

Co-operative and Community Benefit Partnership No: 12664R

Registered by Homes and Communities Agency No: L2424



# WILLOW TREE

HOUSING PARTNERSHIP



**WILLOW TREE HOUSING PARTNERSHIP LIMITED**  
**(Formerly South Western Housing Society Limited)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

This page is intentionally blank

*Front cover shows properties under construction at North Petherton in Somerset*

**CONTENTS**

	<b>Page</b>
Directors, Executive Officers, Advisors, Bankers and Lenders	1 - 2
Chair's Statement	3 - 5
Strategic Report	6 – 36
Report of the Board of Directors	37– 42
Independent Auditor's report	43 – 46
Statement of Comprehensive Income	47
Statement of Financial Position	48 – 49
Statement of Changes in Reserves	50
Statement of Cash Flows	51
Notes to the Financial Statements	52 - 102

---

**Directors, Executive Officers, Advisors and Bankers and Lenders**

**Board of Directors**

Chair Tim Shobrook

Directors Stephen Burtchaell  
Simon Haskell  
Steve Hayes  
Susan Lane  
Wendy Lewis  
Michelle Smith  
Craig Sullivan (Vice Chair)  
Brian Whittaker

**Company Secretary** Donna Johnson

**Executive officers**

Chief Executive Donna Johnson  
Finance Director Catherine Davies-Gallagher  
Operations Director Heather Rigg (appointed 26 February 2023)  
Head of Operations (interim) Martin Carney (resigned 31 March 2023)  
Head of Corporate Services Sue Sparks  
Head of Development and Asset Management n/a (Callum Turner (resigned 11 November 2022))

**Registered office** Eastbridge House  
Pill Road  
Rooksbridge  
Somerset  
BS26 2TN

**Registered numbers** Co-operative and Community Benefit Partnership No:12664R  
Registered by Regulator of Social Housing Organisation No: L2424

**External auditor** PKF Francis Clark  
Melville Building East  
Unit 18  
23 Royal William Yard  
Plymouth  
PL1 3GW

**Principal solicitors** Tozers LLP  
Broadwalk House  
Southernhay West  
Exeter  
Devon  
EX1 1UA

Directors, Executive Officers, Advisors, Bankers and Lenders (continued)

**Principal solicitors**

Capsticks Solicitors LLP  
Staple House  
Staple Gardens  
Winchester  
Hampshire  
SO23 8SR

Foot Anstey LLP  
Salt Quay House  
4 North East Quay  
Sutton Harbour  
Plymouth  
PL4 0BN

**Bankers and Lenders**

National Westminster Bank PLC  
10th Floor  
250 Bishopsgate  
London  
EC2M 4AA

Triodos Bank UK  
Deanery Road  
Bristol  
BS1 5AS

The Housing Finance Corporation Limited  
3rd Floor  
17 St. Swithin's Lane  
London  
EC4N 8AL

Lloyds TSB Bank plc  
3<sup>rd</sup> Floor  
25 Gresham Street  
London  
EC2V 7HN

Orchardbrook  
BCM Global  
Crown House  
Crown Street  
Ipswich  
IP1 3HS

## **Chair's Statement**

2023 has proved to be another challenging year, for tenants and the wider community, as fallout from the war in Ukraine, increasing interest rates and higher levels of inflation have persisted. There can be few families in the South West not affected by these difficult times.

Against this backdrop, South Western Housing Society ('SWHS') and Tamar Housing Society ('THS') continued to work successfully together, concluding a merger by way of a transfer of engagements that created the Willow Tree Housing Partnership Limited on 31 March 2023.

Prior to merger, SWHS and THS operated as separate legal entities with separate rules and ring-fenced assets.

Throughout this report Willow Tree Housing Partnership Limited is referred to as 'WTHP'.

In December 2022, SWHS secured additional financing of £10M from an existing lender. The bulk of these new funds were then on-lent to THS, and utilised to re-pay an existing loan arrangement with Dexia. The conditions of the Dexia loan formed the most important obstacle in the progress towards merger.

Much has been done across the year in readiness for the merger and the process has benefitted from two years of partnership working which has allowed a positive and thriving 'Willow Tree' culture to develop, new systems to be adopted 'along the way' and facilitated streamlined ways of working amongst the staff teams.

Employee wellbeing has remained an important consideration for both the Board and the Executive team, who monitor this regularly. Staff continue to work in a hybrid way and the organisation has seen the benefit of this approach.

Whilst the prospective merger has been a major focus across the financial year, development continues to be a strategic objective for the Board. New, completed properties for 2023 amounted to two units at Enterprise Avenue in Tiverton. Eight new homes started on site at Crapstone in Devon, and were completed just days after the end of the financial year. WTHP continues to look for new development opportunities and has a pipeline of small rural development sites, which it will continue to progress. This ongoing programme has been secured for the foreseeable future by existing funds available either as cash balances or from financing arrangements it has in place with lending partners.

WTHP continues to ensure that it balances its strategic objective to develop new properties whilst maintaining investment in existing housing stock. This investment will be targeted to ensure WTHP actively works towards meeting the need to reducing its carbon impact on the environment and ensures that it provides good homes for its tenants.

In respect of works to enhance the energy efficiency of its homes, the organisation bid for and was awarded funding through the Social Housing Decarbonisation fund (SHDF), which will be matched by WTHP to retrofit its Leigham Court scheme in Plymouth. 2023/24 will focus on project design, resident engagement, statutory consents, contracts and mobilisation with works anticipated in the following year. This is a flagship project for WTHP, which should inform how other similar works can be best undertaken.

Risk and the management of it is a fundamental part of the Board's remit and the Board routinely scrutinises the strategic risk register. Immediately following the merger, the Board approved a new strategic risk map for the combined entity.

**Chair's Statement (continued)**

Special situational risks such as the impact of war in Ukraine and climate change are monitored on a routine basis. WTHP has considered the likely potential impacts of such issues and has concluded that both its risk map and its management processes cover such situations appropriately.

Total turnover for the year amounted to just under £8.9M, a fall of £0.4M on the prior year, mainly reflecting differing levels of first tranche shared ownership sales between the two years.

WTHP reports a deficit in the 2023 financial year, with total comprehensive income closing at £(0.7)M, £2.3M down on last year, reflecting lower levels of first tranche shared ownership sales and the impact of significant loan break costs incurred when THS repaid its loan obligations to Dexia.

WTHP has a strong governance structure in place. This will be increasingly important as the organisation moves into a more regulated environment, following the change in its owned and managed housing stock levels, post-merger.

The Board continues to meet four times per year and is ably supported by the Audit and Risk, Development and Remunerations committees. The Board keeps up to date with the opportunities and challenges WTHP faces from the operating environment in which the housing sector operates at the two away days it holds annually. Members also receive ongoing training and information on the challenges and risks to the ongoing business of WTHP.

There were no resignations during the year and as such, all Board Members of SWHS and THS became Board Members of WTHP on its formation on 31 March 2023.

Finally, I would like to thank all my fellow Board Members, the Executive Team and staff for their continued hard work and support. I look forward to WTHP rising to the challenges facing the future and to continuing to provide high quality services to our tenants and new affordable homes for those in housing need.

**Tim Shobrook**

Chair

Date:

## **Strategic Report**

The Board of Willow Tree Housing Partnership Limited ('WTHP') is pleased to present its report together with the audited financial statements for the year ended 31 March 2023 ('2023').

### **Willow Tree Housing Partnership Limited**

Willow Tree Housing Partnership was formed on 31 March 2023, following the transfer of engagements of Tamar Housing Society ('THS' or 'Tamar') into South Western Housing Society ('SWHS'). South Western Housing Society immediately changed its name to Willow Tree Housing Partnership Limited on the same day. Tamar Housing Society ceased all activity as at 31 March 2023.

Throughout this report Willow Tree Housing Partnership Limited is referred to as 'WTHP'.

The formation of WTHP comes at the end of an extensive period of collaborative working between SWHS and THS, who entered into a formal strategic partnership on 1 June 2020. From this point onwards, the coterminous Board and single management team have worked to promote and actively encourage joint working between the partners. This has been reinforced with the implementation of new, joint IT platforms, cross team working, a commitment to a positive 'Willow tree' culture and the development of common policy and procedural frameworks. In December 2022, SWHS successfully raised new funding from an existing lender and was able to on-lend monies to THS, to allow the repayment of loan facilities which were forming the main obstacle to the strategic partnership moving forward to merger.

### **Business model**

WTHP is not part of a group but has a dormant subsidiary SWHNC Limited. WTHP owns its registered office in Rooksbridge, Somerset and rents additional office space in Plymouth.

As at 31 March 2023, WTHP owned and managed a total of 1,499 properties and operates three main business streams:

- General needs housing for rent, primarily by families who are unable to rent or buy at open market rates. These properties are at both affordable and social rents and includes owned, leasehold and managed housing stock.
- General needs housing for older people. WTHP has 61 properties for rent in this category.
- Low cost home ownership i.e. shared ownership properties whereby residents purchase a share of the equity in their homes and pay rent to WTHP on the remainder. Some of these are able to staircase to 100% ownership. There are 99 properties in this category.

WTHP provides homes in a variety of settings from small market towns and rural areas through to densely populated urban areas such as Plymouth, where it has a significant stockholding. WTHP operates throughout the South West, but the majority of its owned and managed properties are based in Somerset and Devon.

The focus for new development is new homes for rent and low cost home ownership in Somerset and Devon. WTHP is a member of the Wayfarer Partnership, which assists with providing access to grant funding under the Homes England Affordable Housing Programmes (AHP).

The Board has agreed its risk appetite and takes all decisions within the agreed risk parameters.



## **Strategic Report (continued)**

### **Vision, mission and values**

WTHP has adopted the following vision, mission and values:

Vision: Deliver and grow.

Mission: To build and manage safe and comfortable homes that are truly affordable for people who are not in a position to access the housing market.

Values:

1. Supporting collaboration. Enabling staff and tenants to work together to achieve shared goals.
2. Trust and honesty. Being willing to listen and learn and be open when we need to improved.
3. Respect and understanding. All colleagues and residents can expect mutual courtesy and empathy when times are challenging.
4. Integrity and professionalism. Ensuring at all times that we conduct ourselves in a way that reflects the importance of the service we provide.
5. Versatile and innovative. By embracing opportunities and new ways of thinking that will enhance how we deliver.
6. Equal and inclusive. By celebrating difference and ensuring that we do not operate in a way that excludes anyone.

### **Principal activities, business review and future developments**

The principal activity of the organisation is the provision of affordable rented housing in the South West region of England, in accordance with its rules. At the end of the financial year, WTHP owned and managed 1,499 properties, of which 1,395 were for rent and 104 were for shared ownership and leasehold. WTHP has taken advantage of government grant, sales of property and private finance to grow its rental base via a net increase in its core property base.

WTHP continues to re-assess its development and asset management policy and strategy and (in the light of Government emphasis on home ownership and carbon net zero targets) remains optimistic that there will be some grant available in the future. During the year, work has continued on Asset Management plans, informed by the latest thinking on how the social housing sector should be addressing the UK's target of bringing all its greenhouse gas emissions to net zero by 2050.

WTHP is well positioned financially to continue its strategy of sustainable growth, having sufficient financial capacity to develop in areas where affordable housing is in great demand. It currently has unutilised funds available for appropriate development opportunities.

The impact of recent economic turbulence caused by the impact of war in Ukraine, combined with higher levels of inflation and rising interest rates have been monitored closely across the financial year.

Notwithstanding the recent, general economic challenges for the UK, WTHP continues to be in a position to ensure that existing tenants live in quality homes and will invest appropriately to maintain its existing housing stock in good condition for its customers.

**Strategic Report (continued)**

**Principal activities, business review and future developments (continued)**

Work to maintain properties to a high standard continued across 2022/23 and programmes completed amounting to £612k, as part of the wider component replacement programme. Replacement of bathrooms and boilers accounted for 59% of this investment, renewable heating 27% with the balance covering kitchens, doors and windows and electrical heating installations. WTHP also invested a further £288k on works at its development (replacement of log retaining walls) in Okehampton and £184k on new communal assets (fire alarms, fire doors, lift at Holyrood Court and door entry systems).

**Objectives and Strategy**

Objectives and strategy are set out in the Corporate Strategy and Business Plan, which is set to be reviewed for 2023-26 in the coming year. The financial plan is built around the strategic direction and again is subject to approval each year by the Board.

An overview of the headline achievements against the objectives is shown below with more detail outlined elsewhere in the report:

<b>Objectives 2023</b>	<b>Headline Outcomes 2023</b>
Maintain or enhance tenant satisfaction.	<ul style="list-style-type: none"> <li>▪ Provided new components for homes:                             <ul style="list-style-type: none"> <li>▪ 6 kitchens.</li> <li>▪ 37 bathrooms.</li> <li>▪ 4 sets of doors and windows.</li> <li>▪ 57 gas boilers.</li> <li>▪ 10 oil boilers replaced with renewables.</li> <li>▪ 3 renewable heating systems.</li> <li>▪ 5 electric heaters.</li> </ul> </li> <li>▪ Undertook significant investment in communal assets:                             <ul style="list-style-type: none"> <li>▪ New lift installed at Holyrood Court scheme.</li> <li>▪ Fire alarm programme.</li> <li>▪ Fire doors programme.</li> <li>▪ Door entry system works.</li> </ul> </li> <li>▪ Works on retaining log walls at Hillcrest scheme in Okehampton.</li> <li>▪ Undertook significant investment in planned works programmes.</li> <li>▪ Completed a project to convert all oil based heating at Stoke Fleming to renewables.</li> <li>▪ Tenant engagement through co-production projects such as tenant input on the responsive repairs contract re-tender, the formation of a tenant panel and other joint activities.</li> <li>▪ Utilisation of WTHP’s Hardship and Community funds to support tenants in financial need and local communities.</li> <li>▪ Approval of aids and adaptations and Disabled Facility Grant works to support tenants to live comfortably in their homes.</li> </ul>

## Strategic Report (continued)

### Objectives and Strategy (continued)

Objectives 2023	Headline Outcomes 2023
Increase capacity to build more.	<ul style="list-style-type: none"> <li>▪ Completed 2 rental properties at Enterprise Avenue, Tiverton.</li> <li>▪ 8 new homes at Crapstone, Devon, were nearing completion as at March 2023 (completed April 2023).</li> <li>▪ Started disposal process for poorer performing stock, with funds to be re-invested in better quality homes.</li> <li>▪ A pipeline of development schemes continues to progress.</li> </ul>
Build business resilience for the long term.	<ul style="list-style-type: none"> <li>▪ Achieved an operating surplus 21.9% (2022: 28.1%) on turnover (includes surplus from sale of properties).</li> <li>▪ WTHP continues to monitor and carefully balance the competing needs of property development, property maintenance and the requirement to move forward on its carbon net zero journey, by regular reviews of its financial position and future plans.</li> </ul>
Achieve efficiencies that enable resources to be redirected into the overall development of the organisation.	<ul style="list-style-type: none"> <li>▪ Tamar Housing Society and South Western Housing Society had worked in a strategic partnership since 1 June 2020. With the completion of the Tamar transfer of engagements to SWHS on 31 March 2023, the combined organisation will now be about to fully bring together the best of both organisations for the benefit of tenants.</li> <li>▪ Post-merger, additional work is planned on the core management system, which will further enhance opportunities for efficiency gains across the whole staff complement.</li> </ul>

WTHP operates across a broad geographic area and monitors its service provision quality and outcomes on a routine basis. The Board is aware of the need to maintain high standards of health and safety and full compliance with regulatory standards. The Board receives updates on areas which are of key concern to tenants at its Board Meetings.

An overview of the services provided during 2023 and the resources required to meet its objectives are set out in the sections below.

### Our Tenants

#### Neighbourhoods and communities

Understanding the place, nature and size of the communities WTHP serves is important, ensuring that the organisation not only provides quality homes but also helps to invest in community led initiatives.

## **Strategic Report (continued)**

### **Community initiatives**

WTHP sets funds aside for community initiatives. The donations this year were limited, but meaningful to the communities in receipt of them. For 2023 there has been a focus on Crapstone where WTHP has recently developed new homes:

- Rural Housing Week donation (via the National Housing Federation)
- Support to a nursery located in Crapstone.
- Support for the Parish Council in Crapstone.
- Community transport programme in Totnes, supporting the Stafford Court scheme ('Bob the Bus').
- Grant toward a rural homelessness research project.

Total donations for the year amounted to just over £2k (2022: £1k).

### **Financial support**

Other one off donations were made from funds to tenants experiencing financial difficulties or other complications which resulted in hardship. The fund has once again proven invaluable to those in need and WTHP has helped with the following purchases:

- Fencing repairs.
- Garden Clearance.
- Replacement mattress.
- Skip Hire.
- CCTV Fitting.

Overall, donations from the hardship fund amounted to just over £5k (2022: £2k).

### **Community Engagement**

WTHP seeks to support tenants that live in its schemes in other ways, for example:

- The Housing team have managed 51 cases of Anti-Social Behaviour ('ASB') in the 2023 financial year (2022: 27 cases). The bulk of these cases have been in more urban stock locations. Noise nuisance has been the primary cause of these cases. However, strong engagement and housing management from the Housing Officers has ensured resolution without legal action having to take place. This has been supported by partnership working with police, local authority and social service colleagues.
- The Operations team have worked proactively with tenants at the Holyrood Court scheme in Plymouth, which required a lift replacement. The team were able to arrange for temporary stairlifts to be installed whilst the new lift was being installed, thereby removing the need to decant tenants from their homes.
- Major ground works were undertaken across the year in Okehampton, Devon. Again, the Operations team were able to work with and support the residents whilst this critical project was undertaken.

### **Tenant Satisfaction**

Tenant satisfaction with the services they receive, the homes they live in and the interactions they have with the organisation and its contractors is a vital part of being a good landlord and WTHP takes this responsibility seriously.

## **Strategic Report (continued)**

### ***Tenant Satisfaction Survey***

In late November/early December 2022, WTHP engaged an external benchmarking consultancy (Acuity) to undertake a tenant satisfaction survey. Satisfaction data was gathered by means of a telephone interview. Three hundred responses were received via this process.

The headline results from the survey indicated that:

- 71% of residents were satisfied with the overall service provided.
- 71% were satisfied that Willow Tree keeps them informed about things that matter to them.
- 76% consider Willow Tree to be easy to deal with.
- 73% consider they are treated fairly and with respect.
- 59% are satisfied Willow Tree listen to their views and act upon them.
- 121 comments were received about communication. Tenants noted that WTHP could make improvements in areas such as call returns and showing more care and empathy in communication.

This data provides baseline information to benchmark performance from the viewpoint of tenants as the organisation moves forward. Acuity will be completing Tenant Satisfaction Surveys in the summer of 2023, by postal and online means, to ensure that WTHP meets the requirements of the Tenant Satisfaction Measures expected by the Regulator of Social Housing. A presentation of the findings will be provided to the Board in September 2023.

### ***Tenant Engagement projects***

During 2023 WTHP engaged with tenants and ensured that they were able to provide opinion and scrutiny of key activities, in a number of ways including:

- Input to the procurement process to award the repairs, maintenance and gas heating contracts.
- Invitations to attend a variety of events to discuss the proposed merger between THS and SWHS.
- The setting up of a Tenants Panel.
- Support and input to the process to develop the new website.
- Attending the Tenant Involvement Conference in London in October 2022.
- Involvement with Community Support initiatives.
- Attendance at the merger celebration event, held at the National Aquarium in Plymouth.

### ***Tenant satisfaction with repairs service***

Tenant satisfaction with the repairs service is very important and WTHP invested in new IT systems during 2022 which included functionality that allowed tenants to easily feedback satisfaction scores (amongst other things) via text message, where a mobile number is available.

This service was implemented part way through 2023 and WTHP noted that a total of 3,250 texts were sent to tenants, of which 220 responded (6.7% response rate). Of these, 196 were satisfied indicating a satisfaction rate of 89% in this pool.

## Strategic Report (continued)

### Tenant satisfaction with repairs service (continued)

WTHP's responsive repair contracts were re-tendered during 2023 and this process included input from tenants.

### Tenant satisfaction with new homes

This year has seen the completion of two homes at just one site (Enterprise Avenue, Tiverton).

WTHP actively encourages attendance at its site open days and in April 2023 celebrated the Scheme Opening at Abbey Meadows, Crapstone. At the scheme opening Parish Council and Local Authority Partners were invited to view the new homes. WTHP was delighted that some of the new residents were able to attend the event and spend time talking to the staff who heard how much the new homes meant to them.

### Listening to complaints and how we are responding

It is pleasing to state that WTHP receives relatively few complaints. Where dissatisfaction is expressed however, there are policies in place which set out how complaints should be dealt with and escalated. The progress of complaints through the various policy stages are monitored and reported regularly to the Executive Team, the Audit and Risk Committee and ultimately the Board. Over the year, complaints have mainly focussed on the repairs service and WTHP has responded both individually to these issues and via feedback into its repairs service re-tendering process.

### Cross sector engagement

As well as proactively engaging with its tenants, WTHP routinely engages with a diverse range of organisations across the housing sector including local authorities and the National Housing Federation. WTHP actively participates in Rural Housing Week.

### Our Performance

For the 2023 financial year, WTHP is reporting the combined results of the former partner organisations (South Western Housing Society and Tamar Housing Society), who merged on 31 March 2023.

Indicator	Year End 2023	Target <sup>1</sup> 2023	Year End 2022
Current tenant arrears			
- Owned rental properties	4.43%	3.77%	4.22%
- Shared ownership	3.30%	2.50%	3.14%
- Rentplus managed properties	2.37%	2.00%	2.00%
Lettings end to end time for voids (Average days)	19.3	15.2	11.74
Repairs end to end time (days)	12.9	7	10.6
Number of repairs undertaken	3,443		3,401

<sup>1</sup> Target values shown are maximum values.

## Strategic Report (continued)

### Our Performance (continued)

The year saw a relatively minor increase in arrears levels compared with the previous year, reflecting the increasing harshness of the economic environment.

WTHP re-let 54 properties during the year, though re-let time overall lengthened due to a small number of challenging voids that were returned upon determination of tenancy.

Responsive repair volumes for the year were consistent with the prior year. The responsive repair contracts were re-tendered (with tenant involvement) during 2023.

### Landlord Health and Safety Responsibilities

The Board take Health and Safety matters very seriously and receive regular updates at Board meetings. As at 31 March 2023, performance on landlord health and safety compliance was as follows:

Indicator	Year End 2023	Target 2023	Year End 2022
Gas Safety	99.9%	100%	99.3%
Electrical Safety	82.9%	100%	76.4%

Gas safety compliance is monitored at a variety of levels across the organisation on a routine basis. If compliance is expected to fall below 100%, this is escalated and corrective or preventative action is undertaken, all of which is scrupulously evidenced to ensure no adverse risk to tenants and residents.

The position regarding electrical safety has improved compared to the prior year. In 2019, the decision was taken that WTHP would embark on a five year programme to move all properties to a position where no certificate was older than five years. The percentage reported in the table above, denotes the proportion of properties with a certificate which is no older than five years. The programme is due to complete by 2025.

1,156 properties have a valid electrical certificate that is no older than ten years. Remedial action is in hand respecting properties where the certificate is older than ten years.

### Asset Management

2023 has seen a significant housing stock investment, over the prior year.

WTHP undertook a range of planned component replacement works for items such as kitchens, heating, windows and doors, roofing etc. at a cost of £612k (2022: £353k). The table below gives an analysis of the amounts.

Component	2023 Components replaced Number	2023 Components replaced £000
Kitchens	6	47
Bathrooms	37	202
Doors and windows	4	28
Gas boilers	57	160
Oil heating converted to renewables	10	132
Renewable heating systems	3	31
Electric heating	5	12
<b>Total</b>	<b>122</b>	<b>612</b>

## **Strategic Report (continued)**

### **Asset Management**

In addition, a further £288k was spent on major ground and engineering works at properties in Okehampton, where retaining log walls have been replaced.

The Holyrood Court lift was replaced at a cost of £68k and a further £116k was spent on the replacement of other communal assets such as fire doors, fire alarms and door entry systems.

During the year, all oil based heating systems at the Stoke Fleming scheme (10 properties) in Devon were replaced with renewable heating, leaving just one property in the portfolio heated by oil at the year end date. This was switched to renewable heating early in the 2023/24 financial year.

WTHP owns a portfolio of 'street front' properties i.e. single properties which do not form into an estate or scheme. These properties have recently been surveyed at detailed level, as part of the rolling stock condition survey process.

Including the costs of the stock condition surveys, ongoing cyclical serving works, fire compartmentalisation works, fencing and much more, WTHP has invested a further £562k (2022: £428k) during 2023 in planned works on its properties.

During the year, WTHP also updated a number of void properties in preparation for new tenancies at a cost of £176k (2022: 157k) (excluding amounts recharged to tenants or mutual exchanges). This includes all the statutory certifications required when re-letting a property.

### **Housing Stock**

The housing stock is made up of both owned and managed properties. Development remains a priority for the Board and WTHP manages a pipeline of upcoming development opportunities.

The performance of the existing owned units is reviewed regularly and poorer performing stock is targeted for eventual disposal and replacement.

In July 2021, the Board took the decision that it would no longer accept any further additions to its Rentplus portfolio of managed properties, other than commitments in place at that time, wishing to focus on growth in its owned stock portfolio.

Consequently, the number of Rentplus homes will gradually decline as these are handed back to Rentplus or sold in line with the terms of individual leases.

There were no indications of impairment of either part or the whole stock.



## Strategic Report (continued)

### Development

The 2023 financial year saw one development complete, adding 2 rental properties to the owned stock (7 and 9 Enterprise Avenue, Tiverton). Other schemes currently under construction are as follows:

#### Crapstone (Devon)

Abbey Meadows, at Crapstone in Devon is a mixed tenure site consisting of 6 affordable rental units and 2 shared ownerships. The properties were completed and handed over in April 2023.



Fig. 1 Crapstone, Devon. Under construction.



Fig. 2 Crapstone, Devon. Open day.

#### North Petherton (Somerset).

The 'Batts Meadow' development consists of 5 affordable rental and 2 shared ownership properties. The developer is on site and construction of the properties has started.

Two more Board approved developments in North Newton (Somerset) and Creech St. Michael (Somerset) are in contract negotiation stage.

Going forward, the investment in new homes will lead to the generation of more income that will, in turn support the development of further new homes and improvements to services.

## Strategic Report (continued)

### Property Acquisitions

WTHP did not acquire any properties during the year, but has a number of potential purchases which are being actively pursued.

### Property Disposals

The following properties were disposed of during the year:

Scheme Name/property address	Owned		Rentplus		
	Rented	Shared Ownership	Sale	Handback	Total
52 Neswick Street, Plymouth PL1 5JN	1				1
28 Lopes Road, Plymouth PL2 3DZ	1				1
4 Beechwood Close, Plymouth, PL4 6PW	1				1
46 Norfolk Road, Plymouth PL3 6DD	1				1
65 Renaissance Gardens, Plymouth PL2 3LX		1			1
7 Cornflower Walk, Plymouth PL6 8EG			1		1
21 Buttercup Road, Plymouth PL6 8EF			1		1
5 Cornfield Way, North Tawton EX20 2FB			1		1
8 Stafford Road, Sherborne DT9 4FA			1		1
29 Amors Drove, Sherborne, DT9 4FB				1	1
3 Snowdrop Wynde, Shaftesbury, SP7 8GX				1	1
<b>Total</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>11</b>

The Rentplus properties are managed, but not owned by WTHP.

An offer for a property in Plymouth was received after the 2023 year end closed and the marketing of a second Plymouth property has started.

### Rentplus

The Rentplus model allows WTHP to deliver affordable rent-to-buy housing that offers working households the support they need to move into home ownership. It is funded through pension funds and socially responsible investors, without any public grant.

Rentplus homes are leased to WTHP who in turn let the homes to local applicants who have the opportunity to purchase their homes at a future date with a gifted 10% deposit. Tenants are offered a series of fixed term five year tenancies at affordable rents (within the local housing allowance) up to a maximum period of 20 years.

The intention is for the existing tenant to purchase their current home. If this is not possible, arrangements (but not homes) can be swapped with another tenant on the same scheme, if that tenant is able to purchase earlier.

After the expiry of the rental period allocated to the tenant, if they are not in a position to purchase the property it will be handed back to Rentplus (in a specified, saleable condition) unless there are other tenants able to buy. Once handed back to Rentplus, the property will be sold on the open market.

## **Strategic Report (continued)**

### **Rentplus (continued)**

WTHP has provisions set aside to complete the handback work. Once the property is handed back to Rentplus there are no further associated risks to the organisation.

Rent is collected by WTHP who hold a full repairing and insuring lease with Rentplus. Additionally, WTHP pays over a percentage of the rents to Rentplus as part of the leasing arrangements.

During the year, no new properties were leased from Rentplus (2022: 9) and 4 (2022: 8) were purchased by tenants, taking the closing balance of Rentplus managed properties down to 231 (2022: 237) for the 2023 financial year. There were 2 handbacks (2022: nil) during the financial year.

Assuming that properties are sold at the expiry of the lease, and that no new Rentplus properties were to be taken into the portfolio, then the current Rentplus managed stock of 231 properties is expected to decline to zero by approximately 2041/42.

The Rentplus properties are in Devon, Dorset and Somerset.

### **People**

Aside from the obvious need for appropriate resourcing, the Board believes that the health of the organisation is also a function of five other factors:

- Culture.
- Values.
- Staff wellbeing.
- Health and Safety.
- Equality, Diversity and Inclusion (EDI).

### **Culture**

With the formation of the strategic partnership in 2020, the need to develop a common culture which facilitates constructive and collaborative working across both organisations was vital to the success of the business. The articulation and adoption of a single vision ('Deliver and Grow') by both partners in the run up to the transfer of engagements has been pivotal to this process.

The development and acceptance of a common set of values critically underpins the success of the vision. The staff have been actively engaged on these issues through events which have taken place across the year. Positive, collaborative working across all teams and disciplines is encouraged.

The staff are routinely surveyed about working and cultural matters. The last survey took place in June 2022. Additionally, there is a rolling programme of training and staff days which allow teams that are based across the South West, to meet face to face.

## **Strategic Report (continued)**

### **Values**

The staff have played an active part in the process to develop the values adopted by the organisation. These values are seen as a mechanism by which WTHP maintains its professional standing in the world and ensures that employees can feel valued and respected as individuals. The six values chosen are set out at the beginning of this Strategic Report.

### **Staff wellbeing**

Staff wellbeing is important at all times and across recent years, it has been a dominant theme.

Staff have had to respond flexibly and quickly to considerable changes in their work and home lives.

The Staff Forum has been proactive in assisting the Executive Team to generate initiatives and projects aimed at supporting the staff. Its remit is broad and it considers a wide range of topics from policy changes affecting staff through to more general wellbeing issues.

WTHP operates a healthcare scheme, which is able to provide additional support for staff.

### **Health and safety**

Matters relating to employee health and safety are reported regularly to the Executive Team and to the Board.

### **Equality, Diversity and Inclusion (EDI)**

WTHP fully supports EDI through its Equality and Diversity Policy. Additionally, WTHP has accreditation under the 'Disability Confident' scheme.

Service delivery is centred on ensuring needs are met for the individual and all staff receive regular training on new and emerging themes such as neurodiversity.

All Board papers consider EDI issues as part of the reporting process and WTHP uses the NHF EDI tool with the aim of identifying and closing gaps that would support a greater Board diversity.

Strategic Report (continued)

Resourcing

As of 31 March 2023, all staff are employed by WTHP.

The Executive Team structure is shown below:



The Executive Team are all full time members of staff and are based at the head office in Rooksbridge.

All of the Executive team manage staff based across the South West of England.

WTHP ended the year with a total headcount of 34 staff (full-time equivalent of 31.2), an increase of 2 heads (2.5 FTE) on the prior year’s closing position. This reflects staff departures (for a variety of reasons), offset by re-recruitment. The current staff complement includes staff who are employed on fixed term contracts.

Short-term absences due to sickness were minimal: sickness for the organisation for the rolling year to 28 March 2023 was reported at 2.91%. By the end of April 2023, this had risen slightly to 3.02%, but this was lower than had been reported in the same period for the prior year (rolling to April 2022: 5.15%).

Staff and Board member pay is externally benchmarked by an independent HR consultancy every three years. In the intervening years, the Board may increase remuneration, at their discretion, usually via a general percentage increase.

This most recent staff and Board pay benchmarking exercise was completed in the later months of 2023. Salaries and Board remuneration will be revised in line with the recommended medians from this process, together with an inflationary increase, from 1 April 2023. The next review will impact pay from April 2026.

Staff have the option to buy and sell annual leave (subject to certain restrictions). This option has been taken up at differing times.

During the year, the staff were consulted on the alignment of employer pension contribution rates, with a view to standardising at a maximum (matched to employee) rate of 8.5%.

Going forward, resourcing decisions will be considered with reference to the stated objectives of the organisation and will need to demonstrate that any investment generates benefits for tenants through more efficient, effective and economic working. WTHP aims to sustain a continued reduction in the staff costs: turnover ratio as properties (and rental volumes) increase.

Strategic Report (continued)

Risk

The Board considers risk management a priority and has approved a well-rounded risk management framework. It takes the lead in defining the organisation’s approach to risk and in agreeing its risk appetites; For WTHP, managing risk is as much about taking advantage of opportunities as it is about managing threats. At each meeting the Board allocates time to consider its key risks and to horizon scan for potential opportunities as well as threats to the organisation and its future viability. The Audit and Risk Committee reviews the risk map, in detail, at its meetings throughout the year and advises the Board of its observations.

The Executive team carries out monthly and quarterly reviews. The quarterly reviews are a root and branch consideration of each and every risk on the existing risk map as well as material collated from external sources, which feed into the risk management regime. The process to manage and mitigate risks and update the risk map is undertaken on a weekly basis by the whole Executive team, who have individual responsibility for the management of specific risks. This process is undertaken on a hosted risk management system (Cammsrisk). The latest risk map is then presented to the next Audit and Risk Committee and Board for discussion and approval.

Risk is also considered by the rest of the management community and from time to time, by the staff, who discuss either the whole risk map, or specific risks at their regular team brief sessions.

As at 31 March 2023, the strategic risk map has been extensively reviewed on formation of the new, merged organisation. Existing risks have either been collapsed together and/or the scope has been increased. This process has allowed the number of risks to be reduced to 14 critical areas. An analysis of the mitigated risk map shows that WTHP has been able to successfully apply controls to the risks it faces, as the bulk of its post-mitigation risks have risk ratings that are either low or moderate:

Rating	Number of Risks
Extreme	-
High	2
Moderate	5
Low	7
<b>Total</b>	<b>14</b>

The risks arising from war in Ukraine and other special situation risks have been considered by the Board (see Special Situation Risks section of this report).

The individual risks (as at 31 March 2023) are listed overleaf:

## Strategic Report (continued)

## Risk (continued)

Risk Ranking	Risk Code	Risk Issue	Current (Mitigated) position		
			Consequence	Likelihood	Risk Rating
1	W3	Climate change adds financial pressure to the organisation and its tenants	Moderate	Possible	High
2	W10	Cyber-attack severely disrupts operational delivery	Moderate	Possible	High
3	W7	Failure to acknowledge resident voice	Moderate	Unlikely	Moderate
4	W8	Failure to comply with health and safety regime	Minor	Unlikely	Moderate
5	W12	Ineffective management of information, technology and data security	Minor	Unlikely	Moderate
6	W4	Development become too costly to deliver affecting corporate strategy	Minor	Unlikely	Moderate
7	W5	Volatile market conditions create pressure on sales and security valuations	Moderate	Unlikely	Moderate
8	W2	Liquidity issues compromise business operations	Insignificant	Rare	Low
9	W6	Failure to comply with regulatory requirements	Insignificant	Rare	Low
10	W9	Failure to maintain decent homes standards	Insignificant	Unlikely	Low
11	W1	Financial covenants breached	Insignificant	Rare	Low
12	W11	Fraud and corruption - internal and external successful attempt	Insignificant	Rare	Low
13	W13	Loss of corporate knowledge	Insignificant	Unlikely	Low
14	W14	Current and Future Colleagues	Insignificant	Unlikely	Low

## **Strategic Report (continued)**

### **Health and Safety**

The Board take their Health and Safety responsibilities very seriously and this sets the tone for the whole organisation on this important issue.

The Operations Director reports monthly to the Chief Executive and the Executive team on the status of key landlord related deliverables which includes, fire risk assessments, electrical safety, gas certification etc., and the status on any relevant corrective action plans. This information is also reported to the Board at their scheduled Board Meetings. Highlights from the March 2023 Landlord Hand and Safety 'scorecard' have been included in earlier sections of this report.

WTHP also has health and safety related responsibilities to its staff. In common with landlord reporting, matters relating to employee health and safety are collated by the Head of Corporate Services and reported on a monthly basis, in the same way.

Employees are regularly asked about health and safety matters during scheduled one to one meetings with line management but staff can raise concerns at any time through this route, or via the staff forum which meets regularly to discuss these types of issue.

Health and safety risk assessments are also completed by all staff (tailored to their role) on an annual basis and these measures are also backed up by a mandatory training regime for staff, on health and safety guidance.

Health and safety risks are recorded on the risk map, as the following risks:

- Current and future colleagues (includes the impact of a poor employer health and safety regime).
- Failure to comply with health and safety regime.

### **Pension Scheme Membership**

WTHP is a member of the Social Housing Pension Scheme (SHPS). The scheme is accounted for on a defined benefit basis. For 2023 the deficit amounts to £(616)k (2022: £(641)k).

WTHP contributes to a deficit reduction plan on a monthly basis. Information about the pension scheme is given to the Board and the scheme is subject to actuarial review every three years by the scheme's trustees, which allows the Board to make further judgements about continued membership of the scheme.

Pension related risk is no longer held as a specific and individual risk on the risk register. Instead this risk has now been combined with similar issues into a single risk covering general liquidity as follows:

- Liquidity issues compromise business operations

However, the Board is aware of pension related risk and is mindful of this, the Board had previously commissioned a detailed independent review of WTHP's membership of SHPS, by a specialist actuarial firm, who reported to the Board on this matter during 2020/21. A second review was reported to the Board in January 2022 and it is anticipated that independent review will now be undertaken on a regular basis, with the next report likely to be commissioned for 2023/24.



## Strategic Report (continued)

### Pension Scheme Membership (continued)

WTHP has been advised that the Trustee of the SHPS is going to court to ask for a ruling on whether SHPS has been paying the correct benefits to members. Depending on the decision, this could lead to an increase in liabilities. This potential change in liabilities arises from uncertainty about what pension increases should be applied to benefits earned by members before December 2003 (pre-2003 benefits). Based on current advice, SHPS have not included potential additional liabilities arising from the benefit review in the statement of financial position for the 2023 actuarial valuation of the scheme. Any increase would only be put into effect once the Court proceedings have been concluded. However, SHPS have issued their estimates of what each employer might be asked to pay if the Court found that benefits needed to change and what the cost of the legal action may amount to. The Trustee of the SHPS has appointed Linklaters LLP to act on its behalf in this matter and Court papers are expected to be finalised, ready for submission, during 2023/24. WTHP has disclosed a contingent liability in respect of this.

### Special Situation Triggers

WTHP expects that there will be continued economic turbulence for the foreseeable future, as the continuing consequences of BREXIT are combined with the effects of the recent spike in energy and living costs prices (exacerbated by the effects of the war in Ukraine) which have helped to fuel higher inflation. The Bank of England has responded to inflationary pressures by implementing a number of base rate increases.

WTHP has considered these events and has concluded that its risk map sufficiently covers the issues and that separate post-BREXIT economy, war in Ukraine, energy pricing and interest rate risks are not required.

### War in Ukraine

The main impact of these situations is expected to be restrictions on the supply of resources such as energy and other key commodities. This will affect UK consumers by pushing up the cost of food and fuel.

For WTHP, the most likely impacts will be:

- General changes in the UK economy leading to movements in inflation, impacting tenants' ability to pay their rent.
- Further adverse changes to UK interest rates to hold down inflation.
- Potential changes to housing prices and secured stock valuation (where not secured on an EUV-SH basis) if the general economic picture deteriorates.

These items are encapsulated in two risks on the risk map as follows:

- Financial covenants breached.  
This risk could be influenced by the operating costs increases and/or rising interest rates.
- Liquidity issues compromise business operations.  
This risk could be affected by operating cost increases, interest rate increases and/or financing issues driven by valuation problems. Falls in housing prices could also have an impact on the stock disposal strategy and on the sale of shared ownership properties developed for sale.

## **Strategic Report (continued)**

### **Post-BREXIT Economy**

Although the United Kingdom has now exited the EU, WTHP considers that there may still be some residual but declining uncertainties arising from this step, such as increases in cost of goods, foodstuffs and materials, supply chain issues and availability of labour.

For WTHP, the most likely impacts will be:

- General changes in the UK economy leading to movements in inflation, impacting tenants' ability to pay their rent.
- Further adverse changes to UK interest rates to hold down inflation.
- Potential changes to housing prices and secured stock valuation (where not secured on an EUV-SH basis) if the general economic picture deteriorates.
- Development contractors impacted by changes in status of the workforce and other supply chain related issues.

These items are encapsulated in three risks on WTHP's risk map as follows:

- Financial covenants breached.  
This risk could be influenced by the operating costs increases and/or rising interest rates.
- Liquidity issues compromise business operations.  
This risk could be affected by operating cost increases, interest rate increases and/or financing issues driven by valuation problems. Falls in housing prices could also have an impact on the stock disposal strategy and on the sale of shared ownership properties developed for sale.
- Development becomes too costly to deliver affecting corporate strategy.  
This risk will be affected by the rising cost of materials (inflationary pressures) and/or the rising cost of borrowing to finance development (interest rate risks).

### **Energy Pricing**

Over the winter of 2022, energy pricing substantially increased, partially impacted by the impact of the war in Ukraine. The UK Government responded to this by capping the unit cost of energy for households and issuing financial support. However, even with this assistance, many households have found these cost increases to be a severe challenge. The situation is expected to ease over the summer of 2023 and the UK Government will be ending its financial support of households.

In the meantime, the twin impacts of the energy price increases are to fuel general economic inflation and to push up the cost of living for UK consumers.

For WTHP, the most likely impacts will be:

- General changes in the UK economy leading to movements in inflation, impacting tenants' ability to pay their rent.
- Further adverse changes to UK interest rates to hold down inflation.
- Potential changes to housing prices and secured stock valuation (where not secured on an EUV-SH basis) if the general economic picture deteriorates.

## **Strategic Report (continued)**

### **Energy Pricing (continued)**

These items are encapsulated in two risks on the risk map as follows:

- Financial covenants breached.  
This risk could be influenced by the operating costs increases and/or rising interest rates.
- Liquidity issues compromise business operations.  
This risk could be affected by operating cost increases, interest rate increases and/or financing issues driven by valuation problems. Falls in housing prices could also have an impact on the stock disposal strategy and on the sale of shared ownership properties developed for sale.

### **Interest Rate Increases**

As noted above, there has been considerable inflationary pressure on the UK economy in recent months. The Bank of England has responded to this by increasing the Bank Rate.

On 31 March 2022, the UK Bank Rate was 0.75%. By 31 March 2023, this had been increased eight times across 2023, to close at 4.25%.

For WTHP, the impact of this has been:

- To increase the cost of borrowing where variable rate debt is in place.

This issue is encapsulated in two risks on the risk map as follows:

- Financial covenants breached.  
This risk could be influenced by the operating costs increases and/or rising interest rates.
- Liquidity issues compromise business operations.  
This risk could be affected by operating cost increases, interest rate increases and/or financing issues driven by valuation problems. Falls in housing prices could also have an impact on the stock disposal strategy and on the sale of shared ownership properties developed for sale.

## **Finance and Treasury**

### **Finance**

The 2023 financial statements have been prepared using merger accounting. As such, all previous cost recharges between SWHS and THS have been eliminated from this presentation (for both the current and prior year) and the information of SWHS and THS has been combined as they merged to become one entity during the financial year 2022/23. This approach has been applied to all sections of these accounts including the Strategic Report, the Statement of Comprehensive Income, the Statement of Financial Position, the Cashflow and the Notes to the accounts.

This commentary will therefore, not make any reference to partnership recharges as these items have been eliminated from the financial statements.

## Strategic Report (continued)

### Statement of Comprehensive Income

#### Turnover

Turnover for 2023 decreased by £0.5M during the financial year, to close at £8.9M. This decrease has been mainly driven by drop in first tranche shared ownership sales compared to the prior year.

#### Rental Income

Property rental revenue is WTHP's main income stream. This funds both the services that WTHP provides to tenants on a day to day basis and contributes to supporting inward investment in new homes and the management and maintenance of existing properties.

In setting rent levels, the organisation must act within the scope of existing legislation whilst seeking to balance its requirement for funds to ensure its long term financial viability and growth whilst meeting its social purpose of providing affordable homes.

WTHP therefore, grows this primary income stream via rental increases on existing tenancies and by the development of new properties which are then tenanted. This growth is carefully monitored as the portfolio of managed properties will gradually decline over time (Rentplus properties are either purchased by tenants at the end of their leases or are handed back to Rentplus) and rent increases in the non-Rentplus stock have already been capped for 2023/24.

#### Existing tenancies

The standard formula for setting and increasing social rents is set out in the regulatory Rent Standard and associated guidance issued by the Regulator for Social Housing (RSH).

#### 2022/23 Rent Increases

In January 2022, the coterminous pre-merger Board approved rent increases for existing tenancies, which were effective from 4 April 2022, as follows:

- General needs rents increase by  $\text{CPI} + 1\% = 4.1\%$
- Shared owner rents increase by  $\text{RPI} + 0.5\% = 5.4\%$
- Rentplus rents increase by  $\text{CPI} + 1\% = 4.1\%$
- Garage rents increase by 3.1%

#### Looking Forward to 2023/24

The Department for Levelling Up, Housing and Communities (DLUHC) held a consultation on social housing rents, between 31 August and 12 October 2022. The consultation sought views on the introduction of a rent ceiling from 1 April 2023 to 31 March 2024. CPI was 10.1% in September 2022, this would have permitted social housing rent increases of 11.1% from 1 April 2023 to 31 March 2024. The result of this process was a rent cap for the 2023/24 financial year of 7%.

Two groups not affected by the proposed rent cap were:

- Shared owners, where rent increases are determined by the lease agreement; and
- Rentplus managed properties let on intermediate rents (just under three quarters of the stock, with the balance being on affordable rents).

## **Strategic Report (continued)**

### **Existing tenancies**

In November 2022, the pre-merger coterminous Board agreed that WTHP would limit the 2023/24 rent increases to a maximum of 7% across all tenure types. However, service charges would be allowed to increase at a higher rate, recognising that WTHP was coming under increasing cost pressure.

### **Impact of new development**

WTHP completed a development of 2 new properties at Enterprise Avenue in Tiverton. Both of these homes were for rent.

2023 also saw the final first tranche shared ownership property sale at Broomfield Park, Stoke St Gregory complete in July 2022 (property constructed in the prior financial year). Shared ownership homes (once sold) also generate rental income.

### **Surplus on the sale of housing properties**

WTHP disposed of four poorer performing 'street front' properties during the year:

- 4 Beechwood Avenue, Plymouth.
- 52 Neswick Street, Plymouth.
- 28 Lopes Road, Plymouth.
- 46 Norfolk Road, Plymouth.

Additionally, two shared ownership changes took place:

- 65 Renaissance Gardens in Plymouth staircased to 100% ownership in August 2022.
- 17 Longfield Drive in Wedmore staircased from 50% to 65% in March 2023.

Overall, the surpluses on the sale of housing properties (all types) for the year amounted to £0.4M (2022: £0.6M).

### **Operating Costs**

Social housing operating costs amounted to £7.3M for the year (2022: £6.4M) a growth of £0.9M, reflecting a wide range of issues from higher responsive repair costs and overheads. Provisioning levels for Rentplus properties were also re-evaluated.

### **Operating Surplus**

WTHP is pleased to report an operating surplus for the year, which amounted to £1.9M (2022: £2.6M). This is down on last year by £0.7M, reflecting the decrease in surpluses from first tranche shared ownership sales combined with operating cost changes.

The operating surplus as a percentage of social housing letting turnover was 22.1% (2022: 28.1%).

WTHP revised its provisioning approach for bad and doubtful debts during the year and in determining the requirement for the closing March 2023 position, reviewed all rent arrears and any other potentially recoverable monies in detail. The net effect of these reviews resulted in an overall fall in the bad debt provision balance from £140k at the close of 2022 to £81k for 2023. £38k of bad debts were written off this year (2022: £12k).

## **Strategic Report (continued)**

### **Interest and Financing**

Interest and financing charges of £2.6M showed a substantial increase on the prior year (2022: £1.2M) reflecting the impact of significant break costs which were paid to Dexia (£1.2M) on repayment of Dexia's loan facility in December 2022. UK bank rate increases have also fed through as the cost of servicing variable rate debt has increased.

WTHP lenders gave approval for the Dexia loan break costs to be excluded from interest cover covenant calculations for the 2023 year end.

### **Surplus for the financial year and total comprehensive income**

After interest and other financing costs, the loss for the financial year was £(0.6)M (2022: Surplus £1.45M).

Total comprehensive income for the year (after minor comprehensive income items relating to the SHPS pension scheme) moved down on the prior year (-£2.3M), to close at £(0.7)M for the 2023 financial year.

### **Statement of Financial Position**

WTHP is pleased to report that it closes the 2023 financial year with cash balances amounting to £4.2M (2022: £5.4M), undrawn debt facilities amounting to £7.0M and net assets of £38.2M (2022: £38.9M).

The historic cost of its completed housing property stock has also grown moving up from £104.7M at the end of 2022, to close the current financial year at £106.2M.

### **Impact of post-Brexit economy, War in Ukraine, Energy Pricing and Interest Rate Risks**

WTHP continues to re-assess and test its tactical financial forecasts to the end of March 2026 (as well as its thirty year Business Plan). Plans to mitigate any loss in income have been formulated at a strategic level. In addition, the Board reviews its general financial recovery plans and procedures on an annual basis. These plans are reviewed and agreed by the Board, in conjunction with the Business Plan and associated stress testing.

### **Financial performance over the last two years**

On 1 June 2020, South Western Housing Society and Tamar Housing Society entered in to a strategic partnership, with the intent of working closely together to explore the merits of eventually combining to form a single merged entity. A single management team was put in place to manage both Societies.

This process successfully completed on 31 March 2023, when Tamar Housing Society completed a transfer of engagements into South Western Housing Society and South Western Housing Society changed its name to Willow Tree Housing Partnership Limited ('WTHP').

Consequently, the strategic partnership was not in place for the whole of 2020/21, or any years prior to this, when both organisations were managed entirely independently, with differing Boards, Executive teams and strategic priorities. The reporting of merged data for these time periods is therefore, not likely to be useful or insightful, as the level of change has been considerable.

**Strategic Report (continued)**

**Financial performance over the last two years (continued)**

WTHP has plans in place to continue the growth of its business. Rental income is the primary source of revenue and this will come under increasing pressure as the Rentplus managed properties exit the housing stock as leases end and properties are purchased or handed back to Rentplus by tenants. Consequently, WTHP is keen to progress on its property development plans which seeks to add more units into the owned housing stock portfolio.

The growth in property development helps to ensure that WTHP improves its operating profits as it looks towards growing its critical mass of units for rent to help to facilitate operational economies of scale. A selection of key financial figures over the last two years is given below:

**Accounts highlights, two year summary**

<b>For the year ended 31 March</b>	<b>2023</b>	<b>2022</b>
	<b>£000's</b>	<b>£000's</b>
<b>Statement of Comprehensive Income</b>		
Total turnover	8,871	9,347
Income from lettings	8,756	8,374
Operating surplus	1,942	1,989
Surplus for the year transferred to reserves	(610)	1,448
<b>Statement of Financial Position</b>		
Housing properties net of depreciation	88,671	88,074
Other tangible fixed assets	717	802
Intangible fixed assets	91	27
Investments	260	260
Net current assets	2,426	3,536
	<hr/>	<hr/>
Total Assets less current liabilities	92,165	92,699
Creditors (amounts due in more than one year), provisions and Pension Liability	(54,005)	(53,833)
	<hr/>	<hr/>
Net Assets	38,160	38,866
	<hr/> <hr/>	<hr/> <hr/>
Revenue reserves	30,792	31,498
	<hr/>	<hr/>
<b>Social Housing properties at year end:</b>		
Owned	1,268	1,271
Managed (Rentplus properties)	231	237
Total	<hr/> <hr/>	<hr/> <hr/>

**Strategic Report (continued)**

**Treasury**

WTHP ends 2023 with financing from five lenders (Nat West, Triodos, Lloyds Bank, THFC and Orchardbrook). Nat West is now the most significant debt provider within this group.

Prior to Tamar Housing Society’s (‘THS’) transfer of engagements into South Western Housing Society (‘SWHS’) on 31 March 2023, SWHS raised an additional £10M of variable rate debt from Nat West. £9M of this was drawn and on-lent to THS in December 2022. THS was able to utilise these funds to repay an existing lender (Dexia). The repayment of the Dexia loan removed a major obstacle to the proposed merger process, but resulted in the crystallisation of a significant loan break cost charge (£1.2M). Due to the exceptional nature of this charge permission was sought, and granted, by the lenders to exclude this from the 2023 interest cover covenant calculations.

With the formation of WTHP, the ‘on-lending’ arrangement has fallen away, leaving WTHP with just the original, additional debt raised with Nat West (that was used to re-pay Dexia). WTHP will draw the remaining £1M of this facility in December 2023.

There were no other changes to debt facilities (which comprise a mixture of fixed and variable rate debt) during the financial year, which continued to be serviced and re-paid in line with the relevant financing agreements.

WTHP remains committed to maintaining a flexible portfolio of financing which includes fixed and variable rate debt, with repayment dates sensibly staggered. Currently, facilities have varied end dates with the latest being 2044.

The debt portfolio is scrutinised regularly by the Board and WTHP employs professional treasury managers to advise in this area. The Board is kept informed about interest rate risk, which has increased across 2023, following the Bank of England’s changes to the bank rate.

WTHP has a Treasury Policy and a Treasury Strategy, which are reviewed routinely and in conjunction with the Business Plan, stress testing and recovery planning.

**Financial Covenants**

As part of the arrangements that WTHP makes with each of its lenders, it agrees to comply with a range of financial performance criteria, codified as financial covenants. If WTHP fails to fulfil these obligations then the lenders have a variety of actions open to them, including making a request for repayment of funding. Consequently, the Board takes covenant compliance very seriously.

For the 2022 financial year, South Western Housing Society and Tamar Housing Society (the pre-merger partners) were fully compliant with their all of their respective lender covenants.

At the close of 2022 the lenders had the following relationships:

- | <b>South Western Housing Society</b> | <b>Tamar Housing Society</b>                   |
|--------------------------------------|--|
| ▪ National Westminster Bank          | ▪ Lloyds Bank                                  |
| ▪ Triodos Bank                       | ▪ Dexia (loan re-paid in full, December 2022). |
| ▪ The Housing Finance Corporation    | ▪ Orchardbrook                                 |

As at the 31 March 2023, the board is happy to report that WTHP is fully compliant with all it’s financial covenant obligations.



## **Strategic Report (continued)**

### **Value for money**

Value for money ('VFM') is embedded in everything the WTHP does. This approach is enshrined in the Value For Money Policy which commits WTHP to the full adoption of the Value for Money Standard and Code of Practice issued by the Regulator for Social Housing.

WTHP's general approach to value for money is to:

- Consider value for money as part of the decision making process.
- Understand the return on assets.
- Have a performance management and scrutiny function in place that drive and deliver improved value for money performance.
- Understand the costs and outcomes of delivering specific services.
- Consider wider benefits provided from any decision e.g. social, environmental, quality etc. Assessing the outcomes will help refine decision making processes in the future.
- WTHP reviews all its expenditure to ensure that scarce resources are being used to best effect. Savings are generally re-invested.

### **Corporate objectives**

The objectives of the organisation are as follows:

- Maintain or enhance tenant satisfaction.
- Increase capacity to build more.
- Build business resilience for the long term.
- Achieve efficiencies that enable resources to be redirected into the overall development of the organisation.

These objectives are underpinned by a framework of strategies which are robustly evaluated and feed into the organisation's Business Plan. Functional operating plans then support individual elements of the strategies, at a more tactical level, and feed into the yearly Budget process. Planned VFM metrics are produced and included in the Budget and Business Plans reviewed and approved by the Board on an annual basis.

### **Key strategies**

WTHP has a framework of complementary strategies and plans, which link to the corporate objectives. The key strategies and their links to the objectives are set out in the table overleaf:

**Strategic Report (continued)**

**Key strategies (continued)**

Strategy	Corporate Objective			
	Maintain or enhance tenant satisfaction	Increase capacity to build more	Build business resilience for the long term	Achieve efficiencies (Note 1)
Resident involvement strategy	✓			
Development strategy	✓	✓	✓	
Asset management strategy	✓		✓	
IT strategy	✓		✓	✓
Marketing strategy	✓		✓	✓
Treasury strategy		✓	✓	✓

Note 1. Achieve efficiencies that enable resources to be redirected into the overall development of the organisation.

**Performance Monitoring**

Collective performance across all of these planned activities is monitored at an organisational level by the publication of the actual and planned VFM metrics, which are reported to the Executive Team and the Board across the financial year. Additionally, the actual results are also benchmarked against the results from other similar organisations.

The metrics for 2023 are reported in the table below:

Value for Money Metrics	Year End 2023	Target 2023	Year End 2022	Benchmark 2022
Reinvestment %	2.48%	7.64%	2.59%	2.42%
New supply delivered %	0.16%	1.47%	2.53%	0.00%
Gearing %	27.10%	30.85%	26.06%	15.46%
Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) interest cover %	61%	214%	225%	255%
Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) interest cover % (excluding impact of the Dexia loan break costs)	118%	214%	225%	255%
Headline social housing cost per unit £	£5,672	£5,471	£5,043	£4,656
Operating margin %				
▪ Social housing lettings only	18.18%	20.12%	23.75%	18.00%
▪ Overall	21.89%	22.12%	28.06%	16.68%
Return on capital employed (ROCE) %	2.11%	2.03%	2.83%	2.41%

Note that these metrics are prepared in line with the definitions required by the Regulator for Social Housing, for this purpose. However, an additional calculation of the Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) interest cover % has been shown, excluding the impact of the Dexia loan break costs.

The data shown in the table, under the heading 'Benchmark', is the latest available median benchmarking data from Acuity (ABM Median (2022)) and it represents the median for smaller housing associations who submit data to Acuity Benchmarking. This report was published by Acuity on 11 August 2022 and covers data for the period April 2021 to March 2022.

## Strategic Report (continued)

### Key points

The 2023 year end metrics show varying degrees of divergence from the planned position reported under the 'Target' heading. Three factors have been instrumental in driving these differences:

- The 2023 housing property development programme proved to be considerably different to that planned for the year (lower level of activity). This had implications across all metrics.
- As a consequence of the change in development plans, funding that was available was not drawn as expected, reducing actual gearing levels, compared to target.
- The repayment of the Dexia loan facility triggered the payment of significant loan break costs, had large impact on the actual interest cover metric. This had not been included in the planned target.

#### *Reinvestment %*

This metric aims to assess the investment in properties (both new and existing) including works and capitalised interest and compares this to the total value (at cost) of the housing properties.

With plans in place to continue growth of the owned stock, as well as invest in a significant programme of component replacements and EPC 'C' related works, the reinvestment metric is expected to increase over the year ahead to 3.90%.

#### *New supply delivered %*

2023 saw two new properties added to the owned housing stock through development. Four owned rental properties were disposed of and a shared ownership staircased to 100%. However, this net disposal position is set to reverse in 2023/24 with the completion and handover of newly developed properties at Crapstone (6 rental and 2 shared ownership units) in April 2023. Additionally, other acquisitions are planned. It is expected that this will close the 2023/24 year at 0.70%.

#### *Gearing %*

Gearing levels increased slightly on the prior year, reflecting additional funds raised to ultimately allow the early repayment of Tamar Housing Society's Dexia loan (prior to merger). Gearing is higher than the benchmark, but WTHP still has growth aspirations and continues to monitor its development pipeline. Gearing is expected to increase slightly across 2023/24 to close at 27.5%, as the conditions of existing funding arrangements are completed.

#### *Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) interest cover %*

This has been significantly affected during 2023 by the crystallisation of the Dexia loan break costs - a one-off cost to exit pre-existing loan facilities (£1.2M). These costs were not included in the plan. This ratio is expected to substantially recover during 2023/24, when it is expected to close at 114%.

A second ratio excluding the Dexia loan break costs, is included in the table, for comparison purposes. Respecting this ratio, WTHP shows a significant difference to the benchmarked value on this metric.

#### *Headline social housing cost per unit £*

Social housing costs per unit ended the year £201 higher than planned at £5,672 per unit, reflecting amongst other things, higher than expected responsive repair costs for the 2023 financial year. 2023/24 is expected to see further growth, as WTHP invests more in planned works such as external decorations, stock condition work and similar. Costs per unit for the year ahead are anticipated to rise to £5,815.

## Strategic Report (continued)

### Key points (continued)

#### *Operating margins %*

Operating margin %ages are slightly worse than planned. WTHP has seen increased levels of responsive repair costs across the year, as well as the impact of other operating cost increases. Going forward into 2023/24, these metrics are not expected to move significantly. The rent increase (capped at 7%) is welcome, but there are plans to increase its investment in planned works. The 2023/24 metrics will also be affected by the implementation of the triennial benchmarking of staff pay.

#### *Return on capital employed (ROCE) %*

For 2023, this metric is marginally better than planned, but is expected to fall marginally, to just under 2% during 2023/24, reflecting growth in assets.

### Benchmarking

WTHP Partnership is a member of the South West Benchmarking (SWBM) group, facilitated by Acuity, and regularly takes part in related benchmarking exercises. The South West Benchmarking group meets regularly to discuss best practice, to understand cost drivers and where practical to share services.

It is a requirement of the Regulator of Social Housing Value for Money Standard that WTHP assesses Value for Money in line with its strategic objectives. This is achieved by ensuring that key strategies are aligned with its corporate objectives and that performance respecting the VFM metrics is routinely assessed.

### Climate and Sustainability

#### Planning to meet decarbonisation targets

The government has made a commitment that the UK will achieve carbon net zero by 2050 and this is backed by legislation.

The policy framework for decarbonising homes is emerging rapidly, along with details of the funding available to support it.

In October 2021, the National Housing Federation (NHF) published *Decarbonisation: a guide for housing associations*.

This document set out guiding principles for decarbonising housing association homes. It considered how homes could be retrofit so that they are more comfortable, cheaper to live in and emit no carbon. The guide also looked at:

- The requirement for funding, from government;
- Technical and practical information about materials and clean heat;
- Policy and funding timeline up to 2030; and
- A suggested timeline of activity to assist housing associations to plan for the coming changes.

## **Strategic Report (continued)**

### **Planning to meet decarbonisation targets (continued)**

WTHP's Asset Management function have been considering these issues and how WTHP should respond. Four key projects support this:

- WTHP has already taken positive steps on this journey with the completion of works at its Stoke Fleming properties, where oil based heating was changed to renewable. This left just one oil based heating system in the entire stock and this was also replaced with renewables early in 2023/24.
- WTHP successfully bid for government funding to support a retro-fit of one of its blocks of flats at Leigham Court in Plymouth. WTHP will be working with a number of partners on this project which will closely monitor the issues, outcomes, costs and benefits arising from the retrofit. This learning will then be applied to other retro-fit programmes.
- Funds have been put aside in the latest Business Plan to cover the costs of bringing all properties up to a minimum EPC 'C' standard.
- Continue with existing plans to replace gas boilers due for replacement after 2025, with electrical products.

The cost of these programmes is significant and the 2023/24 Business Plan (inclusive of the above) has been stress tested to greater understand how the Carbon Net Zero agenda could impact the long term financial position.

Risks to WTHP, arising from the requirement to achieve EPC-C standards by 2030 and net zero carbon by 2050 are listed as a risk on the risk map as follows:

- Climate change adds financial pressure to the organisation and its tenants.
- Financial covenants breached.
- Liquidity issues compromise business operations

### **Sustainability Reporting Standard for Social Housing ('The ESG Standard')**

WTHP supports the principles set out in the ESG Standard and recognises that its requirements will become an increasing focus for the future. Work has started to review and assess readiness to report on the performance metrics set out by the standard, although this is currently voluntary.

It is noted that HM Treasury considers there is clear benefit to be gained from improving the transparency of methodologies, governance, and processes of ESG ratings providers. These outcomes could be brought about through regulation and HM Treasury are currently consulting on this point (consultation closes on 30 June 2023).

Consequently, WTHP will continue to maintain a focus on this issue.

### **Future prospects**

The Financial Business Plan demonstrates that development aspirations, carbon net zero responsibilities, desire to invest in maintaining existing housing stock to a high standard and sustainability are affordable into the future. The 2023/24 Business Plan recognises that the WTHP needs to carefully balance these investment needs to ensure its long term financial viability.

## **Strategic Report (continued)**

### **Future prospects (continued)**

The Plan is stress tested, to ensure that it can withstand a variety of external threats such as:

- Delays, sales price reductions affecting developments where there are first tranche shared ownership sales expected;
- High and continued inflationary scenarios;
- Higher interest rates.
- 'Black swan' events which result in a single, one-off explosion of operating costs;
- The impact of significant increases to the costs of implementing carbon net zero plans;
- The impact of changes in the general economy; and
- Tenants' ability to pay their rent.

The stress tests are constructed by reference to risks identified on the risk map and from scenario tests and variables provided by the organisation's treasury management advisors and other strategy and risk partners.

As a result, WTHP will continue to consider developing homes for outright sale and shared ownership alongside building homes for rent.

Whilst this brings new challenges and skill requirements and changes the risk profile of the organisation, WTHP can point to successes with these kinds of development: The Brent Knoll scheme (7 rental, 2 shared ownership and 6 outright sale units) completed during the 2022 financial year and all outright sales and shared ownership properties were sold.

The consequent risks that this type of development poses have been recognised and sale risk is included (with mitigations) on the risk map, when such schemes are under development. Additionally, the Business Plan has been rigorously tested to show that WTHP's financials can withstand combinations of large reductions in sales prices, delays in receipts, combined with other changes in economic factors, which could occur when these types of scheme are being progressed.

Such risks are currently encapsulated on the risk map under the following risk headings:

- Volatile market conditions create pressure on sales and security valuations.
- Development become too costly to deliver affecting corporate strategy.

WTHP has taken the opportunity to increase the majority of its rents from 1 April 2023, but in line with the rest of the sector, rent increases were capped at 7%. WTHP chose to implement this across all tenure types including shared ownerships, which could have increased by a higher amount. Managed Rentplus homes increase their rents on the anniversary of the lease and consequently rent increases can take place across the financial year.

This change should increase the capacity of WTHP to develop new homes to some extent, but in the short term, this change will primarily be focussed on allowing WTHP to operate in an increasingly inflationary economy. WTHP is not complacent about its cost base and continues to seek ways to both reduce its costs and enhance its service delivery to tenants. Loan financing, raised on the security provided by its property portfolio remains the main source of funding for new development and there exists currently £7M of undrawn funding to support this objective.

## **Strategic Report (continued)**

### **Future prospects (continued)**

The Coronavirus pandemic was instrumental in producing a number of changes in WTHP's operating model. During the pandemic, staff were quickly equipped to work remotely allowing agile working to be adopted. This has been a considerable success and WTHP has fully embraced the 'hybrid' working model, allowing staff freedom to work at home and in the office. There are no plans to move away from this model in the foreseeable future and this approach has had other unforeseen benefits in terms of business continuity planning, which is now heavily focussed on cyber-issues, rather than office accessibility.

The organisation recognises that meeting the government's 2050 carbon net zero targets will be a challenge and work has been underway to plan the organisational response for some time. The impact of replacing gas boilers with renewable or electric replacements from 2025 as well as the costs of getting all properties up to EPC 'C' standard has already been included in recent business plans, including the 2023/24 Business Plan. As stated earlier, WTHP has successfully bid for and received government funding from the Social Housing Decarbonisation Fund, to support a retrofit pilot project on one of its blocks at its Leigham Court scheme in Plymouth. This project will see WTHP work with partners to manage and monitor the impact of implementing energy efficiency measures within the building.

WTHP will continue to develop a response to climate related issues as this situation evolves. Failure to achieve an EPC 'C' rating on all properties by 2030 and net zero carbon by 2050, leading to climate change impact on residents and WTHP is noted as a risk on the risk map.

WTHP continues to monitor developments across the sector and notes the work of the ESG Social Housing Working Group, which launched the Sustainability Reporting Standard for Social Housing (SRS) in November 2020. WTHP continues to maintain a focus on this area, as it is anticipated that compliance reporting could become a regulatory requirement in the near future.

Finally, WTHP is pleased to report that merger arrangements between South Western Housing Society and Tamar Housing Society concluded on 31 March 2023, when Tamar completed a transfer of engagements into South Western Housing Society. South Western Housing Society immediately changed its name to Willow Tree Housing Partnership Limited. The two organisations had been working in close collaboration since a strategic partnership was formed on 1 June 2020 and a merger of the two closely aligned Societies was seen as the best way to deliver the organisation's mission and objectives, for the years ahead.

The Strategic Report was approved by the Board on

and signed on its behalf by:

**Tim Shobbrook**  
Chair

**Donna Johnson**  
Company Secretary

**Craig Sullivan**  
Vice Chair

**Report of the Board of Directors for the year ended 31 March 2023**

The Board Members and Executive Officers who have served office in the last financial year are set out on pages 1 - 2.

**Board Members and Executive Officers**

**Board Members**

The Board Members are drawn from a wide background bringing together professional, commercial and local experience. There were no overall changes to the Board Members active across 2023. However, at different times, some of the Board Members were Board Members of one pre-merger partner or the other, or both. They were effectively appointed as Board Members of WTHP on its creation on 31 March 2023. A list of all the changes which occurred across the 2023 financial year is given in the tables below:

Organisation	Change in 2023	
	Appointed	Resigned
<b>South Western Housing Society (pre-Merger)</b>		
Tim Shobrook	No change	31 March 2023
Steve Hayes	No change	31 March 2023
Susan Lane	No change	31 March 2023
Wendy Lewis	No change	31 March 2023
Michelle Smith	No change	02 February 2023
Craig Sullivan	No change	31 March 2023
Brian Whittaker	No change	02 February 2023
<b>Tamar Housing Society (pre-Merger)</b>		
Tim Shobrook	No change	31 March 2023
Stephen Burchaell	No change	31 March 2023
Simon Haskell	No change	31 March 2023
Susan Lane	No change	02 February 2023
Michelle Smith	No change	31 March 2023
Craig Sullivan	No change	02 February 2023
Brian Whittaker	No change	31 March 2023
<b>Willow Tree Housing Partnership Limited (Following Transfer of Engagements on 31 March 2023)</b>		
Tim Shobrook	31 March 2023	-
Stephen Burchaell	31 March 2023	-
Simon Haskell	31 March 2023	-
Steve Hayes	31 March 2023	-
Susan Lane	31 March 2023	-
Wendy Lewis	31 March 2023	-
Michelle Smith	31 March 2023	-
Craig Sullivan	31 March 2023	-
Brian Whittaker	31 March 2023	-



## **Report of the Board of Directors (continued)**

### **Chairs**

Tim Shobrook was the Chair of both South Western Housing Society and Tamar Housing Society across 2022/23 up to 2 February 2023, when the co-terminous Board (with non-co-terminous Board Members for each of the pre-merger partners) was split into two single and separate Boards for each of South Western Housing Society and Tamar Housing Society. On 2 February 2023, Craig Sullivan was appointed the Chair of the South Western Housing Society Board and Simon Haskell was appointed Chair of the Tamar Housing Society Board.

On formation of WTHP with its single Board, Tim Shobrook was appointed Chair and Craig Sullivan, Vice Chair. Both appointments took effect on 31 March 2023.

### **Executive Team**

The Executive Team consisted of Chief Executive (Donna Johnson), Finance Director (Catherine Davies-Gallagher), Operations Director (Heather Rigg, appointed 26 February 2023) and Head of Corporate Services (Sue Sparks). The Head of Development and Asset Management (Callum Turner) resigned on 11 November 2022 and the interim Head of Operations (Martin Carney) resigned on 31 March 2023. Their service contracts are primarily on the same terms as other employees, although their notice periods are three months.

The Executive Officers hold no interest in WTHP's shares and act as officers within the authority delegated by the Board. The Chief Executive is the Company Secretary.

WTHP has insurance policies that indemnify Board Members and Executive Officers against liability when acting for the organisation.

### **Compliance with the Governance and Financial Viability Standard**

WTHP complies with the regulator's Governance and Financial Viability Standard in the following ways:

- Adopted and tested compliance against the four key strands the principal recommendations of the NHF Code of Governance (2021) from 1 April 2022.
- A balanced board of management with regular appraisal.
- Adopted the NHF 2015 model rules.
- Standing Orders are in place that set out roles and responsibilities which are reviewed annually by the Board.
- A risk management framework in place with an agreed risk appetite and detailed risk map.
- A long term financial plan in place which has been stress tested.
- Compliance with lenders covenants which the Board monitoring compliance on a quarterly basis.
- Corporate objectives in place which protect housing assets.
- Sufficient liquidity to meet contractual commitments.
- Sufficient headroom to meet development plans.
- An effective system of internal controls is in place which are tested by internal audit.
- An assets and liabilities register is in place.
- A fraud register reviewed by the Audit and Risk Committee.

## **Report of the Board of Directors (continued)**

### **Compliance with the Governance and Financial Viability Standard (continued)**

In addition to this WTHP has:

- Complied with all relevant law.
- Had no issues surrounding compliance that should have been reported to the regulator.
- Acted within its rules.

### **Going concern**

WTHP's business activities, its current financial position, and factors likely to affect its future development are set out within the report from the Board.

WTHP has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the required day to day operations.

WTHP 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. As at 31 March 2023 WTHP had available cash balances of £4.2M and a further £7.0M of secured but undrawn loan facilities that could be drawn at short notice.

The Board's assessment of going concern involves a number of subjective judgements which have been made regarding assumptions feeding into WTHP's financial planning processes which in turn are used to assess going concern. These include, but are not limited to, assumptions about future levels of inflation, interest rates, proceeds from housing property disposals, timing and pricing of first tranche shared ownerships, the future cost of maintaining its homes and the costs of implementing and achieving required energy efficiency standards in its housing stock.

In making its assessment, the Board has considered the strategic risks identified on the strategic risk map and have used these and inputs from external advisors to devise wide-ranging multivariate stress tests to apply to the business plan. Amongst other things, the stress tests have considered the impacts of persistent and higher inflation, higher interest rates and lower house prices. These are all relevant to the organisation, as it operates largely through the buying in of materials, labour and services from third party contractors. The debt portfolio contains a mixture of fixed and variable rate debt, which leaves it with some exposure to interest rate increases. The current Plan assumes that WTHP will gradually dispose of poorer performing stock, so falls in house prices would impact this programme. The sale of planned shared ownership sales could also be affected either through price falls or delays.

The results of the stress tests have been reported to, and reviewed by, the Board.

A detailed recovery plan outlining mitigating actions to allow WTHP to recover from the conditions set out in the harshest stress test was also reported to the Board. Additionally, the Board also received confirmation that all mitigating actions had been tested to ensure that the recovery plan was sufficient to restore WTHP to covenant compliance and a satisfactory financially viable position.

As part of the going concern assessment and conclusion, the Board were satisfied that the stress testing scenarios had incorporated the impact of the special situation risks. Consequently, the Board were able to conclude that the Business Plan was robust and that WTHP would be able to meet its ongoing obligations.

## **Report of the Board of Directors (continued)**

### **Going concern (continued)**

The Board has a reasonable expectation that WTHP 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. The Board has considered the foreseeable future for their going concern assessment to cover the period to 30 September 2024.

On this basis, the Board continues to adopt the going concern basis in the financial statements.

### **Merger accounting**

On 31 March 2023, Tamar Housing Society merged with South Western Housing Society, by way of a transfer of engagements. South Western Housing Society immediately changed its name to Willow Tree Housing Partnership Limited. Both the 2022 and 2023 data reported in the financial statements and notes to the accounts have therefore, been produced by the application of merger accounting, by which any inter-partner transactions have been eliminated.

### **Post balance sheet events**

There are no post balance sheet events to report.

### **Assessment of the effectiveness of Internal Controls**

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing annually 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 WTHP is ongoing and has been in place throughout the period commencing 1 April 2022 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit and Risk Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risk;
- multiple level review of financial data on a monthly basis.
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- establishment of authorisation and appraisal procedures for all significant new initiatives and commitments;
- a treasury management policy and strategy with regular reporting to board on key business objectives, targets and outcomes;
- Board approved whistle blowing, anti-fraud and corruption policies; and
- Regular monitoring of loan covenants and requirements for new loan facilities.

## **Report of the Board of Directors (continued)**

### **Assessment of the effectiveness of Internal Controls (continued)**

The Audit and Risk Committee maintains a fraud register for review at all their meetings. During 2023, no fraud attempts were identified.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives the minutes of Audit and Risk Committee meetings. The Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for WTHP, and the annual report of the internal auditor, and has reported its findings to the Board.

### **Board member's responsibilities**

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

Co-operative and Community Benefit Partnership law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board members are required to:

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

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and 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 Direction for Private Registered Providers of Social Housing 2022. They are 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.

The Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

**Report of the Board of Directors (continued)**

**Auditor**

All of the current Board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

PKF Francis Clark have expressed their willingness to continue to act in their capacity as external auditors.

**Annual General Meeting**

The Annual General Meeting will be held on 21 September 2023. The location will be published nearer the time of the meeting.

The Report of the Board of Directors was approved by the Board on \_\_\_\_\_ and signed  
on its behalf by:

**Tim Shobrook**  
Chair

**Donna Johnson**  
Company Secretary

**Craig Sullivan**  
Vice Chair

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLOW TREE HOUSING PARTNERSHIP LIMITED**

We have audited the financial statements of Willow Tree Housing Partnership Limited (the "society") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, and the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

### **Conclusions relating to going concern**

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

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLOW TREE HOUSING PARTNERSHIP LIMITED (continued)

### Other information

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

We have nothing to report in this regard.

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

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

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

### Responsibilities of the Board of Directors

As explained more fully in the Statement of Board's responsibilities set out on page 41, the Board of Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLOW TREE HOUSING PARTNERSHIP LIMITED (continued)**

**Auditor's responsibilities for the audit of the financial statements (continued)**

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

Based on our understanding of the society and industry, we identified the principal risks of non-compliance with laws and regulations related to acts by the society which were contrary to applicable laws and regulations, including fraud.

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (FRS102, the Housing SORP and Accounting Direction for Private Registered Providers of Social Housing 2022), the Financial Conduct Authority and section 87 of the Co-operative and Community Benefit Societies Act 2014. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting.

Audit procedures performed by the engagement team include, but were not limited to:

- Discussion and inquiries with management of compliance with laws and regulations and review of correspondence and contracts with third parties where applicable.
- Review of board minutes.
- Sample testing of asbestos and gas safety registers.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting. Our procedures involved the following;

- Review of nominal journal entries for reasonableness;
- Review of significant accounting estimates for bias;
- Review of sales cut off;
- Review of actuarial assumptions associated with the defined benefit pension liability.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WILLOW TREE HOUSING PARTNERSHIP LIMITED (continued)**

**Use of our report**

This report is made solely to the society’s members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society’s members as a body, for our audit work, for this report, or for the opinions we have formed.

**Duncan Leslie** (Senior Statutory Auditor)  
PKF Francis Clark Statutory Auditor  
Melville Building East, Unit 18, 23 Royal William Yard, Plymouth, Devon, PL1 3GW

Date:.....

**Statement of Comprehensive Income  
 For the year ended 31 March 2023**

	Note	2023 £000	2022 £000
<b>Turnover</b>	4	8,871	9,347
Cost of sales	4	(71)	(797)
Operating costs	4	(7,307)	(6,407)
Surplus on the sale of housing properties	4	449	473
Surplus on the sale of other assets	4	-	7
		<hr/>	<hr/>
<b>Operating surplus</b>	8	1,942	2,623
Other income	9	6	2
Interest receivable	12	25	1
Interest and financing charges	13	(2,583)	(1,178)
		<hr/>	<hr/>
<b>(Deficit) / Surplus for the financial year and total comprehensive income</b>		(610)	1,448
		<hr/>	<hr/>
<b>Other comprehensive income</b>			
Actuarial (losses) / gains	28	(96)	153
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		(706)	1,601
		<hr/> <hr/>	<hr/> <hr/>

Willow Tree Housing Partnership Limited's results relate wholly to continuing activities.

The financial statements were approved by the Board of Directors and authorised for issue on

.....

**Tim Shobrook**  
Chair

**Donna Johnson**  
Secretary

**Craig Sullivan**  
Vice Chair

The accompanying notes on pages 52 to 102 form part of these financial statements.

**Statement of Financial Position**  
**As at 31 March 2023**

	Note	2023 £000	2022 £000
<b>Fixed Assets</b>			
Intangible assets	15	91	27
Tangible fixed assets - housing properties	16	88,671	88,074
Tangible fixed assets - other	17	717	802
Investments	18	260	260
		89,739	89,163
<b>Current Assets</b>			
Properties for sale	19	-	67
Stock	20	177	3
Debtors – due in one year	21	812	1,155
Cash at bank and in hand		4,167	5,359
		5,156	6,584
<b>Creditors</b>			
Amounts falling due within one year	22	(2,730)	(3,048)
		2,426	3,536
<b>Net current assets</b>			
		92,165	92,699
<b>Total assets less current liabilities</b>			
<b>Creditors:</b>			
Amounts falling due after one year	23	(52,840)	(52,921)
<b>Provisions</b>			
	26	(549)	(271)
		38,776	39,507
<b>Net assets excluding pension liability</b>			
Defined benefit pension liability	29	(616)	(641)
		38,160	38,866
<b>Net assets</b>			
		38,160	38,866

**Statement of Financial Position (continued)**  
**As at 31 March 2023**

	Note	2023 £000	2022 £000
<b>Capital and Reserves</b>			
Share capital	30	-	-
Income and expenditure reserve		30,792	31,498
Revaluation reserve		7,368	7,368
		<hr/>	<hr/>
<b>WTHP's Funds</b>		38,160	38,866
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board of Directors and authorised for issue on .....

**Tim Shobrook**  
Chair

**Donna Johnson**  
Secretary

**Craig Sullivan**  
Vice Chair

The accompanying notes on pages 52 to 102 form part of these financial statements.

**Statement of Changes in Reserves  
 For the year ended 31 March 2023**

	Share capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000	Total Reserves £000
As at 1 April 2022	-	7,368	31,498	38,866
Surplus for the year	-	-	(610)	(610)
Other comprehensive income: Actuarial (losses) / gains in respect of pension scheme	-	-	(96)	(96)
<b>As at 31 March 2023</b>	-	7,368	30,792	38,160

**Statement of Changes in Reserves  
 For the year ended 31 March 2022**

	Share capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000	Total Reserves £000
As at 1 April 2021	-	7,368	29,897	37,265
Surplus for the year	-	-	1,448	1,448
Other comprehensive income: Actuarial (losses) / gains in respect of pension scheme	-	-	153	153
<b>As at 31 March 2022</b>	-	7,368	31,498	38,866

The accompanying notes on pages 52 to 102 form part of these financial statements.

**Statement of Cash Flows**  
**For the year ended 31 March 2023**

	Note	2023 £000	2022 £000
<b>Net cash inflow from operating activities</b>			
<b>Surplus for the year</b>		(610)	1,448
Adjustments for:			
Depreciation of assets - housing properties	16	1,373	1,311
Component write off	16	85	23
Depreciation of other tangible fixed assets	17	36	49
Amortisation of intangibles	15	29	20
Decrease in properties held for sale	19	67	122
Profit on sale of intangibles		-	5
Amortised grant	5	(268)	(269)
Interest payable and finance costs	13	2,583	1,178
Interest receivable	12	(25)	(1)
Surplus on sale of houses		(449)	(110)
Movement in debtors		343	(593)
Movement in creditors		(357)	234
Movement in provision		278	135
Movement in stock		(174)	1,330
Difference between net pension expenses and cash contribution		(137)	(111)
<b>Net cash generated from operating activities</b>		<b>2,774</b>	<b>4,771</b>
<b>Investing activities</b>			
Receipt of grant	24	-	14
Proceeds from sale of fixed assets – housing properties		898	264
Proceeds from sale of fixed assets – other		-	7
Purchase of fixed assets - housing properties	16	(2,375)	(2,688)
Purchase of fixed assets - other	17	(29)	(61)
Purchase of intangibles	15	(15)	(5)
Interest received	12	25	2
<b>Net cash used in investing activities</b>		<b>(1,496)</b>	<b>(2,467)</b>
<b>Financing activities</b>			
Interest paid		(1,367)	(1,262)
Other loans repaid		(7)	-
New loans and drawdowns - bank		9,000	1,850
Repayment of loans - bank		(8,678)	(734)
Break costs paid		(1,243)	-
Loan issue costs paid		(175)	-
Release of capital grants		-	9
<b>Net cash generated from financing activities</b>		<b>(2,470)</b>	<b>(137)</b>
<b>Net (decrease) / increase in cash</b>		<b>(1,192)</b>	<b>2,167</b>
<b>Cash at beginning of year</b>		<b>5,359</b>	<b>3,192</b>
<b>Cash at end of year</b>		<b>4,167</b>	<b>5,359</b>

The accompanying notes on pages 52 to 102 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Legal Status

Willow Tree Housing Partnership Limited is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with The Regulator of Social Housing as a social housing provider. The registered office is given on page 1 and the principal activities can be found in the Strategic Report.

WTHP is a public benefit entity.

### 2. Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Willow Tree Housing Partnership Limited includes the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, the Accounting Direction for Private Registered Providers of Social Housing 2022.

The financial statements are prepared in pounds sterling (£) and are rounded to the nearest thousand pounds.

The following principal accounting policies have been applied:

#### 2.1 Merger accounting

On 31 March 2023, Willow Tree Housing Partnership Limited (‘WTHP’) (formerly South Western Housing Society Limited (‘SWHS’)) merged with Tamar Housing Society Limited (‘THS’). Both South Western Housing and Tamar Housing Society were registered social housing providers with a strategic agreement to work together. This has been accounted for in accordance with the principles of merger accounting since both entities were controlled by the same individuals previously, and their rights relative to each other are unchanged. Consequently, these financial statements have been prepared as if the two Societies had always been one entity. The comparatives shown represent the results of SWHS and THS as if they had always been one entity.

Under the principles of merger accounting, the assets and liabilities of Tamar Housing Society Limited have been brought in at their book values under the accounting policies of WTHP.

There were no material differences between the accounting policies of the two pre-merged entities, and so no significant adjustments were required to align these.

The total comprehensive income for the year for WTHP (pre-merger) was £424k (2022: £1,222k) and for Tamar Housing Society Limited the total comprehensive loss was £1,130k (2022: total comprehensive income of £374k). Significant adjustments were required to perform the merger due to the fact that there was activity between the two entities before this date which needed to be eliminated.

As the merger took place on the final day of the reporting period, the whole of the result for the period precedes the merger. At the date of the merger the net assets of WTHP stood at £34,559k (2022: £34,130k) and the net assets of Tamar Housing Society Limited at £3,601k (2022: £4,731k). The adjustment to net assets of £Nil (2022: £5k) relates to the elimination of recharges between the two entities, and is not considered significant.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.2 Basis of consolidation**

Willow tree Housing Partnership Limited has one subsidiary (SWHNC Limited) which is registered under the Companies Act. This company is 100% owned by WTHP and is dormant. The exemption from producing consolidated financial statements per paragraph 9.9A of FRS 102 has been taken on the basis that the subsidiary is not material for the purpose of giving a true and fair view.

**2.3 Going concern**

WTHP's business activities, its current financial position, and factors likely to affect its future development are set out within the report from the Board.

WTHP has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with WTHP's day to day operations.

WTHP 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.

As at 31 March 2023 WTHP had available cash balances of £4.2M and a further £7.0M of secured but undrawn loan facilities that could be drawn at short notice.

The Board's assessment of going concern involves a number of subjective judgements which have been made regarding assumptions feeding into WTHP's financial planning processes which in turn are used to assess going concern. These include, but are not limited to, assumptions about future levels of inflation, interest rates, proceeds from housing property disposals, timing and pricing of first tranche shared ownerships, the future cost of maintaining its homes and the costs of implementing and achieving required energy efficiency standards in its housing stock.

In making their assessment, the Board have considered the strategic risks identified on WTHP's risk map and have used these and inputs from external advisors to devise wide-ranging multivariate stress tests to apply to the business plan. Amongst other things, the stress tests have considered the impacts of persistent and higher inflation, higher interest rates and lower house prices. These are all relevant to WTHP, as it operates largely through the buying in of materials, labour and services from third party contractors. WTHP's debt portfolio contains a mixture of fixed and variable rate debt, which leaves it with some exposure to interest rate increases. The current Plan assumes that WTHP will gradually dispose of poorer performing stock, so falls in house prices would impact this programme. The sale of planned shared ownership sales could also be affected either through price falls or delays.

The results of the stress tests have been reported to, and reviewed by, the Board.

A detailed recovery plan outlining mitigating actions to allow WTHP to recover from the conditions set out in the harshest stress test was also reported to the Board. Additionally, the Board also received confirmation that all mitigating actions had been tested to ensure that the recovery plan was sufficient to restore WTHP to covenant compliance and a satisfactory financially viable position.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.3 Going concern (continued)**

As part of the going concern assessment and conclusion, the Board were satisfied that the stress testing scenarios had incorporated the impact of the special situation risks. Consequently, the Board were able to conclude that the Business Plan was robust and that WTHP would be able to meet its ongoing obligations.

The Board has a reasonable expectation that WTHP 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. The Board have considered the foreseeable future for their going concern assessment to cover the period to 30 September 2024.

On this basis, the Board continues to adopt the going concern basis in the financial statements.

**2.4 Turnover and revenue recognition**

Turnover comprises property and garage rental income receivable in the year, service charge income, income from shared ownership first tranche sales, other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year, incomes from the electricity feed in tariff, occasional insurance claim receipts, car park lease income and amortisation of grants, receivable in the year.

Rental and service charge incomes (where applicable) are recognised:

- from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids; and
- up to and including the actual closing date for the financial year. As such, this may mean that part of the final, full weekly rent for the financial is deferred to the following financial year.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Income is measured at the fair value of the consideration received or receivable.

Voids are incurred from the date a property becomes vacant up until the date the new tenancy commences. If a property is to be put on the market for sale once it becomes vacant it will be taken out of management.

**2.5 Service charge income**

Service charge income is recognised as it falls due.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Accounting policies (continued)

#### 2.6 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred (charged to the Statement of Comprehensive Income).

WTHP participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit final salary pension scheme managed by TPT Retirement Solutions that is no longer open to new members.

The scheme assets and liabilities have been separately identified for each employer, and WTHP accounts for the scheme as a defined benefit scheme.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the group through reduced contributions or through refunds from the plan.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current accounting period. Interest is calculated on the net defined liability. Re-measurements are reported in other comprehensive income.

#### 2.7 Planned and Responsive Maintenance

The Asset Management Team maintains a rolling Asset Management Strategy and Plan which sets out priorities for planned maintenance and component replacements in the years ahead.

All component replacements and repairs to property which result in an incremental future benefit (as set out in the components section of Note 2), or result in a significant extension of the useful economic life of the property within the business, are capitalised and depreciated in accordance with the housing property Accounting Policies. All other repair and maintenance costs are charged directly to operating costs within the Statement of Comprehensive Income. Such costs are subdivided into responsive maintenance and planned maintenance categories.

Responsive maintenance activities relate to the day-to-day repairs which need attention to keep the property in good order. Typical examples include the repair of water leaks and emergency tree works.

Planned maintenance works relate to works such as external decoration projects, major fencing works and similar programmes.

#### 2.8 Taxation

##### *Corporation Tax*

WTHP has adopted charitable rules and is not liable for corporation tax on its charitable activities.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.8 Taxation (continued)**

*PAYE and National Insurance*

PAYE and National Insurance liabilities are incurred based on tax rates and laws in force at the point when the liability was incurred.

*Value added tax*

WTHP 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 WTHP and is not recoverable from HM Revenue and Customs. The balance of VAT payable or receivable at the year-end is included as a current liability or asset.

**2.9 Interest receivable**

Interest receivable on positive cash holdings is accounted for in the Statement of Comprehensive Income in the attributable financial year.

**2.8 Interest payable and financing charges**

WTHP's loans are classified as basic financial instruments as defined in Section 11 of FRS 102.

Interest payable and financing costs are charged to the Statement of Comprehensive Income over the term of the debt.

Debt issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument and debt set up costs and arrangement fees are reported on the Statement of Financial Position. Such costs are amortised over the life of the loan facility and the amortisation is charged to the Statement of Comprehensive Income. Facility non-utilisation costs are charged directly to the Statement of Comprehensive Income.

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:

- Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- Interest on WTHP's borrowings as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

The interest rate used for capitalisation will be the weighted average of rates applicable to WTHP's general borrowings outstanding (excluding any borrowings specifically for obtaining other assets).

For the reporting of results for the 2023 year, the interest rate used for capitalisation was the weighted average of former South Western Housing Society borrowings.

Other interest payable is charged to the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.9 Leases**

Leases that do not transfer the risks and rewards of ownership are classified as operating leases.

SORP 2018 considers that standard rental agreements for tenanted social housing properties to be operating leases as defined in section 20 of FRS 102. WTHP is the lessor.

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

**2.10 Intangible assets**

Section 18 of FRS102 states that an intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is identifiable when:

- It is separable.
- It arises from contractual or other legal rights.

FRS 102 also states that the cost of an intangible asset can only be recognised if:

- It is probable that future economic benefits associated with the item will flow into WTHP; and
- The cost of the item can be measured reliably.

Once the intangible asset has been recognised the cost model will be applied which means that the item will be measured at cost less any accumulated amortisation and less any accumulated impairment losses.

***Intangible assets – Computer software***

Computer software is carried at cost less accumulated amortisation and impairment losses. Costs associated with maintaining computer software are recognised as an operating expense in the Statement of Comprehensive Income as incurred.

***Intangible assets - Computer Software Development Costs***

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria is met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and the expenditure attributable to the software during its development can be reliably measured.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.10 Intangible assets (continued)**

Amortisation is charged on a straight-line basis over the expected useful life of the software.

The expected useful life is considered to be five years. The computer software is reviewed for impairment where there are triggers such as technological advancement or changes in market price that indicate that the carrying amount may be impaired.

**Intangible assets – Rentplus Costs**

A number of costs associated with bringing Rentplus developments into service with WTHP have previously been capitalised on the basis that the Rentplus developments will produce benefits over some years, even though these properties are not owned by WTHP. These costs are:

- Upfront legal costs for Rentplus properties.

These costs are carried at cost less accumulated amortisation and (if required) impairment. Costs associated with the maintenance of Rentplus properties and the amortisation of these capitalised intangible costs are charged as operating costs in the Statement of Comprehensive Income.

The expected useful life is considered to be five years.

**2.11 Tangible fixed assets – housing properties**

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent.

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition, which may include an appropriate amount for staff costs, and other costs of managing development.

Directly attributable costs of acquisition include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is ongoing and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Mixed developments are held within fixed assets and accounted for at cost less depreciation.

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to specific tenure, costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.11 Tangible fixed assets – housing properties (continued)**

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in fixed assets and held at cost less any impairment, and are transferred to completed properties when ready for letting.

***Shared Ownership Properties and Staircasing***

Under low-cost home ownership arrangements, WTHP disposes of a long lease on low cost home ownership housing units for a shares generally ranging between 25% and 50% of value. The buyer has the right to purchase further proportions and some up to 100% based on the market valuation of the property at the time each purchase transaction is completed. As at 31 March 2023, the lowest share owned by tenants is 25% and the highest is 80%.

Low-cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element, the “staircasing element”, is classed as a fixed asset and included in completed housing property at cost less any provision for depreciation and impairment (impairment and depreciation are charged to the Statement of Comprehensive Income). Sales of subsequent tranches are treated as a part disposal of a fixed asset. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Income from first tranche shared ownership sales is included in turnover on completion of the sales contract process in line with paragraph 12.6 of the Housing SORP 2018.

**2.12 Depreciation of housing properties**

Paragraph 17.16 FRS102 provides that if the major components of an item of property have sufficiently different patterns of consumption of economic benefits, then each major component must be recognised and depreciated over its individual, economic life (Housing SORP 2018).

Additional consideration may be required by management for any major components as a result of changes in energy efficiency or building and fire safety requirements.

***Owned Properties***

WTHP 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.12 Depreciation of housing properties (continued)**

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

Description	Percentage depreciation	Useful economic life
Structure*	0.80%	125 years
Structure	1.00%	100 years
Roofs	1.67%	60 years
Kitchens	4.00%	25 years
Bathrooms	3.33%	30 years
Windows and doors	2.50%	40 years
Heating systems (Gas)	6.67%	15 years
Heating systems (Oil)	5.00%	20 years
Heating systems (Renewable)	6.67%	15 years
Heating systems (Electric)	4.00%	25 years
Solar and Photovoltaics	5.00%	20 years
External property fittings +	4.00%	25 years
Lifts	4.00%	25 years
Log Walls	4.00%	25 years

\*Certain former South Western Housing Society properties improved via a rain cladding programme are depreciated over 125 years (0.8% per annum).

+Bargeboards, soffits, fascia, guttering and downpipes associated with certain former Tamar Housing Society properties.

Freehold land values are measured at historic cost and are not depreciated on account of indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

**Shared Ownership Properties**

WTHP's retained portion of shared ownership properties is measured as the historic cost of the retained element and charges depreciation, so as to write-down the non-land element to its estimated residual value, on a straight-line basis, over its estimated useful economic life, as follows:

Description	Percentage depreciation	Useful economic life
Shared Ownerships	1.00 %	100 years

The land element is not depreciated.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.12 Depreciation of housing properties (continued)**

***Leasehold properties***

SORP 2018 considers that standard rental agreements for tenanted social housing properties to be operating leases as defined in section 20 of FRS 102. WTHP will be the lessor.

Lease agreements for properties leased by WTHP from the owner for a period up to five years will be treated as operating leases as defined in section 20 of FRS 102. WTHP will be the lessee.

***Housing Property Impairment***

The Housing SORP 2018 paragraphs 14.1 to 14.45 deals with the impairment of assets. Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

The housing property portfolio for WTHP is assessed for indicators of impairment at each Statement of Financial Position date.

Where an indicator of impairment exists then an assessment is undertaken as follows:

- The level at which an impairment is to be assessed is determined (i.e. the asset or cash generating unit).
- The recoverable amount of the asset or cash generating unit is identified.
- The carrying amount of the asset or cash generating unit is calculated.
- The carrying amount is compared to the recoverable amount to determine if an impairment loss has occurred.

Where:

▪ **Cash Generating Units**

WTHP defines cash generating units as schemes, except where its schemes are not sufficiently large or where it is geographically sensible to group schemes into larger generating units.

▪ **Recoverable amount**

The recoverable amount of an asset or cash generating unit is the higher of it's:

- Value in use; and
- Fair value less costs to sell.

The approach taken to the value in use estimate will depend on whether the properties held for service potential can still actually be let. Where service potential remains then WTHP will follow the direction of SORP 2018 paragraph 14.26 and utilise the depreciated replacement cost as an estimate of the value in use.

Where a scheme is currently deemed not to be providing service potential to WTHP, its recoverable amount is its fair value less costs to sell or value in use as set out in SORP 2018 paragraph 14.21.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.12 Depreciation of housing properties (continued)**

▪ **Carrying Amount**

The carrying amount of the asset or cash generating unit is calculated as the net book value less any unamortised grant in the Statement of Financial Position relating to the asset or cash generating unit.

▪ **Impairment Losses**

An impairment loss occurs when the carrying amount of the asset or cash generating unit exceeds its recoverable amount. This impairment loss must be charged to the Statement of Comprehensive Income as expenditure and is disclosed as a separate line within operating expenditure if material.

▪ **Reversal of an impairment loss**

An impairment loss for all assets must be reversed in a subsequent period if and only if the reasons for the impairment have ceased to apply (SORP 2018 paragraph 14.38). The reversal of an impairment loss is included in the Statement of Comprehensive Income.

**2.13 Other tangible fixed assets**

Other tangible fixed assets such as offices, office furniture and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

WTHP adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to WTHP. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

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 assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is any indication of a significant change since the last reporting date.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.13 Other tangible fixed assets (continued)**

The principal annual depreciation rates used for other assets are:

Description	Percentage depreciation	Economic useful life
Freehold Offices - land	0%	Not applicable
Freehold Offices - buildings	2%	50 years
Office furniture	20%	5 years
Office IT	33%	3 years
Furniture, fixtures and fittings	20%	5 years
Computers & office equipment	33%	3 years
Motor vehicles	33%	3 years
Other Assets	20%	5 years

WTHP capitalises all assets with a historic purchase cost of £500 or more (inclusive of VAT).

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the Statement of Comprehensive Income.

**2.14 Investments**

Investments represent monies held by third parties on WTHP's behalf.

Investments are held on the Statement of Financial Position at fair valuation. A discount may be applied if there is a difference between the actual interest rate received and the risk-free rate. Changes in fair value are recognised in the Statement of Comprehensive Income.

**2.15 Properties for Sale**

Unsold, but completed shared ownership first tranche sale properties and properties developed for outright sale are valued at the lower of cost and estimated selling price less costs to complete and sell (net realisable value).

Cost comprises materials, interest and direct development overheads.

**2.16 Stock**

Properties under construction are valued at the lower of cost and estimated selling price less costs to complete and sell (net realisable value). Cost comprises materials, interest and direct development overheads.

Other stock is stated at the lower of cost and net realisable value.

**2.17 Debtors**

Debtors with no stated interest rate and receivable within one year are recorded at the transaction price. Any losses from impairment are recognised in the Statement of Comprehensive Income, in operating costs.

Where deferral of payment terms has been agreed and the potential impact of discounting is material, the balance is shown at the present value, discounted at a market rate.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.17 Debtors (continued)**

***Recoverable amount of rental and other trade receivables***

WTHP estimates the recoverable value of rental and other receivables and impairs the debtor by the appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt. The impairment is actioned by the creation and review of provisions for bad and doubtful debts.

***Provisions for liabilities - Bad and Doubtful Debts***

The provisioning for bad and doubtful debts is reviewed in detail, on a regular basis and at the reporting date. A wide variety of information is included as part of the assessment.

In the case of tenant arrears, this will include factors such as the state of the tenancy i.e. current or former, payment history, the arrears balance and any payment plans in place.

For non-tenant arrears, a similar exercise is performed.

Based on the information available, management estimate the required level of provisioning required.

Provisions are charged to the Statement of Comprehensive Income and the provision balance is reported on the Statement of Financial Position. Debtor balances are reported net of the appropriate provision.

The level of bad and doubtful debts provisioning is based on judgements about likely debt repayments and is therefore included in Note 3 of the accounts regarding judgements and estimates.

***Rental and service charge agreements***

WTHP has made arrangements with individuals and households for the payment of rent and service charge arrears. These arrangements are effectively loans granted at nil interest rate.

Where arrangements are made for tenants to repay their arrears beyond normal business terms with no interest rate applied, the liability will be measured at the present value of the future payments discounted at a market rate.

**2.18 Cash and Cash Equivalents**

Cash and cash equivalents in WTHP's Statement of Financial Position consist of cash at bank, cash in hand and any retail vouchers which have been purchased for distribution to tenants through various tenancy support activities.

Cash and deposits which are normally payable within one year are recognised at their undiscounted, transaction value.

**2.19 Creditors**

Short term trade creditors payable within one year with no stated interest rate are measured at the transaction price.

Where deferral of payment terms has been agreed and the impact of discounting is material, the balance is shown at the present value, discounted at a market rate.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Accounting policies (continued)

#### 2.20 Provisions

Provisions are recognised for legal or constructive obligations for which either the timing or the amount of the future expenditure required to settle the obligation is uncertain. The amount recognised is the best estimate of the settlement amount.

##### Rentplus Provisions

WTHP has a number of future obligations arising from its decisions to accept the management of Rentplus housing stock on full repairing leases which contain specific contractual commitments around items such as property handback standards.

As a result of this, provisions are provided for leased Rentplus properties. The provisions are created via a charge to the Statement of Comprehensive Income. The resulting provision is recorded on the Statement of Financial Position within creditors due in more than one year. .

Details of the provisions made annually are shown in Notes to the Accounts. The provisions cover three areas:

- Handback costs.
- Cyclical costs
- Major repair costs relating to kitchens, boilers and renewables.

Note 3 of the accounts regarding judgements and estimates sets out the assumptions made in the creation of these provisions.

#### 2.21 Government Grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations.

They are recognised in the accounts when there is reasonable assurance that the conditions attached to the grants will be complied with and that they will be received. Grants due from government organisations or received in advance are included as current assets or liabilities on the Statement of Financial Position.

Grants will be recognised using the accrual method, as required by FRS 102 and SORP 2018. Grants received to cover costs already incurred with no future related costs will be recognised as revenue when they become receivable. Grants relating to revenue will be recognised in the period in which the related costs are recognised.

Grants relating to assets will be recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the useful life of the property structure which is 100 years. Grant receivable for a specific component will be recognised in income over the useful life of the component (component lives are noted under the 'Depreciation of housing properties' sections).

Where there is a donation or acquisition of land or other asset at below market value, the difference between the fair value of the land or asset will be recognised as a grant, and will be treated in the same way as a grant relating to assets noted above.

On disposal of a grant funded asset, where there is no obligation to repay the grant, any unamortised grant will be derecognised as a liability and recognised as income.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**2.21 Government Grants (continued)**

Payments received from the government for previous furloughed employees during the Coronavirus pandemic are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

Where there is a requirement to recycle or repay the grant on disposal of an asset, a liability will be included in the Statement of Financial Position. The liability will be the amount required to settle the obligation as required by the terms of the grant agreement.

Grants relating to shared ownership property sales when full staircasing has not taken place will be deferred if the net sale proceeds are insufficient to meet the repayment obligations and will not be recognised as a liability. On subsequent staircasing sales a liability will be recognised once the net sale proceeds are sufficient to cover the liability.

**2.22 Financial Liabilities and Equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

**2.23 Financial Instruments**

WTHP has chosen to apply FRS 102 Section 11 and Section 12 in full, on the basis that each of its loans meets the criteria of a basic financial instrument as defined in Section 11 of FRS 102.

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

WTHP has not adopted hedge accounting for the financial instruments.

**2.24 Contingent Liabilities**

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment that is dependent on the disposal of related property, and regarding the SHPS ongoing legal case.

**2.25 SHPS ongoing legal proceedings regarding the payment of past pension benefits**

WTHP participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit final salary pension scheme managed by TPT Retirement Solutions that has been closed to new members for some years.

The scheme assets and liabilities have been separately identified for each employer, and WTHP accounts for the scheme as a defined benefit scheme.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Accounting policies (continued)

#### 2.25 SHPS ongoing legal proceedings regarding the payment of past pension benefits

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. A net surplus is recognised only to the extent that it is recoverable by the group through reduced contributions or through refunds from the plan.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current accounting period. Interest is calculated on the net defined liability.

Re-measurements are reported in the Statement of Other Comprehensive Income.

As at the year ended 31 March 2023, the net defined benefit pension deficit liability was £616k (2022: £641k).

Detailed information regarding the pension position is set out in the Notes to the Accounts.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial instruments, key judgements have been made in respect of the following:

#### *Impairment of Tangible Fixed Assets*

Both FRS 102 and the Housing SORP 2018 (paragraphs 14.1 to 14.45) provide indicators that should be considered by at each reporting date, to assess whether there are any indicators of impairment. Assessments, recoverable amounts and value in use may therefore be subject to estimates and uncertainties. Factors taken into account in reaching such a decision include economic viability and expected future financial performance of the asset where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. WTHP has considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment a depreciated replacement cost basis.

#### Other key sources of estimation uncertainty

- *Tangible fixed assets – housing properties*

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

The capitalisation of interest regarding active developments, is based on assumptions regarding the overall pooled interest rate to estimate the amounts.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

▪ *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets including any components.

Uncertainties in these estimates relate to a variety of issues including but not limited to technological obsolescence that may change the utility of certain software and IT equipment, changes to the Decent Homes Standards and changes to energy efficiency requirements which may require more frequent replacement of key components. Additionally, there may be occasions when it is more cost-effective to replace a component early. For example, housing stock in a given location may have common components that are due to be replaced at differing, but broadly similar points. In such cases, it may be operationally and financially beneficial to replace all the items at the same time.

Accumulated depreciation of intangible assets as at 31 March 2023 was £185k (2022: £130k) and the carrying amount of the intangible assets was £91k (2022:£27k).

Accumulated depreciation of housing properties as at 31 March 2023 was £17,530k (2022: £16,580k) and the carrying amount of the housing properties was £88,671k (2022:£88,074k).

▪ *Bad and doubtful debt provisions*

The provisioning for bad and doubtful debts is reviewed in detail, on a regular basis and at the reporting date. A wide variety of information is included as part of the assessment.

In the case of tenant arrears, this will include factors such as the state of the tenancy i.e. current or former, payment history, the arrears balance and any payment plans in place.

For non-tenant arrears, a similar exercise is performed.

Based on the information available, management estimate the required level of provisioning required.

Provisions are charged to the Statement of Comprehensive Income and the provision balance is reported on the Statement of Financial Position.

At the close of 31 March 2023, the provision for bad and doubtful debts amounted to £81k (2022: £140k).

▪ *Components*

The cost of replacing components is generally a known, as these items are sourced from third party suppliers who subsequently provide invoicing for the items and/or the work package as a whole. Components have agreed useful economic lives and the lifespans dictate the timing of the replacement programme. However, there may be occasions when it is more cost-effective to replace a component early. For example, housing stock in a given location may have common components that are due to be replaced at differing, but broadly similar points, then it may be operationally and financially beneficial to replace all the items at the same time.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

▪ *Tenant arrears and payment plans*

There are a number of tenants with agreements to repay arrears over future periods. A calculation has been carried out to assess these agreements under fair value using a discount rate that WTHP has judged to reflect the potential cost to the resident if they had procured the agreement elsewhere. The total cost is not considered to be material and has, therefore, not been included.

▪ *Service Charges*

WTHP operates a 'hybrid' model for service charges, as follows:

*Former South Western Housing Society Properties*

For these properties, WTHP adopts the variable method for calculating and charging service charges to its tenants, on a scheme-by-scheme basis.

Service charges are set on the basis of budgets. The budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge.

Expenditure is recorded when a service is provided and charged to the relevant service charge account. Income is recorded on the estimated amounts chargeable. Incomes and costs are recognised up to and including the actual closing date for the financial year i.e. 31 March.

*Former Tamar Housing Society Properties*

For these properties, WTHP operates both fixed and variable service charge arrangements:

Shared ownership tenants are charged on a scheme-by-scheme basis on a variable basis.

Other tenure types are charged on a fixed service charge basis (on a scheme-by-scheme basis), whereby tenants are charged the actual costs incurred in the twelve months up to and including the 30 September in the current financial year.

Works carried out on properties that are chargeable through the service charge are charged to residents over periods up to 30 years.

Expenditure is recorded when a service is provided and charged to the relevant service charge account. Income is recorded on the basis noted above.

Incomes and costs are recognised up to and including the actual closing date for the financial year i.e. 31 March.

A calculation has been carried out to assess any outstanding charges under fair value using a discount rate that WTHP has judged to reflect the potential cost to the resident if they had procured the works elsewhere.



NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

▪ *Service Charges (continued)*

The total cost is not considered to be material and has, therefore, not been included.

▪ *Allocation of costs for shared ownership*

Costs of the development of mixed tenure schemes may not be easily or directly attributable to specific properties within the scheme. In such cases, WTHP will allocate costs based on a simple basis such as floor area or number of bedrooms.

When shared ownership properties are sold, the cost of the shared ownership is allocated in line with the proportion of the property purchased.

These are deemed a fair method of cost allocation but is subject to estimates and uncertainties.

▪ *Grants*

Grants received for the development or purchase of properties are amortised over the life of the relevant property, which is equivalent to the life of its structure component. Component lives are set out in Note 2.

As at 31 March 2023, the accumulated value of grants was £24,191k (2022:£24,421k) and the associated amortisation amounted to £4,363k (2022:£4,180k).

▪ *Rent plus provisions*

Provisions are provided for leased Rentplus properties and are set out in Note 2 Accounting Policies.

Details of the provisions made annually are shown in the Notes to the Accounts. The provisions are made using a number of assumptions:

- Handback costs are based on WTHP's review of the contractual handback standard provided by Rentplus and current experience of costs.
- Cyclical costs are based on planned programmes, good property management practises and current experience of costs for these activities. External decoration provisions cover a mixture of exterior washing down or repainting.
- Major repair costs. Provisions are made for the replacement of kitchens, boilers and renewables, in line with the agreed asset lives set out in WTHP's Accounting Policies (Note 2).

Wherever possible, provisioning is calculated at property level.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

▪ *Rent plus provisions (continued)*

The provision balances at the close of the current and prior financial years are shown in the table below:

Provision balances	2023	2022
	£000	£000
Handback provisions	148	126
Cyclical provisions	218	85
Major repairs	<u>75</u>	<u>60</u>
Total	441	271

▪ *Pension defined benefit obligation*

Information regarding pension liabilities is subject to periodic, professional re-assessment.

WTHP operates defined benefit accounting for the SHPS pension scheme. The financial impact of this has been (and continues to be) provided by the scheme's administrators (TPT Retirement Solutions).

The estimate of the defined benefit obligation is based on a number of critical underlying assumptions made by TPT Retirement Solutions, such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in the Notes to the Accounts).

The impact of any change is recorded through the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Other Comprehensive Income and further information is given in the Notes to the Accounts.

The calculation of the obligation also incorporates the impact of the various High Court rulings; namely McCloud and GMP. Note 29, specifically, provides a comprehensive overview of WTHP's position with respect to the SHPS pension plan.

WTHP has been advised that the Trustee of the SHPS is going to court to ask for a ruling on whether SHPS has been paying the correct benefits to members. Depending on the decision, this could lead to an increase in liabilities. This potential change in liabilities arises from uncertainty about what pension increases should be applied to benefits earned by members before December 2003 (pre-2003 benefits). Based on current advice, SHPS have not included potential additional liabilities arising from the benefit review in the statement financial position for the 2023 actuarial valuation of the scheme. Any increase would only be put into effect once the Court proceedings have been concluded and this is not expected before late 2024. The Trustee of the SHPS has appointed Linklaters LLP to act on its behalf and Court papers are expected to be finalised, ready for submission, by the end of May 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

▪ *Pension defined benefit obligation (continued)*

WTHP has been advised of the potential additional costs that it will need to bear in the event that the Court finds in favour of a change to the payment of benefits, and of the general overall estimate of legal costs that have been incurred by the Trustee. Note 29 sets out these points in more detail. Therefore, on the basis that WTHP will need to contribute to legal fees already incurred and the possibility that additional benefits will need to be paid, WTHP has chosen to include a provision for these costs in the 2023 financial statements. A total of £108k has been charged to the Statement of Comprehensive Income (2022: nil) and this balance is held on the Statement of Financial Position (2022: nil).

The net defined benefit pension liability at 31 March 2023 was £616k (2022: £641k). For current employees, WTHP operates a defined contribution scheme.

▪ *Going Concern and the impact of the war in Ukraine, energy pricing increases, interest rate increases, the post-BREXIT economy and other significant external events.*

WTHP's business activities, its current financial position, and factors likely to affect its future development are set out within the report from the Board.

WTHP has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with WTHP's day to day operations.

WTHP 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.

As at 31 March 2023 WTHP had available cash balances of £4.2M and a further £7.0M of secured but undrawn loan facilities that could be drawn at short notice.

The Board's assessment of going concern involves a number of subjective judgements which have been made regarding assumptions feeding into the Partnership's financial planning processes which in turn are used to assess going concern. These include, but are not limited to, assumptions about future levels of inflation, interest rates, proceeds from housing property disposals, timing and pricing of first tranche shared ownerships, the future cost of maintaining its homes and the costs of implementing and achieving required energy efficiency standards in its housing stock.

In making their assessment, the Board have considered the strategic risks identified on WTHP's risk map and have used these and inputs from external advisors to devise wide-ranging multivariate stress tests to apply to the business plan. Amongst other things, the stress tests have considered the impacts of persistent and higher inflation, higher interest rates and lower house prices. These are all relevant to WTHP, as it operates largely through the buying in of materials, labour and services from third party contractors. WTHP's debt portfolio contains a mixture of fixed and variable rate debt, which leaves it with some exposure to interest rate increases. The current Plan assumes that WTHP will gradually dispose of poorer performing stock, so falls in house prices would impact this programme. The sale of planned shared ownership sales could also be affected either through price falls or delays.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

- *Going Concern and the impact of the war in Ukraine, energy pricing increases, interest rate increases, the post-BREXIT economy and other significant external events. (continued)*

The results of the stress tests have been reported to, and reviewed by, the Board.

A detailed recovery plan outlining mitigating actions to allow WTHP to recover from the conditions set out in the harshest stress test was also reported to the Board. Additionally, the Board also received confirmation that all mitigating actions had been tested to ensure that the recovery plan was sufficient to restore WTHP to covenant compliance and a satisfactory financially viable position.

As part of the going concern assessment and conclusion, the Board were satisfied that the stress testing scenarios had incorporated the impact of the special situation risks. Consequently, the Board were able to conclude that the Business Plan was robust and that WTHP would be able to meet its ongoing obligations.

The Board has a reasonable expectation that WTHP 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. The Board have considered the foreseeable future for their going concern assessment to cover the period to 30 September 2024.

On this basis, the Board continues to adopt the going concern basis in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 4. Particulars of turnover, operating costs, cost of sales and operating surplus

	2023					
	Turnover £000	Cost of sales £000	Sale of housing properties £000	Sale of other assets £000	Operating cost £000	Operating surplus/ (deficit) £000
<b>Social housing lettings (note 5)</b>	8,756	-	-	-	(7,164)	1,592
<b>Other social housing activities</b>						
First tranche low-cost home ownership sales	115	(71)	-	-	-	44
Surplus on the sale of housing properties	-	-	449	-	-	449
Non utilisation fees	-	-	-	-	(35)	(35)
Provision for pension	-	-	-	-	(108)	(108)
	<b>8,871</b>	<b>(71)</b>	<b>449</b>	<b>-</b>	<b>(7,307)</b>	<b>1,942</b>
	2022					
	Turnover £000	Cost of Sales £000	Sale of housing properties £000	Sale of other assets	Operating cost £000	Operating surplus/ (deficit) £000
<b>Social housing lettings (note 5)</b>	8,374	-	-	-	(6,385)	1,989
<b>Other social housing activities</b>						
First tranche shared ownership sales	970	(797)	-	-	-	173
Surplus on the sale of housing properties	-	-	473	-	-	473
Gain on disposal of other assets	-	-	-	7	-	7
Non-utilisation fees	-	-	-	-	(22)	(22)
Car park lease	3	-	-	-	-	3
	<b>9,347</b>	<b>(797)</b>	<b>473</b>	<b>7</b>	<b>(6,407)</b>	<b>2,623</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5. Particulars of Income and Expenditure from social housing lettings

	2023				
	General needs housing £000	Housing for older people £000	Shared ownership £000	Rentplus £000	Total £000
<b>Income from lettings</b>					
Rent	5,861	296	282	1,630	8,069
Service charge	290	58	10	-	358
Amortised of Government grants	268	-	-	-	268
Other income	54	-	7	-	61
Total income from lettings	<b>6,473</b>	<b>354</b>	<b>299</b>	<b>1,630</b>	<b>8,756</b>
<b>Operating costs</b>					
Service charge costs	296	52	10	3	361
Management	1,140	60	105	291	1,596
Routine maintenance	1,125	72	-	147	1,344
Planned maintenance	688	54	-	57	799
Bad debts	(22)	-	-	-	(22)
Depreciation of housing properties	1,265	46	39	-	1,350
Component write off	58	9	-	-	67
Lease payments	-	-	-	1,266	1,266
Social involvement	9	-	-	-	9
Development costs not capitalised	258	-	-	-	258
Treasury management	136	-	-	-	136
Total operating costs	<b>4,953</b>	<b>293</b>	<b>154</b>	<b>1,764</b>	<b>7,164</b>
Operating surplus on lettings	<b>1,520</b>	<b>61</b>	<b>145</b>	<b>(134)</b>	<b>1,592</b>
Void Losses	28	-	1	20	49

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5. Particulars of Income and Expenditure from social housing lettings

	2022				Total £000
	General needs housing £000	Housing for older people £000	Shared ownership £000	Rentplus £000	
<b>Income from lettings</b>					
Rent	5,646	298	154	1,577	7,675
Service charge	303	47	-	-	350
Amortised of Government grants	269	-	-	-	269
Other income	80	-	-	-	80
Total income from lettings	<u>6,298</u>	<u>345</u>	<u>154</u>	<u>1,577</u>	<u>8,374</u>
<b>Operating costs</b>					
Service charge costs	246	57	12	4	319
Management	1,060	48	54	178	1,340
Routine maintenance	1,088	33	-	50	1,171
Planned maintenance	544	30	-	34	608
Bad debts	55	-	-	-	55
Depreciation of housing properties	1,227	54	25	-	1,306
Component write off	23	-	-	-	23
Lease payments	-	-	-	1,243	1,243
Social involvement	2	-	-	-	2
Development costs not capitalised	207	-	-	-	207
Treasury management	111	-	-	-	111
Total operating costs	<u>4,563</u>	<u>222</u>	<u>91</u>	<u>1,509</u>	<u>6,385</u>
Operating surplus on lettings	<u>1,735</u>	<u>123</u>	<u>63</u>	<u>68</u>	<u>1,989</u>
Void Losses	<u>18</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>20</u>

The Rentplus management cost for 2022 included £5k relating to costs incurred regarding the set-up of a new scheme in that year. There were no such costs incurred in 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Surplus on sale of fixed assets

	2023 £000	2022 £000
Disposal proceeds	898	2,212
Carrying value of fixed assets	(365)	(1,729)
	<u>533</u>	<u>483</u>
Deferred capital grant released on disposal	(84)	(10)
	<u>449</u>	<u>473</u>

7. Units of housing stock

	2023 No	2022 No
<b>General needs housing</b>		
- Social	835	839
- Affordable	268	266
Housing for older people	61	61
Low-cost home ownership / shared ownership	99	100
Leased	5	5
Rentplus managed properties	231	237
	<u>1,499</u>	<u>1,508</u>
Units under construction	<u>15</u>	<u>2</u>

The net movement in property units for the year is made up of:

	2023 Movement No
<b>New Properties</b>	
Enterprise Avenue, Post Hill	
- rental units	2
<b>Disposals</b>	
Rentplus	(6)
52 Neswick Street, Plymouth	(1)
65 Renaissance Gardens, Plymouth	(1)
28 Lopes road, Plymouth	(1)
4 Beechwood Avenue, Plymouth	(1)
46 Norfolk Road, Plymouth	(1)
Net movement	<u>(9)</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Units of housing stock (continued)

	2023 No
<b>Units under construction</b>	
Schemes:	
Jubilee Drive, Crapstone	8
North Petherton	7
	<u>15</u>

As at the 31 March 2023, WTHP leased a total of 231 (2022: 237) properties from RPI 1 Ltd and RPI 2 Ltd on a 20 year lease with a 5 year break clause. No (2022: 9) new properties were leased during the year.

	2023 No	2022 No
<b>General needs housing</b>		
5 years remaining	26	39
4 years remaining	37	25
3 years remaining	26	98
2 years remaining	95	47
At the end of the current year	47	28
	<u>231</u>	<u>237</u>

8. Operating surplus

The operating surplus is arrived at after charging:

	2023 £000	2022 £000
Depreciation		
- housing properties: annual charge	1,373	1,311
- housing properties: accelerated depreciation on replacement components	67	23
- other tangible fixed assets	36	49
- amortisation of intangible fixed assets	29	20
Operating lease charges		
- equipment	21	24
- rent of office premises	25	29
- Rentplus lease payments	1,266	1,244
Auditor's remuneration (excluding VAT)		
- Fees payable to the auditor for the audit of the financial statements	28	27
	<u>28</u>	<u>27</u>

9. Other income

	2023 £000	2022 £000
Other income	6	2
	<u>6</u>	<u>2</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. Employees**

The Board recognises that the success of the business depends on the quality of WTHP's managers and staff. A training and development programme is provided for staff as part of their annual appraisal.

The Board is aware of its responsibilities on all matters relating to health and safety. Detailed health and safety policies are in place and staff are provided with training and education on health and safety matters.

Absence from work due to sickness was 2.91% (2022: 1.29%). Our personnel and recruitment policies reflect our commitment to equality, diversity and inclusion.

Staffing costs for the year covering the Executive Team and all other staff, but excluding board members' emoluments were:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Salaries	1,095	1,052
Non-consolidated performance award	30	-
Redundancy Payments	-	7
National Insurance	111	106
Pension costs - defined contribution	69	70
Pension admin tool	7	7
Defined contribution pension assurance premium	4	3
SHPS pension deficit contribution	8	8
Temporary staff	2	5
Other payroll related costs	-	37
	<u>1,326</u>	<u>1,295</u>

For 2022, staffing costs included a settlement payment of £30,000 made to one individual. There were no such payments made or outstanding in 2023.

The average number of employees including the Executive Team expressed as full-time equivalents, calculated on a standard working week of 35 hours during the year was as follows:

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Housing Management	8.27	7.30
Asset Management & Maintenance	3.71	3.60
Business Support	5.00	4.38
Corporate Services	2.43	2.30
Finance	4.83	4.92
Development	1.40	1.20
Executive Team	4.43	5.00
	<u>30.07</u>	<u>28.7</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. Employees (continued)**

Remuneration (representing the total employment cost incurred by the Society) paid to staff earning over £60,000 upwards were as follows:

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	1
	<u>          </u>	<u>          </u>

**11. Key management personnel remuneration**

As set out in the Accounting Direction for private registered providers of social housing, directors should include the Chief Executive Officer and the executive management team as set out on page 1.

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	328	426
Benefits in kind	1	1
Employer's national insurance contributions	41	44
Employer's pension contributions	26	26
	<u>          </u>	<u>          </u>
	<u>396</u>	<u>497</u>

The total amount payable to the highest paid director in respect of emoluments (excluding employer's NIC and pension contributions) was £100,009 (2022: £118,431). As a member of the defined contribution pension scheme, the pension entitlement of the Chief Executive is identical to that of other members.

Directors' remuneration included £Nil (2022: £37,257) in relation to the loss of office of a director.

There were 6 directors in WTHP's defined contribution scheme during the year (2022: 5). None of the directors accrued benefits under the defined benefit pension scheme during the year (2022: none).

Members of the Board of Management received aggregate emoluments of £30,964 (2022: £29,582). The Board of Management overall received £2,172 (2022: £2,241) for board expenses (including mileage) during the year, paid to 7 (2022:8) individuals.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12. Interest receivable**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Bank interest received	20	1
THFC interest	5	-
	<u>25</u>	<u>1</u>

The interest receivable from The Housing Finance Corporation Limited (THFC) Interest Service Reserve Fund (ISRF) represents interest receivable from investments held by THFC on WTHP's behalf as part of a long-term funding arrangement which was put in place with THFC in February 2020. As part of this arrangement, WTHP was bound to place monies equivalent to one year's interest payment into an ISRF account with the lender.

**13. Interest and financing charges**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>On loans and borrowings:</b>		
Interest payable on bank loans	1,040	905
Interest payable on other loans	335	338
Dexia loan break costs	1,243	-
Amortisation of bank loan set up costs	36	32
Amortisation of loan premium	(42)	(40)
	<u>2,612</u>	<u>1,235</u>
<b>Other finance costs</b>		
Net interest expense on defined benefit cost	16	19
Interest capitalised on housing properties under construction	(45)	(76)
<b>Interest and financial charges</b>	<u>2,583</u>	<u>1,178</u>

In December 2022, WTHP successfully raised additional financing from one of its existing lenders (National Westminster Bank). £9M of the £10M was drawn and an existing loan facility with Dexia was repaid in advance of its term date. As a result of this early repayment, WTHP incurred loan break costs amounting to £1.2M (2022: £nil). Permission was sought from WTHP's remaining lenders to exclude the Dexia loan break cost from the calculation of the 2023 interest cover calculations.

**14. Taxation**

WTHP has charitable status and its activities during the year did not give rise to a Corporation Tax liability.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15. Intangible assets**

	RentPlus costs	Computer software	Total
	2023 £000	2023 £000	2023 £000
<b>Cost</b>			
At start of year	157	-	157
Additions	-	15	15
Transfer from other tangible fixed assets	-	104	104
At end of year	157	119	276
<b>Amortisation</b>			
At start of year	130	-	130
Charge	12	17	29
Transfer from other tangible fixed assets	-	26	26
	142	43	185
<b>Net book value</b>			
At end of year	15	76	91
At start of year	27	-	27

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16. Tangible fixed assets – housing properties

	General needs completed £000	General needs under construction £000	Shared ownership completed £000	Shared ownership under construction £000	Total £000
<b>Cost</b>					
As at 1 April 2022	99,204	289	5,160	1	104,654
Additions					
- construction costs	-	1,163	-	172	1,335
- major works	-	-	-	-	-
- replaced components	1,011	74	-	-	1,085
Completed schemes	495	(495)	-	-	-
Disposals					
- housing	(393)	-	(130)	-	(523)
- components	(350)	-	-	-	(350)
As at 31 March 2023	99,967	1,031	5,030	173	106,201
<b>Depreciation</b>					
As at 1 April 2022	16,071	-	509	-	16,580
Charge for the year	1,334	-	39	-	1,373
Eliminated on disposal					
- Housing	(125)	-	-	-	(125)
- Replaced Components	(283)	-	(15)	-	(298)
As at 31 March 2023	16,997	-	533	-	17,530
<b>Net Book Value</b>					
At 31 March 2023	82,970	1,031	4,497	173	88,671
At 31 March 2022	83,133	289	4,651	1	88,074

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Tangible fixed assets – housing properties (continued)

The net book value of housing properties may be further analysed as:

	2023 £000	2022 £000
Freehold	85,257	84,628
Long leasehold	3,414	3,446
	88,671	88,074
<b>Expenditure:</b>		
Components capitalised	1,011	240
Improvement works capitalised	862	197
Charge to income and expenditure	-	-
<b>Interest capitalisation:</b>		
Interest capitalised in year	45	76
Cumulative interest capitalised	1,103	1,027
	1,148	1,103
Rate used for capitalisation	3.80%	2.93%
<b>Total Social Housing Grant received or receivable to date</b>		
Capital Grant - Housing Properties	24,191	24,421
Recycled Capital Grant - Housing Properties	577	347

The Housing SORP allows capitalisation of components and of other improvement works that result in an incremental future benefit of a housing property. All other expenditure is charged to income and expenditure.

**Impairment**

WTHP considers each scheme to represent separate cash generating units when assessing for impairment in accordance with the requirement of FRS102 and Housing SORP 2018.

During the current year WTHP has recognised an impairment loss of £Nil (2022: £Nil).

**Properties held for security**

WTHP had property with a net book value of £52.7M pledged as security as at 31 March 2023 (2022: £36.9M).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 17. Other tangible fixed assets

	Freehold land £000	Freehold Offices £000	Office furniture and Equipment £000	Office IT £000	Other assets £000	Total £000
<b>Cost</b>						
Opening	110	746	157	114	3	1,130
Additions	-	6	14	9	-	29
Disposals	-	-	-	-	-	-
Transfer to intangible assets	-	-	(47)	(57)	-	(104)
Closing Balance	<u>110</u>	<u>752</u>	<u>124</u>	<u>66</u>	<u>3</u>	<u>1,055</u>
<b>Accumulated depreciation</b>						
Opening Balance	-	154	109	64	1	328
Charge for the year	-	15	12	9	-	36
Disposals	-	-	(8)	(18)	-	(26)
Closing Balance	<u>-</u>	<u>169</u>	<u>113</u>	<u>55</u>	<u>1</u>	<u>338</u>
<b>Net Book Value - 2023</b>	<u>110</u>	<u>583</u>	<u>11</u>	<u>11</u>	<u>2</u>	<u>717</u>
<b>Net Book Value - 2022</b>	<u>110</u>	<u>592</u>	<u>48</u>	<u>50</u>	<u>2</u>	<u>802</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18. Investments**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
THFC – interest service reserve fund	260	260
Investment in SWHNC	-	-
	<u>260</u>	<u>260</u>

On receipt of new funding from THFC on 1st February 2019, an Interest Service Reserve fund was immediately created from the funding proceeds and retained by THFC. The ISRF fund must have a minimum balance equivalent to one year's interest payable (£260k) on the THFC loan.

WTHP also has a 100% owned subsidiary called SWHNC Limited. This subsidiary has been dormant for a considerable number of years.

SWHNC Limited's financial year ends on 31 March and it reports the following for the year ended 31 March 2023:

<b>SWHNC Limited Statement of Financial Position</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Called up share capital not paid	<u>1</u>	<u>1</u>
Net assets	<u>1</u>	<u>1</u>
Issued share capital		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>
Total shareholder funds	<u>1</u>	<u>1</u>

These financials have not been consolidated with those of WTHP, due to their immateriality.

**19. Properties for sale**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Shared ownership properties for sale	<u>-</u>	<u>67</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20. Stocks**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Under construction:		
Shared Ownership First Tranche Sales	173	1
Heating oil	4	2
	<u>177</u>	<u>3</u>

Of the stocks shown as under construction, the shared ownership balances related to the following schemes:

- Jubilee Drive, Crapstone.
- North Petherton.

No (2022: £Nil) impairment loss was recognised in the period in respect of inventories.

**21. Debtors due in one year**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Current debtors</b>		
Rent and service charges receivable	305	354
Less: Provision for bad and doubtful debts	(81)	(140)
	<u>224</u>	<u>214</u>
Net rent and service charges receivable	224	214
Prepayments and accrued income	267	788
Sundry debtors	321	151
	<u>812</u>	<u>1,153</u>
<b>Due after one year</b>		
Other debtors	-	2
	<u>812</u>	<u>1,155</u>

The aggregate amount of social housing rent arrears as at 31 March 2023 was £305k (2022: £354k).

The bad debt provision was reduced by £59k in the period, (2022: £42K increase) and this change was recognised in the statement of comprehensive income. Additionally, £39k of bad debts were written off as irrecoverable during the period (2022: £13K). This resulted in a net credit of £20k (2022: charge of £55k).

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Creditors: amounts falling due within one year

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>CURRENT</b>		
Loans and borrowing (note 27)	738	767
Trade creditors	730	745
Rent and service charges received in advance	182	263
Social security and other taxes	2	39
Retentions	143	159
Accruals	352	552
Recycled capital grant (note 25)	315	254
Deferred capital grant (note 24)	268	269
	<hr/>	<hr/>
	2,730	3,048
	<hr/> <hr/>	<hr/> <hr/>

23. Creditors: amounts falling due after one year

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Deferred capital grant (note 24)	19,559	19,972
Loans and borrowing (note 27)	33,019	32,856
Recycled capital grant (note 25)	262	93
	<hr/>	<hr/>
	52,840	52,921
	<hr/> <hr/>	<hr/> <hr/>

24. Deferred capital grant

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
As at 1 April	20,241	20,519
Grants received during the year	-	14
Amount released to Recycled Capital Grant Fund	(230)	(32)
Amortisation	(268)	(269)
Reversal of previous amortisation on disposed properties	84	9
	<hr/>	<hr/>
As at 31 March	19,827	20,241
	<hr/> <hr/>	<hr/> <hr/>
Amounts can be further analysed as follows:		
Due in one year	268	269
Due in more than one year	19,559	19,972
	<hr/>	<hr/>
	19,827	20,241
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Recycled capital grant fund

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Recycled capital grant fund		
As at 1 April	347	315
Transferred from deferred capital grants in the year	230	32
	<hr/>	<hr/>
As at 31 March	577	347
	<hr/> <hr/>	<hr/> <hr/>
Amounts due for repayment as follows:		
Due in one year	315	254
Due in more than one year	262	93
	<hr/>	<hr/>
	577	347
	<hr/> <hr/>	<hr/> <hr/>

26. Provisions

	<b>Rentplus</b>	<b>Pension</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At beginning of year	271	-	271
Released in the year	-	-	-
Charged in the year	170	108	278
	<hr/>	<hr/>	<hr/>
At end of the year	441	108	549
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Rentplus provisions

Handback costs will be incurred at the end of the five year lease of the properties leased under the Rentplus contract. These are provided for throughout the life of the lease together with provisions for cyclical and major works. The amounts provided as at 31 March 2023 amount to £441k (2022: £270k). The Rentplus provisions are reviewed, in detail by a joint team consisting of Asset Management and Finance staff. This ensures that the provisions remain up to date and correctly reflect latest expectations about the trajectory of future spending commitments.

Pension provisions

As set out in note 29, the Trustee of SHPS is applying to Court to clarify the position on payment of historical benefits. SHPS have advised that they have incurred significant costs in preparing for the Court process (which will ultimately be passed on to SHPS employers) and they have been able to provide an estimate of the additional liabilities which will be passed on to WTHP in the event of historical benefits needing to be revised.

On the basis that costs have been incurred and information is available about the potential liability, WTHP has chosen to create a provision (charged to the Statement of Comprehensive Income and held as a balance on the Statement of Financial Position) equivalent in value to the known potential additional liabilities (£108k) in the 2023 financial year (2022: Nil). Uncertainty remains over the legal costs.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**27. Loans and borrowing**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Within 1 year</b>		
Bank loans	734	747
Other loans	52	50
Bank loan set-up costs	(45)	(27)
Other set up costs	(3)	(3)
	738	767
	738	767
<b>Within 1-2 years</b>		
Bank loans	767	732
Other loans	55	52
Bank loan set-up costs	(45)	(27)
Other set up costs	(3)	(3)
	774	754
	774	754
<b>Within 2-5 years</b>		
Bank loans	2,270	2,477
Other loans	181	172
Bank loan set-up costs	(127)	(77)
Other set up costs	(11)	(11)
	2,313	2,561
	2,313	2,561
<b>In more than 5 years</b>		
Bank loans	23,484	22,977
Other loans	6,674	6,737
Bank loan set-up costs	(150)	(93)
Other set up costs	(76)	(80)
	29,932	29,541
	29,932	29,541
<b>Total carrying cost</b>	33,757	33,623

As at 31 March 2023, WTHP has a diverse loan portfolio which includes both fixed and variable rate funding held on both bullet and repayment bases. Maturity dates vary between 2025 and 2044 and interest rates range from 2.66% to 10.83%.

Other loans include amounts associated with both THFC and Orchardbrook. A loan premium which arose when the THFC facility was drawn in 2020 is reported under the other loans category.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**27. Loans and borrowing (continued)**

2023 saw some changes to WTHP's loan portfolio. In December 2022, pre-merger South Western Housing Society secured a new £10M loan facility from National Westminster Bank. £9M of this was drawn and on-lent to its strategic partner, pre-merger Tamar Housing Society who used these funds to undertake and early repayment one of its lenders, Dexia Credit Local. This transaction successfully completed on 15 December 2022 and Dexia subsequently released all charged properties that it held as security for its loan. The early repayment of the loan to Dexia crystallised a loan break cost charge amounting to £1.2M, which was paid to Dexia as part of the loan repayment. Prior to Tamar Housing Society's transfer of engagements into South Western Housing Society on 31 March 2023, WTHP's lenders were approached and it was agreed that the Dexia loan break costs could be excluded from the calculation of the 2023 interest cover covenants.

As at 31 March 2023, WTHP currently has five lenders:

- National Westminster Bank.
- Triodos Bank.
- The Housing Finance Corporation.
- Lloyds Bank.
- Orchardbrook.

All loans are secured against the completed housing properties of the organisation.

As part of the new arrangements made with National Westminster Bank in December 2022, WTHP will be required to drawn down the balance (£1M) of the loan in December 2023. In addition to this, WTHP also has access to an undrawn Revolving Credit Facility amounting to £6M from the same lender.

WTHP benefits from the services of expert treasury management advisors (2Tix) who are engaged to support WTHP on strategic financing matters, as well as day to day treasury operations. The Treasury policy and strategies in operation have been produced with advice from 2Tix and the Board have approved these documents.

WTHP's treasury management frameworks seek to:

- Minimise the impact of adverse movements in interest rates; and
- Support the development aspirations of WTHP.

There were no covenant compliance issues during the year.

WTHP remains committed to maintaining a flexible portfolio of financing which includes fixed and variable rate debt, with repayment dates sensibly staggered. The debt portfolio is scrutinised regularly by the Board.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**28. Financial Instruments**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b><u>Financial assets measured at amortised cost</u></b>		
Debtors (excluding prepayments)	545	365
Investments	260	260
Cash and cash equivalents	4,167	5,359
	<hr/>	<hr/>
	4,972	5,984
<b><u>Financial liabilities measured at amortised cost</u></b>		
Loans payable (net of set up costs)	33,757	33,623
Trade creditors	730	745
Other creditors and accruals	354	592
	<hr/>	<hr/>
	34,841	34,960
	<hr/> <hr/>	<hr/> <hr/>

The Board govern the treasury activities of the organisation. WTHP retains the services of professional, third party treasury management specialists (2Tix) who advise the Board, CEO and Finance Director on treasury matters.

A treasury management policy and strategy is in place, which was drafted by 2Tix and approved by the Board. The objectives of the policy document is to facilitate the use of financial instruments within a Board approved risk framework. The policy and strategy are subject to regular updates and scrutiny by the Board. The CEO and Finance Director are tasked with enacting the approved treasury management strategy (with assistance from 2Tix) and reporting progress to the Board. The Finance team report on the status of treasury matters and policy compliance on a regular basis to WTHP's Executive team. The Board also receives this information, as well as treasury reporting from 2Tix, across the financial year.

Ultimately, the main risk facing WTHP is that it could be unable to make interest or principal payments when they fall due. This risk arises through the secured funding agreements that it has in place with five lenders (National Westminster Bank, Triodos Bank, Lloyds Bank, The Housing Finance Corporation and Orchardbrook). All of the loan facilities are secured by fixed charges on specific completed housing properties belonging to WTHP.

**Counterparty risk**

The treasury management policy sets out limits on the amount of funds which can be placed in any one institution. Reputable institutions are chosen to hold the Societies cash balances and the risk of institution failure is deemed low.

**Market risk**

WTHP's financial assets and liabilities do not create any material exposure to price, foreign exchange or other market risks.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**28. Financial Instruments (continued)**

**Interest rate risk**

The treasury management policy sets out the optimal balance of fixed versus variable interest rate debt to be held in WTHP's borrowing portfolio. The balance is maintained and managed via the agreed actions in the treasury management strategy. WTHP has fixed rate financing in place (to varying degrees) with all of its lenders. Loans in place with THFC, Lloyds, some of Triodos lending and Orchardbrook are fixed for the duration of the facilities.

**Liquidity risk**

Liquidity is a key risk which is managed using well established cash forecasting and business planning processes which are regularly stress tested using multi variable scenarios. WTHP's operations are financed through a mixture of generated cashflows, government grants for development activities and loan borrowings. The interest rate strategy is regularly reviewed (as part of the Treasury management policy) and aims to achieve a conservative balance between fixed and variable rate debt at an acceptable level of risk and cost. Covenant compliance and sensitivity analysis of interest rates are monitored on a regular basis.

It is considered that WTHP has sufficient financial resources to make debt repayments and therefore the risk of being unable to meet its financial obligations to its lenders is considered low.

**Credit risk**

Credit risk, in terms of outstanding monies owed to WTHP by its tenants is monitored at various levels across the organisation (including the Board) on a routine basis.

Detailed scenario planning is used to estimate the impact of any government policy changes on existing and future tenancies. The business plan takes account of these changes and the impact of other influencing factors such as increases in the cost of living, in determining the financial impact of future customer indebtedness.

This risk is mitigated by existing processes to monitor and manage rent arrears.

Note 21 sets out the level of bad and doubtful debts provided for at the year end.

**Strategic risk**

Financial instrument related risks map into three key strategic risks which are held on WTHP's risk register, as follows:

- Volatile market conditions create pressure on sales and security valuations.
- Liquidity issues compromise business operations.
- Financial covenants breached.

The Risk Register is reviewed regularly by the Audit and Risk Committee and the Board. Additional information about WTHP's risk management framework can be found in the Strategic Report.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**29. Defined benefit pension liability**

WTHP participates in the Social Housing Pension Scheme ('the scheme'), a multi-employer pension scheme, which provides benefits to non-associated employers across the housing sector. The Scheme is administered by TPT Retirement Solutions ('TPT').

WTHP participates in the defined contribution (DC) section of the Scheme, as the defined benefit (DB) part of the scheme has been closed to new members for some years. WTHP continues to have an obligation to contribute to any deficits arising from its DB membership.

SHPS provide sufficient information for WTHP to account for its share of the Scheme under DB accounting, which is required by FRS 102.

The Scheme is classified as a 'last man standing arrangement'. Therefore, WTHP 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.

The last published results of the triennial valuation of the Scheme for funding purposes related to a valuation that was carried out as at 30 September 2020. The 2020 valuation showed that overall, the past service deficit had increased slightly by £38M, from £1,522M (in 2017) to £1,560M (in 2020). A new recovery plan to recover the deficit of £1,560M has been agreed. This will replace the previous recovery plan and came into effect from 1 April 2022, as follows.

2020 Valuation	End of Recovery Plan	Contributions from 1 April 2022	Increase rate (p.a.)
Share of liabilities	31 March 2028	£175M	5.5%

The revised deficit contributions are based on each employer's share of liability in the Scheme, as at 30 September 2020.

**Scheme benefit review SHPS cost estimates**

WTHP was advised in 2022 that the Trustee of the SHPS planned to go to court to ask for a ruling on whether SHPS has been paying the correct benefits to members. Depending on the decision, this could lead to an increase in liabilities. This potential change in liabilities arises from uncertainty about what pension increases should be applied to benefits earned by members before December 2003 (pre-2003 benefits).

Based on current advice, SHPS have not included potential additional liabilities arising from the benefit review in the statement financial position for the 2023 actuarial valuation of the scheme. Any increase would only be put into effect once the Court proceedings have been concluded and this is not expected before late 2024. The Trustee engaged a legal firm (Linklaters LLP) to act in this matter.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**29. Defined benefit pension liability (continued)**

In December 2022 SHPS provided all Scheme members with an update on the Scheme’s liabilities and an individual estimate of the potential additional liabilities that may arise following the outcome of the Court case. This was based on potential additional liabilities as at 30 September 2022. The position for WTHP was estimated as follows:

	SHPS (whole Scheme)	Pre-merger strategic partners	
		Willow Tree Housing Partnership	Tamar Housing Society Limited
Estimated Technical Provisions liabilities as at 30 September 2022	£4.0bn	£1,057k	£2,554k
Potential additional Technical Provisions liabilities arising from the Scheme Benefit Review*	£155M	£33k	£75k
Potential % increase in Technical Provisions liabilities arising from the Scheme Benefit Review	3.9%	3.10%	2.90%

\*These are the liabilities that may arise from the specific benefit changes identified as part of the Trustee’s review and that relate to service prior to the date of change, as costed by Mercer, the Scheme Actuary.

In addition, SHPS has indicated how it expects legal and associated costs of this process to be dealt with:

Table 2.

Stage	Estimated Costs	Who will Pay?
Stage 1 – Initial investigation and due diligence	£1.1M	Stage 1 costs were met from TPT’s Expenses Reserve Account and were c.£1.1m, across all TPT schemes
Stage 2 – Preparation of court papers, benefit schedule valuation and employer engagement	To date, costs for SHPS for Stage 2 are c. £1.1M and remaining costs are estimated to be between £350k and £500k	For Stages 2 – 4, the cost will be allocated to each TPT scheme, based on the legal and actuarial costs incurred on each scheme (which varies according to the complexity of issues requiring investigation and the degree of support that employers have needed or requested). At the next valuation, contributions towards any deficit arising will be allocated in the usual way, based on each employer’s percentage share of the Scheme’s liabilities.
Stage 3 – Court process, pre-trial, trial and judgment	The costs for the Court process (Stage 3) will depend upon the degree of engagement and extent of the Court proceedings.	
Stage 4 – Rectification of member benefits.	Estimates given in Table 1.	

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**29. Defined benefit pension liability (continued)**

On the basis of the information supplied by SHPS, WTHP has provided for the following costs in its 2023 financial statements:

- The cost of the potential liabilities arising from the Court case has been charged to the Statement of Comprehensive Income (£108k) and a provision has been created for the same amount on the Statement of Financial Position.
- No provision has been made for the allocation of legal costs.

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Present value of obligation</b>		
Fair value of plan assets	2,755	4,069
Present values of defined benefit obligation	(3,371)	(4,710)
	(616)	(641)
Surplus/(deficit) in plan	(616)	(641)
	(616)	(641)
Pension scheme liability	(616)	(641)
Deferred taxation	-	-
	(616)	(641)
Net pension scheme liability	(616)	(641)
<b>Reconciliation of present value of plan liabilities:</b>		
	<b>31 March</b>	<b>31 March</b>
	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Obligation at start of period	4,710	4,813
Expenses	8	8
Interest expense	130	103
Actuarial losses/(gains)	(1,348)	(118)
Benefits paid	(129)	(96)
	3,371	4,710
	3,371	4,710
<b>Composition of plan liabilities</b>		
	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Schemes wholly or partly funded	3,371	4,710
	3,371	4,710

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**29. Defined benefit pension liability (continued)**

**Reconciliation of fair value of plan assets**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Plan assets at start of period	4,069	3,908
Interest income	114	84
Experience on plan assets (exc. Amounts in interest income) – (loss)	(1,444)	35
Contributions by employer	145	138
Benefits paid	(129)	(96)
	2,755	4,069
	2,755	4,069

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was negative £1,330k (2022: £119k).

**Amounts recognised in the Statement of Comprehensive Income (SOCl)**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Operating costs:</b>		
Expenses	8	8
<b>Finance costs:</b>		
Net interest cost	16	19
	24	27
	24	27

**Analysis of (loss) recognised in SOCl**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Experience on plan assets (exc. Amounts in interest) – (loss)	(1,444)	35
Experience gains and losses arising on the plan liabilities – (loss)	6	(286)
Effects of changes in demographic assumptions underlying the PV of the DB obligation – gain	9	77
Effects of changes in the financial assumptions underlying the PV of the DB obligation – gain	1,333	327
	(96)	153
	(96)	153

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Defined benefit pension liability (continued)

Composition of plan assets

	2023	2022
	£000	£000
Global equity	51	781
Absolute return	30	163
Distressed Opportunities	84	145
Credit Relative Value	104	135
Alternative Risk Premia	6	134
Fund of Hedge Funds	-	-
Emerging Markets debt	14	118
Risk sharing	203	134
Insurance-linked securities	70	95
Property	118	110
Infrastructure	314	290
Private Debt	122	105
Opportunistic Illiquid Credit	118	137
High yield	10	35
Opportunistic Credit	-	14
Cash	20	14
Corporate bond fund	-	272
Liquid Credit	-	-
Long lease property	83	105
Secured income	126	152
Liability driven investment	1,269	1,135
Current Hedging	6	(16)
Net current assets	7	11
	2,755	4,069
	2,755	4,069

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**29. Defined benefit pension liability (continued)**

**Principal assumptions**

	<b>2023</b>	<b>2022</b>
	<b>% per</b>	<b>% per</b>
	<b>annum</b>	<b>annum</b>
Discount Rate	4.88%	2.79%
RPI	3.20%	3.65%
CPI	2.73%	3.23%
Salary growth	3.73%	4.23%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

**Mortality assumptions**

	<b>2023</b>	<b>2022</b>
	<b>Life</b>	<b>Life</b>
	<b>expectancy</b>	<b>expectancy</b>
	<b>at age 65</b>	<b>at age 65</b>
	<b>(years)</b>	<b>(years)</b>
Male retiring in 2023 (2022)	21.0	21.1
Female retiring in 2023 (2022)	23.4	23.7
Male retiring in 2042 (2041)	22.2	22.4
Female retiring in 2042 (2041)	24.9	25.2

**30. Share capital**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
As at 1 April	9	10
Shares issued in the year	-	1
Shares redeemed in the year	-	(2)
As at 31 March	<u>9</u>	<u>9</u>

The share capital of WTHP consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of WTHP. Therefore, all shareholdings relate to non-equity interests.

**31. Reserves**

The revaluation reserve was created at WTHP's transition to FRS 102 and represents the uplift on housing properties at fair value.

The income and expenditure reserve represents the cumulative surpluses of WTHP.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**32. Capital commitments**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Expenditure contracted for but not provided in the accounts		
- Maintenance	1,332	242
- Construction	-	-
Expenditure authorised by the Board but not contracted		
- Maintenance	-	-
- Construction	1,206	7,411
	2,538	7,653
	2,538	7,653

Contracted construction reported under 2023 relates to WTHP’s housing development schemes at Crapstone.

As at 31 March 2023, WTHP has £7m (2022: £6m) of undrawn loan facilities, which will be used to fund capital commitments along with receipts from first tranche shared ownership sales from current developments and planned property sales.

**33. Contingent Liabilities**

The following contingent liabilities are noted:

**Employer debt on withdrawal from the SHPS pension scheme**

WTHP has sufficient information to account for the SHPS pension scheme on a defined benefit basis and this has been implemented in full for some years. The disclosure below relates to 2023 only.

WTHP has been notified by TPT Retirement Solutions who administer SHPS pension scheme that the estimated employer debt on withdrawal from the Pension Plan, based on the financial position of the Scheme as at 30 September 2022 was:

Pre-merger strategic partners	30 September 2022 Valuation £
South Western Housing Society	522,961
Tamar Housing Society	<u>1,357,926</u>
Willow Tree Housing Partnership	<u>1,880,887</u>

WTHP currently has no intention of withdrawing from the Plan.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**33. Contingent Liabilities (continued)**

**Increased Pension liabilities dependent on the SHPS Benefit Review Court Case**

As set out in note 29, the Trustee of SHPS is applying to Court to clarify the position on payment of historical benefits. SHPS have advised that they have incurred significant costs in preparing for the Court process (which will ultimately be passed on to SHPS employers) and they have been able to provide an estimate of the additional liabilities which will be passed on to WTHP in the event of historical benefits needing to be revised.

On the basis that costs have been incurred and information is available about the potential liability, WTHP has chosen to create a provision (charged to the Statement of Comprehensive Income and held as a balance on the Statement of Financial Position) equivalent in value to the known potential additional liabilities (£108k) in the 2023 financial year (2022: Nil). Uncertainty remains over the legal cost.

**Recycled Capital Grant Fund**

From time to time, WTHP receives capital grant from Homes England and other similar bodies, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances, upon disposal of grant funded properties, WTHP is required to recycle this grant by crediting the Recycled Capital Grant Fund (RCGF). Grant of £14.7M (2022: £14.7M) (excluding RCGF) has been received in respect of housing properties.

**34. Operating leases**

The minimum payments under this non-cancellable lease are set out below:

	Other equipment		Land and buildings	
	2023	2022	2023	2022
	£000	£000	£000	£000
Amounts payable:				
- less than one year	2	5	1,538	1,529
- between 2 and 5 years	-	1	2,031	2,825
	2	6	3,569	4,354
	2	6	3,569	4,354

WTHP leases a photocopier and a franking machine on an operating lease. The agreement for the photocopier is on a rolling contract. The agreement for the franking machine is for five years from 2017/18.

WTHP has an operating lease for 231 properties with RPI 1 Limited and RPI 2 Limited. The operating leases are calculated as a percentage of rental income received on the leased properties.

Also included within operating leases on land and buildings is the office space.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 35. Analysis of net debt

	At 1 April 2022 £000	Cashflow £000	Interest charge £000	Amortisation of loan costs £000	Other £000	At 31 March 2023 £000
Cash at bank and in hand	5,359	(1,192)	-	-	-	4,167
Bank loans	(26,709)	885	(1,040)	(32)	8	(26,888)
Other loans	(6,914)	342	(335)	(4)	42	(6,869)
	<u>(28,264)</u>	<u>35</u>	<u>(1,375)</u>	<u>(36)</u>	<u>50</u>	<u>(29,590)</u>

Other movements include £42k of amortisation of the loan premium and £8k of accrued interest held within accruals.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**36. Related party disclosures**

During the year, WTHP purchased legal services from Tozers LLP amounting to £16k (2022: £15k). Additionally, Tozers LLP received £672k (2022: £1,057k) in funds to hold in WTHP's client account (for onward payment for property development). Mr. Stephen Burtchaell (a Board member) is a partner of this firm.

In addition, WTHP has paid a total of £7k (2022: £Nil) in 2022/23 to a number of local authorities based in the Somerset area. Wendy Lewis (a Board member) is an employee of Somerset Council.

**37. Ultimate controlling party**

Willow Tree Housing Partnership Limited is jointly controlled by the members. There is no ultimately controlling party.