



COASTAL Housing Group

Coastal Housing Group Limited

**Report and financial statements
For the year ended 31 March 2024**

Information

Co-operative and Community Benefit Society number:	30438R		
Welsh Government registration number:	L146		
Registered office:	3 rd Floor, 220 High Street, Swansea, SA1 1NW		
Non-executive Board members:	<p>Patrick Hoare (Chair from September 2023, Vice Chair and Chair of Finance & Development Committee to September 2023)</p> <p>Ruth Glazzard (Chair of Audit, Assurance & Risk Committee)</p> <p>Jane Howells (Chair of Homes, Investment & Sustainability Committee from September 2023)</p> <p>Amerjit Barrett (appointed September 2023)</p> <p>Gurmel Bhachu (appointed September 2023)</p> <p>Ena Lloyd (appointed September 2023)</p> <p>Dawn Mitchell</p> <p>Stephen Spill (resigned September 2023)</p> <p>Edward White</p> <p>Alun Williams (resigned September 2023, Chair)</p>		
Executive Board members & Company Secretary	<p>Debbie Green (Group Chief Executive)</p> <p>Simon Jones (Executive Director of Finance, Company Secretary)</p>		
Other Executive Directors:	<p>Caroline Belasco (Executive Director of HR & Corporate Services)</p> <p>Serena Jones (Executive Director of Operations)</p> <p>Kelly Thomas (Executive Director of Development & Regeneration)</p>		
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		

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Chair's Statement

Introduction

The past year at Coastal has seen us redouble efforts to support residents and communities through the ongoing cost of living crisis, whilst also focusing on housing supply and key services that residents have indicated matter most to them, such as dealing with anti-social behaviour.

Whilst reducing from the levels seen in 2022/23, inflation remained well above the Bank of England target in 2023/24, resulting in continued challenges for residential and commercial customers alike.

Demand for Coastal's services remained very high last year and this continues to be the case at the time of writing. This is due to several factors including continued unaffordability of private rental sector accommodation and high levels of competition for quality, affordable private rental accommodation that does exist. This is common across the sector and we know that partner organisations and the local authorities we work with are experiencing this too.

A desire to be more ambitious in meeting demand for housing need, in improving the performance of existing stock and in the scope of our impact on communities and local economies where we work were all significant drivers for merger discussions with RHA Wales – a community landlord working in Rhondda Cynon Taf. Following initial discussions in Spring 2023, later in the year we announced our intention to progress a merger by early 2025 and work continues on this apace.



In late 2023 Coastal announced its intention to progress a merger with RHA Wales by early 2025

Our turnover for the year was £49.7 million (2023 - £52.8 million) and our surplus was £3.7 million (2023 - £8.1 million, inclusive of a £4.5 million write-back of provision). Coastal's financial performance has remained strong and is illustrative of a well-managed, fair, and responsive organisation committed to genuine affordability of its services.

Homes and housing services

At the end of 2023 we commissioned Knowledge Partnership to complete our bi-annual resident satisfaction survey. The survey provides us with valuable insights into residents' satisfaction with the services, quality of homes, repairs and maintenance, value for money and how well we listen to them. These insights are vital in providing assurance that we're delivering quality services and homes that residents feel safe and happy living in.

We're delighted the results show we're continuing to provide good quality services and homes, however we recognise there's always room for improvement and will use the survey findings to consider if there are things we can do differently to improve.

Data from the Office for National Statistics shows that antisocial behaviour across the UK increased significantly during the coronavirus pandemic and, whilst decreasing from their peak, levels have remained high. This national trend was mirrored in the communities we serve and resulted in us giving the issue considerable focus, through an in-depth antisocial behaviour intervention. As a result of that intervention, which included listening to resident feedback on how we deal with antisocial behaviour cases, Coastal launched a new Community Safety Team in September 2023, dedicated to working on anti-social behaviour, safeguarding and domestic abuse in all Coastal communities.

With a commitment to strong partnership working with other agencies, such as the police and the local authorities, the team of 4 supports residents affected by antisocial behaviour, as well as working proactively to build and maintain safe and strong communities.

Back in April 2022, Coastal began a study of our rent management system in order to improve performance and rent collection. This led to development of a comprehensive Rent Management Policy and the creation of a specialist Rent Management Team, both implemented in September 2023.

The team is the first point of contact for residents on anything related to rent and is able to offer a more dedicated and specialised service, including help with income maximisation and managing rent arrears. It has already had significant positive impacts, both for residents and on Coastal's rental income, and will shortly begin focusing on historical debt too.

Coastal is a progressive organisation and seeks out partnerships with organisations that share our values and vision for a fairer society. In 2019, we partnered with Llamau on an innovative pilot that applied the principles of Housing First to a cohort of young people who have faced challenges that might include experience of the care or criminal justice systems, adverse childhood experiences or issues with substance misuse and mental ill health.



Coastal's Housing First pilot was led by a senior community housing officer

A key principle in Housing First is that housing is separated from support; unlike more traditional forms of supported housing, residents are not at any threat of homelessness simply for not engaging with support services.

Coastal was the only landlord in the Swansea area that provided homes for the Welsh Government-funded pilot, housing 10 young people in the period from March 2020 to October 2022. There were successes and plenty of learning for us in the duration of the project, which completed its monitoring and evaluation phase in late 2023 and was featured in the Welsh Housing Quarterly in January this year.

Coastal is the only community landlord in Swansea to participate in the Housing First for Young People project



Development and regeneration

Housing supply remains a key area of focus for us and this is reflected in the work our development team is doing to increase the supply of available homes, across a range of tenures and locations. During the year we delivered 38 more homes for social rent to Coastal's portfolio along with an additional 12 homes for low-cost sale through our Pennant Homes subsidiary.

Coastal has particular expertise in city and town centre regeneration, and Swansea High Street's Urban Village is our flagship development for this work. Following a number of strategic acquisitions on High Street last year, we are delighted to be moving forward with the third phase of the Urban Village project, subject to planning consent. If successful, this scheme will deliver two new additions to the Urban Village portfolio: a new two-storey commercial building with shipping container-style units and a six-storey housing development on Kings Lane, which connects High Street with The Strand. A refresh of the Urban Village brand has been undertaken to support development plans and increase the marketability of new commercial units that will become available. The newly-refreshed brand will be unveiled later in 2024.



The next phase of Urban Village will deliver a 2 storey commercial building with shipping container-style units and a 6 storey housing development on Kings Lane in Swansea

Last year, we reported on our successful bid for Welsh Government's Transitional Accommodation Capital Programme (TACP) funds to help provide more permanent homes for people living in temporary accommodation. In addition to the 27 immediately available homes provided through TACP funding in 2022/23, work also started last year on the redevelopment of Porthcawl Hotel to provide an additional 17 new homes in the centre of the town, due for completion in summer 2025. I am also pleased to share that TACP grant was made available by Welsh Government again in 2023/24 and that Coastal successfully engaged with it again, allowing us to acquire an additional 6 properties.

The redevelopment of Porthcawl Hotel will provide an additional 17 new homes in the centre of the town



Corporate operations and sustainability

The sustainability of Coastal services has always been a key consideration in our business planning activity. Last year we published our first Environmental, Social and Governance (ESG) report, building on the work done in previous years to adopt the SHIFT reporting standard and hold ourselves accountable in our sustainability strategy: 'All Possible Action'. In preparing the report, we have adopted the Sustainability Reporting Standard for Social Housing (SRS) to help us monitor and measure our ESG performance in a transparent, consistent and comparable way.



Last year Coastal published its first Environmental, Social and Governance (ESG) report in line with the Sustainability Reporting Standard for Social Housing (SRS)



A significant cyber-security issue elsewhere in the Welsh housing sector last year gave us, and other community landlords, new insights into the scale and scope of this type of event and its associated impacts on systems, services and operations. Along with other board members, I was reassured by the ongoing diligence of our Tech Team in helping guard against the likelihood of such attacks arising at Coastal, which had included commissioning comprehensive penetration testing earlier in the year and acting promptly on its findings. A form of ethical hacking, penetration testing simulates a cyber-attack against your computer system to check for exploitable vulnerabilities. Carried out on both Coastal's internal network and our web-based services between 12th June and 5th July 2023, the testing found existing security measures to be in good shape but was able to suggest additional actions to improve our cyber-security even further.

Coastal is committed to promoting equality, diversity, and inclusion across our services and in the areas where we work. One additional way that we have lived up to this commitment in recent years has been working with artists from under-represented groups, helping to provide a public platform for their work to reach a wider audience. We were delighted to be recognised by Arts and Business Cymru for one such collaboration, which won the Arts, Business and Diversity category at its 2024 awards. The winning project - a collaboration with Swansea-based artists Melissa Rodrigues and Joel Morris - was commissioned for Black History Month and celebrated the work of four prominent black British artists in an artwork installed on King's Lane, Swansea. Melissa and Joel attended the awards ceremony in Newport to represent the partnership project and accept the award.

Coastal's collaboration with local artists Melissa Rodrigues and Joel Morris won the Arts, Business and Diversity category at the 2024 Arts & Business Cymru Awards



Whilst I am only a matter of months into my role as Chair of Coastal, I would like to say what a privilege it is to work with such a dedicated and passionate group of colleagues. There is a tangible desire to deliver the best possible outcomes for local residents and communities and this desire has only become stronger as the financial challenges affecting those communities deepens. The coming financial year should see us merge with RHA Wales and I am comforted in the knowledge that we are doing this to increase our resilience so we can continue to deliver the high level of services we're rightly so proud of.

Patrick Hoare

Chair

Operating and financial review

Group and Association highlights, five-year summary

Comprehensive income – Group	2024	2023	2022	2021	2020
	£'000	£'000	£'000	£'000	£'000
Total turnover	49,685	52,850	53,418	38,322	36,934
Operating surplus before exceptional items	11,695	11,129	10,842	9,870	9,031
Change in fair value of investment properties	-	-	-	-	(1,500)
High-Rise Residential Buildings Capital Remediation Grant	-	-	3,084	-	-
Fire safety remediation writeback/(provision)	-	4,522	-	-	(11,798)
Surplus/(deficit) for the year	3,691	8,096	6,744	2,699	(10,918)
Cash flow – Group	2024	2023	2022	2021	2020
	£'000	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	36,283	18,569	8,202	5,824	10,537
Financial position – Group	2024	2023	2022	2021	2020
	£'000	£'000	£'000	£'000	£'000
Housing property at cost	522,901	502,222	483,850	470,318	444,635
Net current assets/(liabilities)	(11,435)	5,105	2,743	24	(27,647)
Total loans	(179,824)	(187,425)	(175,531)	(169,256)	(173,445)
Defined benefit pension liability	(4,376)	(3,896)	(4,084)	(8,879)	(3,343)
Net assets	54,250	51,930	44,590	33,090	36,616

Statistics – Association

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

Units in management	6,237	6,147	5,994	5,971	5,955
Operating surplus	24.2%	32.7%	26.2%	(11.5%)	25.2%
Operating surplus (<i>before joint venture lease costs and exceptional items</i>)	30.1%	27.6%	25.6%	31.3%	29.2%
Social housing lettings surplus (<i>before joint venture lease costs and exceptional items</i>)	26.0%	22.6%	32.5%	28.4%	23.3%
Rent lost from voids and bad debts	4.3%	4.0%	3.6%	3.2%	2.8%
Rent arrears (<i>current residents</i>)	7.5%	6.7%	5.9%	5.5%	5.2%
Interest cover (<i>earnings before interest, tax, depreciation, amortisation and fire remediation costs to net interest payable</i>)	1.66	1.61	1.66	1.66	1.40
Gearing (<i>net loans to housing property at cost</i>)	33.8%	38.2%	36.8%	36.8%	37.1%

Operating and financial review

Principal activities

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

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

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

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

Business and financial review

Summary

The Group has a surplus for the year of £3.7m (2023: £8.1m) before pension adjustments. The specific reasons for this result are included in this report.

Social housing lettings income increased from £37.1m to £43.6m, caused by a rise in other revenue grants from £1.6m to £5.0m. Rent and service charge income rose from £33.8m to £36.7m. Turnover and operating costs include the results of first tranche housing sales, and the reduction in volume of outright sales explains the reduction in group turnover from £52.8m to £49.7m.

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

As reported in 2023 and continued in 2024, the results show an increase in void costs. Some of this is attributed to a single housing scheme where we are holding units vacant pending structural repairs to manage water ingress. This work has now been approved and funders have agreed to exclude associated costs from covenant calculations, and work began shortly after the financial year end.

The trend of increasing resident arrears has continued (although the balance at the year end is also affected by timings of benefit receipts) 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. Following a systems thinking intervention on rents and arrears we formed a rent management team, which together with our systems improvements is expected to improve our rent collection performance.

Service charge costs have been higher since the October 2022 electricity contract renewal as a result of the energy crisis. This pressure has now eased and utility costs are expected to be lower in the coming financial year. We continue to work to keep our service charge costs down and have absorbed some or all of the cost increase where we felt that to be appropriate.

Our commercial portfolio, supporting the regeneration of the areas where we work, has continued to perform well despite the pressures the wider economy creates for many of our commercial tenants. We are committed to providing reasonable support to commercial tenants while protecting our own financial position.

Operating and financial review

Business and financial review (continued)

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

In addition, the Association has significant cash and liquidity. At the balance sheet date we had cash of £16.0m and also had access to £66m of immediately available funding. At the financial year end advance receipts of social housing grant allowed us to pay down some of our revolving credit facilities to reduce our interest costs.

We remain strongly committed to prompt payment of amounts properly due to suppliers and contractors.

Merger

In November 2023 the group announced plans to work towards a potential merger with RHA Wales, a Tonypanyd based registered social landlord operating in the Rhondda Cynon Taf local authority area. Work is progressing well, including consulting as appropriate with residents and other stakeholders, and we expect to seek the necessary consents from share members later in the year.

Fire safety

Work commenced at Harbour Quay in Swansea during the financial year, supported by grant of £5.2m from the Welsh Government received in the previous financial year. We also have the support of our funders in the form of waivers so that the provision previously made for fire safety work was excluded from our financial covenant compliance calculations. The balance of provision of £2.8m is expected to cover the remaining costs.

Investment in new homes

We have continued to invest in existing housing and to develop new housing despite the difficult market conditions. The development programme has been affected by rising materials costs, supply issues and other delays.

During the financial year, 38 newly developed social rented properties were brought into management and 12 new homes were made available for low cost home ownership.

Our subsidiary, Pennant, is the Group's home ownership vehicle. Pennant has begun work on its site at Llannon, Carmarthenshire, which will now be delivered for Coastal as a social rented housing scheme with social housing grant funding. Pennant will act as Coastal's developer.

At the balance sheet date the group had one remaining market sale property to sell, held by Pennant. There are no immediate plans to continue with new market sale given the economic position but the group remains open to the right opportunities.

Commercial portfolio

The commercial property portfolio has performed well, with low levels of arrears and new rents broadly achieving market levels. We had very few vacant units at any point in time. Our commercial property is accounted for as investment property under accounting standards, despite our long term interest in the properties as part of our regeneration activity and has been valued as at 31 March 2024. We remain mindful of the difficult economic conditions that may affect future valuations, however our financial covenants do not include the impact (or benefit) of any fair value adjustments.

Operating and financial review

Business and financial review (continued)

Joint ventures

Via Pennant, we are an investor in Welsh Housing Partnership and there are two joint venture companies – The Welsh Housing Partnership Limited (“WHP”) and WHP2 Limited. There were no new properties acquired by the joint ventures and leased to the Association during the year. Following the balance sheet date WHP2 completed a refinance which will result in a modest increase in the lease cost to the Association. This has been allowed for in future budgets. More information is given in note 15.

Pension scheme

Note 26 describes the accounting for the Group’s participation in the multi-employer Social Housing Pension Scheme. The financial statements reflect the Group’s share of liabilities. The accounting liability is higher than 2023 due to market conditions at the balance sheet date. The Board has not changed the assumptions put forward by the scheme administrators, currently considering them to be prudent but reasonable. This is reviewed each financial year.

The actuarial valuation as at 30 September 2020 resulted in an increase in the deficit payments required to be paid by the Association and the deficit is scheduled to be repaid by 31 March 2028. The next valuation due as at 30 September 2023 is under way although the formal valuation and recovery plan has not yet been communicated to employers.

The Group ended future defined benefit accrual from 1 April 2022 and now offers the SHPS defined contribution scheme to all staff.

Regulation

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

The Regulatory Judgement considers the areas of:

- governance and tenant services
- financial viability

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

Operating and financial review

Objectives and strategy

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

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

Our three pillars of purpose are:

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

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

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

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

Value for money

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

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

The Board has set lower overall rent increases than the aggregate permitted by the Welsh Government's Rent Setting Policy in 2024 (6.5% rather than 6.7%) and 2023 (6.2% rather than 6.5%), as well as in previous years. Many residents saw rent frozen to realign rents by property type and area.

Service charge costs increased for many residents in April 2023, caused in particular by increased electricity costs as a result of the Russian invasion of Ukraine and the energy crisis. We worked hard to reduce the impact of this by reorganising our Estates service. We absorbed the increased gas costs from October 2022 to March 2023 and apply a level of subsidy to certain schemes/properties depending on the level of cost increase there would otherwise have been.

Operating and financial review

Value for money (continued)

Value for money methodology

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

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

In a lean systems model, rather than manage people and budgets, we act on the system and system conditions as an integrated whole to achieve results (delivering what matters to residents) by managing the flow of work and eliminating waste. Therefore we do not look to measure budget savings in silos as this can simply drive costs elsewhere. We measure ourselves at an organisational level against the Community Housing Cymru indicators published in global accounts, and additional measures agreed by the Board. This was last reported to the Board in May 2024.

Sustainability

The Group participates in the Optimised Retrofit Programme, which also receives Welsh Government funding and should support good future investment in property. This is enabling us to ensure that an even higher proportion of our homes achieve an EPC C energy rating or above. We have developed a number of innovative low carbon, energy efficient new homes with Welsh Government support through Innovative Housing Programme funding.

The Group's sustainability strategy 'all possible action' was launched in November 2022. An external sustainability audit was carried out by independent specialists, SHIFT Environment and since January 2023 we have been accredited to Gold status. The Group's first Environmental, Social and Governance (ESG) report was published in 2023.

Risks and uncertainties

Risks that may prevent the Group achieving its objectives are reviewed annually by the senior management team and Board as part of corporate planning.

As part of the identification of strategic risks we have considered the likelihood of the risk occurring and the likely severity should it do so. Risks have agreed action plans and consideration has been given to the compound impact of risks occurring in combinations. The board reviews the register at set intervals during the year.

Operating and financial review

Risks and uncertainties (continued)

Top strategic risks

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

- Rental income – Rent arrears or unaffordability leads to significant shortfall in rental income vs business plan
- IT – Software and apps (or absence thereof) that don't meet our needs/ needs of residents or the need for data security.
- 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
- Business Plan – Pressure on operating surplus and interest costs, eroding interest cover
- Treasury – A challenging treasury environment leading to inability to borrow new monies on favourable terms and increased interest rates

Capital structure and treasury policy

At the year end the Group's borrowings amounted to £181 million:

Maturity	2024	2023
	£m	£m
Within one year	5.2	0.6
Between one year and two years	7.0	2.1
Between two and five years	6.0	21.2
After more than five years	162.6	164.6
	<u>180.8</u>	<u>188.5</u>

At the balance sheet date the Group's borrowings are from banks, building societies and the capital markets, at both fixed and floating rates of interest. The fixed rates of interest range from 1.76% to 11.6% as compared with variable rates which had a range of 6.5% to 6.8%.

Liquidity requirements are met by £66million of revolving credit facilities with a number of lenders.

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

Loan agreements require compliance with a number of other financial and non-financial covenants. The position is monitored and reported to the Board (previously to the Finance & Development Committee) quarterly. The Group was in compliance with its loan covenants at the balance sheet date.

The Group's Treasury Management Policy was updated in June 2024 and was reviewed by our treasury advisors, Centrus Advisory, to ensure it reflects good practice.

The Group has cash balances of £16.0million at 31 March 2024 (2023: £5.1million). Cash flow forecasts are closely monitored to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs.

Operating and financial review

Investment in new and existing properties

A key influence on the timing of borrowings is the rate at which development activity takes place and the levels of grant funding available. The Board has approved plans to spend £36.1 million during the next financial year to develop housing for rent and for sale.

We continue to invest in our housing and in the year we spent £9.8million 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 2024.

Principal activities, business review and future developments

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

Board members and executive directors

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

The Group operates a unitary Board (i.e. a Board made up of executive and non-executive directors) and non-executive directors are remunerated. The Group considers that this helps to maintain strong corporate governance. Executive Board members receive no additional remuneration.

Executive director terms and conditions

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

Employees

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

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

The group recognises the need to consult fully with employees regarding the proposed merger with RHA Wales.

Report of the Board and strategic report

Financial risk management objectives and policies

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

Interest rate risk

The Group finances its operations through a mixture of retained surpluses and borrowings from financial institutions. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, with no use of standalone financial instruments. A significant proportion of the loan facility is at fixed rates. The Group considers its average cost of funds to be well managed.

Liquidity risk

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

Credit risk

The Group's principal credit risk relates to resident arrears. This risk is managed primarily by an area based generic housing service, supported by a recently formed rent management team, and the close relationship our staff have with their residents. We have adapted our services to meet the challenge of welfare reform and the cost of living crisis.

Going concern

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

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

Internal controls assurance

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

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

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2023 up to the date of approval of the report and financial statements.

Report of the Board and strategic report

Key elements of the control framework include:

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

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

Code of Governance

The Group is committed to achieving the highest standards of Governance in everything it does. Our Regulatory Judgement, published by the Welsh Government in July 2023, confirms that we are compliant with the regulatory standards, including governance and tenant services. Our governance arrangements have been reviewed against the Community Housing Cymru Code of Governance.

In September 2023 the Board replaced the Finance & Development Committee with a new Homes, Investment and Sustainability Committee. This committee provides scrutiny of development strategic asset management and sustainability, with finance reporting now taken to the full board. The Audit, Assurance & Risk Committee considers strategic risk, internal control and assesses effectiveness of internal and external audit. Pay awards and matters of governance are reviewed and approved by the Board.

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

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

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

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

Report of the Board and strategic report

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

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

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

In so far as each of the directors are aware:

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

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

Annual general meeting

The annual general meeting will be held on 25 July 2024 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 18 July 2024 and signed on its behalf by:



Patrick Hoare

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 2024, 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 14 and 15, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work on the financial statements.

Bevan Buckland LLP

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

Date: 18 July 2024

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 2024 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 2024 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 15 and 16), 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 LLP

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

Date: 18 July 2024

Bevan Buckland LLP
Chartered accountants, tax and financial planners

Consolidated Statement of Comprehensive Income

	Note	2024 £'000	2023 £'000
Turnover		52,304	54,906
Less: share of turnover of joint ventures	15	<u>(2,619)</u>	<u>(2,056)</u>
Group turnover: continuing activities	2	49,685	52,850
Operating costs	2	(38,182)	(37,885)
Surplus on sale of fixed assets	2	192	686
Group operating surplus: continuing activities	2	11,695	15,651
Share of operating profit of joint ventures	15	<u>2,432</u>	<u>1,813</u>
Operating surplus		14,127	17,464
Interest receivable and other income			
Group	6	162	76
Interest payable and similar charges			
Group	7	(8,132)	(7,458)
Joint ventures	15	<u>(2,516)</u>	<u>(1,855)</u>
Surplus on ordinary activities before taxation		3,641	8,227
Tax on surplus on ordinary activities	11	83	(119)
Tax on surplus of joint ventures	15	(33)	(12)
Surplus for the year		<u>3,691</u>	<u>8,096</u>
Actuarial loss in respect of pension schemes	26	(1,371)	(756)
Total comprehensive income for the year		<u>2,320</u>	<u>7,340</u>

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 18 July 2024 and were signed on its behalf by:

Chair

Board member

Board member/Secretary





Patrick Hoare

Jane Howells

Simon Jones

Association Statement of Comprehensive Income

	Note	2024 £'000	2023 £'000
Turnover	2a	50,049	45,077
Operating costs	2a	(38,083)	(30,921)
Surplus on sale of fixed assets	2a	157	588
Operating surplus	2a	12,123	14,744
Interest receivable and other income	6	264	112
Interest payable and similar charges	7	(8,248)	(7,458)
Surplus on ordinary activities before taxation		4,139	7,398
Tax on surplus on ordinary activities	11	-	4
Surplus for the year		4,139	7,402
Actuarial loss in respect of pension schemes	26	(1,371)	(756)
Total comprehensive income for the year		2,768	6,646

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 18 July 2024 and were signed on its behalf by:

Chair

Board member

Board member/Secretary





Patrick Hoare

Jane Howells

Simon Jones

Consolidated Statement of Changes in Reserves

	Income and Expenditure reserve £'000
At 1 April 2022	44,590
Surplus from statement of comprehensive income 2023	7,340
	<u>51,930</u>
Surplus from statement of comprehensive income 2024	2,320
At 31 March 2024	<u>54,250</u>

Association Statement of Changes in Reserves

	Income and Expenditure reserve £'000
At 1 April 2022	42,353
Surplus form statement of comprehensive income 2023	6,646
	<u>48,999</u>
Surplus from statement of comprehensive income 2024	2,768
At 31 March 2024	<u>51,767</u>

Consolidated Statement of Financial Position

	Note	2024 £'000	2023 £'000
Fixed assets			
Housing properties	12	522,901	502,222
Depreciation	12	(55,161)	(52,300)
		<u>467,740</u>	<u>449,922</u>
Other tangible fixed assets	16	7,192	7,327
Investments	13	27,690	26,082
Investments in joint ventures	15	13,299	13,415
Homebuy loans	14	2,388	2,430
Total fixed assets		<u>518,309</u>	<u>499,176</u>
Current assets			
Debtors due within one year	18	9,999	12,205
Properties for sale and work in progress	17	3,351	4,957
Cash at bank and in hand	29	15,955	5,059
		<u>29,305</u>	<u>22,221</u>
Debtors due after more than one year	18	3,319	3,555
Creditors: due within one year	21	(39,019)	(15,395)
Social housing grant due in one year	24	(1,721)	(1,721)
Net current (liabilities)/assets		<u>(11,435)</u>	<u>5,105</u>
Total assets less current liabilities		<u>510,193</u>	<u>507,836</u>
Creditors: due after more than one year	22	(175,660)	(187,870)
Social housing grant due after more than one year	24	(242,986)	(231,357)
Deferred income due after more than one year	22	(6,764)	(7,101)
Grants – Other Fixed Assets		(641)	-
Other grants due after more than one year	19	(1,625)	(1,625)
Housing grant relating to joint ventures		(12,675)	(12,675)
Homebuy grants due after more than one year	14	(2,176)	(2,221)
Housing finance grant	20	(5,654)	(5,654)
Provisions for liabilities			
Provisions for liabilities and charges	27	(3,386)	(3,507)
Defined benefit pension liability	26	(4,376)	(3,896)
Net assets		<u>54,250</u>	<u>51,930</u>
Capital and reserves			
Revenue reserve		54,250	51,930
Total capital and reserves		<u>54,250</u>	<u>51,930</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 18 July 2024 and were signed on its behalf by:

Chair



Patrick Hoare

Board member



Jane Howells

Board member/Secretary



Simon Jones

Association Statement of Financial Position

	Note	2024 £'000	2023 £'000
Fixed assets			
Housing properties	12	522,901	502,222
Depreciation	12	(55,161)	(52,300)
		<u>467,740</u>	<u>449,922</u>
Other tangible fixed assets	16	7,192	7,327
Investments	13	27,478	25,870
Homebuy loans	14	1,391	1,420
Total fixed assets		<u>503,801</u>	<u>484,539</u>
Current assets			
Debtors due within one year	18	9,775	12,450
Properties for sale and work in progress	17	3,248	3,435
Cash at bank and in hand	29	14,381	3,930
		<u>27,404</u>	<u>19,815</u>
Debtors due after more than one year	18	3,319	3,555
Creditors: due within one year	21	(38,763)	(14,967)
Social housing grant due in one year	24	(1,721)	(1,721)
Net current (liabilities)/assets		<u>(13,080)</u>	<u>3,127</u>
Total assets less current liabilities		<u>494,040</u>	<u>491,221</u>
Creditors: due after more than one year	22	(175,660)	(187,870)
Social housing grant due after more than one year	24	(242,986)	(231,357)
Deferred income due after more than one year	22	(6,764)	(7,101)
Grants - Other Fixed Assets		(641)	-
Other grants due after more than one year	19	(1,625)	(1,625)
Homebuy grants due after more than one year	14	(1,181)	(1,212)
Housing finance grant	20	(5,654)	(5,654)
Provisions for liabilities			
Provisions for liabilities and charges	27	(3,386)	(3,507)
Defined benefit pension liability	26	(4,376)	(3,896)
Net assets		<u>51,767</u>	<u>48,999</u>
Capital and reserves			
Revenue reserve		51,767	48,999
Total capital and reserves		<u>51,767</u>	<u>48,999</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 18 July 2024 and were signed on its behalf by:

Chair



Patrick Hoare

Board member



Jane Howells

Board member/Secretary



Simon Jones

Consolidated Statement of Cash Flow

	Note	2024 £'000	2023 £'000
Net cash inflow from operating activities	30	<u>36,283</u>	<u>18,569</u>
Cash flow from financing activities			
Loan drawdown		8,900	23,801
Interest payable	7	(8,289)	(7,884)
Loan repayments		(16,501)	(11,908)
Net cash from financing activities		<u>(15,890)</u>	<u>4,009</u>
Cash flow from investing activities			
Decrease in WHP investment		(1)	-
Interest received	6	162	76
Purchase and construction of housing properties		(20,208)	(20,900)
Component replacements	12	(392)	(614)
(Losses)/proceeds from sale of tangible fixed assets and investments		(26)	1,527
Purchase and construction of fixed asset investments		(2,165)	(1,619)
New capital expenditure		(711)	(867)
Other grants		641	(7,017)
Social housing grant received		13,203	7,674
Net cash from investing activities		<u>(9,497)</u>	<u>(21,740)</u>
Net change in cash and cash equivalents		<u>10,896</u>	<u>838</u>
Cash and cash equivalents at beginning of year		<u>5,059</u>	<u>4,221</u>
Cash and cash equivalents at end of the year		<u>15,955</u>	<u>5,059</u>

Association Statement of Cash Flow

	Note	2024 £'000	2023 £'000
Net cash generated from operating activities	30	<u>35,948</u>	<u>18,282</u>
Cash flow from financing activities			
Loan drawdowns		8,900	23,801
Interest payable	7	(8,405)	(7,855)
Loan repayments		(16,501)	(11,908)
Net cash from financing activities		<u>(16,006)</u>	<u>4,038</u>
Cash flow from investing activities			
Interest received	6	264	112
Purchase and construction of housing properties		(20,269)	(20,963)
Component replacements	12	(392)	(614)
(Losses)/proceeds from sale of tangible fixed assets and investments		(61)	1,182
Purchase and construction of fixed asset investments		(2,165)	(1,619)
New capital expenditure		(711)	(867)
Other grants		641	(7,017)
Social housing grant received		13,203	7,674
Net cash from investing activities		<u>(9,490)</u>	<u>(22,112)</u>
Net change in cash and cash equivalents		<u>10,451</u>	<u>208</u>
Cash and cash equivalents at beginning of year		<u>3,930</u>	<u>3,722</u>
Cash and cash equivalents at end of the year		<u>14,381</u>	<u>3,930</u>

Notes to the Financial Statements

Legal status

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

1. Accounting policies

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

Format of accounts

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

Basis of consolidation

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

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

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

Going Concern

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

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

Notes to the Financial Statements

Significant management judgements and key sources of estimation uncertainty

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

Impairment of social housing properties

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

Defined benefit pension scheme

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

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

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

Turnover and revenue recognition

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

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

Debtors

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

Notes to the Financial Statements

Value Added Tax

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

Deferred taxation

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

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

Interest payable

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

- a) interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or
- b) a fair amount of interest on borrowings of the Group as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

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

Retirement Benefits – defined contribution scheme

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

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

Retirement Benefits – defined benefit scheme

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

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

Notes to the Financial Statements

Housing properties

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

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

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

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

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

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

Depreciation of housing properties

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

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

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

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

Freehold land is not depreciated.

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

Notes to the Financial Statements

Social housing grant

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

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

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

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

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

Housing finance grants

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

Investment property grants

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

Other grants

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

Amortisation of grants

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

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

Notes to the Financial Statements

Development costs

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

Accommodation managed by agents

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

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

Impairment

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

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

Other tangible fixed assets

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

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

Depreciation of other tangible fixed assets

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

Leased assets

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

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

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

Notes to the Financial Statements

Properties for sale

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

Investment in Subsidiary

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

Fixed asset investments

Investments held as fixed assets are stated at market value.

Home buy option

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

Investment property

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

Loans

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

Concessionary loans, being loans made or received below the prevailing market rate of interest that are not repayable on demand, are disclosed in the notes to the financial statements.

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

		2024			
	Note	Turnover £'000	Operating costs £'000	Surplus on disposals £'000	Operating surplus £'000
Social housing lettings	3	43,560	(35,444)	-	8,116
Other social housing activities					
First tranche shared equity sales		2,540	(1,841)	-	699
Management services		1,731	(119)	-	1,612
Development costs not capitalised		-	(25)	-	(25)
Surplus on disposal of housing property		-	-	(22)	(22)
Surplus on disposal of investments		-	-	214	214
Non social housing activities					
Commercial rents		1,836	(623)	-	1,213
Commercial grant writeback		-	-	-	-
Properties developed for outright sale		18	(130)	-	(112)
		<u>49,685</u>	<u>(38,182)</u>	<u>192</u>	<u>11,695</u>
		2023			
	Note	Turnover £'000	Operating costs £'000	Surplus on Disposal of fixed asset £'000	Operating surplus £'000
Social housing lettings	3	37,136	(26,785)	-	10,351
Other social housing activities					
First tranche shared equity sales		3,066	(2,580)	-	486
Management services		1,645	(50)	-	1,595
Development costs not capitalised		-	(239)	-	(239)
Loss on disposal of housing property		-	-	472	472
Surplus on disposal of investments		-	-	214	214
Non social housing activities					
Commercial rents		1,884	(848)	-	1,036
Commercial grants writeback		686	-	-	686
Properties developed for outright sale		8,433	(7,383)	-	1,050
		<u>52,850</u>	<u>(37,885)</u>	<u>686</u>	<u>15,651</u>

Notes to the Financial Statements

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

Association – continuing activities

		2024			
	Note	Turnover £'000	Operating costs £'000	Surplus on disposals £'000	Operating surplus £'000
Social housing lettings	3a	43,925	(35,444)	-	8,481
Other social housing activities					
First tranche shared equity sales		2,540	(1,845)	-	695
Management services		1,731	(119)	-	1,612
Development costs not capitalised		-	(25)	-	(25)
Surplus on disposal of housing property		-	-	41	41
Surplus on disposal of investments		-	-	116	116
Non social housing activities					
Commercial rents		1,836	(623)	-	1,213
Commercial grant writeback		-	-	-	-
Properties developed for outright sale		17	(27)	-	(10)
		<u>50,049</u>	<u>(38,083)</u>	<u>157</u>	<u>12,123</u>
		2023			
	Note	Turnover £'000	Operating costs £'000	Surplus on Disposal of fixed asset £'000	Operating surplus £'000
Social housing lettings	3a	37,583	(26,787)	-	10,796
Other social housing activities					
First tranche shared equity sales		3,066	(2,729)	-	337
Management services		1,645	(50)	-	1,595
Development costs not capitalised		-	(238)	-	(238)
Surplus on disposal of housing property		-	-	472	472
Surplus on disposal of investments		-	-	116	116
Non social housing activities					
Commercial rents		1,885	(848)	-	1,037
Commercial grant writeback		686	-	-	686
Properties developed for outright sale		212	(269)	-	(57)
		<u>45,077</u>	<u>(30,921)</u>	<u>588</u>	<u>14,744</u>

Notes to the Financial Statement

3. Particulars of income and expenditure from social housing lettings

Group

	2024		2023	
	General needs and sheltered housing £'000	Other social lettings £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	29,304	3,554	32,858	30,209
Rent loss due to voids	(923)	(42)	(965)	(906)
	<u>28,381</u>	<u>3,512</u>	<u>31,893</u>	<u>29,303</u>
Service charge income	4,770	-	4,770	4,455
Other revenue grants	5,049	-	5,049	1,631
Amortisation of grants	1,848	-	1,848	1,747
Turnover from social lettings	<u>40,048</u>	<u>3,512</u>	<u>43,560</u>	<u>37,136</u>
Overhead costs	(7,189)	(2,923)	(10,112)	(8,868)
Management	(3,730)	(312)	(4,042)	(3,959)
Services	(4,311)	(1)	(4,312)	(4,090)
Routine maintenance	(10,491)	(49)	(10,540)	(8,004)
Major repairs expenditure	(2,514)	-	(2,514)	(2,219)
Depreciation of housing properties	(3,016)	(252)	(3,268)	(3,675)
Bad debts	(654)	(2)	(656)	(492)
Fire safety provision writeback	-	-	-	4,522
Operating costs on social housing lettings	<u>(31,905)</u>	<u>(3,539)</u>	<u>(35,444)</u>	<u>(26,785)</u>
Operating surplus on social housing lettings	<u>8,143</u>	<u>(27)</u>	<u>8,116</u>	<u>10,351</u>

Notes to the Financial Statements

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

Association

	2024		2023	
	General needs and sheltered housing £'000	Other social lettings £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	29,304	3,919	33,223	30,656
Rent loss due to voids	(923)	(42)	(965)	(906)
	<u>28,381</u>	<u>3,877</u>	<u>32,258</u>	<u>29,750</u>
Service charge income	4,770	-	4,770	4,455
Other revenue grants	5,049	-	5,049	1,631
Amortisation of grants	1,848	-	1,848	1,747
	<u>40,048</u>	<u>3,877</u>	<u>43,925</u>	<u>37,583</u>
Overhead costs	(7,189)	(2,923)	(10,112)	(8,870)
Management	(3,730)	(312)	(4,042)	(3,959)
Services	(4,311)	(1)	(4,312)	(4,090)
Routine maintenance	(10,491)	(49)	(10,540)	(8,004)
Major repairs expenditure	(2,514)	-	(2,514)	(2,219)
Depreciation of housing properties	(3,016)	(252)	(3,268)	(3,675)
Bad debts	(654)	(2)	(656)	(492)
Fire safety provision writeback	-	-	-	4,522
	<u>(31,905)</u>	<u>(3,539)</u>	<u>(35,444)</u>	<u>(26,787)</u>
Operating surplus on social housing lettings	<u>8,143</u>	<u>338</u>	<u>8,481</u>	<u>10,796</u>

4. Accommodation in management

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

Units in management at the end of the year	Group		Association	
	2024 No	2023 No	2024 No	2023 No
General needs	5,702	5,612	5,702	5,612
Property ownership in joint ventures	496	496	496	496
Shared ownership	39	39	39	39
	<u>6,237</u>	<u>6,147</u>	<u>6,237</u>	<u>6,147</u>

In addition the Group and Association provides leasehold management services at 187 properties (2023:193).

Notes to the Financial Statements

5. Operating surplus

The operating surplus is arrived at after charging	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Auditor's remuneration (including VAT)	46	39	38	29
Other non-audit services (including VAT)	4	3	3	3
Depreciation of properties (Note 12)	3,517	3,493	3,517	3,493
Depreciation of other fixed assets (Note 16)	845	800	845	800
Operating lease rental costs	3,236	2,521	3,236	2,521

6. Interest receivable and other income

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Interest receivable from affiliated parties	-	-	-	38
Third party interest receivable	162	76	264	74
Interest receivable and similar income	162	76	264	112

7. Interest payable and similar charges

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Loans and bank overdrafts	8,289	7,884	8,405	7,855
Interest payable capitalised on housing properties under construction	(321)	(525)	(321)	(496)
Unwinding of discount factor on pension liability	164	99	164	99
	8,132	7,458	8,248	7,458

8. Employees

Average monthly number of employees expressed as full time equivalents:

	Group		Association	
	2024 No	2023 No	2024 No	2023 No
Corporate support	48	47	48	47
Development and Pennant Housing	21	21	21	17
	193	197	193	197
	262	265	262	261

Notes to the Financial Statements

9. Employee costs

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Wages and salaries	8,889	8,532	8,889	8,333
Social security costs	885	864	885	850
Other pension costs	1,396	1,239	1,396	1,235
Apprentice levy	30	27	30	27
	<u>11,200</u>	<u>10,662</u>	<u>11,200</u>	<u>10,445</u>

10. Board members and executives

Key management and personnel remuneration

Directors who are executive staff members

	2024 £'000	2023 £'000
Basic salary	546	514
Social security costs	69	68
Pension contributions	110	105
Aggregate emoluments	<u>725</u>	<u>687</u>

The number of senior executives accruing retirement benefits is 5 (2023:5). 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

	2024 £'000	2023 £'000
Remuneration	66	48
Benefit in kind	-	-
Aggregate emoluments	<u>66</u>	<u>48</u>

Expenses paid to non-executive directors amounted to £nil (2023: £nil).

Notes to the Financial Statements

10. Board members and executives (continued)

Remuneration of the highest paid director, excluding pension contributions:

	2024 Total £'000	2023 Total £'000
Emoluments	<u>144</u>	<u>144</u>

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

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

	2024	2023
£100,000 - £109,999	-	-
£110,000 - £119,999	2	4
£120,000 - £129,999	1	-
£130,000 - £139,999	1	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	1
£160,000 - £169,999	1	-

11. Tax on surplus on ordinary activities

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Current tax reconciliation				
Taxable (loss)/surplus on ordinary activities before tax	(442)	611	(5)	(36)
Theoretical tax at UK corporation tax rate				
Group – 25% (2022:19%)	(83)	123	-	-
Losses carried forward	-	(4)	-	(4)
Current tax charge	<u>(83)</u>	<u>119</u>	<u>-</u>	<u>(4)</u>

Notes to the Financial Statements

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

	Social Housing Properties held for letting £'000	Housing Properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total £'000
Cost				
At 1 April 2023	480,638	15,493	6,091	502,222
Additions	5,744	14,815	-	20,559
Schemes completed in year	3,238	(3,238)	-	-
Transfers from housing property	855	(444)	-	411
Disposals	(291)	-	-	(291)
At 31 March 2024	<u>490,184</u>	<u>26,626</u>	<u>6,091</u>	<u>522,901</u>
Depreciation				
At 1 April 2023	(51,714)	-	(586)	(52,300)
Charged in year	(3,477)	-	(40)	(3,517)
Schemes completed in year	-	-	-	-
Transfers from housing property	578	-	-	578
Eliminated on disposal	78	-	-	78
At 31 March 2024	<u>(54,535)</u>	<u>-</u>	<u>(626)</u>	<u>(55,161)</u>
Net book value				
At 31 March 2024	<u>435,649</u>	<u>26,626</u>	<u>5,465</u>	<u>467,740</u>
At 31 March 2023	<u>428,924</u>	<u>15,493</u>	<u>5,505</u>	<u>449,922</u>
Additions to completed properties held for letting			2024	2023
			£000	£000
Replacement of components			392	614
Additions to existing properties			5,352	388
Total additions			<u>5,744</u>	<u>1,002</u>

Notes to the Financial Statements

13. Fixed asset investments

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Commercial properties				
At 1 st April	22,049	19,860	22,049	19,860
Additions	545	971	545	971
Transfers from housing property	447	1,218	447	1,218
At 31 st March	<u>23,041</u>	<u>22,049</u>	<u>23,041</u>	<u>22,049</u>
Shared equity loans				
At 1 st April	4,033	3,358	3,821	3,119
Additions	762	919	762	919
Disposals	(146)	(244)	(146)	(217)
At 31 st March	<u>4,649</u>	<u>4,033</u>	<u>4,437</u>	<u>3,821</u>
	<u>27,690</u>	<u>26,082</u>	<u>27,478</u>	<u>25,870</u>

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

The commercial properties were valued by Astleys Chartered Surveyors in March 2024.

14. Homebuy

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Homebuy loans				
At 1 st April	2,430	2,552	1,420	1,489
Loans issued in the year	-	-	-	-
Redeemed in the year	(42)	(122)	(29)	(69)
At 31 st March	<u>2,388</u>	<u>2,430</u>	<u>1,391</u>	<u>1,420</u>
Homebuy grants				
At 1 st April	2,221	2,343	1,212	1,281
Grant additions in the year	-	-	-	-
Grant utilised in the year	(45)	(122)	(31)	(69)
At 31 st March	<u>2,176</u>	<u>2,221</u>	<u>1,181</u>	<u>1,212</u>

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

At 31 March 2024 the Group had 104 (2023: 109) homebuy loans, and the Association had 36 (2023: 37) 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 2023. The year end does not coincide with the Group's year end of 31 March 2024. The Association's share of the deficit of WHP and surplus of WHP2 from the 31 December 2023 period has been absorbed into the Group's March 2024 year end via the gross equity method. Any material transactions between 31 December 2023 and 31 March 2024 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 2023 was as follows:

	WHP December 2023 £'000	WHP2 December 2023 £'000	December 2023 £'000	December 2022 £'000
Turnover	1,129	1,490	2,619	2,056
Administrative expenses	(104)	(93)	(197)	(244)
Surplus on sale of fixed assets	10	-	10	1
Operating surplus	<u>1,035</u>	<u>1,397</u>	<u>2,432</u>	<u>1,813</u>
Interest payable and similar charges	(995)	(1,521)	(2,516)	(1,855)
Surplus on ordinary activities before taxation	<u>40</u>	<u>(124)</u>	<u>(84)</u>	<u>(42)</u>
Tax on surplus on ordinary activities	(31)	(2)	(33)	(12)
Surplus/(deficit) for the financial year	<u><u>9</u></u>	<u><u>(126)</u></u>	<u><u>(117)</u></u>	<u><u>(54)</u></u>
Fixed assets	32,559	27,983	60,542	60,554
Current assets	1,406	298	1,704	1,762
Creditors: falling due within one year	(592)	(356)	(948)	(1,146)
Creditors: falling due after more than one year	(27,663)	(20,336)	(47,999)	(47,755)
Shareholders' funds	<u><u>5,710</u></u>	<u><u>7,589</u></u>	<u><u>13,299</u></u>	<u><u>13,415</u></u>

Notes to the Financial Statements

15. Joint ventures (continued)

Group share in joint ventures:	March 2024 £'000	March 2023 £'000
WHP		
WHP investment as at 31 st December	4,891	4,891
Interest in WHP	819	810
Total interest in WHP	<u>5,710</u>	<u>5,701</u>
WHP2		
WHP2 investment as at 31 st December	7,625	7,625
Interest in WHP2	(36)	89
Total interest in WHP2	<u>7,589</u>	<u>7,714</u>
Investment in joint ventures	<u>13,299</u>	<u>13,415</u>

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 2023	3,601	3,203	6,911	13,715
Additions	5	214	492	711
Disposals	-	1	(24)	(23)
At 31 March 2024	<u>3,606</u>	<u>3,418</u>	<u>7,379</u>	<u>14,403</u>
Depreciation				
At 1 April 2023	(809)	(976)	(4,603)	(6,388)
Charged in year	(86)	(388)	(371)	(845)
Eliminated on disposal	-	(1)	23	22
At 31 March 2024	<u>(895)</u>	<u>(1,365)</u>	<u>(4,951)</u>	<u>(7,211)</u>
Net book value				
At 31 March 2024	<u>2,711</u>	<u>2,053</u>	<u>2,428</u>	<u>7,192</u>
At 31 March 2023	<u>2,792</u>	<u>2,227</u>	<u>2,308</u>	<u>7,327</u>

17. Properties for sale and work in progress

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Properties for sale and work in progress	<u>3,351</u>	<u>4,957</u>	<u>3,248</u>	<u>3,435</u>

Notes to the Financial Statements

18. Debtors

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Due within one year				
Rent and service charge receivable	2,838	2,357	2,838	2,357
Less: provision for bad and doubtful debts	<u>(2,409)</u>	<u>(2,093)</u>	<u>(2,409)</u>	<u>(2,093)</u>
	429	264	429	264
Prepayments and accrued income	987	819	987	819
Other debtors	719	374	385	341
Accrued income	7,864	10,748	7,864	10,748
Amounts owed by Pennant	-	-	110	278
	<u>9,999</u>	<u>12,205</u>	<u>9,775</u>	<u>12,450</u>

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Due in more than one year				
Housing finance grant	3,319	3,555	3,319	3,555
	<u>3,319</u>	<u>3,555</u>	<u>3,319</u>	<u>3,555</u>

19. Other government grants

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Commercial grants	1,625	1,625	1,625	1,625
	<u>1,625</u>	<u>1,625</u>	<u>1,625</u>	<u>1,625</u>

20. Housing finance grant

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Housing finance grant	5,654	5,654	5,654	5,654
	<u>5,654</u>	<u>5,654</u>	<u>5,654</u>	<u>5,654</u>

Notes to the Financial Statements

21. Creditors: amounts falling due within one year

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Social housing grant received in advance	24,344	3,634	24,344	3,634
Recycled capital grant fund	2,322	3,430	2,322	3,430
Debt (note 23)	5,184	618	5,184	618
Accruals and deferred income	3,131	2,371	3,120	2,249
Capital expenditure on housing property	1,630	1,671	1,292	1,394
Other creditors	941	1,020	1,034	1,113
Rent and service charges received in advance	1,001	714	1,001	714
Other taxation and social security	466	1,937	466	1,815
	<u>39,019</u>	<u>15,395</u>	<u>38,763</u>	<u>14,967</u>

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

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Deferred income	1,020	1,063	1,020	1,063
Debt (note 23)	<u>174,640</u>	<u>186,807</u>	<u>174,640</u>	<u>186,807</u>
	175,660	187,870	175,660	187,870
Grant deferred income	<u>6,764</u>	<u>7,101</u>	<u>6,764</u>	<u>7,101</u>
	<u>182,424</u>	<u>194,971</u>	<u>182,424</u>	<u>194,971</u>

23. Debt analysis

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

Terms of repayment	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Within one year	5,184	618	5,184	618
Between one and two years	7,036	2,101	7,036	2,101
Between two and five years	5,985	21,203	5,985	21,203
More than five years	161,619	163,503	161,619	163,503
	<u>179,824</u>	<u>187,425</u>	<u>179,824</u>	<u>187,425</u>

Net debt breakdown

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Bank loans and private placements	185,840	193,518	185,840	193,518
Amortised loan arrangement fees	(2,587)	(2,735)	(2,587)	(2,735)
Sinking funds	(2,409)	(2,295)	(2,409)	(2,295)
	<u>180,844</u>	<u>188,488</u>	<u>180,844</u>	<u>188,488</u>

Notes to the Financial Statements

23. Debt analysis (continued)

Concessionary Loans	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Within one year	-	-	-	-
More than one year	2,700	2,364	2,700	2,364
	<u>2,700</u>	<u>2,364</u>	<u>2,700</u>	<u>2,364</u>

Included in Net Debt there are three concessionary loans from Welsh Government at 0% interest (subject to the conditions of the loan being met). Two of the loans are secured loans for the purpose of Land for Housing Scheme. The other loans is an unsecured Social Housing Loan to support Affordable Housing Development.

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 4.40% to 11.6%. The weighted average rate of interest for 2024 was 3.94% (2023: 3.94%). As at 31 March 2024, 95% (2023: 92%) of loans bore interest at fixed rates of 5% (2023: 8%) at variable rates.

Notes to the Financial Statements

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 2023	(243,640)	(5,646)	(1,339)	(250,625)
Additions	(3,944)	(6,285)	-	(10,229)
Schemes completed in year	1,101	(1,101)	-	-
Transferred to other government grants	(194)	-	-	(194)
Disposals	109	-	-	109
At 31 March 2024	<u>(246,568)</u>	<u>(13,032)</u>	<u>(1,339)</u>	<u>(260,939)</u>
Amortisation				
At 1 April 2023	29,495	-	185	29,680
Charged in year	1,737	-	13	1,750
Transfer to Commercial	(209)	-	-	(209)
Schemes completed in year	-	-	-	-
Eliminated on disposal	(26)	-	-	(26)
At 31 March 2024	<u>30,997</u>	<u>-</u>	<u>198</u>	<u>31,195</u>
Other grants				
At 1 April 2023	(10,061)	(2,355)	-	(12,416)
Additions	(212)	(3,195)	-	(3,407)
Transfers	(902)	1,420	-	518
Schemes completed in year	-	-	-	-
Disposals	-	-	-	-
At 31 March 2024	<u>(11,175)</u>	<u>(4,130)</u>	<u>-</u>	<u>(15,305)</u>
Amortisation				
At 1 April 2023	283	-	-	283
Charged in year	59	-	-	59
Eliminated on disposal	-	-	-	-
At 31 March 2024	<u>342</u>	<u>-</u>	<u>-</u>	<u>342</u>
Net Creditor				
At 31 March 2024	<u>(226,404)</u>	<u>(17,162)</u>	<u>(1,141)</u>	<u>(244,707)</u>
At 31 March 2023	<u>(223,923)</u>	<u>(8,001)</u>	<u>(1,154)</u>	<u>(233,078)</u>

Notes to the Financial Statements

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

Terms of repayment

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Within one year	1,721	1,721	1,721	1,721
Between one and two years	1,721	1,721	1,721	1,721
Between two and five years	5,163	5,163	5,163	5,163
More than five years	236,102	224,472	236,102	224,472
	<u>244,707</u>	<u>233,077</u>	<u>244,707</u>	<u>233,077</u>

25. Obligations under operating leases

	Land and Buildings		Other	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Within one year	2,146	2,146	250	252
Between one and two years	2,146	2,146	173	174
Between two and five years	5,100	5,695	156	133
More than five years	6,070	7,621	-	-
	<u>15,462</u>	<u>17,608</u>	<u>579</u>	<u>559</u>

26. Social Housing Pension Scheme (Group and Association)

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1.560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028. Coastal Housing Group is required to pay the following deficit contributions:

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

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

Notes to the Financial Statements

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

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

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

During the accounting period the Group paid contributions at the average rate of 6.6% in respect of the defined contribution scheme. As at the statement of financial position date there were 258 (2023: 246) 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 £1,054,000 (2023: £982,000) to the Social Housing Pension Scheme for the recovery plan of the past service deficit and employer contributions towards current service cost of £nil (2023: £61,000).

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

	31 March 2024 £'000	31 March 2023 £'000
Fair value of plan assets	18,300	18,662
Present value of defined benefit obligation	<u>(22,676)</u>	<u>(22,558)</u>
(Deficit) in plan	(4,376)	(3,896)
Unrecognised surplus	-	-
Defined benefit asset /(liability) to be recognised	<u>(4,376)</u>	<u>(3,896)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2024 £'000
Defined benefit obligation at start of period	22,558
Current service cost	-
Expenses	22
Interest expense	1,079
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	266
Actuarial losses (gains) due to changes in demographic assumptions	(233)
Actuarial losses (gains) due to changes in financial assumptions	(358)
Benefits paid and expenses	(658)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	<u>22,676</u>

Notes to the Financial Statements

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

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

	31 March 2024 £'000
Fair value of plan assets at start of period	18,662
Interest income	915
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(1,696)
Contributions by the employer	1,077
Contributions by plan participants	-
Benefits paid and expenses	(658)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	<u>18,300</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2024 was (£781,000).

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

	Period 31 March 2023 to 31 March 2024 £'000
Current service cost	-
Expenses	22
Net interest expense	164
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)	<u>186</u>

Defined benefit costs recognised in other comprehensive income

	31 March 2024 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(1,696)
Experience gains and losses arising on the plan liabilities - gain (loss)	(266)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	233
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	358
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	<u>(1,371)</u>
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	<u>(1,371)</u>

Notes to the Financial Statements

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

Assets

	31 March 2024 £'000	31 March 2023 £'000
Absolute Return	715	202
Alternative Risk Premia	581	35
Corporate Bond Fund	-	-
Credit Relative Value	600	704
Distressed Opportunities	645	565
Emerging Markets Debt	237	100
Fund of Hedge Funds	-	-
Global Equity	1,824	348
High Yield	3	65
Infrastructure	1,848	2,132
Insurance-Linked Securities	95	471
Liability Driven Investment	7,447	8,595
Long Lease Property	118	563
Net Current Assets	31	48
Opportunistic Credit	-	1
Opportunistic Illiquid Credit	715	798
Cash	361	135
Liquid Credit	-	0
Private Debt	720	830
Private Equity	15	-
Property	735	803
Risk Sharing	1,071	1,374
Secured Income	546	857
Currency Hedging	(7)	36
Total assets	<u>18,300</u>	<u>18,662</u>

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

Key assumptions

	31 March 2024 % per annum	31 March 2023 % per annum
Discount Rate	4.92	4.84
Inflation (RPI)	3.11	3.17
Inflation (CPI)	2.79	2.8
Salary Growth	3.79	3.8
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 2024		20.5
Female retiring in 2024		23.0
Male retiring in 2044		21.8
Female retiring in 2044		24.4

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	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Restructuring provision	28	73	28	73
Provision for upgrades to existing housing	599	675	599	675
Provision for fire safety remediation costs	2,759	2,759	2,759	2,759
	<u>3,386</u>	<u>3,507</u>	<u>3,386</u>	<u>3,507</u>

An analysis of the movement in each specific provision is set out below. The fire safety and restructuring provisions are expected to be utilised by the end of the financial year ended 31 March 2025 and the provision for upgrades to existing housing by the end of the financial year ended 31 March 2026.

Restructuring provision

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
As at 1 st April	73	73	73	73
Increase in provision	-	-	-	-
Release of provision	(45)	-	(45)	-
At 31 st March	<u>28</u>	<u>73</u>	<u>28</u>	<u>73</u>

Provision for upgrades to existing housing

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
As at 1 st April	675	675	675	675
Increase in provision	-	-	-	-
Release of provision	(76)	-	(76)	-
At 31 st March	<u>599</u>	<u>675</u>	<u>599</u>	<u>675</u>

Provision for fire safety remediation costs

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
As at 1 st April	2,759	7,493	2,759	7,493
Increase in provision	-	-	-	-
Provision utilised	-	(212)	-	(212)
Release of provision	-	(4,522)	-	(4,522)
At 31 st March	<u>2,759</u>	<u>2,759</u>	<u>2,759</u>	<u>2,759</u>

Notes to the Financial Statements

28. Share capital

	2024 £	2023 £
Shares of one pound each fully paid and issued	<u>27</u>	<u>28</u>

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

29. Analysis of changes in net debt

Group

	At 1 April 2023 £'000	Cash flows £'000	Movement in creditors due within one year £'000	At 31 March 2024 £'000
Cash at bank and in hand	5,059	10,896	-	15,955
Housing loans due less than one year	(618)	-	(4,566)	(5,184)
Housing loans due in more than one year	<u>(187,870)</u>	<u>7,644</u>	<u>4,566</u>	<u>(175,660)</u>
	<u>(183,429)</u>	<u>18,540</u>	<u>-</u>	<u>(164,889)</u>

Association

	At 1 April 2023 £'000	Cash flows £'000	Movement in creditors due within one year £'000	At 31 March 2024 £'000
Cash at bank and in hand	3,930	10,451	-	14,381
Housing loans due less than one year	(618)	-	(4,566)	(5,184)
Housing loans due in more than one year	<u>(187,870)</u>	<u>7,644</u>	<u>4,566</u>	<u>(175,660)</u>
	<u>(184,558)</u>	<u>18,095</u>	<u>-</u>	<u>(166,463)</u>

Notes to the Financial Statements

30. Net cash flow from operating activities

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Surplus/(deficit) for the year	3,691	8,096	4,139	7,402
Adjustments for non-cash items;				
Depreciation of tangible fixed assets	4,362	4,293	4,362	4,293
Amortisation of bond premium	(43)	(42)	(43)	(42)
Amortisation of intangible assets	(1,574)	(1,684)	(1,574)	(1,684)
Surplus on sale of fixed assets	(192)	(906)	(157)	(588)
Re-measurement of pension liability	(1,371)	(756)	(1,371)	(756)
Unwinding of discount factor on pension liability	(164)	(99)	(164)	(99)
Reduction in home loans	-	-	-	-
Share of operating (deficit) in joint ventures	117	54	-	-
Uncapitalised development costs	1	215	1	215
Homebuy grant received	(3)	-	(3)	-
Working capital movements				
Decrease in properties for sale and work in progress	1,926	13,384	508	10,962
Decrease/(increase) in trade and other debtors	2,442	(9,427)	2,910	(6,921)
Increase in trade and other creditors	18,762	2,981	18,995	3,076
Decrease in general provisions	(121)	(4,734)	(121)	(4,734)
Increase/(decrease) in pension provision	480	(188)	482	(188)
Adjustments for investing or financing :				
Interest payable	8,132	7,458	8,248	7,458
Interest receivable	(162)	(76)	(264)	(112)
Net cash generated from operating activities	36,283	18,569	35,948	18,282

31. Capital commitments

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Capital expenditure				
Contracted less certified	27,729	23,576	27,729	16,348
Expenditure authorised by the Board, but not contracted	57,321	14,639	57,321	14,639
	85,050	38,215	85,050	30,987

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

Notes to the Financial Statements

32. Related party transactions

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

The Board Member has a secure occupation contract on normal commercial terms and received no advantage in being a member of the Board of Management.

During the year Coastal made lease payments to the joint venture companies for properties purchased by the joint ventures and leased to the Association. Charges in the year from WHP were £1,178,000 (2023: £1,178,000) and from WHP2 were £1,686,000 (2023: £963,000).

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. There were no intercompany borrowings during the year. Interest charged to Pennant during the year amounted to £nil (2023: £37,844). Interest charged to Coastal during the year amounted to £nil (2023: £nil).

33. Contingent assets/liabilities

The Group and Association has no contingent assets at 31 March 2024 (2023: nil).

In March 2024 the Association became aware that it may not have been fully compliant with potential legal obligations arising under the Renting Homes (Wales) Act 2016 ("the Act") and the Renting Homes (Fitness for Human Habitation) (Wales) Regulations 2022 (as amended) ("the Regulations") at the year end. On identification of the issue, immediate steps were taken to ensure compliance with legal obligations as the Association is currently able to understand them. Following legal advice, the Association along with other Registered Social Landlords, has issued a claim in the High Court to seek a series of declarations as to the correct meaning and interpretation of the potential obligations. The Association has assessed that the likelihood of an outflow of resources to settle this potential liability following the legal proceedings is less than probable but (acknowledging the inherent uncertainty with such legal proceedings) is more than remote.

A high level of uncertainty remains because the interpretation of the requirements under the Act and Regulations needs clarification which will only be possible following determination of the proceedings that are currently before the High Court, hence any financial effect cannot currently be measured with sufficient reliability at this time.

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

The Association is a participating employer member of the Social Housing Pension Scheme (SHPS). An employer debt could arise on withdrawal from the Social Housing Pension Scheme. The estimated employer debt for the Association on withdrawal from the SHPS plan based on the financial position of the scheme as at 30th September 2023 was £9,494,546. As events which could crystallise the debt are unlikely to arise in the foreseeable future, no specific provision is deemed necessary.

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

Notes to the Financial Statements

33. Contingent assets/liabilities (continued)

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Recycled Capital Grant Fund				
As at 1 st April	3,431	3,024	3,431	3,024
Additions	155	407	155	407
Usage	(1,263)	-	(1,263)	-
At 31st March	2,323	3,431	2,323	3,431

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.

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

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

Surety Bonds

Coastal Housing Group has shared deeds of indemnity with Tokio Marine HCC, First Underwriting and Barclays Bank. This enables the Association and Pennant to issue surety bonds with the providers in relation to sectional agreements for developments. Pennant currently has issued bonds for a Section 38 agreement in relation to its development at Coleman Vale, Pen y Fai to the value of £326,127. Pennant has also issued bonds in relation to its development at Heol Y Plas, Llannon for a Section 38 agreement of £190,000, a Section 278 agreement of £67,000 and a Section 104 agreement of £249,952. The Association has issued a bond for a Section 38/Section 278 agreement at its development at Coed Darcy, Llandarcy of £519,532.