastal to focus on a range of other eco-home projects such as those mentioned above.

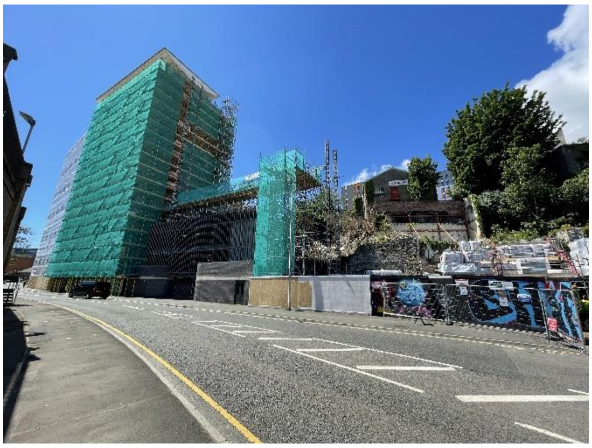
In late 2021 Coastal was approached by Wales & West Housing Association to bid for 109 of its homes in the Caswell and Dunvant areas of Swansea following a stock rationalisation exercise. Having evaluated the opportunity thoroughly, Coastal put forward a bid document in early February and were delighted to be informed within the month that, despite stiff competition, Wales & West Housing's board had ultimately chosen to accept Coastal's offer on the basis of our "comprehensive and well-written" bid.

Work is progressing on the transfer of the homes which will complete by this summer, whilst engagement with existing Wales & West Housing residents to introduce Coastal is already underway.

Housing and maintenance

Coastal is committed to providing homes that are safe and secure; following the Grenfell investigation, we acted quickly to understand the impact this could have for any affected buildings. After surveys and off-site testing, we determined that the combination of cladding and insulation used on around 20% of our Strand Court building in central Swansea was no longer suitable owing to changes in government advice for buildings over 18 metres in height.

Cladding replacement works were completed at Strand Court with funding from Welsh Government's HRRB Capital Remediation Grant.



Following consultation with residents, remedial works began in April 2021 with support from Welsh Government's High-Rise Residential Buildings (HRRB) Capital Remediation Grant. Owing to our commitment to resident safety, we also took the decision to replace cladding and insultation to the smaller adjacent building at Strand Mews, with costs for this covered entirely by Coastal. Work was largely completed within the year, with the scaffold removed and site vacated by the contractor during June 2022.

Chair’s Statement

Many people who rent their home from Coastal have been under significant financial pressures during the Coronavirus pandemic, exacerbated by the removal of the Universal Credit uplift, rising energy price caps, fuel costs and inflation. Building on increased tenancy support activity put in place in the early days of the pandemic, Coastal continues to provide advice, support and signposting to support residents to sustain their tenancies.

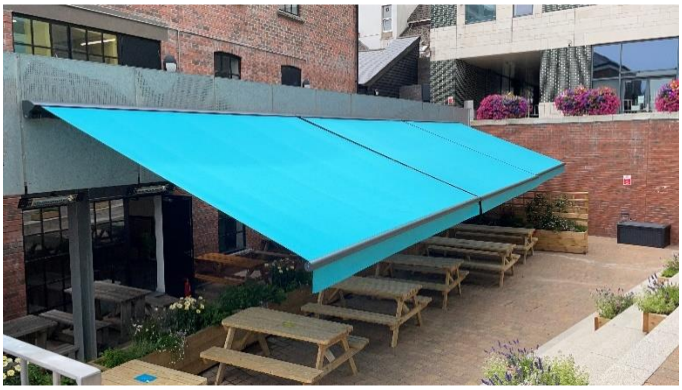
In the past year, new online resources have been created to support residents with energy and water costs, as well as accessing the Welsh Government’s Tenancy Hardship Grant. These resources have supplemented in-person contact by our housing, customer service, home adaptations and extra-care teams, who have provided personalised support and signposting based on individual circumstances.

Hearing our residents’ views on Coastal and the service they get is incredibly important to us. We invite this feedback regularly through mechanisms such as post-repair satisfaction ratings and consultation on topics like service charges and sustainability. In 2021 we conducted an all-resident survey designed to principles set out by Welsh Government that specifically seek to promote tenant voice in social housing services. The survey was conducted by an experienced external company – Knowledge Partnership - to ensure objectivity and independence. In total, they conducted 2,320 surveys across telephone and web, which represented a 43% response rate from Coastal residents. We were pleased to note that, despite operating in challenging circumstances from March 2020, residents still rated the overall service (86.4%), repairs service (86.7%) and housing quality (87.2%) from Coastal highly.

Creating the right environment to succeed

Last year the first phase of our new housing management and financial systems went live following a huge effort by the project team and departmental champions across Coastal. By combining Civica’s CX and FinancialsLive solutions, we now have a single, real-time view taking in Coastal’s housing assets, rent payments and arrears. This allows our teams across both housing and finance to quickly identify where support interventions are already, or may soon, become necessary. We are also seeing some of the early expected benefits in terms of efficiency: our rent-setting for 2022/23 took a fraction of the time taken with legacy systems and our manual process for rent debits – previously done by Tech Team staff out-of-hours– has now been fully automated.

The right working environment contributes hugely to the way people work and the quality of what’s produced. We knew from ‘Coastal Conversations’ conducted with staff normally based at offices during 2020 that remote working at home was having an impact. It was affecting the creativity and collaboration they were able to bring to their work, as well as on the informal communication and connection that often allowed issues to be addressed quickly or otherwise provide for the best outcome for residents.



Coastal Yard features distanced seating, canopy covers and outdoor heating for colleagues who prefer to meet colleagues outside.

Chair's Statement

Meanwhile, those same conversations with our estates and maintenance teams revealed similar challenges around connection and communication. For these teams, the weekly office catchups they had pre-pandemic were a crucial element in successful lone-working for the rest of the week and they were sorely missed. To help address this, we created the Coastal Hub and Yard in July 2021 as a drop-in space where people could meet colleagues safely, comfortably and within government rules. With both indoor and outdoor spaces designed to enable social distancing, the Hub and Yard proved particularly popular with staff during the summer, providing much-needed social connection along with opportunities for many to collaborate on work in-person for the first time since March 2020.

Sustainability is an important issue for Coastal and one that touches every part of the organisation. Last year we were able to give renewed focus to recognising this and positioning sustainability as a central tenet of our business. To facilitate this, we embarked on the first external sustainability audit in Coastal's history, delivered by independent specialists, SHIFT Environment.

This step was essential in establishing a baseline we can use to measure future, planned improvements but we were nonetheless delighted to be awarded Silver accreditation as a result. Coastal outperformed 24 of the last 40 organisations audited by SHIFT, winning particular praise for the energy efficiency of its new and existing homes, as well as its work to prevent fuel poverty.

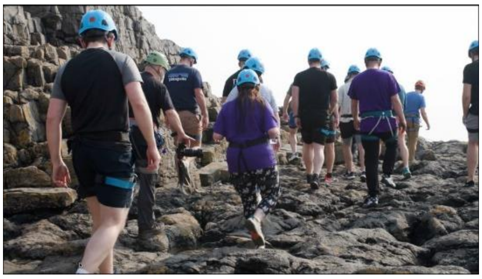
People and purpose

Last year we created the Horizon Fund as a means to help facilitate the changes that local communities want to make for themselves. Linked to the City and County of Swansea's Crowdfund Swansea movement, our Horizon Fund offers pledges of up to £1,000 or 50% of target for civic improvement projects across the county. Since April 2021 we've funded 5 different projects through Horizon, including initiatives to introduce more greenery to urban areas, harvest waste fruit growing locally, and distribute hygiene essentials to people unable to afford them.

In November 2021, we consulted with staff on changes to Coastal's pension arrangements in order to address the increasing cost of defined benefit schemes and the inequality of access new employees had to some legacy pension options. Our HR and Finance teams led an extensive, transparent and honest consultation with online and in-person sessions facilitated both by Coastal staff and our advisers, First Actuarial. As ever, Team Coastal responded with pragmatism and emotional intelligence, allowing us to move forward with fair proposals to close the defined benefit schemes entirely whilst doubling the maximum employer contributions available to the defined contribution scheme, which now offers up to 10% from Coastal.

In early March we were able to play a small part in the community response to war in Ukraine, thanks to the compassion and activism of members of our team. Through local connections in the Swansea area, we heard that donated goods needed to be moved from West Cross in Swansea to a sorting hub in Neath, from where they would be loaded onto HGVs to be driven to the Ukrainian-Polish border. Following a request on Coastal's intranet, a fleet of 8 Coastal vans and employee-owned vehicles was assembled after the working day was done to load, transport and unload thousands of donated products, ensuring they were able to make their onward journey into the hands of arriving refugees.

Our second learning at work week saw Team Coastal come together for a range of sessions, in-person and online, to support skills, understanding, wellbeing and togetherness.



Chair’s Statement

As the financial year drew to a close in late March, we were pleased to be able to welcome back our popular Learning at Work Week (LAWW) for Team Coastal. A week-long festival of learning and wellbeing activities first held in January 2020, this year’s LAWW was conceived as a hybrid event with sessions taking place both online and at numerous other indoor and outdoor venues across south west Wales. Over 70 sessions ran during the week including keynotes from workplace culture expert Bruce Daisley, Swansea East MP Carolyn Harris and the leader of Swansea Council Cllr. Rob Stewart.

Coastal is an organisation with purpose and it continues to deliver on that purpose in challenging times, thanks to the talents and commitment of its staff team and board of management. I would like thank all staff and board members for their continued contribution. I would also like to give a particular mention to Roger Williams, who stood down as Coastal’s Chair in April. Roger served faithfully on Coastal’s board since 2017 and I know I speak for board members and the senior team alike when I say how grateful we are to have had him as Chair during these particularly difficult years.

Alun Williams

Chair

Operating and financial review

Group and Association highlights, five-year summary

Comprehensive income – Group	**2022 £’000**	**2021 £’000**	**2020 £’000**	**2019 £’000**	**2018 £’000**
Total turnover	53,418	38,322	36,934	40,528	38,977
Operating surplus before exceptional items,	13,926	9,870	9,031	10,238	9,684
Change in fair value of investment properties	-	-	(1,500)	-	-
Fire safety remediation costs	-	-	(11,798)	-	-
Surplus/(deficit) for the year	6,744	2,698	(10,918)	3,767	3,649

Cash flow – Group	**2022 £’000**	**2021 £’000**	**2020 £’000**	**2019 £’000**	**2018 £’000**
Net cash inflow from operating activities	8,172	5,824	10,537	18,577	10,375

Financial position – Group	**2022 £’000**	**2021 £’000**	**2020 £’000**	**2019 £’000**	**2018 £’000**
Housing property at cost	483,850	470,318	444,635	427,726	409,382
Net current assets/(liabilities)	2,743	(24)	(27,647)	9,375	23,899
Total loans	(175,531)	(169,256)	(173,445)	(173,449)	(176,125)
Defined benefit pension liability	(4,084)	(8,879)	(3,343)	(7,462)	(3,590)
Net assets	44,590	33,090	36,616	43,679	43,953

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

Units in management	5,994	5,871	5,816	5,677	5,574
Operating surplus	27.6%	26.2%	(11.5%)	25.2%	24.6%
Operating surplus (*before joint venture lease costs and exceptional items*)	32.5%	31.3%	29.2%	29.0%	28.0%
Social housing lettings surplus (*before joint venture lease costs and exceptional items*)	32.5%	28.4%	23.3%	25.7%	27.9%
Rent lost from voids and bad debts	3.2%	3.2%	2.8%	2.5%	2.9%
Rent arrears (*current residents*)	5.9%	5.5%	5.2%	4.3%	4.0%
Interest cover (*earnings before interest, tax, depreciation, amortisation and fire remediation costs to net interest payable*)	2.02	1.66	1.40	1.84	1.83
Gearing (*net loans to housing property at cost*)	38.2%	36.8%	37.5%	38.3%	39.4%

Operating and financial review

Principal activities

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

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

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

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

Business and financial review

Summary

The Group has a surplus for the year of £6.7m (2021: surplus of £2.7m) before pension adjustments. The specific reasons for this result are included in this report.

Social housing lettings income increased by £5m from £33.5m to £38.5m, which primarily relates to increases in rents and service charges. Turnover and operating costs include the results of first tranche housing sales.

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

The results for the previous year were affected in part by the coronavirus pandemic. In particular during 2021 we saw an increase in void costs and are pleased to note that costs have reduced in the financial year, although they remained higher than pre pandemic levels. We have seen an increase in resident arrears and our bad debt policy makes prudent provision for bad debts. We continued to work throughout the year to support residents as far as possible with financial pressures and make sure that our properties remain safe and secure for the people who live in them. At the time of publishing these financial statements we are carrying out a systems thinking intervention on rents and arrears with a view to supporting residents while protecting our income stream.

The previous year also saw a difficult period for many of our commercial tenants. We worked hard throughout to provide reasonable support to commercial tenants while protecting our own financial position resulting in very few failed commercial tenancies and a number of lets. This has seen our commercial income in 2022 return to around pre-pandemic levels.

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

Our liquidity position at the balance sheet date is very strong. We had cash of £4.2m and also had access to £50.8m of immediately available funding. This was a result of a refinance which completed in June 2020, of which more information is provided later in this report.

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

Operating and financial review

Business and financial review (continued)

Fire safety

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

The work to Strand Court and Strand Mews in Swansea to remove and replace the existing cladding was concluded and the scaffolding removed in June 2022. The work was supported by grant of £3m from the Welsh Government. A balance of £7.5m of provision remains as at 31 March 2022 for further identified work.

Investment in new homes

We have continued both to invest in existing housing and to develop new housing, for both rent and sale, although in common with a number of peer associations we have experienced some downturn in on-site activity. Many of our sites have been affected by rising materials costs and supply issues. We have experienced some general site delays and a more substantial delay on Pennant's market sale site meaning that expected sales.

During the financial year, 81 newly developed social rented properties were brought into management and 13 new homes were made available for low cost home ownership. The group also completed 30 new homes for market sale.

Our subsidiary, Pennant, is the Group's home ownership vehicle. Pennant is currently on site at the 20-home Colman Vale site at Pen y Fai in Bridgend. By the end of the financial year 11 homes had been sold and at the date of this report only 9 remain, and all but 1 have been reserved. Pennant part funded the delivery of this site using development finance from Principality Building Society and a facility has been agreed for Pennant's next site at Llannon, Carmarthenshire.

The eco-homes from Down to Earth at our Pennard sit in Gower utilized local materials and provided opportunities for people from excluded groups to play a part in their construction in order to connect with others learn new skills.

Coastal's site at Pennard, Gower is a mixed tenure site including properties for sale on the open market. The companies agreed that the Association would sell the properties to Pennant and that Pennant would sell the properties on the open market. Pennant is responsible for purchasing the properties within a set time following practical completion, and carries the risk and reward of the ultimate selling price. The price paid per property represents a fair value for each transaction. A number of properties which had already been reserved continued to be sold by Coastal and the Association earned a commission on these sales. During the financial year 14 properties were sold by Pennant and 5 by the Association.

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

Commercial portfolio

The coronavirus pandemic placed significant financial pressure on commercial tenants across the nation, including our own. Our commercial property is accounted for as investment property under accounting standards, despite our long term interest in the properties as part of our regeneration activity. The valuation of the portfolio as at 31 March 2022 confirmed that the carrying value of the portfolio is appropriate and is reflected in its market value.

Operating and financial review

Business and financial review (continued)

Pension scheme

Note 26 describes the accounting for the Group's participation in the Social Housing Pension Scheme. The financial statements reflect the Group's share of liabilities. The liability has reduced significantly between 2021 and 2022 due to the changing economic factors affecting the accounting valuation as at 31 March 2022. The Board has not changed the assumptions put forward by the scheme administrators, currently considering them to be prudent but reasonable. This will be reviewed each financial year.

The actuarial valuation as at 30 September 2020 has been finalised by the trustees of the scheme and has resulted in an increase in the deficit payments required to be paid by the Association. Following a full review and consultation with our staff the Group has decided to end all future defined benefit accrual and now offers the SHPS defined contribution scheme to all staff. This will reduce cost risk for the Group arising from future valuations. The deficit is expected to be repaid by 31 March 2028.

Regulation

During the previous year our annual self-evaluation was reviewed by the Welsh Government and an Interim Regulatory Judgement was published in March 2021.

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

The group is currently preparing its 2022 self-evaluation and the Welsh Government expects to carry out its regulatory review over the summer.

Other matters

The Association has been lead partner on the Gwynfaen project to deliver 144 low-carbon homes with Pobl Group in Penyrheol, Swansea, part funded through the Innovative Housing Programme. The scheme has been significantly delayed due to factors including the Coronavirus pandemic. Agreement has been reached to allow the the development to tranfer to Pobl, allowing the Association to focus on other projects. The transfer will take place in the following financial year and is expected to take place on a ‘no loss no gain’ basis with no reduction in the value of assets transferred.

The Association has successfully bid for the acquisition of 109 social rented and leasehold homes in the Caswell and Dunvant areas of Swansea following a competitive bidding exercise by Wales & West Housing Association. The transfer will take place in the following financial year. The acquisition price is supported by a professional valuation of the portfolio.

Objectives and strategy

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

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

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

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

Operating and financial review

Objectives and strategy (continued)

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

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

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

Value for money

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

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

The Board has set lower overall rent increase than thae aggregate permitted by the Welsh Government’s Rent Setting Policy in 2022 (3% rather than 3.1%) and 2021 (1.4% rather than 1.5%). Many residents saw rents frozen to realign rents by property type and area. No rents increased by more than the Welsh Government guidelines. Many residents also saw reductions in the service charges payable by them.

Value for money methodology

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

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

Operating and financial review

Value for money methodology (continued)

In a lean systems model, rather than manage people and budgets, we act on the system and system conditions as an integrated whole to achieve results (delivering what matters to residents) by managing the flow of work and eliminating waste. Therefore we do not look to measure budget savings in silos as this can simply drive costs elsewhere. We measure ourselves at an organisational level against the Community Housing Cymru indicators published in global accounts, and additional measures agreed by the Board. This was reported to the Board in October 2021 and the Board was satisfied with the Group's position and plans.

The Group is currently carrying out a systems thinking review of rents and rent arrears.

Sustainability

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

In July 2021 our site signage for 85 Kingsway reworked a much-beloves piece of local public art to reaffirm Coastal's presence in Swansea and it's commitment to environmental sustainability.

The Group's sustainability strategy is being developed. We recently commissioned an external sustainability audit by independent specialists, SHIFT Environment. This has resulted in a current assessment – Silver accreditation – and an action plan to help us continue to build our environmental credentials.

We have a green roof at our head office and have delivered a green wall at 85 Kingsway in Swansea. For a number of years we have led and promoted things like 'no mow zones' and composting to increase biodiversity in the communities we work in.

We are working to develop our future approach to ESG reporting.

Following upgrade workds made possible by Welsh Government's Transforming Town's funding, 85 Kingsway now sports a modern look including the city centre's first green walls.

Operating and financial review

Risks and uncertainties

Risks that may prevent the Group achieving its objectives are reviewed annually by the senior management team and Board as part of corporate planning. The Risk Management Policy was update in July 2021 and the strategic risks were reviewed and agreed by the Board in December 2021.

As part of the identification of strategic risks and we have considered the likelihood of the risk occurring and the likely severity should it do so. Risks have agreed action plans and consideration has been given to the compound impact of risks occurring in combinations. The Audit, Risk and Assurance Committee reviews the register and reports to the Board.

Top strategic risks

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

- Health & Safety – Significant health and safety incident within our control adversely affecting people or properties
- Rental income – Rent arrears or unaffordability leads to significant shortfall in rental income versus business plan
- Data integrity – Data is not captured consistently or adequately resulting in inadequate information/reports about key business areas that impacts performance and/or health & safety
- Staff recruitment and retention – Loss of skills or inability to attract the right staff. Where is culture on this (around mitigation and would be a consequence)

The next highest strategic risks had the same combined likelihood and severity rating and are: treasury – existing loans, IT/IT security, development of new homes, Pennant/market sale, climate change, and stakeholders and reputation.

Capital structure and treasury policy

At the year end the Group's borrowings amounted to £176.6 million:

Maturity	**2022 £m**	**2021 £m**
Within one year	0.3	2.3
Between one year and two years	1.0	0.7
Between two and five years	17.1	7.5
After more than five years	158.2	158.8
	176.6	169.3

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

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

Operating and financial review

Capital structure and treasury policy (continued)

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

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

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

The Group's Treasury Management Policy was updated in May 2022 and has been reviewed by our treasury advisors, Centrus Advisory, to ensure it reflects good practice.

The Group has cash balances of £4.2million at 31 March 2022 (2021: £7.6million). Cash flow forecasts are closely monitored to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs.

Investment in new and existing properties

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

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

Statement of compliance

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

Report of the Board and strategic report

The Board of Coastal Housing Group Limited is pleased to present its strategic report together with audited financial statements of Coastal Housing Group Limited ('the Association') and the Group for the year ended 31 March 2022.

Principal activities, business review and future developments

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

Board members and executive directors

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

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

Executive director terms and conditions

The executive directors are employed on the same terms as other staff, their notice periods ranging from three to six months. The executive directors eligible for membership of the Social Housing Pension Scheme, a defined contribution pension scheme. They participate in the scheme on the same terms as all other eligible staff.

Employees

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

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

Financial risk management objectives and policies

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

Interest rate risk

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

Report of the Board and strategic report

Financial risk management objectives and policies (continued)

Liquidity risk

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

Credit risk

The Group's principal credit risk relates to resident arrears. This risk is managed primarily by an area based generic housing service and the close relationship our staff have with their residents. We also have a dedicated income team within the finance department. We have adapted our services to meet the challenge of welfare reform.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group has in place long-term debt which provides adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

Internal controls assurance

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

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

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2021 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

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

Report of the Board and strategic report

Internal controls assurance (continued)

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

Code of Governance

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

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

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

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS102) Under the Housing Association legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers SORP 2018, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for maintaining an adequate system of internal control and keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Board and strategic report

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

In so far as each of the directors are aware:

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

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

Annual general meeting

The annual general meeting will be held on 28 September 2022 at 220 High Street, Swansea, SA1 1NW.

External auditors

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

The report of the Board was approved by the Board on 21 July 2022 and signed on its behalf by:

Alun Williams

Alun Williams

Chair

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

In addition to our audit on the financial statements for the year ended 31 March 2022, we have reviewed the Board's statement of Coastal Housing Association Limited's ("the Association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

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

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

Opinion

With respect to the Board's statement on internal controls assurance on pages 15 and 16, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work on the financial statements.

Bevan Buckland

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date: 21 July 2022

Bevan Buckland LLP
Chartered accountants, tax and financial planners

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

Opinion
We have audited the financial statements of Coastal Housing Group Limited and its subsidiary for the year ended 31 March 2022 which comprise the consolidated and Association statements of comprehensive income, the consolidated and Association statements of changes in reserves, the consolidated and Association statements of financial position, the consolidated cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and parent Association's affairs as at 31st March 2022 and of the Group’s income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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

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

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

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

Responsibilities of the board
As explained more fully in the Statement of Responsibilities of the Board (set out on pages 14 and 15), the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;

- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas;

  - Purchasing in relation to the development and maintenance programmes, including any sales to connected individuals at below market value;
  - The recognition of development and maintenance expenditure in the correct period;

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

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

Audit response to risks identified

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

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

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

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

Use of our report

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

Bevan Buckland

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date: 21 July 2022

Bevan Buckland LLP
Chartered accountants, tax and financial planners

Consolidated Statement of Comprehensive Income

	Note	2022 £'000	2021 £'000
Turnover		55,339	39,992
Less: share of turnover of joint ventures	**15**	(1,921)	(1,670)
Group turnover: continuing activities	**2**	53,418	38,322
Operating costs	**2**	(39,560)	(28,466)
Surplus on sale of fixed assets – housing properties	**2**	68	14
Group operating surplus: continuing activities	**2**	**13,926**	**9,870**
Share of operating profit of joint ventures	**15**	1,699	1,486
Operating surplus		**15,625**	**11,356**
Interest receivable and other income			
Group	**6**	2	16
Joint ventures	**15**	-	-
Interest payable and similar charges			
Group	**7**	(6,990)	(7,194)
Joint ventures	**15**	(1,557)	(1,467)
Surplus on ordinary activities before taxation		**7,080**	**2,711**
Tax on surplus on ordinary activities	**11**	(270)	24
Tax on surplus of joint ventures	**15**	(66)	(37)
Surplus for the year		**6,744**	**2,698**
Actuarial gain/(loss) in respect of pension schemes	**26**	4,756	(6,225)
Total comprehensive income for the year		**11,500**	**(3,527)**

The accompanying notes form part of these financial statements.

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

The financial statements were approved by the Board on 21 July 2022 and were signed on its behalf by:

Chair	**Board member**	**Secretary**
Alun Williams	Patrick Hoare	Simon Jones

Association Statement of Comprehensive Income

	Note	2022 £'000	2021 £'000
Turnover	**2a**	45,217	38,059
Operating costs	**2a**	(32,770)	(28,110)
Surplus on sale of fixed assets – housing properties	**2a**	45	14
Operating surplus	**2a**	**12,492**	**9,963**
Interest receivable and other income	**6**	133	108
Interest payable and similar charges	**7**	(6,991)	(7,197)
Surplus on ordinary activities before taxation		**5,634**	**2,874**
Tax on surplus on ordinary activities	**11**	(5)	-
Surplus for the year		**5,629**	**2,874**
Actuarial gain/(loss) in respect of pension schemes	**26**	4,756	(6,225)
Total comprehensive income for the year		**10,385**	**(3,351)**

The accompanying notes form part of these financial statements.

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

The financial statements were approved by the Board on 21 July 2022 and were signed on its behalf by:

Chair	**Board member**	**Secretary**
Alun Williams	Patrick Hoare	Simon Jones

Consolidated Statement of Changes in Reserves

	Income and Expenditure reserve £'000
At 1 April 2021	**33,090**
Surplus from statement of comprehensive income	**11,500**
At 31 March 2022	**44,590**

Association Statement of Changes in Reserves

	Income and Expenditure reserve £'000
At 1 April 2021	31,968
Surplus from statement of comprehensive income	10,385
At 31 March 2022	**42,353**

Consolidated Statement of Financial Position

	Note	2022 £'000	2021 £'000
Fixed assets			
Housing properties	12	483,850	470,318
Depreciation	12	(48,977)	(45,761)
		434,873	424,557
Other tangible fixed assets	16	7,260	5,683
Investments	13	23,218	21,878
Investments in joint ventures	15	13,469	13,393
Homebuy loans	14	2,552	2,797
Total fixed assets		481,372	468,308
Current assets			
Debtors due within one year	18	2,534	3,352
Properties for sale and work in progress	17	17,815	18,072
Cash at bank and in hand		4,221	7,629
		24,570	29,053
Debtors due after more than one year	18	3,800	4,055
Creditors: due within one year	21	(20,106)	(27,308)
Social housing grant due in one year	24	(1,721)	(1,721)
Net current assets		**2,743**	**24**
Total assets less current liabilities		**487,915**	**472,387**
Creditors: due in more than one year	22	(176,320)	(168,079)
Social housing grant due after more than one year	24	(225,368)	(222,556)
Other grants due after more than one year	19	(8,642)	(6,440)
Housing grant relating to joint ventures		(12,673)	(12,673)
Homebuy grants due after more than one year	14	(2,343)	(2,589)
Housing finance grant	20	(5,654)	(5,654)
Provisions for liabilities and charges	27	(8,241)	(12,427)
Defined benefit pension liability	26	(4,084)	(8,879)
Net assets		**44,590**	**33,090**
Capital and reserves			
Revenue reserve		44,590	33,090
Total capital and reserves		**44,590**	**33,090**

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 21 July 2022 and were signed on its behalf by:

Chair	**Board member**	**Secretary**
Alun Williams	Patrick Hoare	Simon Jones

Association Statement of Financial Position

	Note	2022 £'000	2021 £'000
Fixed assets			
Housing properties	**12**	483,850	470,318
Depreciation	**12**	(48,977)	(45,761)
		434,873	424,557
Other tangible fixed assets	**16**	7,260	5,683
Investments	**13**	22,979	21,639
Homebuy loans	**14**	1,489	1,695
Total fixed assets		466,601	453,574
Current assets			
Debtors due within one year	**18**	5,284	6,434
Properties for sale and work in progress	**17**	13,901	13,243
Cash at bank and in hand		3,722	7,054
		22,907	26,731
Debtors due after more than one year	**18**	3,800	4,055
Creditors: due within one year	**21**	(19,644)	(25,148)
Social housing grant due in one year	**24**	(1,721)	(1,721)
Net current assets/(liabilities)		**1,542**	**(138)**
Total assets less current liabilities		**471,943**	**457,491**
Creditors: due in more than one year	**22**	(176,320)	(168,079)
Social housing grant due after more than one year	**24**	(225,368)	(222,556)
Other grants due after more than one year	**19**	(8,642)	(6,440)
Homebuy grants due after more than one year	**14**	(1,281)	(1,488)
Housing finance grant	**20**	(5,654)	(5,654)
Provisions for liabilities and charges	**27**	(8,241)	(12,427)
Defined benefit pension liability	**26**	(4,084)	(8,879)
Net assets		**42,353**	**31,968**
Capital and reserves			
Revenue reserve		42,353	31,968
Total capital and reserves		**42,353**	**31,968**

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 21 July 2022 and were signed on its behalf by:

Chair	**Board member**	**Secretary**
Alun Williams	Patrick Hoare	Simon Jones

Consolidated Statement of Cash Flow

	Note	2022 £'000	2021 £'000
Net cash inflow from operating activities	**30**	8,202	5,824
Cash flow from financing activities			
Loan drawdown		9,600	40,200
Interest payable		(7,280)	(7,439)
Loan repayments		(3,326)	(44,389)
Net cash from financing activities		(1,006)	(11,628)
Cash flow from investing activities			
Increase in WHP investment		-	(1,875)
Interest received		2	16
Purchase and construction of housing properties		(13,883)	(24,154)
Component replacements		(253)	(915)
Proceeds from sale of tangible fixed assets and investments		1,058	596
Purchase and construction of fixed asset investments		(1,980)	(1,023)
New capital expenditure		(2,255)	(906)
Other grants received		2,202	4,856
Social housing grant received		4,505	16,643
Social housing grant received for joint venture properties		-	1,377
Net cash from investing activities		(10,604)	(5,385)
Net change in cash and cash equivalents		**(3,408)**	**(11,189)**
Cash and cash equivalents at beginning of year		7,629	18,818
Cash and cash equivalents at end of the year		**4,221**	**7,629**

Association Statement of Cash Flow

	Note	2022 £'000	2021 £'000
Net cash generated from operating activities	**30**	6,438	5,874
Cash flow from financing activities			
Loan drawdowns		9,000	40,200
Interest payable		(7,195)	(7,387)
Loan repayments		(1,038)	(44,864)
Net cash from financing activities		767	(12,051)
Cash flow from investing activities			
Interest received		133	108
Purchase and construction of housing properties		(13,923)	(24,329)
Component replacements		(253)	(915)
Proceeds from sale of tangible fixed assets and investments		1,034	596
Purchase and construction of fixed asset investments		(1,980)	(1,023)
New capital expenditure		(2,255)	(906)
Other grants received		2,202	4,856
Social housing grant received		4,505	16,643
Net cash from investing activities		(10,537)	(4,970)
Net change in cash and cash equivalents		**(3,332)**	**(11,147)**
Cash and cash equivalents at beginning of year		7,054	18,201
Cash and cash equivalents at end of the year		**3,722**	**7,054**

Notes to the Financial Statements

Legal status

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

1. Accounting policies

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

Format of accounts

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

Basis of consolidation

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

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

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

Going Concern

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

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

Notes to the Financial Statements

Significant management judgements and key sources of estimation uncertainty

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

Impairment of social housing properties

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

Defined benefit pension scheme

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

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

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

Turnover and revenue recognition

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

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

Debtors

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

Notes to the Financial Statements

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Deferred taxation

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

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

Interest payable

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

a) interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or

b) a fair amount of interest on borrowings of the Group as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

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

Retirement Benefits – defined contribution scheme

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

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

Retirement Benefits – defined benefit scheme

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

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

Notes to the Financial Statements

Housing properties

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

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

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

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

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

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

Depreciation of housing properties

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

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

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

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

Freehold land is not depreciated.

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

Notes to the Financial Statements

Social housing grant

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

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

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

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

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

Housing finance grants

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

Investment property grants

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

Other grants

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

Amortisation of grants

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

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

Notes to the Financial Statements

Development costs

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

Accommodation managed by agents

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

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

Impairment

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

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

Other tangible fixed assets

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

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

Depreciation of other tangible fixed assets

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

Leased assets

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

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

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

Notes to the Financial Statements

Properties for sale

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

Investment in Subsidiary

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

Fixed asset investments

Investments held as fixed assets are stated at market value.

Home buy option

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

Investment property

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

Loans

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

Joint ventures

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

Provisions for liabilities

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

Notes to the Financial Statements

Financial instruments

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

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

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

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

Financial instruments held by the Group are classified as follows:

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

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

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

Notes to the Financial Statements

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

Group – continuing activities

2022

	Note	Turnover	Operating costs	Surplus on disposal of fixed assets	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3	38,489	(29,040)	-	9,449
Other social housing activities					
First tranche shared equity sales		1,983	(1,478)	-	505
Management services		1,536	(67)	-	1,469
Development costs not capitalised		-	(114)	-	(114)
Surplus on disposal of Housing property		-	-	(36)	(36)
Surplus on disposal of Investments		- -	- -	104	104
Non social housing activities					
Commercial rents		1,649	(890)	-	759
Properties developed for outright sale		9,761	(7,971)	-	1,790
		53,418	(39,560)	68	13,926

2021

	Note	Turnover	Operating costs	Surplus on disposal of fixed assets	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3	33,492	(25,891)	-	7,601
Other social housing activities					
First tranche shared equity sales		1,303	(848)	-	455
Management services		1,610	(76)	-	1,534
Development costs not capitalised		-	(363)	-	(363)
Surplus on disposal of Housing property		-	-	(27)	(27)
Surplus on disposal of Investments		-	-	41	41
Non social housing activities					
Commercial rents		1,343	(575)	-	768
Properties developed for outright sale		574	(713)	-	(139)
		45,217	(28,446)	14	9,870

Notes to the Financial Statements

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

Association – continuing activities

	Note	Turnover	Operating costs	Surplus on disposal of fixed assets	Operating surplus
		2022			
		£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	**3a**	38,489	(28,765)	-	9,724
Other social housing activities					
First tranche shared equity sales		2,030	(1,609)	-	421
Management services		1,536	(67)	-	1,469
Development costs not capitalised		-	(114)	-	(114)
Surplus on disposal of Housing property		-	-	(36)	(36)
Surplus on disposal of Investments		-	-	81	81
Non social housing activities					
Commercial rents		1,649	(890)	-	759
Properties developed for outright sale		1,513	(1,325)	-	18
		45,217	(32,770)	45	12,492

	Note	Turnover	Operating costs	Surplus on disposal of fixed assets	Operating surplus
		2021			
		£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	**3a**	33,483	(25,915)	-	7,568
Other social housing activities					
First tranche shared equity sales		1,303	(916)	-	387
Management services		1,610	(76)	-	1,534
Development costs not capitalised		-	(363)	-	(363)
Surplus on disposal of Housing property		-	-	(27)	(27)
Surplus on disposal of Investments		-	-	41	41
Non social housing activities					
Commercial rents		1,343	(575)	-	768
Properties developed for outright sale		320	(265)	-	55
		38,059	(28,110)	14	9,963

Notes to the Financial Statements

3. Particulars of income and expenditure from social housing lettings

Group

	2022			2021
	General needs and sheltered housing £'000	**Other social lettings £'000**	**Total £'000**	**Total £'000**
Rent receivable net of identifiable service charges	25,485	3,212	28,697	27,497
Rent loss due to voids	(550)	(72)	(622)	(541)
	24,935	3,140	28,075	26,956
Service charge income	4,302	-	4,302	4,223
Other revenue grants	4,403	-	4,403	654
Amortisation of grants	1,709	-	1,709	1,659
Turnover from social lettings	35,349	3,140	38,489	33,492
Overhead costs	(6,614)	(2,188)	(8,802)	(7,728)
Management	(3,531)	(312)	(3,843)	(3,321)
Services	(3,159)	(2)	(3,161)	(3,478)
Routine maintenance	(6,504)	(31)	(6,535)	(5,085)
Major repairs expenditure	(2,831)	-	(2,831)	(2,367)
Depreciation of housing properties	(3,037)	(268)	(3,305)	(3,447)
Bad debts	(553)	(10)	(563)	(465)
Operating costs on social housing lettings	(26,229)	(2,811)	(29,040)	(25,891)
Operating surplus on social housing lettings	9,120	329	9,449	7,601

Notes to the Financial Statements

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

Association

	2022			2021
	General needs and sheltered housing £'000	Other social lettings £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	25,485	3,212	28,697	27,497
Rent loss due to voids	(550)	(72)	(622)	(541)
	24,935	3,140	28,075	26,956
Service charge income	4,302	-	4,302	4,223
Other revenue grants	4,403	-	4,403	645
Amortisation of grants	1,709	-	1,709	1,659
Turnover from social lettings	35,349	3,140	38,489	33,483
Overhead costs	(6,339)	(2,188)	(8,527)	(7,752)
Management	(3,531)	(312)	(3,843)	(3,321)
Services	(3,159)	(2)	(3,161)	(3,478)
Routine maintenance	(6,504)	(31)	(6,535)	(5,085)
Major repairs expenditure	(2,831)	-	(2,831)	(2,367)
Depreciation of housing properties	(3,037)	(268)	(3,305)	(3,447)
Bad debts	(553)	(10)	(563)	(465)
Operating costs on social housing lettings	(25,954)	(2,811)	(28,765)	(25,915)
Operating surplus on social housing lettings	9,395	329	9,724	7,568

4. Accommodation in management

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

	Group		Association	
Units in management at the end of the year	**2022 No**	**2021 No**	**2022 No**	**2021 No**
General needs	5,452	5,335	5,452	5,335
Property ownership in joint ventures	496	489	496	489
Shared ownership	46	47	46	47
Total social housing accommodation	5,994	5,871	5,994	5,871

In addition the Group and Association provides leasehold management services at 164 properties (2021:165).

Notes to the Financial Statements

5. Operating surplus

The operating surplus is arrived at after charging	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Other non-audit services (including VAT)	10	10	10	10
Auditor's remuneration (including VAT)	26	26	23	23
Depreciation of properties	3,254	3,038	3,254	3,038
Depreciation of other fixed assets	678	578	678	578
Operating lease rental costs	2,504	2,235	2,504	2,235

6. Interest receivable and other income

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest receivable from affiliated parties	-	-	131	92
Third party interest receivable	2	16	2	16
Interest receivable and similar income	2	16	133	108

7. Interest payable and similar charges

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Loans and bank overdrafts	7,280	7,682	7,196	7,630
Interest payable capitalised on housing properties under construction	(484)	(557)	(399)	(502)
Unwinding of discount factor on pension liability	194	69	194	69
	6,990	7,194	6,991	7,197

8. Employees

Average monthly number of employees expressed as full time equivalents:

	Group 2022 No	Group 2021 No	Association 2022 No	Association 2021 No
Corporate support	45	40	45	40
Development and Pennant	18	20	13	15
Housing	204	202	204	202
	267	262	262	257

Notes to the Financial Statements

9. Employee costs

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Wages and salaries	7,980	7,799	7,830	7,665
Social security costs	761	763	748	752
Other pension costs	1,181	1,200	1,172	1,191
Apprentice levy	25	24	25	24
	9,947	9,786	9,775	9,632

10. Board members and executives

Key management and personnel remuneration

Directors who are executive staff members

	2022 £'000	2021 £'000
Basic salary	394	484
Social security costs	49	63
Pension contributions	90	107
Aggregate emoluments	533	654

The number of senior executives accruing retirement benefits is 4 (2021:5). During the year four directors have opted to pay their pension contributions by salary sacrifice, which lowers the gross salary and increases the employer contributions respectively. This option is available to all employees.

Non-executive directors

	2022 £'000	2021 £'000
Remuneration	56	56
Benefit in kind	-	-
Aggregate emoluments	56	56

Expenses paid to non-executive directors amounted to £nil (2021: £323).

Notes to the Financial Statements

10. Board members and executives (continued)

Remuneration of the highest paid director, excluding pension contributions:

	2022 Total £'000	2021 Total £'000
Emoluments	141	139

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

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

	2022	2021
£100,000 - £110,000	2	2
£110,000 - £119,000	1	2
£150,000 - £159,999	1	1

11. Tax on surplus on ordinary activities

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current tax reconciliation				
Taxable surplus/(loss) on ordinary activities before tax	1,700	(126)	303	-
Theoretical tax at UK corporation tax rate				
Group – (19% (2020:19%)	323	(24)	58	-
Losses carried back to prior years	-	-	-	-
Losses carried foward	(53)	-	(53)	
Losses utilised in year	-	-	-	-
Current tax charge	270	(24)	5	-

Notes to the Financial Statements

12. Tangible fixed assets – properties (Group and Association)

	Social Housing Properties held for letting £'000	Housing Properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total reserves £'000
Cost				
At 1 April 2021	435,863	28,234	6,221	470,318
Additions	879	13,133	-	14,012
Schemes completed in year	14,814	(14,814)	-	-
Transfers from commercial property	(250)	-	-	(250)
Transfers to commercial property	-	524	-	524
Disposals	(193)	(561)	-	(754)
At 31 March 2022	451,113	26,516	6,221	483,850
Depreciation				
At 1 April 2021	(45,236)	-	(525)	(45,761)
Charged in year	(3,216)	-	(39)	(3,255)
Eliminated on disposal	39	-	-	39
At 31 March 2022	(48,413)	-	(564)	(48,977)
Net book value				
At 31 March 2022	402,700	26,516	5,657	434,873
At 31 March 2021	390,627	28,234	5,696	424,557

Additions to completed properties held for letting	**2022 £000**	**2021 £000**
Replacement of components	456	991
Purchase of existing properties	-	316
Additions to existing properties	423	249
Purchase of properties under Section 106 agreements	-	7,043
Total additions	879	8,599

Notes to the Financial Statements

13. Fixed asset investments

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Commercial properties				
At 1 April 2021	19,013	18,324	19,013	18,324
Additions	597	707	597	707
Transfers to housing property	-	(56)	-	(56)
Transfers from housing property	250	38	250	38
Change in fair value of investment properties	-	-	-	-
At 31 March 2022	**19,860**	**19,013**	**19,860**	**19,013**
Shared equity loans				
At 1 April 2021	2,865	2,569	2,626	2,330
Additions	609	354	609	354
Disposals	(116)	(58)	(116)	(58)
At 31 March 2022	**3,358**	**2,865**	**3,119**	**2,626**
	23,218	**21,878**	**22,979**	**21,639**

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

The commercial properties were valued by CLC Chartered Surveyors in March 2022.

14. Homebuy

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Homebuy loans	2,552	2,797	1,489	1,695
Homebuy grants	2,343	2,589	1,281	1,488

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

At 31 March 2022 the Group had 111 (2021: 117) homebuy loans, and the Association had 39 (2021: 43) homebuy loans.

Notes to the Financial Statements

15. Joint ventures

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

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

The latest financial statements of WHP and WHP2 have been prepared to 31 December 2021. The year end does not coincide with the Group's year end of 31 March 2022. The Association's share of the deficit of WHP and surplus of WHP2 from the 31 December 2021 period has been absorbed into the Group's March 2022 year end via the gross equity method. Any material transactions between 31 December 2021 and 31 March 2022 have also been accounted for in the Group's investment in joint ventures balance.

The Group's share of the joint ventures at 31 December 2021 was as follows:

	WHP December 2021 £'000	WHP2 December 2021 £'000	December 2021 £'000	December 2020 £'000
Turnover	1,129	792	1,921	1,670
Administrative expenses	(102)	(128)	(230)	(184)
Operating surplus	1,027	664	1,691	1,486
Surplus on sale of fixed assets	8	-	8	-
Interest payable and similar charges	(995)	(562)	(1,557)	(1,467)
Other finance costs	-	-	-	
Surplus on ordinary activities before taxation	40	102	142	19
Tax on surplus on ordinary activities	(25)	(41)	(66)	(37)
Surplus/(deficit) for the financial year	15	61	76	(18)
Fixed assets	32,785	25,876	58,661	52,279
Current assets	1,144	545	1,689	1,499
Creditors: falling due within one year	(583)	(197)	(780)	(798)
Creditors: falling due after more than one year	(27,644)	(18,457)	(46,101)	(40,562)
Shareholders' funds	5,702	7,767	13,469	12,418

Notes to the Financial Statements

15. Joint ventures (continued)

Group share in joint ventures:	**March 2022 £'000**	**March 2021 £'000**
WHP		
WHP investment as at 31 December	4,891	4,891
Interest in WHP	810	795
Total interest in WHP	5,701	5,686
WHP2		
WHP2 investment as at 31 December	7,625	6,650
Interest in WHP2	143	82
Total interest in WHP2 at 31 December	7,768	6,732
Capital investment in WHP2 in January	-	975
Total interest in WHP2	7,768	7,707
Investment in joint ventures	**13,469**	**13,393**

16. Tangible fixed assets – other (Group and Association)

	Freehold offices £'000	**Computers and office equipment £'000**	**Furniture, Fixtures and fittings £'000**	**Total £'000**
Cost				
At 1 April 2021	3,598	980	6,016	10,594
Additions	3	1,890	362	2,255
Disposals	-	-	-	-
At 31 March 2022	3,601	2,870	6,378	12,849
Depreciation				
At 1 April 2021	(643)	(467)	(3,801)	(4,911)
Charged in year	(147)	(235)	(296)	(678)
Eliminated on disposal	-	-	-	-
At 31 March 2022	(790)	(702)	(4,097)	(5,589)
Net book value				
At 31 March 2022	2,811	2,168	2,281	7,260
At 31 March 2021	2,955	513	2,215	5,683

17. Properties for sale and work in progress

	Group		**Association**	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Properties for sale and work in progress	17,815	18,072	13,901	13,243

Notes to the Financial Statements

18. Debtors

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge receivable	2,295	2,078	2,295	2,078
Less: provision for bad and doubtful debts	(1,856)	(1,632)	(1,856)	(1,632)
	439	446	439	446
Welsh Government grant	-	-	-	-
Prepayments and accrued income	609	723	609	723
Other debtors	959	1,310	1,023	1,273
Accrued income	527	873	528	830
Amounts owed by Pennant	-	-	2,685	3,162
	2,534	3,352	5,284	6,434

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Due in more than one year				
Housing finance grant	3,800	4,055	3,800	4,055
	3,800	4,055	3,800	4,055

19. Other government grants

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Innovative housing programme grant	7,289	5,157	7,289	5,157
Commercial grants	1,353	1,283	1,353	1,283
	8,642	6,440	8,642	6,440

20. Housing finance grant

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing finance grant	5,654	5,654	5,654	5,654
	5,654	5,654	5,654	5,654

Notes to the Financial Statements

21. Creditors: amounts falling due within one year

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Social housing grant received in advance	7,950	11,559	7,950	11,559
Recycled capital grant fund	3,024	3,714	3,024	3,714
Debt (note 23)	316	2,323	316	636
Accruals and deferred income	3,766	4,317	3,682	4,020
Capital expenditure on housing property	2,563	2,637	2,348	2,463
Other creditors	1,097	2,059	1,178	2,057
Rent and service charges received in advance	747	661	747	661
Other taxation and social security	643	38	399	38
	20,106	27,308	19,644	25,148

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

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Deferred income	1,105	1,146	1,105	1,146
Debt (note 23)	175,215	166,933	175,215	166,933
	176,320	168,079	176,320	168,079

23. Debt analysis

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

Terms of repayment	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Within one year	316	2,323	316	636
Between one and two years	1,047	719	1,047	719
Between two and five years	17,139	7,446	17,139	7,446
More than five years	157,029	158,768	157,029	158,768
	175,531	169,256	175,531	167,569

Net debt breakdown	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans and private placements	181,671	174,389	181,671	172,702
Amortised loan arrangement fees	(2,873)	(2,972)	(2,873)	(2,972)
Sinking funds	(2,162)	(2,161)	(2,162)	(2,161)
	176,636	169,256	176,636	167,569

Notes to the Financial Statements

23. Debt analysis (continued)

Security

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

Terms of repayment and interest rates

Rates of interest during the year range from 1.63% to 11.6%. The weighted average rate of interest for 2022 was 3.70% (2021: 3.79%). As at 31 March 2022, 86.6% (2021: 91%) of loans bore interest at fixed rates and 13.4% (2021: 9%) at variable rates.

24. Social housing grant (Group and Association)

	Social Housing Properties held for letting £'000	Housing properties for letting under construction £'000	Completed Share Ownership Housing properties £'000	Total reserves £'000
Cost				
At 1 April 2021	(230,087)	(13,193)	(1,390)	(244,670)
Additions	-	(4,206)	-	(4,206)
Schemes completed in year	(6,037)	6,037	-	-
Transferred to other government grants	-	-	-	-
Disposals	87	-	-	87
At 31 March 2022	(236,037)	(11,362)	(1,390)	(248,789)
Amortisation				
At 1 April 2021	26,186	-	170	26,356
Charged in year	1,676	-	11	1,687
Schemes completed in year	-	-	-	-
Eliminated on disposal	(17)	-	-	(17)
At 31 March 2022	27,845	-	181	28,026
Other grants				
At 1 April 2021	(2,790)	(3,404)	-	(6,194)
Additions	(77)	(377)	-	(454)
Schemes completed in year	-	-	-	-
Disposals	70	-	-	70
At 31 March 2022	(2,797)	(3,781)	-	(6,578)
Amortisation				
At 1 April 2021	231	-	-	231
Charged in year	21	-	-	21
Eliminated on disposal	-	-	-	-
At 31 March 2022	252	-	-	252
Net Creditor				
At 31 March 2022	(210,737)	(15,143)	(1,209)	(227,089)
At 31 March 2021	(206,460)	(16,597)	(1,220)	(224,277)

Notes to the Financial Statements

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

Terms of repayment

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Within one year	1,721	1,721	1,721	1,721
Between one and two years	1,721	1,721	1,721	1,721
Between two and five years	5,161	5,162	5,161	5,162
More than five years	218,486	215,673	218,486	215,673
	227,089	224,277	227,089	224,277

25. Obligations under operating leases

	Land and Buildings		Other	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Within one year	2,152	2,115	273	234
Between one and two years	2,152	2,115	212	179
Between two and five years	6,308	6,345	146	113
More than five years	9,189	11,053	-	-
	19,801	21,628	631	526

26. Social Housing Pension Scheme (Group and Association)

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028. Coastal Housing Group is required to pay the following deficit contributions:

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

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

Notes to the Financial Statements

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

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) Levy are included in the contribution rate. Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Two of the existing structures were closed to new members throughout the accounting period, one based on a final salary with a 1/60th accrual rate, and the other based on career average revalued earnings (CARE), with a 1/60th accrual rate. The structures open to new members during the accounting period were either based on a final salary with a 1/80th accrual rate or a CARE with a 1/80th accrual rate. With effect from 1 April 2022 the Group closed all defined benefit structures to future accrual and all staff have the option of the defined contribution scheme. The minimum employee contribution rate is 5% and the Group matches contributions with a cap at 10%.

During the accounting period the Group paid contributions at the average rate of 7.9% in respect of all defined benefit pension schemes and 11% and 5% in respect of the defined contribution scheme. As at the statement of financial position date there were 107 (2021: 114) active members of the defined benefit schemes and 145 (2021: 137) active members of the defined contribution scheme.

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

During the year the Association made payments of £684,000 (2021: £792,000) to the Social Housing Pension Scheme for the recovery plan of the past service deficit and employer contributions towards current service cost of £716,000 (2021: £877,000)

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

	31 March 2022 £’000	31 March 2021 £’000
Fair value of plan assets	31,767	27,998
Present value of defined benefit obligation	(35,851)	(36,877)
(Deficit) in plan	(4,084)	(8,879)
Unrecognised surplus	-	-
Defined benefit asset /(liability) to be recognised	(4,084)	(8,879)

Recognition of the impact of the asset ceiling

	Period from 31 March 2021 to 31 March 2022 £’000
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

Notes to the Financial Statements

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

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2022 £'000
Defined benefit obligation at start of period	36,877
Current service cost	1,167
Expenses	18
Interest expense	822
Contributions by plan participants	22
Actuarial losses (gains) due to scheme experience	1,469
Actuarial losses (gains) due to changes in demographic assumptions	(529)
Actuarial losses (gains) due to changes in financial assumptions	(3,473)
Benefits paid and expenses	(522)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	35,851

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

	31 March 2022 £'000
Fair value of plan assets at start of period	27,998
Interest income	628
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	2,223
Contributions by the employer	1,418
Contributions by plan participants	22
Benefits paid and expenses	(522)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	31,767

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £2,851,000.

Notes to the Financial Statements

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

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

	Period 31 March 2021 to 31 March 2022 £'000
Current service cost	1,167
Expenses	18
Net interest expense	194
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	1,379

Defined benefit costs recognised in other comprehensive income

	31 March 2022 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	2,223
Experience gains and losses arising on the plan liabilities - gain (loss)	(1,469)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	529
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	3,473
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	4,756
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	4,756

Notes to the Financial Statements

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

Assets

	31 March 2022 £'000	31 March 2021 £'000
Absolute Return	1,274	1,545
Alternative Risk Premia	1,048	1,055
Corporate Bond Fund	2,119	1,654
Credit Relative Value	1,056	881
Distressed Opportunities	1,137	809
Emerging Markets Debt	924	1,130
Fund of Hedge Funds	-	3
Global Equity	6,096	4,462
High Yield	274	838
Infrastructure	2,263	1,867
Insurance-Linked Securities	741	672
Liability Driven Investment	8,864	7,116
Long Lease Property	817	549
Net Current Assets	88	170
Opportunistic Credit	113	768
Opportunistic Illiquid Credit	1,067	712
Cash	108	-
Liquid Credit	-	334
Private Debt	814	668
Property	858	582
Risk Sharing	1,046	1,019
Secured Income	1,184	1,164
Currency Hedhing	(124)	-
Total assets	31,767	27,998

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

Key assumptions

	31 March 2022 % per annum	31 March 2021 % per annum
Discount Rate	2.78	2.21
Inflation (RPI)	3.47	3.22
Inflation (CPI)	3.14	2.87
Salary Growth	4.14	3.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

Notes to the Financial Statements

27. Provisions for liabilities and charges

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

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Restructuring provision	82	310	82	310
Provision for upgrades to existing housing	675	675	675	675
Provision for fire safety remediation costs	7,484	11,442	7,484	11,442
	8,241	12,427	8,241	12,427

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

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

Restructuring provision

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
As at April 1	310	134	310	134
Increase in provision	-	228	-	228
Release of provision	(228)	(52)	(228)	(52)
At 31 March	82	310	82	310

Provision for upgrades to existing housing

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
As at April 1	675	675	675	675
Increase in provision	-	-	-	-
Release of provision	-	-	-	-
At 31 March	675	675	675	675

Provision for fire safety remediation costs

	Group		Association	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
As at April 1	11,442	11,700	11,442	11,700
Increase in provision	-	-	-	-
Release of provision	(3,958)	(258)	(3,958)	(258)
At 31 March	7,484	11,442	7,484	11,442

Notes to the Financial Statements

28. Share capital

	2022 £	2021 £
Shares of one pound each fully paid and issued	34	37

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

29. Analysis of changes in net debt

Group

	At 1 April 2021 £'000	Cash flows £'000	Movement in creditors due within one year £'000	At 31 March 2022 £'000
Cash at bank and in hand	7,629	(3,408)	-	4,221
Housing loans due less than one year	(2,323)	1,687	320	(316)
Housing loans due in more than one year	(166,933)	(9,067)	(320)	(176,320)
	(161,627)	(10,788)	-	(172,415)

Association

	At 1 April 2021 £'000	Cash flows £'000	Movement in creditors due within one year £'000	At 31 March 2022 £'000
Cash at bank and in hand	7,054	(3,332)	-	3,722
Housing loans due less than one year	(636)	-	320	(316)
Housing loans due in more than one year	(166,933)	(9,067)	(320)	(176,320)
	(160,515)	(12,399)	-	(172,914)

Notes to the Financial Statements

30. Net cash flow from operating activities

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Surplus/(deficit) for the year	6,744	2,698	5,629	2,874
Adjustments for non-cash items;				
Depreciation of tangible fixed assets	3,932	3,287	3,932	3,287
Amortisation of bond premium	(41)	(40)	(41)	(40)
Amortisation of intangible assets	(1,691)	(1,641)	(1,691)	(1,641)
Surplus on sale of fixed assets	(68)	(14)	(45)	(14)
Change in fair value of investment properties	-	-		-
Re-measurement of pension liability	4,756	(6,225)	4,756	(6,225)
Unwinding of discount factor on pension liability	(194)	(69)	(194)	(69)
Reduction in home loans	-	(36)	(1)	(36)
Share of operating (deficit) in joint ventures	(76)	18	-	-
Uncapitalised development costs	90	281	90	281
Working capital movements				
Increase in properties for sale and work in progress	741	(9,505)	(259)	(8,180)
Decrease/(increase) in trade and other debtors	1,073	7,879	1,406	6,581
(Decrease)/increase in trade and other creditors	(5,072)	(3,441)	(5,022)	(3,487)
(Decrease)/increase in provisions	(4,186)	(82)	(4,186)	(82)
Increase/(decrease) in pension provision	(4,794)	5,536	(4,794)	5,536
Adjustments for investing or financing :				
Interest payable	6,990	7,194	6,991	7,197
Interest receivable	(2)	(16)	(133)	(108)
Net cash generated from operating activities	8,202	5,824	6,438	5,874

31. Capital commitments

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Capital expenditure				
Contracted less certified	17,805	33,146	9,198	30,999
Expenditure authorised by the Board, but not contracted	12,897	5,266	12,897	5,266
	30,702	38,412	22,095	36,265

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

Notes to the Financial Statements

32. Related party transactions

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

Dawn Mitchell

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

During the year Coastal made lease payments to the joint venture companies for properties purchased by the joint ventures and leased to the Association. Charges in the year from WHP were £1,178,000 (2021: £1,178,000) and from WHP2 were £1,010,000 (2021: £743,000).

Coastal has a loan agreement with Pennant Housing Association Limited in that a maximum borrowing of £5m can be given at any one given time and interest is charged at a rate of 4.0% per annum (variable) on this loan to the extent that it is funding Pennant's day to day activities. Interest charged to Pennant during the year amounted to £131,415 (2021: £92,015). Under this arrangement Pennant is also able to loan surplus funds to Coastal and interest is charged at 3.5% (variable) on this loan. Interest charged to Coastal during the year amounted to £nil (2021: £nil).

During the year Pennant sold properties and managed other property transactions on behalf of Coastal. This resulted in payments of commissions and fees to Pennant of £197,550 (2021: £115,881) Coastal paid £46,949 to Pennant in relation to 3 properties for onward sale on a shared equity basis.

33. Contingent assets/liabilities

The Group and Association has one contingent liability and no contingent assets at 31 March 2022 (2021: nil).

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

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

Social Housing Grant may become repayable in the following circumstances:

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

The Association is a participating employer member of the Social Housing Pension Schme (SHPS). An employer debt could arise on withdrawal from the Social Housing Pension Scheme. The estimated employer debt for the Association on withdrawal from the SHPS plan based on the financial position of the scheme as at 30th September 2020 was £28,761,280. At the date of approval of these financial statements no update to this position was available. As events which could crystallise the debt are unlikely to arise in the foreseeable future, no specific provision is deemed necessary.