

The background of the cover features a blurred image of a desk with a silver pen, a calculator, and a spiral notebook. Overlaid on this are three thick, curved, semi-transparent lines in yellow, orange, and pink, sweeping from the bottom left towards the top right.

Annual Financial Statement 2021-2022

South Liverpool Homes Limited

**Registered Social Housing Provider –
consolidated and entity**

Financial Statements

Year ended 31 March 2022

Registered Community Benefit Society No 31210R

Registered with the Regulator of Social Housing as a social landlord L4230

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Board members for the year ended 31 March 2022

David Jepson (Chair)
Paul Diggory (Senior Independent Director)
Danielle James (Chair of Audit & Risk Committee)
Eric Hughes (Chair of Governance & Remuneration Committee)
Yasmin Fearon
Graham Pink
Catherine Bett – appointed 12 January 2022
Paul McGerty – appointed 28 October 2021
Jamal Wahid (Co-optee)
Rebecca Asady – resigned 31 December 2021
Stephen Casey – resigned 1 December 2021
Angela Perry – resigned 17 November 2021
Mary Rasmussen – resigned 23 September 2021

Executive officers for the year ended 31 March 2022

Julie Fadden (Chief Executive) – resigned 4 February 2022
Ian Cresswell (Executive Director of Innovation, Risk & Technology and Interim Chief Executive from 5 February 2022)
Colin Gibson (Executive Director of Culture & Communications)
Mark Chambers (Executive Director of Finance) – appointed 7 June 2021
Angela Perry (Executive Director of Assets & Development) – appointed 4 January 2022
Catherine Biggs (Executive Director of Operations) – appointed 21 February 2022
Julie Marsh (Executive Director of Neighbourhood Management) – retired 4 March 2022
Claire Ryan (Executive Director of Investment & Assurance) – resigned 31 December 2022
Nia Hughes (Executive Director of Finance) – resigned 28 May 2021

Company Secretary

Mark Chambers – appointed 1 January 2022
Claire Ryan – resigned 31 December 2021

South Liverpool Homes Limited Year ended 31 March 2022

Registered Office	South Liverpool Homes Parklands Speke Liverpool L24 0TY
External Auditors	Beever and Struthers Statutory Auditors St George's House 215-219 Chester Road Manchester M15 4JE
Principal solicitors	Trowers & Hamlins Sceptre Court 40 Tower Hill London EC3N 4DX
Bankers	National Westminster Bank Liverpool City Office 22 Castle Street Liverpool L2 OUP

Statement from the Chair of the Board

Welcome to the 2021/22 annual accounts for South Liverpool Homes. As you will see they provide a picture of continuing financial strength and stability in a very challenging environment.

The twelve months ending in March 2022 saw a period of significant change and challenge. The restrictions Covid-19 placed on working practices created all manner of challenges in terms of direct service delivery but also in terms of supply chains and materials costs which had to be addressed.

As we move to a new normal the organisation is adopting new working practices, learning from the experiences of lockdown changing in many ways how we do things but never losing sight of why we do things. We continue to focus on the needs of the communities we serve in Speke Garston and aim to provide as comprehensive and supportive service as we can consistent with ensuring the long term viability of the organisation.

The financial results presented in these statements show that as a group of businesses we were able to withstand the pressures placed on the sector and the economy in general. In 2021/22 we have delivered an operating margin of 16.8% (a social housing operating margin of 21.4%) and the Group has delivered a surplus of £3.3m.

We invested £9.6m improving and maintaining our homes and £0.4m on community services to support our tenants in a variety of ways. As with last year there have been challenges to ensure we deliver our legal responsibilities around landlord compliance but we are pleased that both SLH and Avela Home Service have met these challenges and colleagues worked tirelessly to keep our tenants safe.

This year has seen the final handover of units from the Greenway development and work on the last phase of the development programme to build 225 units by 2022, with 20 units at the Hale cottages site near to completion. We have completed a comprehensive review of our development practices and, where necessary, restructuring and strengthening these to ensure our new programme – to build 280 units by 2027 can be delivered effectively whilst taking into account the inevitable risks development brings.

The continuation of covid-19 and the increased economic uncertainty has led to understandable pressure on our tenants. Despite this we were able to work together to achieve positive outcomes. We have met our current arrears target, ending the year at 3.19%, with income collected at 99.5%. SLH's Income Team continue to adopt a supportive role in encouraging payment and offering financial advice and support. The Benefits Advice team received 1,454 requests for advice and guidance. Their support has been successful in gaining an extra £1.4 million in benefits for tenants with the affordable living service.

Our Everyone Together campaign saw us talk to over 60% of our tenants with the campaign helping to identify the impact Covid-19 and the economic uncertainty has had on tenants as well as learning how they prefer to contact us. The campaign has opened up volunteer and support opportunities for those who requested it. Everyone Together is just one of the ways we continue to talk to tenants about their needs, their home and their neighbourhoods.

During the year the Board agreed to adopt the National Housing Federation's 2020 Code of Governance. The Governance & Remuneration Committee have completed a series of deep dives into each of the themes of the code throughout 2021/22 to provide additional assurance of compliance ahead of formal adoption of the code in April 2022.

The Board led on the commissioning of the triennial governance review which began in May 2021. At the same time, we welcomed the regulator into SLH to complete an in-depth assessment (IDA), the last one having been completed in 2017.

The outcome of the IDA was the Association being able to retain its V1 score for financial viability but was downgraded from G1 to G2 for Governance. Whilst this remains a compliant rating we are determined to work closely with the Regulator, addressing the weaknesses they identified to ensure the organisation is able to resecure its G1 status as soon as sensibly possible.

With an obvious focus on the outcomes of the governance review and the IDA throughout 2021/22, the Executive has completed work on a strategic improvement plan which will feed into the aims and objectives of the new corporate plan 2022 – 2027.

The new Corporate Plan was launched in May 2022 and provides an ambitious programme for the next five years. It has been developed via a comprehensive planning exercise working with tenants, colleagues and stakeholders. It focuses on the four P's: People (our tenants and SLH colleagues); Place (how we can continue to enhance the communities of Garston and Speke); Planet (we need to plan now to get our homes to carbon

zero); Pound (how we can best demonstrate value for money).

The next 5 years promise to be even more challenging than the last. Covid remains with us and provides a continuing threat. It has, however, been overtaken in terms of its immediacy by the cost of living crisis, a multi-dimensional problem which will have potentially significant impacts on both the income and the costs of the organisation. Overshadowing all of this is the remorseless increase in the seriousness of the climate crisis and the remediation costs associated with this.

In order to chart a route forward we are working with our customers, partners and suppliers to secure our income going forward, and mitigate our cost increases. Working to ensure our business plan secures our strategic objectives but does so in a commercially viable manner. Rigorous stress testing has been carried out to assess the impact of both known and unknown risks. Escalating the scale of challenge to breaking point.

What we see is a very robust plan which can withstand significant downside risk. With plans in place to respond if those risks crystallise. We are, however, not complacent and board monitors closely the financial strength of the organisation and its capital needs going forward. With this in mind we will be looking at how we restructure the borrowings of the organisation with a refinancing exercise in the near future.

During 2021/22 our Chief Executive Julie Fadden resigned after 16 years at the helm of the organisation leaving it in a robust situation. Ian Cresswell took over as Interim Chief Executive and a recruitment process for a new CEO began.

To conclude, it has been a challenging year but we have seen the continuation of strong financial and operational performance. My thanks are extended to the whole of the Executive team and colleagues for guiding the organisation through the past year and continuing to put tenants at the heart of everything we do. I would also like to thank members of the Board for the time they contribute and their continued support and challenge which drives the organisation forward and ensures it continues to meet the needs of the communities we serve.



David Jepson
Chair of the Board

Report of the Board

Principal activities and review of business

South Liverpool Homes (SLH) principal activity is the provision of social and affordable rented accommodation for people in housing need. However, the Group has a wider remit to contribute to the overall sustainable regeneration of Speke and Garston through the development and support of appropriate activities and initiatives.

- Turnover for the year ended 31 March 2022 was £20.5m (2021: £23.4m). There was one shared ownership or outright sale in the year generating £0.1m (2021: £3.3m). Rent increased by £0.4m compared to the previous year.
- Operating costs were £16.9m for the year (2021: £15.7m). The increase in costs resulting from inflationary pressures and some unforeseen one-off expenditure.
- Cost of sales were £0.1m compared to £3.5m in the previous year, reflecting the profile of property sales.
- Proceeds (after costs) from the sale of 26 properties through Right to Buy and Right to Acquire were £1.1m (2021: 13 properties and £0.4m)
- Surplus for the Group was £3.3m (2021: £3.3m). The surplus was credited against Revenue Reserves.
- Cash and investments reduced to £2.5m (2021: £3.4m) which provides a good level of liquidity headroom.
- Borrowings totalling £30m was drawn (2021: £30m).

Group Structure

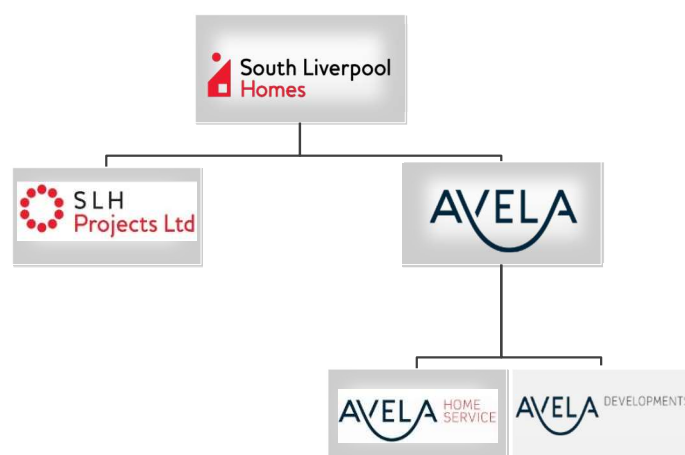
SLH is a charitable community benefit society limited by guarantee and a housing association registered with and regulated by the Regulator of Social Housing (RSH). SLH's primary activity is housing and property management.

SLH is the parent to Avela Services Limited (Avela) which is a company providing non-charity works including rental of commercial properties and income from photovoltaic solar panels. Avela owns 55% of Avela Home Service Limited Liability Partnership (LLP) and 51% of Avela Developments Limited Liability Partnership (LLP).

Avela Home Service LLP (AHS) is a joint venture partnership between Avela and Penny Lane Builders Limited which provides repairs and maintenance primarily to South Liverpool Homes Limited.

Avela Developments LLP (AD) is a joint venture between Avela and Penny Lane Builders Limited. It exists for the development and construction of affordable housing mainly for and on behalf of SLH.

SLH Projects Limited is a company which designs and builds development projects and has been dormant in the last year and has yet to commence trading.



Going concern

The Board approves a 30 year business plan at least annually giving consideration to the Group's forecast surplus, ability to repay debts and comply with financial covenants. The plan is subject to stress testing which demonstrates the ability to withstand significant risks, both in isolation and combined. The business plan was last approved in May 2022. The business plan has over £6m headroom on the tightest covenant, interest cover and available liquidity of £20m. The stress testing process demonstrated that the Group has adequate resources available to withstand considerable economic challenges.

The Group has a strong net asset position of £53.3m (2021: £48.0m). Cash collection in the year was positive and the bad debt position was not adversely affected by the pandemic and other economic conditions.

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

Assessment of the effectiveness of internal control

The Board has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within SLH, including those not registered with the Regulator of Social Housing (RSH).

SLH's system of internal control is designed to: manage rather than eliminate the risk of failure to achieve policies, aims and objectives; to comply with statutory requirements; and to safeguard, and make best use of, public funds and assets. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The Board has adopted a 'three lines of defence' model when establishing and maintaining internal controls, which are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the expectations of the RSH standard on Governance and Financial Viability.

The Audit & Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group. Further assurance on the effectiveness of a revised set of controls was provided across a number of specific areas by a series of internal audits and external reviews. The Committee has received the Annual Report of the Internal Auditor and has reported its findings to the Board.

The system of internal control continues to be maintained through an ongoing process designed to:

- Identify and evaluate principal risks to the achievement of SLH policies, aims and objectives
- Evaluate the likelihood of those risks being realised
- Mitigate the impact should they be realised
- Manage these risks efficiently, effectively, economically, and as far as is reasonably practicable

Effective Governance Arrangements

SLH is governed by a Board of non-executive directors. The core purpose of the Board is to determine vision and strategy whilst also directing, controlling and scrutinising SLH, and its subsidiaries, affairs and performance. Operational management is the responsibility of SLH's Executive Management Team who remain accountable to the Board.

The Avela Services Limited Board comprises independent directors, directors nominated by the SLH Board and SLH executive directors.

The SLH Projects Limited comprises one director appointed by the SLH Board.

The rules of SLH, reviewed in 2019, allow the Board to delegate authority to Committees. SLH operate two Committees: Audit & Risk and Governance & Remuneration. Both Committees have separate Terms of Reference which set out the powers and responsibilities delegated to them by SLH Board.

- Audit & Risk Committee – The overall purpose of the Committee is to ensure that South Liverpool Homes, Avela Services, Avela Home Service and Avela Developments' internal control systems operate satisfactorily and that each organisation has adequate risk management arrangements in

place. The committee has over the last twelve months:

- Monitored the ongoing effectiveness of the internal reporting.
- Considered reports from external audit including the Annual Financial Statements before submission to the Board.
- Reviewed internal audit reports and issues arising and sought assurance that action was taken through a mechanism of exception and follow up reporting.
- Approved the internal auditor's annual plan.
- Ensured effective arrangements exist between internal and external audit and overseen the appointment of internal and external auditors for the year.
- Met with and considered the reports of external auditors, reviewed the financial statements, and monitored management action in response to issues raised.
- Reviewed and obtained assurance on Asbestos Management, Complaints & Customer Care, Gas Safety, IT Security.
- Continued to review compliance with SLH's Probity Framework, signing off relevant returns such as Fraud and Gifts & Hospitality registers at each meeting.
- Ensured that the company's assets are protected through regular reviews of the insurance arrangements.
- Reviewed the Asset and Liability Register.
- Governance & Remuneration Committee – The overall purpose of the Committee is to ensure effective governance arrangements are in place at SLH and relevant assurance of this is provided to the SLH Board. This includes ensuring the Boards and its Committees have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. The committee has over the last twelve months:
 - Delivered an effective Board and committee member appraisal process which has been combined into the wider review of board and committee effectiveness to assess performance and compliance with SLH's governing instruments.
 - Reviewed the Board Member Succession Strategy in line with skills and competency framework to mitigate future risks around Board Member terms.
 - Reviewed SLH's continued compliance with the NHF 2015 Code of Governance and progress against the Improvement Plan.
 - Recommended to the Board the adoption of the 2020 NHF Code of Governance from April 2022 with compliance against the new code assessed through a series of in-year deep dives to prepare for adoption of the revised code.
 - Reviewed pay and benefits across the Group and recommended to Board the 2022/23 pay award for South Liverpool Homes colleagues and members.
 - Considered options and recommended to Board changes to the defined benefit pension offer at South Liverpool Homes.
 - Supported the Chair to review the Chief Executive's performance and recommended the performance targets.

Code of Governance

The Board is pleased to have adopted the National Housing Federation (NHF) 2015 Code of Governance and can report compliance with the applicable principles and provisions of the adopted code. Compliance with the code is reviewed by the Governance & Remuneration Committee, as a minimum, six monthly.

The SLH Board has agreed to adopt the NHF 2020 Code of Governance from April 2022. This has allowed the Governance & Remuneration Committee to receive a thorough review of compliance against the new code. The new six year term rule will be met at the earliest opportunity following new board member recruitment.

The triennial Governance Review for 2021 was commissioned by the Board in March 2021 and was

overseen by a Governance Review Working Group consisting of SLH Board Members. The review examined in detail issues that materialised in the previous financial year (2020/21) and identified how such weaknesses occurred and how SLH can best adapt policy, processes, controls and structure to respond. Additionally, there was a strong focus on risk management.

Regulatory Standards

The Board consider annually compliance with both the economic and consumer standards. The Regulator of Social Housing (RSH) conducted an In-Depth Assessment (IDA) which concluded in June 2021 with the maintenance of a V1 rating for financial viability, however the regulator regraded SLH's governance rating from G1 to G2.

The re-grade has been in relation to the requirement to strengthen board oversight of the business, improve the risk management and internal controls assurance framework to ensure SLH is managing affairs with sufficient effectiveness and diligence. A fundamental review of governance as part of the triennial review has been completed alongside the planned corporate plan review. The Board and Executive are committed to working positively with the regulator to recover the G1 rating as soon as possible.

Compliance with Governance and Financial Viability Standard

SLH assess compliance with the standard at least once a year and last certified compliance with the standard in September 2021; the same date as confirmation of compliance with the Economic and Consumer standards.

Board members' responsibilities

The Board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations including the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Co-operative and Community Benefit Society 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 has 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 group and association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the group and association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Post balance sheet events

There have not been any post balance sheet events.

Auditors

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.

The SLH Board passed a resolution on 27 January 2022 to re-appoint Beever and Struthers Services Limited as SLH's external auditors for 2021/22.

By order of the Board



David Jepson
Chair of the Board

28 July 2022

Strategic Report for the year ended 31 March 2022

Vision: Making South Liverpool the place to be

What does that mean: We want to create thriving inclusive communities where people want to live and work. We want to do this through delivery of high-quality homes in well managed and well connected neighbourhoods.

How will we do it? Our Journey to 2022, launched in 2015, maps out how we will make South Liverpool the place to be.

To make it easier to measure progress against the aims and objectives of the plan, it is broken down into five main components, or “Every’s”. The Every’s are five clear aims which if they are delivered will mean South Liverpool is the place to be. The Every’s are the strategic drivers for all activity.



The vision and the Every’s are underpinned by a comprehensive and strategic approach to running the business effectively to meet the objectives set out in the corporate plan.

The final year of the plan reflects the continued committed to supporting customers to live in high quality affordable homes. That is the primary aim and anything more that we do as a business must not compromise this, it must complement and support its achievement.

Performance during the financial year and financial position at the year end

The Board and Management have agreed a Performance Management Framework which is part of our approach to Business Assurance; it exists to manage performance across the Group. Board consider performance quarterly, benchmarking against an agreed comparator group and also approve annual corporate and operational targets.

Every Customer Happy

Customers who are engaged, responsible, empowered and delighted with the services we provide.

	March 2021	March 2022		
	Performance	Performance	Target	Performance against target
% Overall satisfaction with new home	100%	84%	96%	
% Overall satisfaction with repairs service	85%	90%	93%	
% Overall satisfaction with planned maintenance service	100%	96%	99%	
% Satisfaction with anti-social behaviour case handling	92%	86%	92%	
% Satisfaction with formal complaint handling	78%	83%	90%	

We are disappointed with underperforming areas.

Improvements introduced as a result of feedback from new tenants include empty homes now being jointly inspected by SLH and AHS prior to letting. In addition, the empty homes process has been reviewed and tenants are provided with information regarding planned programmes when they move into their home. Whilst overall satisfaction with new homes is not achieving target, it is positive to note that a response rate of 44% has been achieved.

Every Place Perfect

Repairs satisfaction has improved in the year, but remains below target. A new solution was introduced from 1 April 2021 to enable a more representative position to be achieved for repairs satisfaction surveys, however

responses have remained low and work continues to improve this. Our repairs performance group meet monthly to respond to feedback from the survey and other performance metrics.

Whilst satisfaction with complaint case handling is not achieving target, it is positive to note that year end performance is achieving upper quartile performance compared to our peers. Of the 123 formal complaints received in the year, 117 were resolved at the first stage, with one being considered by the Independent Housing Ombudsman and they have determined that there was no maladministration in SLH's response. A number of improvements to services for customers were implemented following feedback received through the formal complaints process.

SLH has recently joined the Institute of Customer Service to help us in our ongoing pursuit of providing a world class service to our tenants and customers. One of the first tasks was to get a better understanding of what our customers and colleagues think of our service. Surveys have been completed with both colleagues and tenants. The results of both surveys, along with feedback from other transactional and perception surveys, will help to shape the work we do with the ICS going forward to help improve our services.

Every Place Perfect targets were achieved in the year with the exception of average days to re-let empty homes, this metric has continued to be impacted by Covid restrictions; safe working practices from both Avela Home Service and SLH when completing viewings remain in place. Performance continues to be closely monitored by the weekly voids group.

	March 2021	March 2022		
	Performance	Performance	Target	Performance against target
% Homes empty	0.76%	0.32%	0.50%	✓
% Repairs appointments kept	100.0%	99.9%	99.9%	✓
% Homes with annual gas safety check completed	100%	100%	100%	✓
Average number of days to re-let empty homes	39 days	42 days	24 days	✗
% Tenancy turnover	4.6%	4.6%	5.0%	✓
% New tenancies lasting >3 years	78.7%	79.3%	75.0%	✓

Every Opportunity Taken

Subsidiary companies performed well in the year although the Every Opportunity Taken target was missed due to a delay in the completion of the new build development at Hale Cottages.

	March 2021	March 2022		
	Performance	Performance	Target	Performance against target
Achieve budgeted surplus in subsidiary and Joint Ventures	£536,000	£432,000	£450,000	✗
Gift aid from commercial activity	£20,000	£20,000	£20,000	✓

Every Penny Counts

SLH continue to be a financially-strong, well-run and viable social business. It is positive to note that all three arrears performance indicators have achieved target during a challenging year. Value for Money (VFM) gains of £113.7k have been identified against the annual target of £200k through a mixture of cost savings identified by colleagues and budget efficiencies identified through the monthly budget monitoring and quarterly forecasting process.

	March 2021	March 2022		
	Performance	Performance	Target	Performance against target
VFM Gains	£231,060	£113,676	£200,000	
% Income collected	100.3%	99.54%	100%	
% Current tenants rent in arrears	3.23%	3.19%	3.20%	
% Former tenant rent arrears	0.55%	0.44%	0.46%	
% Total arrears	5.15%	4.89%	5.02%	

Every Person Positive

Short term absence was significantly impacted by Covid related absences, accounting for 63% of all short term sickness in the year. Absence continues to be closely monitored in accordance with policy/procedure. Reviews are scheduled for all absences approaching four weeks in duration or where reason for absence is stress related.

	March 2021	March 2022		
	Performance	Performance	Target	Performance against target
Number of days lost due to short term sickness	1.22 days	2.50 days	2 days	
% Performance reviews completed	98%	93%	100%	

Principal risks and uncertainties

The Group's Risk Management Framework forms part of the approach to Business Assurance; it exists to identify, manage and reduce risk across the Group to support delivery of Our Journey to 2022. The framework:

- Provides a systematic process of understanding, evaluating and reducing risks in order to maximise our chances of achieving our objectives;
- Provides Board with the necessary assurance that risk is being managed effectively;
- Identifies risk in relation to the business planning process and defines the Board risk appetite and tolerance against each key strategic risk;
- Produces real time, accurate and relevant risk information;
- Ensures compliance with the RSH Governance and Financial Viability Standard;
- Ensures that the control framework is operating effectively, in line with the 'three lines of defence' model.

The framework is managed by the Audit & Risk Committee and the Risk Management Forum (a group made up of members of the Executive Management Team and several other officers). The forum meets quarterly to review the risk maps and consider other items such as changes in legislation, compliance, health and safety, data protection, insurance, business continuity, and any other management or operational issues.

The risk maps are approved by Board and Audit & Risk Committee every quarter. Risk management is a standard item on all Board and Committee papers and Executive Management Team meetings.

The SLH strategic risk map was subject to a validation check by Hargreaves risk management consultants. This ensured that there were no blind spots in the map, and that the risks within it have evolved throughout the year in line with the changing requirements of the sector. Hargreaves provided a statement to Audit & Risk Committee and Board to give further assurance that risk is being managed effectively.

As part of the business plan approval process, Board conducted a number of multi-variate stress tests. The exercise detailed the Board's response to the crystallisation of multiple risks together. This ensures that Board better understand what stresses and combinations of stresses could put our business at risk, that they have

rehearsed a range of difficult decisions, and have developed a detailed contingency plan. As part of this process, Board set the risk appetite and tolerance against each of the key strategic risks.

Risk	AVERSE	CAUTIOUS	BALANCED	OPEN	HUNGRY
	Prepared only to accept the very lowest level of risk	Willing to accept some low risks, while maintaining an overall preference for safe delivery options	Tending always towards exposure to only modest levels of risk	Prepared to consider all delivery options and select those with the highest probability of productive outcomes	Eager to seek original, creative, pioneering delivery options and to accept the associated substantial risk levels
1. Difficulty providing a repairs and maintenance service that meets relevant standards	The Board recognises that the repairs and maintenance service is at the core of what SLH does as a Registered Provider. The Board considers that SLH's tenants must be able to expect good quality services. The Board recognises that SLH must meet and avoid any breaches of regulatory and statutory standards. The Board considers that in delivering these priorities that some cautious risks might need to be taken. The Board requires that such exposures must be properly appraised and assessed before they are taken. Members agreed for the risk response to be noted as CAUTIOUS.				
2. Unable to manage assets to comply with agreed repairs and maintenance standards	The Board considers that SLH should be committed to delivering asset management priorities in line with an independent stock condition survey. The Board considers that innovation beyond this core commitment may be considered possible and that there may be associated risks. The Board requires that such exposures must be properly appraised and assessed before they are taken. Members agreed for the risk response to be noted as CAUTIOUS.				
3. Cost of employer's pension contributions greater than planned	The Board consider that a balance will always need to be struck between prioritising the interests of its employees, and SLH discharging its role as an effective custodian of its finite resources. In achieving this balance the Board considers that it should be able to accept cautious risks. The Board requires that such exposures must be properly appraised and assessed before they are taken. Members agreed for the risk response to be noted as CAUTIOUS.				
4. Ineffective governance arrangements leading to a lack of control	The Board feels that at this juncture SLH must adopt an averse approach to this risk. Members agreed for the risk response to be noted as AVERSE.				
5. Change to the regulatory grading issued by the RSH	The Board feels that at this juncture SLH must adopt an averse approach to this risk. Members agreed for the risk response to be noted as AVERSE.				
6. Unable to deliver the planned development programme	The Board considers that if SLH is unable to deliver the planned development programme this would present significant risks to its reputation generally and specific risks regarding SLH's relationship with Homes England. The Board accepts that pursuing a development programme brings certain risks and that the delivery of a programme relies on many factors, many of which will be outside the control of SLH. The Board accepts that a balanced approach to risk is appropriate. The Board expects that appropriate mitigations are established and that these will be deployed as necessary. Members agreed for the risk response to be noted as BALANCED.				

7. Avela Developments becomes unviable in the long term	The Board accepts that development programmes brings certain risks and that such risk could present viability challenges for Avela Developments going forward. The Board accepts that a balanced approach to such risk is appropriate. The Board expects that appropriate measures will be taken to assess and manage these risks and that appropriate mitigations are established and deployed as necessary. Members agreed for the risk response to be noted as BALANCED.
8. Inadequate performance in delivering improvements in environmental management/energy	The Board consider that a balance is required as SLH adheres to statutory targets associated with environmental and energy management, whilst also listening to and prioritising the interests of its tenants in such matters. The Board recognises that the timeline for meeting statutory targets will enable SLH to prepare well informed plans to address these challenges. The Board accepts that in working towards these objectives it should be able to accept a balanced approach to such risks. The Board requires that such exposures must be properly appraised and assessed before they are taken. Members agreed for the risk response to be noted as BALANCED.
9. Unable to respond to changes in the external environment	The Board considers that many factors could leave SLH unable to manage this risk, including lack of resources, lack of foresight and other matters outside its control, including changes so rapid that SLH is unable to respond to, or effectively manage. The Board accepts that a balanced approach to such risks must be adopted. The Board requires that such exposures continue to be properly assessed, with suitable mitigations established as necessary. Members agreed for the risk response to be noted as BALANCED.
10. Unable to demonstrate an effective risk management and internal control system	The Board considers this risk of high importance and SLH has invested time and resource in protecting the association in all related matters. The Board expects that continued vigilance will be maintained. Members agreed for the risk response to be noted as AVERSE.
11. Unacceptable recovery timescale in the event of a major disaster	The Board considers that in the event of a major disaster SLH must ensure that the welfare and needs of tenants are adequately addressed. The Board considers that it would be unacceptable for these priorities not to be met and it will do all that it can to deliver positive outcomes within the context of the availability and prudent use of available resources. Members agreed for the risk response to be noted as CAUTIOUS.
12. Breach of health and safety obligations	The Board considered that this risk is of the highest priority and that all necessary measures are adopted to manage this risk to ensure that breaches are avoided. Members agreed for the risk response to be noted as AVERSE.
13. Covenant breach	The Board considered that this risk is of the highest priority and that all necessary measures are adopted to manage this risk to ensure that breaches are avoided. Members agreed for the risk response to be noted as AVERSE.

Value for Money

SLH aim to deliver Value for Money (VFM) through our 'Every Penny Counts' strategy. We seek to strike the right balance between relatively low costs, high productivity and successful outcomes.

Comparing our costs with others is an integral part of managing our performance and ensuring delivery of this strategy. Comparisons are primarily made using the Regulator's global accounts analysis and sector

scorecard data.

The Sector Scorecard includes the Regulator's national VFM Metrics. The scorecard is reported to Board quarterly and includes a cross section of financial and customer outcome focused indicators to provide an overview of VFM performance.

We compare ourselves with North West organisations of a similar size or those that operate in similar geographical areas – i.e. statistical neighbours – who will experience the same issues such as deprivation, crime and unemployment. We know some of the services we deliver are higher cost compared to similar organisations or indeed are services that are not delivered by other landlords. However decisions to deliver these services have been taken in an informed way, based upon the needs of our customers and our business. For example, our employability and benefits advice service supports customers to become more financially resilient and helps protect our income from increasing exposure and volatility. The impact these services have is monitored so that decisions regarding service levels can be kept under review to ensure they continue to be relevant and based on the needs of our customers and neighbourhoods.

The Board understand that investment in these areas will complement the development programme. Investment in new supply offers less value without continued community investment. Our costs are reflective of a community-based landlord, and the Board is clear on the cost base and continue to provide challenge through their quarterly review of performance against both the sector scorecard and Every Penny Counts targets.

The Board also understand that if we were to move to a median or lower cost organisation, it would compromise our ability to deliver our vision. We stress test our capacity and risks and have mitigations in place to respond to adverse social and economic conditions.

The following table shows SLH's performance for the last two years against the national VFM metrics, together with a comparison to sector and peer results for 2020/21, the latest comparative data available.

VFM Metrics – Backward look

GROUP		2020-21				2021-22	
Metric	Measure	Sector	Peer	SLH	Sector Quartile	SLH	Change in year
1	Reinvestment %	5.8%	8.2%	8.6%	Q2	6.5%	-2.1%
2A	Units developed (as a percentage of units owned) Social Housing	1.3%	1.0%	1.7%	Q2	0.2%	-1.5%
3	Gearing	43.9%	43.5%	26.4%	Q1	26.7%	-0.3%
4	EBITDA-MRI (as a percentage of interest)	182.5%	221.3%	330.5%	Q1	250.0%	-80.5%
5	Headline social housing cost per unit	3,730	3,680	3,782	Q4	4,184	10.6%
5a	Management cost per unit	1,060	N/A	1,196	N/A	1,299	8.6%
5b	Service charge cost per unit	435	N/A	187	N/A	155	-17.0%
5c	Maintenance cost per unit	1,108	N/A	1,210	N/A	1,317	8.9%
5d	Major Repairs cost per unit	717	N/A	1,045	N/A	1,181	13.1%
5e	Other social housing cost per unit	211	N/A	144	N/A	232	60.5%
6A	Operating Margin (social housing lettings)	26.3%	25.3%	24.0%	Q3	21.3%	-2.7%
6B	Operating Margin overall	23.9%	21.8%	17.7%	Q4	16.9%	-0.8%
7	Return on Capital Employed	3.3%	3.9%	4.2%	Q2	4.1%	-0.1%
SLH 6B	Operating Margin overall excl. shared ownership sales	N/A	N/A	21.4%	N/A	17.0%	-4.5%

Reinvestment: Investment in new development and current stock is higher than the sector average but lower than peers. It has decreased by 2.1% compared to last year as a result of lower development activity. During the year £3.1m was spent on new developments and 20 units at the Hale Cottages site are due for completion in July 2022. The reduction from prior year reflects that the target of delivering a total of 225 homes by 2022 is nearing completion. We also invested £3.9m in our current homes (2021: £3.6m).

Gearing and EBITDA-MRI metrics both continue to perform well and compare very favourably to the sector averages. They provide comfortable headroom above funders' covenants which is welcomed in the current times of uncertainty and they provide the opportunity to invest further in new developments and to address the decarbonisation agenda in coming years.

SLH cost per unit has increased after a reducing in the previous two financial years. This reflects some of the additional expenditure incurred in the year to address the issues raised in the IDA and other unforeseen expenditure, both of which will be one-off in nature.

Management costs have increased by £369k after a corresponding decrease in the previous financial year. Permanent savings of £100k were achieved and a further £150k VFM efficiencies are targeted in 2022/23 to avoid any growth in management cost over the budgeted cost of living increase for colleagues.

SLH continue to invest in our homes through an ongoing programme of major repairs, with a total of £4.5m spent (revenue plus capital) during the year, compared to £4.0m in 2020/21. This represents a cost per unit of £1,181 for 2021/22, an increase of 13.1% on the previous year.

Service charge costs have reduced following the phased return to a pre-pandemic cleaning regime for communal blocks.

Other social housing expenditure, which includes community investments, the environmental team and new development programme design and feasibility, has increased. This is mostly due to a one-off cost of development work which could not be capitalised.

Operating margins: 2021/22 has seen a reduction in the social housing operating margin from 24% to 21.3%, this is due to the pressure on cost experienced in the year and referred to above. Going forward 21% is the target set for this metric within the business plan in the medium term, which will be challenging given the inflationary pressures that are starting to come through in the cost of materials and labour.

Cash collection remains strong in the year at 99.5% and bad debt is low at 0.3%.

The overall operating margin has decreased by 0.8% to 16.9%. The Board is keen to improve this metric and the business plan targets an overall operating margin of 18% in future years. The association and group is performing well – the “net surplus” is comparable to previous years – but right to buy and right to acquire sales which contribute to the net surplus (or bottom line) are excluded from the “operating surplus” figure used to calculate this metric.

Another factor identified which impacts on overall margins is that SLH invests heavily in community activity and Board appreciate that this has an associated cost. In 2021/22, £443k was invested in local projects such as Reach employability hub, our local Marketplace and investment in financial inclusion.

Return on Capital is almost static at 4.1% from 4.2% last year.

Other VFM Measures from the Sector Scorecard

Theme	Measure	Sector 2020/21	2020/21	2021/22
Development	Units developed (absolute)	N/A	66	8
Outcomes Delivered	Customers satisfied with the service provided by their social housing provider	86.0%	90.0%	82.0%
	Investment in community activities	N/A	371,448	443,392
Effective Asset Management	Occupancy	99.2%	99.5%	99.6%
	Ratio of responsive repairs to planned maintenance	0.71	0.44	0.44
Operating efficiencies	Rent collected (Net rental income/gross rental income)	100.0%	100.3%	99.5%
	Overheads as a percentage of social housing turnover	13.4%	14.5%	14.6%

Headlines from local indicators are as follows:

Customer satisfaction was measured throughout the year by IFF Research who conducted telephone interviews with 600 representative tenants between April 2021 and March 2022. Despite the challenges associated with the pandemic and the emerging cost of living economic challenges first or second quartile performance was achieved across all but one of the satisfaction measures where benchmarking data is available.

Investment in communities increased during 2021/22 as we were able to re-open services like the Marketplace; and as in the previous year – and not reflected in the metric – is the staff time spent supporting our most venerable tenants during the year.

Overhead costs as a percentage of turnover slightly increased due to a phased return to the office as part of agile working practices.

The following table sets out the VFM metrics for the next three years taken from SLH's 30-year Business Plan.

VFM Metrics – forward look

GROUP		Actuals		Forecast		
Metric	Measure	20/21	21/22	22/23	23/24	24/25
1	Reinvestment %	8.6%	6.5%	4.9%	15.6%	15.1%
2A	Units developed (as a percentage of units owned) Social Housing	1.7%	0.2%	0.5%	0.2%	2.1%
3	Gearing	26.4%	26.7%	24.6%	28.0%	30.9%
4	EBITDA-MRI (as a percentage of interest)	330.5%	250.0%	234.4%	220.8%	211.6%
5	Headline social housing cost per unit	3,782	4,184	4,396	4,561	4,628
5a	Management cost per unit	1,196	1,299	1,450	1,463	1,490
5b	Service charge cost per unit	187	155	205	215	216
5c	Maintenance cost per unit	1,210	1,317	1,254	1,321	1,340
5d	Major Repairs cost per unit	1,045	1,181	1,340	1,409	1,427
5e	Other social housing cost per unit	144	232	147	154	155
6A	Operating Margin (social housing lettings)	24.0%	21.3%	20.8%	21.3%	21.3%
6B	Operating Margin overall	17.7%	16.9%	18.5%	18.8%	17.9%
7	Return on Capital Employed	4.2%	4.1%	4.1%	3.8%	3.4%
SLH 6B	Operating Margin overall adjusted for shared ownership sales	21.4%	17.0%	18.5%	18.8%	18.8%

To achieve our 2022/23 targets above we aim to:

- Deliver on a budget which achieves an overall operating margin of at least 18.5%
- Complete a review of new operating models and future office requirements
- Develop a refinancing strategy alongside a new Corporate plan for 2022 and beyond
- Handover 20 new homes and begin a new development programme which will see 280 new homes in the Garston and Speke neighbourhoods by the end of 2027.

Resident Involvement

SLH is committed to involving tenants and the community in how our homes and neighbourhoods are managed. Community involvement is vital to delivering better services and making South Liverpool the place to be. There are a variety of ways to get involved with SLH:

- Scrutiny Panel – the Scrutiny Panel is a group of tenants who work on behalf of all tenants to ensure that the services provided are achieving high levels of customer satisfaction and represent good value for money.
- Task and Finish groups – these groups look at particular aspects of a service area with the aim of improving the way they are delivered to tenants and making sure that views are taken into account before any changes to the way services are delivered are made.
- Satisfaction surveys – SLH actively seek customer views through surveys. The Satisfaction Framework exists to both test the feelings of customers about SLH (relationship surveys) and their views after they have received services (transactional surveys). These are an important way of assessing views but critically using the information to influence future service delivery.
- Everyone Together – year three of this campaign was conducted in September & October 2021 with SLH talking to over 60% of our tenants.
- Grow Speke – a community garden based on a former derelict site, offers the community a chance to come together for activities, to learn new skills and to grow food and vegetables.
- Coffee and Chat mornings – the sessions took place in person and online due to national lockdowns and supported isolated residents to come together and listen to a range of guest speakers targeted to help reduce isolation and improve wellbeing.

There is currently a campaign to encourage more participation from tenants in decision making at SLH. The “Get on Board” campaign is after tenants, more young people and more diversity to inject vitality into our Board and help us make decisions that continue to be relevant to our communities. There are lots of ways to get

involved with SLH and your community, from informal events to scrutiny panel, the SLH website has more information if you would like to learn more: [Get on Board | South Liverpool Homes](#)

Approval

This Strategic Report was approved by order of the Board on 28 July 2022.



David Jepson
Chair of the Board

Independent auditor's report to members of South Liverpool Homes Limited

Opinion

We have audited the financial statements of South Liverpool Homes Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2022 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated Statement of Changes in Equity (Reserves), Association Statement of Changes in Equity (Reserves), Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2022 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. The Board is 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 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 10, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines 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 is responsible for assessing the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or the Association or to cease operations, or has 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.

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

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with

South Liverpool Homes Limited Year ended 31 March 2022

relevant laws and regulations discussed above.

- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association, 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 Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.



Beever and Struthers
Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 30 September 2022

Consolidated statement of comprehensive income for the year ended 31 March 2022

		2022	2021
	Note	£'000	£'000
Turnover	4	20,460	23,383
Cost of Sales	4	(110)	(3,504)
Operating costs	4	(16,899)	(15,745)
Surplus on disposal of housing properties	12	1,081	370
Operating surplus		4,532	4,504
Other interest receivable and similar income	13	2	2
Interest and financing costs	14	(1,210)	(1,173)
Change in fair value of investment properties	18	(11)	8
Surplus before taxation		3,313	3,341
Taxation	15	(5)	(15)
Surplus for the financial year		3,308	3,326
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension scheme	28	2,171	(2,190)
Total comprehensive income for year		5,479	1,136
Surplus for the financial year attributable to			
Non-controlling interest	19	164	214
Parent company		3,144	3,112
Surplus for the financial year		3,308	3,326
Total comprehensive income attributable to:			
Parent company		5,315	922
Non-controlling interest		164	214
Total comprehensive income for year		5,479	1,136

The notes on pages 33 to 77 form part of these financial statements

Association Statement of comprehensive income for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	4	20,049	22,834
Cost of Sales	4	(110)	(3,504)
Operating costs	4	(16,765)	(15,544)
Surplus on disposal of housing properties	12	1,081	370
Operating surplus		4,255	4,156
Gift Aid receipt from subsidiary		20	20
Other interest receivable and similar income	13	136	154
Interest and financing costs	14	(1,210)	(1,173)
Surplus before taxation		3,201	3,157
Taxation on surplus	15	-	-
Surplus for the financial year		3,201	3,157
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension scheme	28	2,171	(2,190)
Total comprehensive income for year		5,372	967

The notes on pages 33 to 77 form part of these financial statements.

Consolidated and Association Statement of financial position 31 March 2022

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Fixed assets					
Tangible fixed assets – housing properties	16	106,206	103,573	106,741	104,030
Tangible fixed assets - other	17	2,228	2,424	316	358
Investment properties	18	497	508	-	-
		108,931	106,505	107,057	104,388
Current assets					
Property for Resale	20	-	110	-	110
Stocks		315	140	-	-
Debtors receivable within one year	21	1,381	1,464	1,228	1,177
Debtors receivable after one year	21	-	-	2,374	2,824
Cash and cash equivalents		2,546	3,353	2,046	2,313
		4,242	5,067	5,648	6,424
Creditors: amounts falling due within one year	22	(3,962)	(5,004)	(3,629)	(4,482)
Net current assets		280	63	2,019	1,942
Total assets less current liabilities		109,211	106,568	109,076	106,330
Creditors: amounts falling due after more than one year	23	(52,795)	(53,186)	(52,718)	(53,113)
Net assets excluding pension liability		56,416	53,382	56,358	53,217
Pension liability	28	(3,105)	(5,336)	(3,105)	(5,336)
Net assets		53,311	48,046	53,253	47,881
Capital and reserves					
Income and expenditure reserve		52,945	47,619	53,253	47,881
Revaluation reserve		202	213	-	-
Equity attributable to owners of the parent company		53,147	47,832	-	-
Non-controlling interest	19	164	214	-	-
		53,311	48,046	53,253	47,881

The financial statements on pages 25-77 were approved by the Board of Directors and authorised for issue on 2 August 2021



Dave Jepson
Chair



Danielle James
Director



Mark Chambers
Company Secretary

Group statement of changes in reserves for the year ended 31 March 2022

	Income and expenditure reserve	Revaluation reserve	Equity attributable to owners of the parent company	Non- controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	46,705	205	46,910	243	47,153
Surplus for the year	3,104	8	3,112	214	3,326
Actuarial gain/(loss) on defined benefit pension scheme	(2,190)	-	(2,190)	-	(2,190)
Drawings by non- controlling interests		-	-	(243)	(243)
Balance at 31 March 2021	47,619	213	47,832	214	48,046
Surplus for the year	3,155	(11)	3,144	164	3,308
Actuarial gain/(loss) on defined benefit pension scheme	2,171	-	2,171	-	2,171
Drawings by non- controlling interests	-	-	-	(214)	(214)
Balance at 31 March 2022	52,945	202	53,147	164	53,311

Association statement of changes in reserves for the year ended 31 March 2022

	Income and expenditure reserve
	£'000
Balance at 1 April 2020	46,914
Surplus for the year	3,157
Actuarial gain/(loss) on defined benefit pension scheme	(2,190)
Balance at 31 March 2021	47,881
Surplus for the year	3,201
Actuarial gain/(loss) on defined benefit pension scheme	2,171
Balance at 31 March 2022	53,253

Consolidated statement of cash flows for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Surplus/(deficit) for the financial year before tax		3,313	3,341
Depreciation of fixed assets - housing properties	16	3,924	3,807
Depreciation of fixed assets - other	17	340	344
Amortised grant	5	(684)	(663)
Interest payable and finance costs	14	1,210	1,173
Interest received	13	(2)	(2)
Pension costs less contributions paid	28	(179)	(478)
Impairment	18	11	
Surplus on the sale of fixed assets	12	(1,081)	(370)
Decrease / (increase) in property for resale		110	2,778
Decrease / (increase) in trade and other debtors		65	(169)
Decrease / (increase) in stocks		(175)	62
Increase / (decrease) in trade creditors and accruals		(943)	237
Cash from operations		5,909	10,060
Taxation paid		-	-
Net cash generated from operating activities		5,909	10,060
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	12	1,564	624
Proceeds from sale of fixed assets - other	12	-	-
Purchase of fixed assets – housing properties	16	(7,170)	(10,004)
Purchases of fixed assets - other	17	(166)	(195)
Receipt of grant	24	190	719
Interest received	13	2	2
Net cash from investing activities		(5,580)	(8,854)
Cash flows from financing activities			
New loans – bank	26	500	-
Debt issue costs incurred	26	-	-
Interest paid	14	(1,136)	(984)
Repayment of loans - bank	26	(500)	(2,000)
Net cash used in financing activities		(1,136)	(2,984)
Net increase / (decrease) in cash and cash equivalents		(807)	(1,778)
Cash and cash equivalents at beginning of year		3,353	5,131
Cash and cash equivalents at end of year		2,546	3,353

The notes on page 33 to 77 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2022

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Notes to the financial statements for the year ended 31 March 2022

1 Legal status

SLH is registered in England with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator for Social Housing as a social housing provider.

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 South Liverpool Homes Ltd includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), 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, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain financial instruments in compliance with FRS 102 and are presented in sterling £'000 for the year ended 31 March 2022.

Disclosure exemptions

In preparing the separate financial statements of South Liverpool Homes Limited, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and parent company would be identical;
- No cash flow statement has been presented for the parent company
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation

The consolidated financial statements present the results of South Liverpool Homes Limited – Registered provider of social housing and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Going concern

The Board approves a 30 year business plan at least annually giving consideration to the Group's ability to repay debts and comply with financial covenants. The plan is subject to stress testing which demonstrates the ability to withstand significant risks, both in isolation and combined. The business plan was last approved in March 2022. Stress testing demonstrated that the Group has adequate resources available to withstand considerable economic challenges.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Notes to the financial statements for the year ended 31 March 2022

Non-controlling interest

Non-controlling interests consist of subsidiaries identifiable assets, liabilities and contingent liabilities. The proportions of profit or loss and changes in equity, allocated to the parent and to the non-controlling interest are determined on the basis of existing ownership interests.

Income

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting)
- Service charges receivable
- Revenue grants and proceeds from the sale of land and property
- First tranche sales of Shared Ownership housing properties developed for sale
- Sales of properties developed for outright sales
- Revenue from third party contracts with other housing associations to provide outsourced services and consultancy.

Rental income is recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Service charges

The Group adopts both the fixed and variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in The Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by

Notes to the financial statements for the year ended 31 March 2022

the reporting date.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Loan Finance costs

Loan interest costs are charged to Statement of Comprehensive Income over the term of the loan using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Loan issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pension costs

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Merseyside Pension Fund (MPF) and a number of defined contribution pension schemes.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services..

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Tangible fixed assets - Housing Properties

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.

Expenditure on major refurbishment to properties is capitalised where the 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 net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

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 held at cost less any impairment, and are transferred to completed properties when ready for letting.

Capitalised Interest

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowing specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. Interest is capitalised at the weighted average effective interest rate for the prior period.

Low cost home ownership (including shared ownership properties)

Under low cost home ownership (LCHO) arrangements, SLH dispose of a long lease on LCHO housing units for a share ranging between 10% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Shared ownership properties, including those under construction, are split between fixed assets and current assets. The split is determined by the percentage of the property sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a fixed asset within property, plant and equipment (fixed assets) in the Statement of Financial Position. The exception to this is where this would result in a surplus on the disposal of the current asset that exceeds the anticipated overall surplus. In this circumstance any

Notes to the financial statements for the year ended 31 March 2022

surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets.

Sales of subsequent tranches are treated as a part disposal of housing properties. 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.

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its 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.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Description	Economic useful life (years)
Structure	100
Kitchen	20
Bathroom	35
Roofs (pitched)	55
Roofs (flat)	55
External doors	30
Boilers domestic	15
Specialist Electrical	10
Rewires	35
Windows	30
Building work	50
Boiler commercial	30
Adaptations	15
Tile flooring	30
Central Heating	30
Lifts	30
Garden Pump	10

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Tangible fixed assets – Other

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

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.

The Group 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 the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of other tangible fixed assets

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Plant, machinery and vehicles	3
Fixtures, fittings, tools and equipment	3
Computers	3
Solar Photovoltaic Panels	20

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within in the statement of comprehensive income.

Government grants

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives below).

Description	Economic useful life (years)
Structure	100

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised as income or expenditure.

Impairment of fixed assets

The Group considers whether indicators of impairment exist in relation to tangible assets at each reporting date. Indicators considered include external sources of information such as market value, market interest rates and

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Group also considers expected future performance of the asset.

Following a trigger for impairment, the Group perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Group as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets' performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. Any impairment loss is charged to the Statement of Comprehensive Income. The Group has identified a cash generating unit for impairment assessment purposes at an individual property level for completed properties and schemes for properties in developments.

Stock and properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Properties developed for outright sale and the share of unsold shared ownership are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Debtors and creditors

Debtors and creditors with no stated interest rate receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Group, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

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.

Cash and cash equivalents

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

The Group has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

Leasehold Sinking Funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors

Financial Instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable. All financial assets and liabilities are measured at historic cost.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund. The revaluation reserve is created from surpluses on the revaluation of investment properties transferred from the revenue reserve.

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

In applying the accounting policies, the following judgements and key estimates have had the most significant effect on amounts recognised in the financial statements:

- Impairment of fixed assets: There has been no impairment in 2021/22.
- Pension costs: In the year ended 31 March 2022, the Group recognised actuarial gains of £2.2mm on the defined benefit pension schemes (2021: losses of £2.2m). The critical underlying assumptions in relation to the pension scheme valuations are the standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions can significantly influence the value of the liability recorded and annual gains or losses. Independent advisors have reviewed the assumptions and confirmed that they are reasonable and within normal expected ranges.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset and subsequent valuation at fair value. The commercial properties held in Avela Services have been valued independently at the end of the year resulting in an £11k decrease in value.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. 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 Group has recorded a depreciation charge of £4.3m (2021: £4.2m).
- The estimate for rental and other receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable. As at 31 March 2022, a provision of £312k is held against current tenant arrears balances of £840k (37% compared to 40% in 2021). The charge in the year related to bad debt provision and write offs is £47k (2021: £99k).

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

4 Particulars of turnover, cost of sales, operating costs and operating surplus				
GROUP	Turnover	Cost of Sales	Operating costs	Operating surplus/ (deficit)
	2022	2022	2022	2022
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	19,389	-	(15,259)	4,130
Other Social Housing Activities				
First tranche shared ownership sales	110	(112)	-	(2)
Community investment activity	23	-	(409)	(386)
Other (including development costs)	(5)	-	(480)	(485)
	19,517	(112)	(16,148)	3,257
Activities other than Social Housing				
Properties developed for outright sales	-	2	-	2
Commercial & Market rental	22	-	(3)	19
Other*	921	-	(748)	173
	20,460	(110)	(16,899)	3,451
GROUP	Turnover	Cost of Sales	Operating costs	Operating surplus/ (deficit)
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	18,914	-	(14,378)	4,536
Other Social Housing Activities				
First tranche shared ownership sales	2,091	(2,203)	-	(112)
Community investment activity	48	-	(372)	(324)
Development costs	21	-	(184)	(163)
	21,074	(2,203)	(14,934)	3,937
Activities other than Social Housing				
Properties developed for outright sales	1,251	(1,301)		(50)
Commercial & Market rental	22	-	(7)	15
Other*	1,036	-	(804)	232
	23,383	(3,504)	(15,745)	4,134

* Other activities include outsourcing of back office services to other organisations and external income in subsidiaries.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

ASSOCIATION	Turnover	Cost of Sales	Operating costs	Operating surplus/ (deficit)
	2022	2022	2022	2022
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	19,389	-	(15,344)	4,045
Other Social Housing Activities				
First tranche shared ownership sales	110	(112)	-	(2)
Community investment activity	23	-	(409)	(386)
Other (including development costs)	(5)	-	(480)	(485)
	19,517	(112)	(16,233)	3,172
Activities other than Social Housing				
Properties developed for outright sales	-	2	-	2
Other**	532	-	(532)	-
	20,049	(110)	(16,765)	3,174
ASSOCIATION	Turnover	Cost of Sales	Operating costs	Operating surplus/ (deficit)
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	18,914	-	(14,479)	4,435
Other Social Housing Activities				
First tranche shared ownership sales	2,091	(2,203)	-	(112)
Community investment activity	48	-	(372)	(324)
Development costs	21	-	(184)	(163)
	21,074	(2,203)	(15,035)	3,836
Activities other than Social Housing				
Properties developed for outright sales	1,251	(1,301)	-	(50)
Other**	509	-	(509)	-
	22,834	(3,504)	(15,544)	3,786

**Other activities include outsourcing of back office services to other organisations.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

5 Income and expenditure from social housing lettings

	General needs	Supported and Housing for Older People	Shared Ownership	Total 2022	Total 2021
GROUP	£'000	£'000	£'000	£'000	£'000
Income					
Rents receivable net of identifiable service charges	17,309	543	98	17,950	17,511
Service charge income	413	306	36	755	740
Amortised government grants	672	-	12	684	663
Turnover from social housing lettings	18,394	849	146	19,389	18,914
Expenditure					
Management	(4,794)	(160)	(27)	(4,981)	(4,612)
Service charge costs	(269)	(291)	(33)	(593)	(719)
Routine maintenance	(2,752)	(161)	(12)	(2,925)	(2,667)
Planned maintenance	(2,045)	(76)	(2)	(2,123)	(1,996)
Major repairs expenditure	(663)	(3)	-	(666)	(478)
Bad debts	(47)	-	-	(47)	(99)
Depreciation of housing properties:	(3,662)	(233)	(29)	(3,924)	(3,807)
Operating expenditure on social housing lettings	(14,232)	(924)	(103)	(15,259)	(14,378)
Operating surplus on social housing lettings	4,162	(75)	43	4,130	4,536
Void losses (being rental income lost as a result of property not being let although it is available for letting)	(134)	(13)	(1)	(148)	(156)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

5.	General needs	Supported and Housing for Older People	Shared Ownership	Total 2022	Total 2021
ASSOCIATION	£'000	£'000	£'000	£'000	£'000
Income					
Rents receivable net of identifiable service charges	17,309	543	98	17,950	17,511
Service charge income	413	306	36	755	740
Amortised government grants	672	-	12	684	663
Turnover from social housing lettings	18,394	849	146	19,389	18,914
Expenditure					
Management	(4,794)	(160)	(27)	(4,981)	(4,612)
Service charge costs	(269)	(291)	(33)	(593)	(719)
Routine maintenance	(2,795)	(161)	(12)	(2,968)	(2,719)
Planned maintenance	(2,078)	(76)	(2)	(2,156)	(2,035)
Major repairs expenditure	(672)	(3)	-	(675)	(488)
Bad debts	(47)	-	-	(47)	(99)
Depreciation of housing properties:	(3,662)	(233)	(29)	(3,924)	(3,807)
Operating expenditure on social housing lettings	(14,317)	(924)	(103)	(15,344)	(14,479)
Operating surplus on social housing lettings	4,077	(75)	43	4,045	4,435
Void losses (being rental income lost as a result of property not being let although it is available for letting)	(134)	(13)	(1)	(148)	(156)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

6 Particulars of turnover from non-social housing lettings

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Commercial Rented Properties	22	22	-	-
	22	22	-	-

7 Units of housing stock – Group and Association

Rent type	General needs housing			Supported	Housing for Older People	Shared Ownership	Total
	Social	Affordable	Rent to Buy	Social	Social	% equity	
At 1 April 2021	3,321	351	19	3	118	43	3,855
Additions:							
New developments	-	8	-	-	-	-	8
Market purchase	-	-	-	-	-	-	-
Disposals:							
RTB/RTA disposals	(26)	-	-	-	-	-	(26)
Other Disposals	(3)	-	-	-	-	-	(3)
At 31 March 2022	3,292	359	19	3	118	43	3,834

Units under development:

At 1 April 2021	-	28	-	-	-	-	28
Completed	-	(8)	-	-	-	-	(8)
Start on site	-	-	-	-	-	-	-
Adapted unit conversion	-	-	-	-	-	-	-
At 31 March 2022	-	20	-	-	-	-	20

All units are owned and managed

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

8 Operating surplus

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties:				
- annual charge	3,663	3,486	3,663	3,486
- accelerated depreciation on replaced components	261	321	261	321
Depreciation of other tangible fixed assets	340	344	200	203
Amortised government grants	(684)	(662)	(684)	(662)
Operating lease charges – land & building	237	230	237	230
Operating lease charges – other	37	41	37	37
Surplus on sale of fixed assets	1,081	370	1,081	370
Auditors' remuneration (excluding VAT):				
- fees payable to the Group's auditor for the audit of the Group's annual accounts	22	22	22	22
- fees payable to the Group's auditor for the audit of the subsidiary accounts	16	16	-	-
- fees for tax computations and advice	4	6	2	2
- fees for other services	-	3	-	-

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

9 Employees

Staff costs (including Executive Management Team) consist of:

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Wages and salaries	5,971	5,812	3,538	3,320
Social security costs	571	531	367	332
Pension contributions	470	456	428	413
Other pension costs	130	71	130	71
	7,142	6,870	4,463	4,136

The association's employees are members of the Merseyside Pension fund (MPF) or of the Social Housing Pension scheme (SHPS). The employees of other group members are members of a NEST defined contribution scheme. Further information on each scheme is given in note 29.

Other pension costs in 2022 include risk premium on MPF scheme (£65k), current service cost adjustments following year end actuarial calculation (£43k) and expenses (£22k).

The average number of employees (including Executive Management Team) expressed as full time equivalents (calculated based on a standard working week of 35-40 hours) during the year was as follows:

	Group 2022 Number	Group 2021 Number	Association 2022 Number	Association 2021 Number
Administration	55	57	44	42
Development	2	3	2	3
Housing, Support and Care	43	41	43	41
Maintenance operatives	67	72	8	9
	167	173	97	95

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

10 Directors' and senior executive remuneration

The key management personnel are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 4.

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Key Management Personnel				
Wages and salaries (including performance related pay for the period)	803	639	803	639
Employer Pension contributions	119	113	119	113
	922	752	922	752

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Board Members				
Gross salary	78	77	59	58
	78	77	59	58

The total amount payable to the former Chief Executive, who was also the highest paid director in respect of emoluments was £293,214, (2021: £152,705).

£137,090 (2021/22 Salary)

£77,962 (in lieu of 6 months' notice due under the service agreement)

£78,162 (termination payment)

Pension contributions of £22,133 (2021: £25,620) were made to a defined benefit pension on her behalf. This included £12,193 of employer contributions and £9,940 of additional pension costs to reflect salary sacrifice.

As a member of the Social Housing Pension scheme, the Chief Executive is an ordinary member of the pension scheme and no special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

The remuneration (including pension costs) paid to staff (including Executive Management Team) earning £60,000 upwards:

	Group 2022 No.	Group 2021 No.	Association 2022 No.	Association 2021 No.
£60,000 - £69,999	1	1	1	1
£70,000 - £79,999	1	1	1	1
£80,000 - £89,999	-	-	-	-
£90,000 - £99,999	1	-	1	-
£100,000 - £109,999	1	-	1	-
£110,000 - £119,999	2	5	2	5
£120,000 - £129,999	1	-	1	-
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	-	-	-	-
£160,000 - £169,999	-	-	-	-
£170,000 - £179,999	-	1	-	1
£180,000 +	1	-	1	-

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

11 Board & Committee Members

	Remuneration 2022	Remuneration 2021
	£	£
Rebeca Asady	2,893	1,982
Stephen Casey	2,894	3,820
Paul Diggory	5,533	4,660
Elaine Eades	3,858	3,820
Yasmin Fearon	3,858	3,820
Christopher Heath	3,859	3,820
Eric Hughes	5,493	5,439
Danielle James	5,509	5,439
Steven Jennings	-	5,248
David Jepson	10,933	8,234
Karen Lowe	3,857	1,982
Angela Perry	2,572	3,820
Graham Pink	3,859	3,820
Mary Rasmussen	1,929	3,820
David Simons	3,858	3,820
John Tague	6,002	5,943
Sally-Anne Watkiss	1,856	3,820
John Wiss	2,251	3,820
Derek Gibbon	1,286	-
Jamal Wahid	1,608	-
Catherine Bett	1,286	-
Peter Johnson	1,286	-
Paul McGerty	1,608	-
Total	78,088	77,127

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

Board member	Audit & Risk Committee	Governance & Remuneration Committee	SLH Board	Avela Board
Rebecca Asady	L		L	
Stephen Casey	L		L	
Paul Diggory	Y		Y	
Elaine Eades		Y		
Yasmin Fearon		Y	Y	
Christopher Heath				Y
Eric Hughes		Y	Y	
Danielle James	Y		Y	
David Jepson			Y	Y
Karen Lowe	Y			Y
Angela Perry			L	
Graham Pink			Y	Y
Mary Rasmussen			L	
David Simons				Y
John Tague				Y
Sally-Anne Watkiss		L		L
John Wiss	L			
Derek Gibbon	J			
Jamal Wahid (co-optee)			Y	
Catherine Bett			J	
Peter Johnson	J			
Paul McGerty			J	

Y = member all year

J = joined during the year

L = left during the year

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

12 Surplus on disposal of housing properties

	Right to Buy/ Right to Acquire	Low Cost Home Ownership	Total	Total
GROUP AND ASSOCIATION	2022	2022	2022	2021
	£'000	£'000	£'000	£'000
Disposal proceeds	1,564	-	1,564	624
Cost of disposals	(464)	-	(464)	(239)
Selling costs	(19)	-	(19)	(15)
Surplus on disposal of housing properties	1,081	-	1,081	370

13 Interest receivable and income from investments

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest receivable from Group undertakings	-	-	136	152
Interest receivable and similar income from current accounts	2	2	-	2
	2	2	136	154

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

14 Interest payable and similar charges

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
All other loans (excluding loans from Group entities)	1,049	1,070	1,049	1,070
Amortisation of Loan Fees	88	88	88	88
Interest on pension schemes	120	75	120	75
Interest capitalised on housing properties under construction	(47)	(60)	(47)	(60)
	1,210	1,173	1,210	1,173

The weighted average interest on borrowings of 3.40% (2021: 3.49%) was used for calculating capitalised finance costs.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

15 Taxation on surplus on ordinary activities

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
UK corporation tax				
Current tax on surplus for the year	-	-	-	-
Adjustment to current tax charge in relation to prior periods	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Timing differences	7	14	-	-
Investment property revaluation	(2)	1	-	-
Taxation on charge on ordinary activities	5	15	-	-

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus/(deficit) before tax. The differences are explained below:

	Group	Group
	2022	2021
	£'000	£'000
Surplus/(deficit) on ordinary activities before tax	3,351	3,341
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	637	635
Effects of:		
Surplus not within the charge to corporation tax	(637)	(635)
Deferred tax charge/(credit)	5	15
Adjustment to current tax charge in relation to prior periods	-	-
Total tax charge for period	5	15

The aggregate current and deferred tax relating to items recognised in other comprehensive income is nil (2021: nil).

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

16 Tangible fixed assets - housing properties		General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Supported and Housing for Older people completed	Land & Freehold Buildings	Total
GROUP		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
At 31 March 2021		131,410	2,524	3,793	-	7,693	1,219	146,639
Additions:	completed scheme transfers	1,067	(1,067)	-	-	-	-	-
	ongoing construction costs	(32)	3,089	(4)	-	-	(68)	2,985
	capitalised interest	-	47	-	-	-	-	47
	replaced components	3,863	-	-	-	-	-	3,863
Disposals	RTB & RTA disposals	(640)	-	-	-	-	-	(640)
	replaced components	(888)	-	-	-	-	-	(888)
	Other	-	-	-	-	-	(1)	(1)
At 31 March 2022		134,780	4,593	3,789	-	7,693	1,150	152,005
Depreciation:								
At 1 April 2021		(40,825)	-	(220)	-	(2,021)	-	(43,066)
Charge for the year		(3,662)	-	(29)	-	(233)	-	(3,924)
Eliminated on disposals:								
-	RTB & RTA Disposals	304	-	-	-	-	-	304
-	replaced components	887	-	-	-	-	-	887
At 31 March 2022		(43,296)	-	(249)	-	(2,254)	-	(45,799)
Net book value at 31 March 2022		91,484	4,593	3,540	-	5,439	1,150	106,206
Net book value at 31 March 2021		90,585	2,524	3,573	-	5,672	1,219	103,573

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

16 Tangible fixed assets - housing properties	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Supported and Housing for Older people completed	Land & Freehold Buildings	Total
ASSOCIATION							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
At 31 March 2021	132,193	2,593	3,793	-	7,693	824	147,096
Additions: completed scheme transfers	1,067	(1,067)	-	-	-	-	-
ongoing construction costs	(32)	3,033	(4)	-	-	-	2,997
capitalised interest	-	47	-	-	-	-	47
replaced components	3,928	-	-	-	-	-	3,928
Disposals: RTB & RTA Disposals	(640)	-	-	-	-	-	(640)
replaced components	(888)	-	-	-	-	-	(888)
At 31 March 2022	135,628	4,606	3,789	-	7,693	824	152,540
Depreciation:							
At 1 April 2021	(40,825)	-	(220)	-	(2,021)	-	(43,066)
Charge for the year	(3,662)	-	(29)	-	(233)	-	(3,924)
Eliminated on disposals:							
- RTB & RTA Disposals	304	-	-	-	-	-	304
- replaced components	887	-	-	-	-	-	887
At 31 March 2022	(43,296)	-	(249)	-	(2,254)	-	(45,799)
Net book value at 31 March 2022	92,332	4,606	3,540	-	5,439	824	106,741
Net book value at 31 March 2021	91,368	2,593	3,573	-	5,672	824	104,030

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

17 Other tangible fixed assets

Group		Plant, machinery and vehicles	Fixtures, Fittings and equipment	Total
		£'000	£'000	£'000
Cost				
At 1 April 2021		2,912	1,950	4,862
Additions	0		158	158
Disposals		(24)	(1,021)	(1,045)
At 31 March 2022		2,888	1,087	3,975
Depreciation				
At 1 April 2021		(837)	(1,601)	(2,438)
Charge for year		(145)	(195)	(340)
Disposals		10	1,021	1,031
At 31 March 2022		(972)	(775)	(1,747)
Net book value				
At 31 March 2022		1,916	312	2,228
At 31 March 2021		2,075	349	2,424

Association		Plant, machinery and vehicles	Fixtures, fittings and equipment	Total
		£'000	£'000	£'000
Cost				
At 1 April 2021		107	1,950	2,057
Additions		-	158	158
Disposals		(4)	(1,021)	(1,025)
At 31 March 2022		103	1,087	1,190
Depreciation				
At 1 April 2021		(98)	(1,601)	(1,699)
Charge for year		(5)	(195)	(200)
Disposals		4	1,021	1,025
At 31 March 2022		(99)	(775)	(874)
Net book value				
At 31 March 2022		4	312	316
At 31 March 2021		9	349	358

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

18 Investment properties

Group	Commercial
	£'000
At 1 April 2021	508
Revaluations	(11)
Impairment	-
At 31 March 2022	497

The Group's investment properties are valued annually on 31 March at fair value, determined by Dears Brack, an independent, professionally qualified valuer. There are no investments in the Association accounts.

19 Fixed asset investments

There was no premium on acquisition relating to the associated undertakings or joint venture.

As required by statute, the financial statements consolidate the results of Avela Services Limited, SLH Projects Limited, Avela Home Service LLP and Avela Development LLP which were subsidiaries of South Liverpool Homes Limited at the end of the year and are companies incorporated in England and Wales.

SLH Projects Limited is a subsidiary of South Liverpool Homes Limited and was dormant during the current financial year.

Avela Services Limited activity includes the rental of commercial properties, income from photovoltaic solar panels and ICT consultancy.

Avela Home Service LLP is a repairs and maintenance business which is 55% owned by Avela Services Limited and 45% owned by Penny Lane builders Limited. Avela Home Service LLP performs repairs for South Liverpool Homes Limited and third party customers. The minority interest is £151k (2021: £188k).

Avela Development LLP is a development company which is 51% owned by Avela Services Limited and 49% owned by Penny Lane builders Limited. Avela Development LLP carried out development activity for South Liverpool Homes. The minority interest is £13k (2021: £26k).

South Liverpool Homes Limited has the right to appoint members to the Board of the subsidiaries and thereby exercises control over them. The subsidiaries are not registered social landlords and South Liverpool Homes Limited is the ultimate parent undertaking.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

Details of Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the Association has an interest in are as follows:

Name	Country of incorporation or registration	Proportion of voting rights / ordinary share capital held	Nature of business	Nature of entity
Subsidiary undertakings				
Avela Services Ltd.	England	100%	Non charity works	Commercial company limited by shares
SLH Projects Limited	England	100%	Development company (currently dormant)	Commercial company limited by shares
Avela Home Service LLP	England	55%	Repairs and maintenance activities	Limited Liability Partnership
Avela Development LLP	England	51%	Development activities	Limited Liability Partnership

20 Properties for sale

GROUP AND ASSOCIATION	Total 2022 £'000	Total 2021 £'000
Shared Ownership properties:		
Completed properties	-	110
Work in progress	-	-
Properties developed for outright sale	-	-
	-	110

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

21 Debtors

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Due within one year				
Rent and service charge arrears	840	775	840	775
Less: Provision for doubtful debts	(307)	(312)	(307)	(312)
	533	463	533	463
Other debtors	284	416	193	227
Prepayments and accrued income	564	585	494	471
Amounts owed by Group undertakings	-	-	8	16
	1,381	1,464	1,228	1,177
Due after one year				
Amounts owed by Group undertakings	-	-	2,374	2,824
Total debtors	1,381	1,464	3,602	4,001

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

22 Creditors: amounts falling due within one year

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Trade creditors	(1,193)	(1,819)	(351)	(428)
Rent and service charges received in advance	(400)	(436)	(400)	(436)
Amounts owed to Group undertakings	-	-	(937)	(1,295)
Taxation and social security	(94)	(59)	(32)	(8)
Deferred capital grant (Note 24)	(693)	(692)	(693)	(692)
Recycled capital grant fund (Note 25)	(85)	-	(85)	-
Disposal proceeds funds (Note 26)	-	-	-	-
Accruals and deferred income	(1,497)	(1,998)	(1,131)	(1,623)
Total	(3,962)	(5,004)	(3,629)	(4,482)

23 Creditors: amounts falling due after more than one year

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Loans and borrowings (Note 26)	(29,628)	(29,555)	(29,628)	(29,555)
Deferred capital grant (Note 24)	(22,698)	(23,291)	(22,698)	(23,291)
Recycled capital grant fund (Note 25)	(318)	(214)	(318)	(214)
Deferred taxation (Note 29)	(77)	(73)	-	-
Leaseholders Sinking Fund	(74)	(53)	(74)	(53)
Total	(52,795)	(53,186)	(52,718)	(53,113)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

24 Deferred capital grant

GROUP and ASSOCIATION

	2022 £'000	2021 £'000
At 1 April	23,983	24,091
Grants received during the year	172	614
Disposal of grant during the year	(79)	(60)
Released to income during the year	(684)	(662)
At 31 March	23,392	23,983
Amount due in less than one year	693	692
Amount due in more than one year	22,699	23,291

25 Recycled capital grant fund

GROUP and ASSOCIATION

	2022 £'000	2021 £'000
At 1 April	214	85
Grants recycled	189	129
Interest accrued	-	-
Withdrawals	-	-
At 31 March	403	214
Amounts due to be utilised < 1 year	85	-
Amounts due to be utilised > 1 year	318	214

Grants recycled related to Right to Buy and Right to Acquire sales in the year.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

26 Loans and borrowings

Maturity of debt:

	Bank loans	Other loans	Total
GROUP and ASSOCIATION	2022	2022	2022
	£'000	£'000	£'000
In one year or less, or on demand	-	-	-
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	(15,000)	(1,500)	(16,500)
In more than five years	-	(13,500)	(13,500)
Less loan issue costs	204	168	372
As at March 2022	(14,796)	(14,832)	(29,628)

	Bank loans	Other loans	Total
GROUP and ASSOCIATION	2021	2021	2021
	£'000	£'000	£'000
In one year or less, or on demand	-	-	-
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	(15,000)	(750)	(15,750)
In more than five years	-	(14,250)	(14,250)
Less loan issue costs	222	223	445
As at March 2021	(14,778)	(14,777)	(29,555)

Security

Bank and other loans are secured by fixed charges on individual properties

Terms of repayment and interest rates

South Liverpool Homes has loan agreements with Yorkshire Building Society (YBS) and M&G Investments (M&G). The facility with YBS is £35m. The facility with M&G is £15m.

£15m of bank loans are repayable as a bullet payment in June 2025. Of this, £15m is at a fixed interest rate between 1.5% and 2.06%.

Other loans are repayable in instalments between 2026 and 2045 at a fixed interest rate of 4.39%.

At 31 March 2022 the Group had undrawn loan facilities from revolving credit facilities of £20m (2021: £20m). This facility could be drawn with variable interest at a margin of 1.46% over SONIA (£5m) and 1.56% over SONIA (£15m).

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

27 Financial instruments

The Group's and Association's financial instruments may be analysed as follows:

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Financial assets				
Investment properties measured at fair value	497	508	-	-
Financial assets measured at historical cost				
- Trade receivables	533	463	533	463
- Other receivables	847	1,001	687	698
- Cash and cash equivalents	2,546	3,353	2,046	2,313
Loans receivable	-	-	2,374	2,824
Total financial assets	4,423	5,325	5,640	6,298
Financial liabilities				
Financial liabilities measured at historical cost				
- Loans payable	(29,628)	(29,555)	(29,628)	(29,555)
Financial liabilities measured at historical cost				
- Trade creditors	(1,193)	(1,819)	(351)	(428)
- Other creditors	(2,301)	(2,648)	(1,934)	(2,274)
Total financial liabilities	(33,122)	(34,022)	(31,913)	(32,257)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

28 Pensions

Several pension schemes are operated by the group.

Defined benefit pension scheme

Pension benefits depend upon age, length of service and salary level.

Merseyside Pension Fund

The Merseyside Pension Fund (MPF) is a multi-employer scheme. MPF is administered by the regulations governing Local Government Pension Schemes. MPF is a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent professionally qualified actuary using the project unit method.

The defined benefit scheme employer's contributions for the Group and Association during the year were £116k (2021: £118k) with the employer's contribution rate at 41.7% (2021: 41.7%) of pensionable pay, including risk premium of 23.1% (2021: 23.1%).

A full actuarial valuation for the SLH fund was carried out with an effective date of 31 March 2019. This showed assets of £5.5m, liabilities of £6.1m and a deficit of £0.6m (down from £1.4m at 31 March 2016). To move towards eliminating the funding shortfall a deficit contributions of £253k was made in April 2020 as a lump payment to settle deficit payments due in the next 3 years.

A number of events could impact on this funding position including material changes in market levels or financial conditions, staff movements, material increases in liabilities, such as pay increases significantly above the allowance made in the last valuation of the Fund, any changes giving rise to an increase in potential early retirement liabilities or any change to the Fund Strategy or assumptions adopted by the Fund Actuary in relation to the admission body.

	2022	2021
	£'000	£'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(9,117)	(7,949)
Current service cost	(89)	(80)
Interest cost	(190)	(188)
Past service cost	-	-
Benefits paid	157	200
Member Contributions	(30)	(29)
Gain / (loss) on assumptions	49	(1,071)
At the end of the year	(9,220)	(9,117)
Composition of plan liabilities:		
Schemes wholly or partly funded	(9,220)	(9,117)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

	2022	2021
	£'000	£'000
Reconciliation of fair value of plan assets		
At the beginning of the year	6,678	5,668
Interest income on plan assets	140	141
Remeasurements	477	670
Administration expenses	(1)	(1)
Employer contributions	116	371
Member contributions	30	29
Benefits paid	(157)	(200)
At the end of the year	7,283	6,678
 Fair value of plan assets	7,283	6,678
Present value of plan liabilities	(9,220)	(9,117)
Net pension scheme liability	(1,937)	(2,439)
 Amounts recognised in other comprehensive income are as follows:		
	2022	2021
Current service cost	(89)	(80)
Past service cost	-	-
Administration expense	(1)	(1)
Amounts charged to operating costs	(90)	(81)
 Net interest cost	(50)	(47)
Amounts charged to other finance costs	(50)	(47)
 Analysis of actuarial gain/(loss) recognised in Other Comprehensive Income		
Changes in assumptions underlying the present value of the scheme liabilities	526	(401)
	526	(401)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

	2022	2021
	£'000	£'000
Composition of plan assets		
Equities	2,767	2,657
Government bonds	1,602	194
Other bonds	583	1,796
Property	532	461
Cash	364	341
Other	1,435	1,229
Total plan assets	7,283	6,678
 Actual return on plan assets	 618	 812

	2022	2021
	%	%
Principal actuarial assumptions used at the balance sheet date		
Discount rates	2.8	2.1
Future salary increases	4.9	4.2
Future pension increases	3.5	2.8
Inflation assumption	3.4	2.7
 Mortality rates	 No. of years	 No. of years
for a male aged 65 now	21.0	20.9
at 65 for a male member aged 45 now	22.6	22.5
for a female aged 65 now	24.1	24.0
at 65 for a female member aged 45 now	26.0	25.9

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

Social Housing Pension Scheme (SHPS)

The company participates in the scheme, a multi-employer scheme which provides benefits to non-associated employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a 'last-man standing arrangement'. Therefore, the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020. This actuarial valuation showed assets of £4.553m, liabilities of £6.075m and a deficit of £1.522m. To eliminate the funding shortfall deficit contributions of £222k were made in the year ended 31 March 2022 (2021: £218k), increasing by 2% per annum until September 2026.

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

	2022	2021
	£'000	£'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(11,455)	(8,589)
Current service cost	(254)	(204)
Administration expense	(8)	(8)
Interest cost	(253)	(203)
Contributions by plan participants	(1)	(2)
Actuarial (losses)/gains due to scheme experience	(668)	208
Actuarial (losses)/gains due to changes in demographic assumptions	157	(37)
Actuarial (losses)/gains due to changes in financial assumptions	1,049	(2,688)
Benefits paid and expenses	343	68
At the end of the year	(11,090)	(11,455)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

	2022	2021
	£'000	£'000
Reconciliation of fair value of plan assets		
At the beginning of the year	8,559	7,310
Interest income	191	175
Experience on plan assets	1,107	729
Employer contributions	407	411
Contributions by plan participants	1	2
Benefits paid and expenses	(343)	(68)
At the end of the year	9,922	8,559
Fair value of plan assets	9,922	8,559
Present value of plan liabilities	(11,090)	(11,455)
Net pension scheme liability	(1,168)	(2,896)
Amounts recognised in other comprehensive income are as follows:		
	2022	2021
	£'000	£'000
Current service cost	(254)	(204)
Administration expense	(8)	(8)
Amounts charged to operating costs	(262)	(212)
Net interest cost	(62)	(28)
Amounts charged to other finance costs	(62)	(28)
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income		
Experience on plan assets	1,107	729
Experience on plan liabilities	(668)	208
Changes in demographic assumptions	157	(37)
Changes in financial assumptions	1,049	(2,688)
	1,645	(1,788)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

	2022	2021
	£'000	£'000
Composition of plan assets		
Global equities	1,904	1,364
Absolute return	398	472
Alternative Risk Premia	327	322
Infrastructure	707	571
Liability driven investment	2,768	2,175
Other	3,818	3,655
Total plan assets	9,922	8,559
 Actual return on plan assets	 1,298	 904
 Principal actuarial assumptions used at the balance sheet date	 %	 %
Discount rates	2.78	2.22
Future salary increases	4.13	3.87
Future pension increases	3.13	2.87
Inflation assumption	3.44	3.21
 Mortality rates	 No. of years	 No. of years
for a male aged 65 now	21.1	21.6
at 65 for a male member aged 45 now	22.4	22.9
for a female aged 65 now	23.7	23.5
at 65 for a female member aged 45 now	25.2	25.1

Defined Contribution Scheme

The Pensions Trust

South Liverpool Homes operated SHPS defined contribution scheme during the year.

NEST

Avela Services Ltd and Avela Home Service LLP operate the NEST defined contribution scheme.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

29 Deferred taxation

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Fixed asset timing differences	(81)	(89)	-	-
Unutilised losses	38	52	-	-
Capital gains on revaluation	(34)	(36)	-	-
Deferred tax (liability)	(77)	(73)	-	-

30 Contingent liabilities

The Group and Association had no contingent assets at March 2022 (2021: nil)

The Association received capital grant from Homes England, which is used to fund the acquisition and development of new housing properties and their components. In certain circumstances upon disposal of grant funded properties the group is required to recycle this grant by crediting the Recycled Capital Grant Fund. As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements. See note 33 for details of grants received and recognised as income.

The Association has been notified by the Pension Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme at 30 September 2020. The amount of employer debt on withdrawal for SLH has been calculated as £8,177,299 based on membership at 30 September 2021.

The potential termination cost to SLH of closing the Merseyside Pension Fund scheme has been estimated at £2,885,000 at the last valuation at 31 January 2022.

The Group and Association had no other contingent liabilities at March 2022 (2021: nil)

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

31 Operating leases

The Group and the Association had minimum lease payments under non-cancellable operating leases as set out below:

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Land and Buildings				
Not later than 1 year	213	223	213	223
Between 2 and 5 years	640	69	640	69
Later than 5 years	-	-	-	-
Others:				
Not later than 1 year	34	51	34	51
Between 2 and 5 years	-	34	-	34
Later than 5 years	-	-	-	-
Total	887	377	887	377

32 Grant and financial assistance

	2022	2021
	£'000	£'000
GROUP and ASSOCIATION		
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	23,392	23,983
Recognised as income in statement of Comprehensive Income	12,356	11,782
Total	35,748	35,765

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

33 Capital commitments

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Commitments contracted but not provided for	(888)	(4,009)	(888)	(4,009)
Commitments approved by the Board but not contracted for	-	-	-	-
	(888)	(4,009)	(888)	(4,009)

Capital commitments for the Group and association will be funded as follows:

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Social Housing Grant	200	407	200	407
Shared ownership proceeds	-	-	-	-
Drawdown of existing facilities	-	1,000	-	1,000
Utilisation of cash reserves	688	2,602	688	2,602
	888	4,009	888	4,009

34 Non-equity share capital

	2022	2021
GROUP and ASSOCIATION	No.	No.
Allotted Issued and Fully Paid:		
At the start of the year	10	10
Issued during the year	2	1
Repaid during the year	(4)	(1)
At the end of the year	8	10

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

35 Related party disclosures

During the year the Group had a co-optee on the Board who is a tenant. It is the Company's policy that board members who are tenants hold their tenancies and tenancy agreements on normal Association terms and they are not able to use their position to their advantage, the same applies to co-optees. Total rent charged to the co-optee was £4k (2021: £4k). There are no arrears on their tenancies at the reporting period end (2021: Nil).

Transactions between South Liverpool Homes (SLH) and its subsidiary Avela Services Limited (ASL):

- Intra-group management fees are receivable by the association from its subsidiary to cover the running costs the association incurs relating to the subsidiary. The management fee includes Company Secretarial, Executive Management, Asset Management, Finance, HR and Business Assurance and is allocated based on a proportion of staff time. The total charge for the year ended March 2022 was £22k (2021: £21k)
- An intra-group loan has been granted by SLH to ASL. The balance at 31 March 2022 was £2.374m (2021: £2.824m). Interest was charged in the year of £136k (2021: £152k). Interest is charged at 5.391%. The loan is secured on real property and repayable in instalments by 2039.
- In the year ended 31 March 2022, ASL paid gift aid of £20k to SLH (2021: £20k)
- As at 31 March 2022, SLH owed ASL £3k from trading balances (2021: £7k)

Transactions between SLH and a Group subsidiary, Avela Home Service (AHS)

- AHS carried out work on behalf of SLH with a value of £8.582m in the year ended March 2022 (2021: £8.451m). This work included repairs, voids, gas servicing, planned works, call centre costs and refurbishment work.
- As at 31 March 2022, SLH owed AHS £0.723m (2021: £1.052m)

Transactions between SLH and a Group subsidiary, Avela Development (AD)

- AD carried out construction work with a value of £2.506m which was invoiced to SLH (2021: £1.262m)
- As at 31 March 2022, SLH owed AD £203k (2021: £117k)

Transactions between Avela Services Limited (ASL) and Avela Home Service (AHS)

- AHS carried out maintenance work on the PV panels in ASL with costs in the year of £72k (2021: £78k)
- In the year, AHS paid £187k of profit share to AS relating to the year ended March 2022 (2021: £184k).
- As at 31 March 2022, ASL owed AHS Nil (2021: Nil)

Transactions between Avela Services Limited (ASL) and Avela Developments (AD)

- In the year, AD paid £26k of profit share to ASL relating to the year ended March 2021 (2021: £59k).
- As at 31 March 2022, AS owed AHS Nil (2021: Nil)

Transactions between Avela Home Service (AHS) and Avela Developments (AD)

- As at 31 March 2022, AD owed AHS £26k (2021: Nil)

36 Capital and reserves

The Revaluation Reserve represents the difference between the fair value of commercial properties in Avela Services and the historical cost carrying value. The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value in which case it is charged to the statement of comprehensive income.

37 Post balance sheet events

There are no post balance sheet events to report