# Central & Cecil Housing Trust

Co-operative and Community Benefit Societies Act 2014 number 27693R

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# Central & Cecil Housing Trust

## Legal and Administrative Details

| | |
|---|---|
| **Registered office:** | Cecil House, 266 Waterloo Road, London, SE1 8RQ |
| **Legal status:** | Central & Cecil Housing Trust ('the association') is incorporated under the Co-operative and Community Benefit Societies Act 2014 number 27693R and is a wholly owned subsidary of Aster Group Limited and a member of the Aster Group ('the group').<br><br>The association is registered with the Regulator for Social Housing. |
| **Members of the board:** | The directors of the association who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, are set out below. |

**Non-executive directors**

| | |
|---|---|
| Mike Biles | Chairman |
| Clive Barnett | |
| Andrew Kluth | |
| Mike McCullen | |
| Tracey Peters | Senior Independent Director |
| Caroline Wehrle | |
| Claire Whitaker CBE | |

**Executive directors**

| | |
|---|---|
| Bjorn Howard | Group Chief Executive Officer |
| Chris Benn | Chief Financial Officer |
| Amanda Williams | Chief Investment Officer |

**Executive Team:**

| | |
|---|---|
| Bjorn Howard | Group Chief Executive Officer |
| Chris Benn | Chief Financial Officer |
| Rachel Credidio | Chief Transformation Officer |
| Dawn Fowler-Stevens | Chief Strategy Officer |
| Amanda Williams | Chief Investment Officer |
| Emma O'Shea | Chief Operating Officer |

| | |
|---|---|
| **Company Secretary:** | David Betteridge |
| **Independent Auditor:** | KPMG LLP<br>Gateway House<br>Tollgate<br>Chandler's Ford<br>Eastleigh<br>SO53 3TG |
| **Principal Banker:** | Barclays Bank Plc<br>Corporate Banking<br>3rd Floor, Windsor Court<br>1-3 Windsor Place<br>Cardiff<br>CF10 3ZL |
| **Principal Solicitor:** | Trowers and Hamlins<br>3 Bunhill Row<br>London<br>EC1Y 8YZ |
| **Valuer:** | Jones Lang LaSalle Limited<br>30 Warwick Street<br>London<br>W1B 5NH |
| **Financial Adviser:** | Chatham Financial Europe Limited<br>12 St. James Square<br>London<br>SW1Y 4LB |

# Central & Cecil Housing Trust

## Report of the Board

The board presents its report and the audited financial statements for the year ended 31 March 2023.

**Principal activities**

The association's principal activity is to provide affordable homes and associated services as a Registered Provider.

The board does not anticipate any significant changes in the association's activities in the foreseeable future.

**Results for the year**

The loss for the year was £3.5 million (2022: £3.2 million).

**The Board**

The members of the board are listed on page 1. No members of the board held, at any time during the year, any beneficial interest in the shares of the association.

**Directors' indemnities**

The association is a member of the Aster Group which has made qualifying third party indemnity provisions for the benefits of its directors and officers (which extend to the performance of any duties as a director or officer of an associated company or subsidiary). The provisions have been in place throughout the year and remain in force at the date of this report.

**Going concern**

The directors, after reviewing the association’s budgets for 2023/24 and the group’s medium term financial position as detailed in the 30-year business plan, taking account of severe but plausible downsides including changes arising from the cost of living crisis, are of the opinion that, the association will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements. The directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

**Reduced reporting disclosures**

Section 1.12 of FRS 102 allows subsidiaries to take advantage of certain disclosure exemptions in their financial statements. The following exemptions have been taken:

a) A Statement of Cash Flows as outlined in section 7 of FRS 102;
b) The detailed disclosures of financial instruments, carrying values, terms and conditions and hedging relationships outlined in paragraph 11.41, 11.42, 11.44, 11.45, 11.48, 12.27, 12.29 and 12.29A of FRS 102;
c) The requirement to disclose key management personnel compensation outlined in paragraph 33.7 of FRS 102; and
d) The requirement to disclose related party transactions outlined in paragraph 33.11 of FRS 102.

The association has taken advantage of some of these exemptions this year as set out in note 3. A full set of disclosures are included in the group’s consolidated financial statements.

Paragraph 4.4 of the Housing SORP 2018 allows registered providers that are subsidiaries of a group to opt out of providing a Strategic Report. The association has taken this exemption and not produced a Strategic Report. The group's strategic report, including Central & Cecil Housing Trust Limited, is accordingly represented in the financial statements of Aster Group Limited.

**Review of the association's business**

The association owns and manages approximately 2,000 affordable housing and residential care homes and beds.

**Operational performance**

Turnover increased by £2.9 million to £25.1 million. Lettings income increased by £1.6 million driven rent increases while care income increased by £0.8 million reflecting improved occupancy.

Service charge income increased by £0.2 million although this is offset by an increase in costs of £1.8 million.

Operating costs increased by £1.0 million to £27.6 million. Increases in lettings costs of £2.6 million predominatly due to £1.0 million of additional maintenance costs and £1.8 million of service charge costs, combined with an increase in care home operating costs of £0.3 million and agency management costs of £0.4 million are partially offset by a decrease in other costs. A £2.8 million purchase of an incurance buy-in policy against the pension scheme cost in the prior year has not reoccurred in 2022/23.

The association made no disposals of housing properties (2022: £0.3 million). A further impairment charge of £0.2 million (2022: £1.3 million) was taken against the intercompany loan to the association's subsidiary Central & Cecil Innovations Limited. This reflects the delayed sales at the Ridgemont development site where the Covid-19 pandemic continued to slow the over 55s market – at the end of the year 15 of the 20 units had been sold (2022: 7) with the remaining 5 expected to sell during 2023/24.

Operating loss (before asset sales and impairment charges) was £2.5 million (2022: £4.3 million).

**Housing services**

Social housing void performance at 2.8% was an improvement in comparison to 3% in 2022. In the first part of the year void turnaround times were impacted by contractor performance, further contractors have been appointed and a review of the void process has identified several issues that are being addressed and will improve performance. The target for 2023 was 2%.

Resident satisfaction was 67% (2022: 83%) and 93% (2022: 89%) of our residents would recommend C&C as a place to live. Our in-house repairs service C&C Direct is fully operational and in the year 63% of residents were satisfied with how C&C Direct handled their repair.

Following the acquisition, the association is aligning with Aster Group's approach to monitoring satisfaction and is integrating its approach to resident engagement with the wider Aster Group.

**Care Services**

Care occupancy improved significantly, averaging 96.5% in comparison with 2022 occupancy of 88%. Occupancy remains a key focus and a 95% target was set for the year.

A targeted CQC inspection took place at Compton Lodge in December 2022, and there has been no change to the rating. In February 2023 Cecil Court had a full CQC inspection, and the outcome is awaited. All 4 Care Homes have "Good" overall CQC ratings based on last inspections.

Care homes have achieved an average 98% satisfaction ratings from residents with surveys undertaken on a monthly basis, with 96% satisfaction.

The Care services have achieved a 9.7/10 rating based on direct feedback from family, friends and loved ones on the Care Home UK website. This is a significant uplift on performance and is welcomed for marketing purposes.

Use of agency staff is still being managed and controlled across all homes.

**Value for Money (VfM) - Aster Group**

Value for Money is recorded, and accordingly disclosures below, are on a group basis of which Central & Cecil Housing Trust is part of.

The housing sector continues to experience the effects of economic uncertainty, including the ongoing impact of Brexit, the pandemic, and the war in Ukraine. These have contributed to a significantly challenging operating environment, further exacerbated by rising costs due to high inflation, interest rate increases, and labour shortages. As mentioned above, the cost-of-living crisis emanating from these shocks has also placed significant pressure on our customers and on our income streams, most notably through the 7% rent cap. In Aster, the rent cap has removed circa £650 million from our long-term financial plan, at a time of increased focus on the quality of social housing, building safety, and consumer regulation.

In spite of these challenges, we remain committed to achieving best value for money, while continuing to prioritise quality, safety and excellent customer service. We believe value for money is about delivering social, financial, and environmental value across everything we do, underpinned by being effective in how we plan, manage and operate our business.

Over the past year, we have undertaken several strategic projects to reinforce this approach (some of which are included above), including:

- Corporate Strategy review

- Procurement review

- Governance review

- 100% Stock Condition Survey (SCS)

**Corporate Strategy**

Value for money forms a central part of our business and organisational culture. We believe our Corporate Strategy – first devised in 2021 – reflects this and continues to be fit for purpose. Over recent months we have taken the opportunity to review and articulate the long-term Strategic Priorities that will guide delivery of our strategy over the next seven years, with a new Corporate Plan framework being devised to capture how we prioritise our activity in the shorter-term.

Through our treasury and business planning processes we understand our future financial requirements, ensuring funding can be effectively put in place to help us deliver our Corporate Strategy. We're always looking to make best use of our capacity – analysing risks through scenario testing – by maximising borrowing and effectively utilising security whilst also maintaining credit strength. Achieving value for money is embedded in our capital and treasury structure. This is augmented by appropriate funding structures to achieve interest cost savings, which are crucially then reinvested in maintenance and new developments.

Progress against our Corporate Strategy will be monitored alongside our corporate performance framework, which provides a complementary view of the business's financial health and performance against our health and safety obligations, legal, contractual and regulatory requirements. This is where we monitor the Regulator's Value for Money metrics and will provide visibility of the new Tenant Satisfaction Measures (TSMs). We will continue to benchmark our performance against a limited number of peer organisations that, collectively, we believe provide us with the most suitable barometer against which to assess and challenge how we are doing.

**Procurement**

Maintaining the financial health of our business relies on our colleagues being able to make sound, commercially driven decisions: procuring the right things, at the right time, in the right way. With this in mind, we recently concluded an externally led review of our procurement services to ensure we have the appropriate frameworks in place. We wanted to make sure we're seeking innovative, future focused solutions for products, services and works, challenging the market to improve while maintaining a risk-based approach. A new Director of Procurement post has been created to implement the outcomes of the review and working with other senior leaders across the business, will ensure our rounded approach to value for money is embedded Group-wide.

Building on our success as one of the first organisations in the sector to issue a Sustainability Bond under a sustainable finance framework, Environmental, Social and Governance (ESG) principles will continue to help shape how we procure services and manage ongoing relationships with our supply chain. In October we published our third ESG Report, which took stock of progress since our inaugural report back in 2020. This year's report benchmarked our ESG credentials against the United Nation's Sustainable Development Goals (UN SDGs) and also indexed our delivery against the newer Sustainability Reporting Standard (SRS) for social housing.

**Governance**

Our G1 rating indicates that our governance processes are sound and we are getting value for money from the investment we make in our governance, risk and assurance frameworks. Our internal governance framework provides assurance through various mechanisms:

- Our value for money measures and targets are monitored and scrutinised by our Corporate Performance and People Panel (CPPP), and are also presented regularly to the Aster Group Board

- CPPP also monitors and tracks projects and initiatives which deliver savings, efficiency improvements and additional benefits

- Our Group Investment and Assets Panel considers value for money in all decisions relating to our strategic asset and development programmes. We recognise the challenging economic environment and make sure that contractor performance and viability are key considerations in that decision making

- We track our social value through the work of the Aster Foundation, and through our Customer Experience Panel (Enham will be integrated into this approach in the future).

**Value for Money (VfM) - Aster Group (continued)**

**Governance (continued)**

Equally, we recognise that our Group has grown over the past three years, with EBHT, C&C and Enham all joining since the start of the pandemic, expanding the coverage of our governance, risk and assurance frameworks. We therefore conducted an organisation wide governance review during 2022/23 to ensure our structures and processes remain both fit for purpose and sustainable for the future.

The review concluded that strong governance arrangements are in place, working effectively, and demonstrating a strong focus on social value and customer focus. Areas for further refinement include balancing good governance with agility and pace and ensuring continued connectivity between all elements of the governance structure. The outcomes from the review will be implemented during 2023/24.

**Stock Condition Survey**

As mentioned above, we're one of only a few housing associations that has taken the vital step to survey all our homes. This exercise means that we have valuable up to date information about the condition of our customers' homes and where we need to invest. This information is helping shape our future investment programmes. This includes bringing together measures to decarbonise customers' homes that align with traditional component replacement programmes, resulting in delivering better value for money and less disruption for customers.

**Customer Voice**

As previously mentioned, our Customer Voice engagement shapes and influences our decision making so that we spend our money where it has the most impact. For example, customers were involved in the tendering for a new grounds maintenance contract so that we could understand what was important to them. Customer feedback is also used to drive neighbourhood improvements so that we know that the needs of our customers and communities are reflected in the financial decisions that affect them.

**Customer Services**

As evidenced by our social housing cost per unit, we look to strike the right balance between investment and value for money for our customers. The health and safety of our customers is paramount and we won't compromise on this. We are investing in our homes and services, meaning that customers can sustain their tenancies and live independently for longer. This ultimately provides security for both our customers and our business. We will continue to strive to maximise our income and generate efficiencies. We're achieving this through our digital evolution programme and by better understanding our customers' needs, by ensuring services are tailored and cost effective.

As you will have seen above, we're focusing on the modernisation of our customer services, aiming to provide both reliable and safe customer services and an effortless experience, now and into the future. We continue to build on our digital self-serve offer for our customers and 53% of customers are now registered to use our free online portal My Aster, with 84% telling us they're happy with our service. Over 2,000 customers now use Live Chat per month to log repairs, ask questions, update their tenancy and more. Their feedback will continue to help us shape and improve our digital platforms that provide accessible ways for customers to reach us.

VFM Performance at 2022/23 year end:

- Current rent arrears – 1.8%
- Former arrears 1.02%
- All voids turnaround times – 26.5 days
- Void loss 0.7%
- Avoidable contact 16.86% and first contact resolution 77.48%

**Property Services**

One of our strategic priorities is to transform the way we deliver our maintenance service over the coming years, making it highly adaptable, resilient, and easy to use, and enabling repairs to be made in a reliable, timely and efficient way, while consciously reducing our environmental impact. We will continue to focus on the reliability and consistency of our service and providing the best possible balance between cost and quality.

We know how important our maintenance service is for our customers and we continue to identify how we deliver a proactive service, utilising our highly skilled in-house team and our supply chain. We are currently reviewing all aspects of our trades workforce including those directly employed and sub-contracted by our contracting company Aster Property, those contracted to supply chain partners to deliver works and services and those delivered through marketplace solutions. This strategic review will inform our future workforce and procurement approaches and ensure the delivery of both good quality outcomes and value for money.

- Response repairs customer effort score – 81%
- Ratio of responsive repairs to planned maintenance spend – 1:2.2
- Customer satisfaction with the quality of their home (excl. new build) – 73%

**Asset Management**

Alongside our property investment and maintenance services, we continue to ensure we maximise our returns on investment and make best use of our assets – including the acquisition and disposal of assets that secure strategic, social or economic value.

We have been working on creating a new three-year asset management plan, to be effective from April 2023. New dynamic asset appraisal modelling systems have been introduced. This means we can build our future capacity so that we can expand our voids disposal programme (VDP), land enhancement programme (LEP) and stock options appraisal programmes (SOAP) from next year. This year, these programmes have secured cashable and non-cashable savings of £262,000 from work we will no longer have to carry out in the short-term as a result of disposals.

**Value for Money (VfM) - Aster Group (continued)**

**Asset Management (continued)**

We will always ensure that local needs are considered and balanced with the opportunities for reinvestment in existing homes and neighbourhoods.

VFM Performance at 2022/23 year end:
- VDP net capital receipts – £13.9 million
- VDP net profit – £10.0 million
- SOAP and LEP net capital receipts – £4.9 million

**Development**

Our development programme is targeted at making the biggest difference to the housing shortage, by building as many homes as we can. This doesn't mean sacrificing on quality or the scale of our investment.

Our strategy is focused on delivering our own programme of land led sites through partnership, with control and quality remaining our overall focuses. This programme is managed through dedicated technical teams who are involved in every step of the process, delivering homes that balance value and quality from inception to handover. All development contracts are required to meet several criteria and subject to a rigorous approval process – ensuring we balance investment, our strategic objectives and income generation to provide value for money for our customers, communities and the business. Our partnerships with community land trusts (CLTs) require higher investment. This has been a conscious decision as these projects support our strategy to build sustainable communities by creating a supply of affordable homes to meet local need across our geography.

Our Joint Ventures with our housebuilding partner have now reached maturity, with significant value drawn from our partner's commercial expertise. The partnership continues to drive best value whilst balancing risk in the delivery of our larger mixed tenure developments.

VFM Performance at 2022/23 year end:

- Number of affordable homes built – 1,181 homes (excluding JVs)
- Number of open market sales homes built – 131 homes (this year through JVs)
- % of new-build homes built to EPC B or above – 98%

**Aster Foundation**

Value for money is not just about pounds and pence. As a registered charity, the Aster Foundation exists to help people living in and around our communities to combat the effects of poverty. We do this by providing access to opportunities that enable better lives. We believe that everyone should have the opportunity to have a safe, fulfilled, and happy life.

While the inequalities exacerbated by the pandemic continue to inform our context, our focus is increasingly aimed at tackling poverty during the current cost-of-living crisis. It is estimated that 1.5 million UK households will struggle to pay for food and energy this year. In addition, the National Institute of Economic and Social Research (NIESR) has predicted that more than 250,000 households would "slide into destitution" in 2023, taking the number classed as being in extreme poverty to around a million. With support from our partners and donors, we can make a difference and begin to close the gaps in financial inequality across our communities. We support mental wellbeing and employment and help our communities to thrive through volunteering.

VFM Performance at 2022/23 Year end:

- People positively impacted by the Aster Foundation – 4,031
- People positively impact by our mental health and social connectivity work – 2,124
- People supported to be more financially included – 1,775
- People supported to move into meaningful employment – 132
- People engaged in our social research and volunteering – 574

**Programme Experience**

The Group continues to invest in digital transformation as our business wide transformation programme (Programme Experience) – one of the three enablers of the Group's Corporate Strategy. The main objective of digital transformation is to continue transforming how the Group works and what is done to ensure a sustainable, resilient business – improving the experience colleagues and our customers have. We believe value for money is not always about cutting costs; it's about return on investment and evolving with the times to ensure we can continue to achieve maximum value from our business going forward. We also believe that healthy, happy and engaged colleagues result in an improved service offering for our customers.

**Growth**

We continue to assess growth options in relation to additionality and the social, financial and environmental value that can be generated. Our growth must also explicitly contribute to the delivery of our corporate strategy; we are not looking to become bigger for the sake of it. Welcoming Enham Trust, the Hampshire-based disability charity into the Group is the perfect example of that. Working together, one of our long-term strategic priorities is to establish a masterplan for the transformation of Enham village, so we can achieve our ambition to create a vibrant and sustainable community for all. We have also identified improvements to Enham's budget of over £1m for the coming year, while we work to protect the Trust's future.

**Value for Money performance - Aster Group**

**2022/23 Performance**

The Group's performance in 2022/23 provides strong evidence of the commitment set out in the approach to VFM.

**Performance against the VFM key metrics**

Set out below is the Group's sector scorecard comparison showing the median and upper quartile positions as well as the Group's target for 2024.

**Performance against the VFM key metrics**

Performance is in the upper quartile
Performance is median
Performance is in the lower quartile

| | Aster Performance | | | Scorecard 2022 | | Target |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | Median | Upper Quartile Threshold | 2024 |
| **REINVESTMENT** | | | | | | |
| Reflects the investment in social housing properties (existing stock and new supply) as a percentage of the total value of social housing properties held (Aster measure the total value of social housing propertes at deemed cost). | 11.5% | 10.1% | 8.8% | 5.7% | 7.9% | Upper Quartile |
| **NEW SUPPLY DELIVERED - SOCIAL HOUSING** | | | | | | |
| Sets out the number of new social housing units, excluding those homes delivered through the group's joint venture, that have been acquired or developed as a proportion of total social housing units owned at the period end. | 3.3% | 2.2% | 2.5% | 1.2% | 2.1% | Upper Quartile |
| **NEW SUPPLY DELIVERED - NON SOCIAL HOUSING** | | | | | | |
| Sets out the number of new non social housing units, including those homes delivered through the group's joint venture, that have been acquired or developed as a proportion of total non social housing units owned at the period end. | 38.3% | 54.5% | 94.9% | - | - | |
| **NEW SUPPLY DELIVERED - COMBINED** | | | | | | |
| Sets out the total number of new housing units, including those homes delivered through the group's joint venture, that have been acquired or developed as a proportion of total housing units owned at the period end. | 3.6% | 2.7% | 2.9% | - | - | |
| **GEARING** | | | | | | |
| Calculated as net debt (loans less cash) as a proportion of social housing assets. Shows how much of the social housing assets are made up of debt, and the degree of dependence on debt finance. It also sets out the potential capacity for further borrowing which can be used to fund the future development of new housing. | 51.0% | 50.0% | 52.8% | 35.8% | 48.6% | Upper Quartile |
| **EBITDA MRI[1] INTEREST COVER** | | | | | | |
| Seeks to measure the level of surplus generated compared to interest payable. It is a key indicator for liquidity and investment capacity. | 164.7% | 182.5% | 210.5% | 181.9% | 248.5% | Median |
| **HEADLINE SOCIAL HOUSING COST PER UNIT (CPU)** | | | | | | |
| Assesses the headline social housing cost per unit as defined by the regulator. Costs include management costs, service charges, maintenance, major repairs, other social housing costs and other operating costs on housing lettings, but excludes depreciation. | £4,836 | £3,857 | £3,398 | £4,230 | £5,519 | Median |
| **OPERATING MARGIN - OVERALL** | | | | | | |
| Demonstrates the profitability of operating assets before exceptional expenses. Defined as operating profit, excluding surplus on sale of property, plant and equipment, as a percentage of total turnover. | 15.4% | 21.8% | 24.4% | 20.2% | 25.9% | Median |
| **OPERATING MARGIN - SOCIAL HOUSING ONLY** | | | | | | |
| Demonstrates the profitability of social housing operating assets before exceptional expenses. Defined as operating profit derived from social housing activities, excluding surplus on sale of property, plant and equipment, as a percentage ofsocial housing turnover. | 20.4% | 25.6% | 29.2% | 22.2% | 28.1% | Median |
| **RETURN ON CAPITAL EMPLOYED (ROCE)** | | | | | | |
| Compares the operating profit[2] to total assets less current liabilities. | 2.8% | 3.5% | 3.5% | 2.8% | 3.7% | Median |

[1] EBITDA MRI is Earning before interest, tax, depreciation, amortisation, excluding profit on disposal of property, plant and equipment, but including the cost of capitalised major repairs (major repairs included). Interest includes the group's interest payable plus interest capitalised during the year but excluding interest on the net pension liability.

[2] Operating profit includes the group's operating profit inclusive of profit from disposal of property, plant and equipment, and the share of profit in joint ventures.

## Report of the Board (continued)

**Principal risks**

During 2022/23, the Board regularly reviewed the threats which it believes could adversely impact on the achievement of objectives or impact on the effectiveness and efficiency of core services. The board also focused on the uncertainties which could present opportunity to further deliver the group's vision and purpose. The following list provides an overview of the principal risks to the group at the end March 2023. The list is not exhaustive or set out in order of priority and is continually subject to change.

| | **External factors** | |
|---|---|---|
| **Risk** | **Potential impact** | **Aster's response** |
| **Global and economic operating environment**<br><br>Any change which may affect the operating environment in the UK, could negatively impact profitability or negatively impact on operational delivery and services. | The impact would depend on the event. However, a key consideration following any significant world event, for instance, is the impact it might have on the group's funders and key stakeholders directly, the labour market available to the group or the view of the sector by investors, stakeholders, employees and customers. | Horizon scanning is undertaken, with emerging concerns or case studies reported to relevant governing bodies.<br><br>Ensuring our corporate structure, operational structure, service delivery model, contracting and supply chain approach are resilient to external change.<br><br>A living business plan is produced on a quarterly basis that uses prudent assumptions in the long-term, with stress testing, scenario analysis and contingency planning.<br><br>A treasury management plan is overseen by the group's Treasury Committee with key metrics reported. |
| **Changes in Legislation, Regulation and Government Policy**<br><br>Any change which may impact negatively on the Financial Plan or challenge delivery of strategy. | The Financial Plan may be impacted due to increasing cost of delivering housing management and property maintenance and investment, reduced rental income and/or impact on the programme of new home delivery. | There is continuous monitoring for emerging consultations and indication of policy review, with analysis and research undertaken to give context to the implications. |
| **Delayed or frustrated new home supply**<br><br>External factors restrict the ability to deliver the planned developer led or land led new build programmes | A reduction in the number of new homes built and available for customers.<br><br>Reduction in the income secured from shared ownership or market sale and from social or affordable rent.<br><br>Less homes reducing overall value for money across the programme. | The group takes a proactive approach to building and maintaining stakeholder relations.<br><br>The Group Investment and Asset Panel monitor delivery and forward forecast.<br><br>The Living Business Plan reflects changes in the forward programme and forecast handovers. |
| **Investment in Homes and Sustainability**<br><br>Investing in homes to meet current and future decent home and building fabric requirements, carbon reduction milestones and Net Zero by 2050 | There are material financial implications associated with carbon retrofitting and carbon reduction initiatives, restricting the achievability of wider strategic aims and delivery of new homes. | Utilising current and complete stock condition data to inform the investment programme and developing new standards for our homes, communal areas, and neighbourhoods.<br><br>Until there is clear regulatory guidance, the group is focused on ensuring the integration of sustainability and net zero requirements into key decision making processes. |
| **Health and Safety**<br><br>A health & safety compliance issue leads to serious injury or ill health. | Any impact would be dependent on the severity of the issue. However, in addition to the impact on the individuals concerned, it could ultimately result in a negative financial impact and detriment to the relationship with key stakeholders, e.g. customers, regulators, partners and funders. | Operational management scrutinise live performance data with dedicated roles ensuring cyclical maintenance, inspections and servicing of components within homes and communal areas.<br><br>A suite of performance measures is reported monthly relating to gas, electrical, fire risk assessments and actions, asbestos, lifts and water hygiene. The measures have a defined tolerance reflective of the critical nature and potential consequences.<br><br>The group applies the three lines of assurance model in all areas of safety monitoring.<br><br>The group has a clear 'Safety First' culture and a diverse wellbeing programme for colleagues as well as a comprehensive set of policies and operational procedures to ensure safety of homes, customers and communities and of employees. |

**Treasury policy**

The group operates a centralised Treasury Management function whose primary purpose is to manage liquidity, funding, investment and the group's financial risk, including risk from volatility in interest rates and liquidity. The Group Treasury Committee reviews and approves the Group Treasury Policy before recommending it to the Group Board. Details of the policy are included in the Aster Group's Consolidated Financial Statements.

**Corporate and Social Responsibility**

As part of the Aster group, ,Central & Cecil Housing Trust continues to embrace and embed the Aster Group Culture.

**Culture - Aster Group**

Running through the heart of our operations and delivery plans is the culture we foster at Aster Group. The Aster Way – our values and behavioural framework – continues to guide the way we work and the culture we seek to create. Together with our partner brands, the Aster Foundation and Enham Trust, we're relentless in our mission to extend our impact in an inclusive way, as far as possible across all our communities.

We encourage our people to have open and honest conversations and to work together restoratively. This Restorative Practice continues to embed as the basis of The Aster Way and have a positive impact. We're proud to have maintained our status as a Registered Restorative Organisation from the Restorative Justice Council for the third year running. We have been able to demonstrate the implementation of the Restorative Principles when providing support to colleagues through every aspect of our employee offer – including recruitment, onboarding, wellbeing, and employee development. This is underpinned by our Resolution Policy which supports our Employee Relations approach. A recent Poll showed that 66% of colleagues agree that we are implementing Restorative Principles across the business.

All new colleagues are invited to attend an Introduction to Restorative Practice as part of their induction process which enables us to share what being a Restorative organisation means and how they can adopt the Principles themselves. This is extended to a further programme for all new Leaders to look at how they can lead their teams restoratively (321 Leaders have completed the full programme, and over 1,000 colleagues have attended the introduction session). We are also in the process of replicating this within all subsidiary brands across the Group. Our 15 Level 2 trained Restorative practitioners have completed a refresher to continue to support and champion the use of Restorative processes throughout the business. We also provide monthly continued professional development and supervision sessions to ensure the relevant professional standards are maintained.

To strengthen our organisational Restorative approaches, we successfully rolled out a dedicated Maintenance Leaders Development Programme. This included a 'Restorative Refresh' to further highlight the benefits of working Restoratively and to understand and overcome barriers. Some Restorative Masterclasses for Leaders looked at specific areas of focus for Restorative approaches. More recently, additional sessions have also been arranged with our Executive Board and Senior Leadership Team to identify how we can deepen our understanding of fair process. It's also helping us understand how we can encourage individual accountability across the workforce to ensure colleagues use their 'voice' and it is heard within our decision-making processes.

We know that a more open, diverse and inclusive culture will unlock a more varied perspective, creating a better environment for our customers and colleagues. As such, we have developed a strategic plan setting out our commitments which are supported by our Diversity and Inclusion (D&I) principles. These different schools of thought will empower us to have the courage to do things differently. To achieve this, we have introduced diversity and inclusion principles that apply across our whole business. We're participating in Board diversity and neurodiversity training programmes, and have created LGBTQ+, gender, race and heritage, disability confident and carers colleague networks to help make sure a diverse range of perspectives can inform and shape the way we work.

Our progress in this space was recognised through us being awarded a bronze Talent Inclusion and Diversity Evaluation (TIDE) award through Enei (Employers' Network for Equality and Inclusion). Enei has worked with us to review draft documentation, provide access to free webinars and online resources, deliver training, and give access to its annual TIDE application. This self-assessment tool measures our approach and outcomes across eight different areas of D&I practice. In 2021, we conducted the TIDE assessment for the first time and were given an overall score of 54%, which placed us at 'Realise' level in the Inclusion maturity model. This year, following progress in in many areas, our overall score has increased by 14% to 68%, and we are now operating at 'Embed' level.

In 2022 our Inclusion Steering Group has continued to act as a critical friend and continue to support us to further embed inclusion across our business and services. This includes supporting drafting our vision and D&I strategy for 2030. Our colleague networks have been providing safe spaces for colleagues to share lived experiences whilst also helping us celebrate key events and help shape key guidance for colleagues and Leaders. In July 2022 some of our LGBTQ+ network attended Bristol PRIDE to celebrate together. This network has also helped shape our guidance around transitioning in the workplace. Our race and heritage networked shared personal stories and shone a light on key figures in Black History during October's Black History Month.

**The Aster Offer Programme**

**Talent attraction:**

As the world around us rapidly changes, we know we need to evolve our colleague offer to retain and attract the very best talent. Ultimately, this means our customers will receive the best possible experience from us.

'The Aster Offer' is designed to make our employee offer even more appealing to attract and retain the best talent. We're delivering this through our flexible colleague offer which breaks the mould in things such as women's health, mental wellbeing, and restorative practice. The offer creates a positive environment for colleagues and one which is fair and inclusive. We know the impact of improving our offer will not only ensure Aster is a great place to work, but crucially it will have a positive impact on the services we can deliver. To do this we have been modernising the way we recruit to make sure we are able to reach, source and retain diverse talent. This is helping inform our wider recruitment plan so that new starters have a positive and inclusive experience every step of the way to help nurture and grow our workforce that better reflects our communities.

**Corporate and social responsibility (continued)**

**Culture - Aster Group (continued)**

**Leadership and learning:**

Our new Colleague Development Learning Offer launched in 2022 and has been designed to provide colleagues with the practical tools, resources, and knowledge to help them grow through learning and development. This learning offer aims to support transformational business change, and help our people gain skills and new ways of working. The framework is built around core skills, personal and professional development opportunities and coaching and mentoring through our bespoke platform. We have encouraged colleagues to access development and professional qualifications through the apprenticeship levy.

The Leadership Development Framework was also developed and launched in 2022. It includes four pathways – Aspiring Leaders, Leader welcome, Building Leader performance and our Senior Leadership development, so there is something to suit everyone at all stages of their career and give all Leaders access to development opportunities. A comprehensive suite of content has been designed and is being delivered across all of these pathways. An initiative called 'LEAD' was launched in 2022 under the Building Leader Performance pathway. This focuses on skills that help Leaders build high performing individuals and teams.

The Senior Leadership programme launched in 2022 with module one focusing on leadership essentials. All of our senior Leaders completed 360 feedback, reverse mentoring with a focus on D&I, Restorative Practice and DISC profiling.

In addition to the four leadership development pathways, we also launched a bespoke programme for maintenance Leaders, which builds leadership capability for those colleagues. A bespoke Care Leaders programme has also been developed and launched in March 2023.

This year also saw us introduce an Active Inclusion session for colleagues as part of our Colleague Development offer. This complements the other learning interventions we have available to the business. We continue to embed Inclusive Leadership in our Leadership Development offer, and we also launched Neurodiversity elearning for our Leaders.

**Employee experience:**

Our award-winning health and wellbeing approach continues to evolve to meet the needs of the business. In April 2022, the health and wellbeing portfolio came together with sickness absence management to create a new health and wellbeing hub that is focused on enabling colleagues to stay well for work. This new team supports our people to keep well. It achieves this by providing access to information and support to prevent illness and absence, and to help reduce the length of illness periods when they occur.

The team provides a coaching style of support and advice for leaders to encourage the use of wellness initiatives. This means they can confidently and proactively manage sickness absence in their teams. Our leaders can signpost to support through different ways including access to virtual GPs, and physios via our private healthcare provider. Colleagues can also get cash back for physio, osteo, or chiro treatments.

Our new Health and Wellbeing policy, gives clear principles and effective procedures which are accessible and easy to understand. These align to The Aster Way and our Restorative Principles. We've also created Wellness Action Plans for mental health, underlying health conditions and menopause. These are embedded in our sickness absence procedure and therefore help open up conversations about health between colleagues and leaders. This means that interventions can be made to improve the colleagues' ability to stay well and in work.

Plumm Health has remained popular for our colleagues, prompting us to renew the service for a second year. Over a third of our colleagues are now signed up to Plumm Health. During the year, there were 540 video sessions that took place, 1,700 chat messages sent by colleagues, 1,860 therapist messages received, 1,276 recorded topic sessions accessed, and 282 meditations enjoyed during the year. The new contract includes family access for up to 3 members aged over 18 years.

Our Group's award-winning Menopause support is fully embedded within Aster. Monthly sofa sessions have continued throughout the year with guest speakers covering a range of topics from HRT to lifestyle. The Hot Topic channel membership has increased by 20% with resources and information regularly shared. We're thrilled to have won 'Best Benefits to Support Menopause, Fertility or Pregnancy' at the Employee Benefits Awards in June 2022 and 'Best Support Group' at the Menopause Friendly Employer Awards in September 2022.

Similar to how we engage with our customers, we are committed to listening to our colleagues to help shape and develop our employee offer. Regular pulse surveys are carried out to track colleague engagement and invite feedback on life at Aster. Our colleague survey in November 2022 saw 876 responses and an engagement score of 67%, with 80% of respondents saying they would recommend Aster as a great place to work. All feedback shared in colleague surveys is used to help us facilitate a positive employee experience.

Colleagues have continued to engage in the Transformation Network, which brings people from all business areas together to share feedback and champion change. The Network has been restructured to align to the themes of Programme Experience, so that this transformation journey is informed by colleague insight.

The Group has continued to recognise those colleagues who have gone above and beyond and who bring The Aster Way to life. The annual 'The Aster Way Awards' saw over 600 nominations with 19 brand new categories to recognise our diverse workforce. A different approach was taken in 2022 with regard to shortlisting each category. Rather than this being decided by the executive board, as it had been in previous years, colleagues picked the shortlists for the majority of the categories. The Customer Overview Group then picked the shortlist for the Customer Hero Award. Each winner received a hamper and £150 Perkbox (our reward platform) credit. Shortlisted colleagues received an extra day of contractual leave as well as £50 vouchers to use towards an experience of their choice.

**Corporate and Social Responsibility (continued)**

**Environmental - Energy efficiency in action - Aster Group**

As part of the group, Synergy Housing Limited is acutely aware of the responsibility we have, to work in a conscious way which reduces the impact on our natural environment.

During 2022/23 we continued to adopt a ‘virtual first’ approach to working for non-trade colleagues, reducing the need for employees to travel for business purposes. Our Grey fleet mileage was 40.9% lower in 2022/23 compared to the pre-pandemic baseline year of 2019/20*.

We also continued to make sure our office space was used efficiently and building controls optimised to match occupancy rates. Last year, energy consumption at our offices was 37.4*% lower last year than pre-pandemic (2019/20)*.

Our stock condition survey means that our data in the environmental space is as reliable as possible and has allowed us to refresh our energy efficiency – Standard Assessment Procedure (SAP) - information on properties with older or missing data.

We’ve also invested in stock energy modelling software to establish delivery programmes to meet our target of all stock to meet EPC C by 2030 and shape our longer-term carbon and energy reduction targets.

During 2022/23 we’ve:

- Kicked off a programme to train our surveyors to be PAS2035 retrofit assessors,

- Improved the loft insulation in 111 homes and added cavity wall insulation to 155 homes, upgraded the windows in 614 homes and upgraded the heating in 1,684 homes with more efficient systems;

- Carried out lighting upgrades on 30 communal buildings, resulting in an average 81% reduction in electricity bills and saving 245 tonnes of carbon annually;

- Upgraded the heating plant at one housing scheme, replacing three low efficiency boilers (efficiency 79%) with high-efficiency models (efficiency 98%);
- Conducted a small-scale pilot to retrofit photovoltaic systems on nine properties and one scheme in Dorset; and

- Completed the first phase of our emerging five-year fleet strategy (designed to ensure our operational vehicles remain fit for the future). We’ve incorporated measures to improve fuel efficiency and reduce carbon emissions and ordered 18 new mild hybrid vans (using Ford EcoBlue technology). These are expected to deliver between 3% and 8% fuel saving.

*Excludes EBHT, C&C and Enham Trust, as these entities were not part of the Aster Group during the baseline year.

Looking ahead we’re going to be:

- Further developing our sustainability roadmap, which will include medium- and long-term carbon emissions reduction targets for both our operations and our housing stock;

- Continuing to rationalise office space to ensure it meets the needs of the business whilst further promoting virtual working and increasing the flexible working options for our colleagues;

- Carrying out heating upgrades to over 1,700 properties and window replacements to almost 900 properties;

- Conducting pilots to evaluate alternative heating options for properties currently heated by coal and oil. The pilots will use Next Gen – an infrared heating system – coupled with photovoltaic panels, and Comfort Frame – an internal wall insulation solution – paired with air source heat pumps. Sensor technology will also be used, to evaluate the performance of the homes involved in the trials;

- Enhancing our planned investment programmes to futureproof our homes, for example by extending eaves on rooves where external wall insulation may be applicable and reviewing our approach to ventilation and

- Putting contracts in place to deliver SHDF-funded and other energy efficiency upgrades.

## Central & Cecil Housing Trust

### Report of the Board (continued)

**Corporate and Social Responsibility (continued)**

**Streamlined Energy and Carbon Reporting (SECR) for period 1 April 2022 to 31 March 2023**

| | | 2022-23 | 2021-22 | 2020-21 | 2019-20 |
|---|---|---|---|---|---|
| **Energy consumption** | | | | | |
| 1 | Mains gas (MWh) | 27,031 | 17,138 | 14,714 | 14,896 |
| 2 | Transport fuel – company fleet (MWh) | 6,775 | 6,702 | 6,053 | 7,327 |
| 3 | Transport fuel – business travel in employee-owned vehicles (MWh) | 1,579 | 1,096 | 604 | 2,859 |
| 4 | Fuel used in plant and equipment) (MWh) | 570 | 877 | 714 | 927 |
| 5 | Purchased electricity (MWh) | 8,875 | 7,472 | 6,841 | 7,648 |
| 6 | Electricity provided by landlord at corporate sites (MWh) | 371 | 352 | 332 | Included in item 5 |
| 7 | Energy consumed by staff working from home (MWh) | 3,343 | 3,125 | 3,208 | Not reported |
| 8 | **Total energy consumption (items 1-7) (MWh)** | **48,544** | **36,762** | **32,466** | **33,657** |
| **Greenhouse gas emissions – mandatory (SECR) reporting** | | | | | |
| 9 | Combustion of gas (Scope 1) ($tCO_{2e}$) | 4,866 | 3,139 | 2,705 | 2,739 |
| 10 | Combustion of fuel for transport (Scope 1 – company fleet) ($tCO_{2e}$) | 1,635 | 1,587 | 1,457 | 1,793 |
| 11 | Combustion of fuel for transport (Scope 3 – business travel in employee-owned vehicles) ($tCO_{2e}$) | 391 | 270 | 150 | 686 |
| 12 | Purchased electricity (Scope 2, location-based) ($tCO_{2e}$) | 1,716 | 1,586 | 1,595 | 1,955 |
| 13 | **Total gross emissions for which SECR reporting required (items 9-12) ($tCO_{2e}$)** | **8,607** | **6,583** | **5,907** | **7,173** |
| **Intensity ratio – mandatory (SECR) reporting** | | | | | |
| 14 | **Total gross emissions per property managed ($tCO_{2e}$/property)** | **0.255** | **0.209** | **0.210** | **0.265** |
| **Methodology** | | | | | |
| 15 | **Greenhouse Gas Reporting Protocol – Corporate Standard** | | | | |
| **Other emissions – non-mandatory reporting** | | | | | |
| 16 | Emissions from fuel used in plant & equipment (Scope 1) ($tCO_{2e}$) | **156** | 173 | 140 | 159 |
| 17 | Emissions from electricity (Scope 3, location-based) ($tCO_{2e}$) | **72** | 75 | 78 | Included in item 12 |
| 18 | Emissions from electricity (Scope 2, market-based) ($tCO_{2e}$) | **1,118** | 414 | 77 | 25 |
| 19 | Emissions from electricity consumed in transmission & distribution (Scope 3) ($tCO_{2e}$) | **164** | 147 | 144 | 166 |
| 20 | Emissions from staff home working (Scope 3) ($tCO_{2e}$) | **623** | 580 | 603 | Not reported |
| 21 | Emissions from business travel - train travel & hotel stays (Scope 3) (tCO2e) | **5** | Not reported | Not reported | Not reported |
| 22 | Fugitive emissions | **38** | Not reported | Not reported | Not reported |
| **Total gross emissions – SECR-mandatory plus non-mandatory reporting** | | | | | |
| 23 | Total of scopes 1, 2 and 3 emissions (location-based electricity) ($tCO_{2e}$) (sum of items 13, 16, 17, 19, 20, 21 & 22) | **9,664** | **7,558** | **6,872** | **7,498** |
| 24 | Total of scopes 1, 2 and 3 emissions (market-based electricity) ($tCO_{2e}$) (sum of items 9, 10, 11, 16, 18, 19, 20, 21 & 22) | **8,995** | **6,311** | **5,276** | **5,568** |
| **Intensity ratios – SECR mandatory plus non-mandatory reporting** | | | | | |
| 25 | Total gross emissions (item 20) per property owned & managed (location-based electricity) ($tCO_{2e}$/property) | **0.287** | **0.240** | **0.225** | **0.250** |
| 26 | Total gross emissions (item 21) per property owned & managed (market-based electricity) ($tCO_{2e}$/property) | **0.267** | **0.200** | **0.187** | **0.206** |

**Viability Statement**

The directors have assessed the viability of the group and have selected a period of seven years for the assessment. The group has a property development programme that runs for a rolling seven-year period. This programme forms the basis of the group’s financial plan that covers the seven-year period and is then extrapolated over a further 23 years, resulting in a 30-year plan. For these reasons the group uses a seven-year strategic planning cycle and the directors have determined that seven years is also an appropriate period over which to provide its viability statement.

The financial plan considers the group’s future financial stability, property development strategy and the viability of future expense reduction programmes by measuring the operating margin, exposure to the property market, asset cover, interest cover and net worth ratios over the seven-year period.

Based on the results of this analysis, the directors confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the next seven years.

Throughout the year the group has complied with the RSH’s Governance and Financial Viability Standard in full and has maintained its G1/V1 rating following an in-depth assessment during the year.

Full details of the group's viability statement are included in the Aster Group's Consolidated Financial Statements.

**Statement of Board's responsibilities in respect of the Board's report and the financial statements**

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;

- assess the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless it either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

**Attendance at board meetings**

| | Aster Group Limited | | |
|---|---|---|---|
| **Non-executive directors** | Total | Possible* | % |
| Mike Biles | 9 | 9 | 100% |
| Clive Barnett | 8 | 9 | 89% |
| Andrew Kluth | 8 | 9 | 89% |
| Mike McCullen | 9 | 9 | 100% |
| Tracey Peters | 8 | 9 | 89% |
| Caroline Wehrle | 9 | 9 | 100% |
| Claire Whitaker CBE | 9 | 9 | 100% |
| **Executive directors** | | | |
| Bjorn Howard | 8 | 9 | 89% |
| Chris Benn | 9 | 9 | 100% |
| Amanda Williams | 7 | 9 | 78% |

*Possible attendance may be lower than the total number of meetings held due to the director only holding office for part of the year.

**Disclosure of information to auditor**

So far as the board is aware, there is no relevant information of which the association's auditor is unaware. The board has taken all reasonable steps that ought to have been taken to make itself aware of any relevant audit information, and to establish that the association's auditor is aware of that information.

**David Betteridge**
**Company Secretary**
**8 August 2023**

# Independent Auditor's report to the members of Central & Cecil Housing Trust

**Opinion**

We have audited the financial statements of Central & Cecil Housing Trust (“the Association”) for the year ended 31 March 2023 which comprise the Association Statement of Comprehensive Income, Association Statement of Financial Position, Statement of Changes in Reserves and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Association as at 31 March 2023 and of its income and expenditure for the year then ended;

- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and

- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The Association’s Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Association or to cease its operations, and as they have concluded that the Association’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the Board’s conclusions, we considered the inherent risks to the Association’s business model and analysed how those risks might affect the Association’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the Board’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Association’s ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Association will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board, the audit committee and internal audit as to the Association’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Association’s channel for whistleblowing channels, as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board and audit committee minutes.

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls in particular the risk that management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition due to limited scope for manual intervention and the homogenous nature of the majority of the revenue streams. In addition, property sales are recognised on receipt of a legal completion statement and cash and therefore the opportunity to manipulate revenue from sales is remote.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Association wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual combinations of journal posting to revenue, cash, journal entries made to unrelated accounts and post close journals.

- Assessing whether the judgements made in the accounting estimates are indicative of potential bias including assessing the assumptions used in the value of properties developed for sale held in current assets and in the valuation of the defined benefit obligation.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Association's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), pensions legislation, specific disclosures required by housing legislation, and requirements imposed by the Regulator for Social Housing and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Association is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance allow could have a material effect on amounts or disclosures in the financial statements.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing 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, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Other information**

The Association's Board is responsible for the other information, which comprises the Board's Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

We have nothing to report in these respects.

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

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or

- the Association has not maintained a satisfactory system of control over its transactions; or

- the financial statements are not in agreement with the Association's books of account; or

- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

# Independent Auditor's report to the members of Central & Cecil Housing Trust (continued)

**Board's responsibilities**

As explained more fully in their statement set out on page 16, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing 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 it either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. 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.

**Harry Mears**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Eastleigh
SO53 3TG

20 September 2023

# Central & Cecil Housing Trust

## Statement of Comprehensive Income

**for the year ended 31 March 2023**

| | Note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| Turnover | 5a | **25,149** | 22,297 |
| Operating expenditure | 5a | **(27,608)** | (26,587) |
| Impairment on intercompany loan | | **(234)** | (1,336) |
| Profit on disposal of housing property, plant and equipment | 6 | **-** | 268 |
| Loss on changes in fair value of investment property | | **(732)** | (75) |
| **Operating loss** | | **(3,425)** | (5,433) |
| Charitable donations received | 10 | **-** | 603 |
| **Loss before interest and taxation** | | **(3,425)** | (4,830) |
| Interest receivable and similar income | 11 | **252** | 200 |
| Interest payable and similar charges | 11 | **(668)** | (1,486) |
| Interest on net pension liability | 11 | **30** | - |
| **Net finance expense** | | **(386)** | (1,286) |
| **Loss before taxation** | | **(3,811)** | (6,116) |
| Tax on loss | | **-** | - |
| **Loss for the year** | | **(3,811)** | (6,116) |
| **Other comprehensive income / (expense)** | | | |
| Actuarial gains in respect of pension schemes | 24 | 346 | 2,896 |
| **Total comprehensive income / (expense)** | | **(3,465)** | (3,220) |

## Central & Cecil Housing Trust

### Statement of Financial Position

**as at 31 March 2023**

| | Note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Property, plant and equipment (social housing) | 13 | 140,736 | 133,790 |
| Property, plant and equipment (other assets) | 14 | 6,521 | 4,946 |
| Investment properties | 15 | 8,015 | 775 |
| Investments in subsidiaries | 16 | - | - |
| | | 155,272 | 139,511 |
| **Non-Current assets** | | | |
| Debtors: amounts falling due after more than one year | 17 | - | 706 |
| **Current assets** | | | |
| Debtors: amounts falling due within one year | 18 | 11,856 | 15,537 |
| Cash and cash equivalents | 19 | 1,729 | 2,228 |
| | | 13,585 | 17,765 |
| **Creditors: amounts falling due within one year** | 20 | (9,978) | (8,706) |
| **Net current assets** | | 3,607 | 9,059 |
| **Total assets less current liabilities** | | 158,879 | 149,276 |
| **Non current liabilities** | | | |
| Creditors: amounts falling due after more than one year | 21 | (66,605) | (53,537) |
| **Net assets** | | 92,274 | 95,739 |
| **Capital and reserves** | | | |
| Called up share capital | 25 | - | - |
| Profit and loss reserve | | 91,957 | 95,422 |
| Restricted reserve | 28 | 317 | 317 |
| **Total capital and reserves** | | 92,274 | 95,739 |

The financial statements on pages 18 to 42 were approved and authorised for issue by the board on 8 August 2023 and were signed on its behalf by:

| | | |
|---|---|---|
| **Mike Biles** | **Bjorn Howard** | **David Betteridge** |
| **Chairman** | **Group Chief Executive Officer** | **Company Secretary** |

# Central & Cecil Housing Trust

## Statement of Changes in Reserves

**for the year ended 31 March 2023**

| | **2023** | | |
|---|---|---|---|
| | **Profit and loss reserve £000** | **Restricted reserve £000** | **Total reserves £000** |
| **Balance at 1 April 2022** | **95,422** | **317** | **95,739** |
| Loss for the year | (3,811) | - | **(3,811)** |
| Actuarial gains in respect of pension schemes | 346 | - | **346** |
| **Balance at 31 March 2022** | **91,957** | **317** | **92,274** |

| | 2022 | | |
|---|---|---|---|
| | Profit and loss reserve £000 | Restricted reserve £000 | Total reserves £000 |
| Balance at 1 April 2021 | 98,642 | 317 | 98,959 |
| Loss for the year | (6,116) | - | (6,116) |
| Actuarial gains in respect of pension schemes | 2,896 | - | 2,896 |
| Balance at 31 March 2022 | 95,422 | 317 | 95,739 |

## Notes to the Financial Statements

**1 Legal status**

Central & Cecil Housing Trust is registered under the Cooperative and Community Benefit Societies Act 2014, and is registered with the Regulator for Social Housing ('RSH') as a Registered Provider as defined by the Housing Act 2004.

**2 Basis of preparation**

The financial statements of the association have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. The association is classified as a Public Benefit Entity under FRS 102.

The financial statements are presented in Sterling (£).

**Application of accounting policies**

The association's accounting policies have been applied consistently throughout the year.

**Going Concern**

The directors, after reviewing the association's budgets for 2023/24 and the group's medium term financial position as detailed in the 30-year business plan, taking account of severe but plausible downsides including changes arising from the cost of living crisis, are of the opinion that, the association will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements. The directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

**Presentation**

The association has elected not to produce a strategic report, statement of cash flows and disclosure relating to key management compensation within the individual subsidiary financial statements in line with exemptions available within FRS 102 and the Housing SORP 2018.

These disclosures are included in the group's consolidated financial statements.

The association has not prepared consolidated financial statements as it is a wholly owned subsidiary of Aster Group Limited and its results are included within the consolidated financial statements of the group.

### 3 Accounting policies

**Turnover**

Turnover represents:

Rental, service charge income and garage lettings - recognised from the point at which the properties under development reach practical completion or otherwise become available for letting.

Service charge income - an amalgamation of the budgeted charge for the year and the under or over recovery from the pre-previous year.

Revenue fees and grants from local authorities and the RSH - recognised over the period the related costs are incurred.

Asset related fees and grants from local authorities and the RSH - recognised over the life of the related asset. For grants relating to completed properties the grant is amortised through turnover over the effective useful life of the property's structure.

Income from first tranche sales of New Build HomeBuy and housing properties developed for sale - recognised at the legal completion of the sale.

Other income, such as domiciliary care and sewerage services - recognised when the performance of a service is completed, or when the requirements of an agreement with a third party or other group subsidiary are met.

**Operating Profit**

The association has chosen to show operating profit on the face of the Statement of Income and Retained Earnings. This figure represents income, less the costs and expenses incurred to generate it, from the association's principal activities that are not investing or financing activities.

**Property managed by agents**

The association has a small number of properties that it owns but are managed by agents on its behalf. Where the association carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Statement of Income and Retained Earnings for the year. Where the agency carries the financial risk, the profit or loss for the year includes only that income and expenditure which relates solely to the group.

**Value added tax (VAT)**

The association is registered for VAT and, while turnover is stated excluding VAT, a large portion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT which cannot be reclaimed and therefore expenditure is shown inclusive of irrecoverable VAT. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

**New build shared ownership properties**

The cost of developing new build shared ownership properties is split between current assets for that part of the property which is expected to be sold by way of a first tranche sale and property, plant and equipment for the remaining part of the property which is expected to be retained.

First tranche sales on new build shared ownership properties are recognised in turnover, with an appropriate proportion of development build costs being expensed through cost of sales.

Subsequent tranches sold (staircasing) are reflected in the Statement of Income and Retained Earnings on sale of property, plant and equipment. Such staircasing sales may result in social housing grant being deferred or abated until it can be recycled or repaid. Cost includes the acquisition of land and buildings, the cost of developing properties, plus expenditure incurred in respect of improvements.

**3 Accounting policies (continued)**

**Social housing properties and depreciation**

Properties rented for social benefit are classified as property, plant and equipment and referred to as social housing. These properties are rented at below market rate to people put forward by the relevant local authorities from their housing lists. Social housing properties under construction are stated at cost and are not depreciated. These are reclassified as social housing properties on practical completion of construction with cost apportioned by key components.

Freehold land is not depreciated. Freehold properties are depreciated by component on a straight line basis over the estimated useful economic lives of the component categories.

Social housing properties are split between the structure and those major components which require periodic replacement. Capitalised major components are depreciated over the following UEL:

| **Component** | **UEL (years)** |
|---|---|
| Structure (see below) | 100 |
| Roof | 45 |
| Heating Distribution Systems | 15 |
| Boiler | 15 |
| Bathroom | 25 |
| Windows/Doors | 35 |
| Kitchen | 20 |
| Electrical wiring | 20 |

Impairment reviews are carried out at each reporting date. If an impairment trigger is present the asset's carrying value is reduced to its depreciated replacement cost, as outlined in the impairment policy, unless it is being demolished or remodelled when the carrying value is reduced to that of the remaining components.

Social housing properties held on long leases are depreciated in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

New build shared ownership properties are split proportionately between property, plant and equipment and current assets based on the proportion of the share of equity sold in the first tranche. The element of a property anticipated to be sold as a first tranche sale is recognised as a current asset, whereas the element relating to second and subsequent tranche sales is treated as property, plant and equipment. If the profit on sale of the first tranche is expected to exceed the total overall profit on sale of all tranches of that property the proportionate value of the first tranche current asset is increased to limit the profit earned to the overall profit

Depreciation on freehold properties and long leasehold social housing properties is provided to write off the cost less the estimated residual value of social housing properties by equal instalments over their remaining estimated UEL. Any additions and improvements are depreciated over the remaining life of the premises. The UEL used are:

| **Structure** | **UEL (years)** |
|---|---|
| Freehold | 100 |
| Leasehold | Lease term |

Freehold land is not depreciated.

It was elected to take the transitional exemption laid out in paragraph 35.10(d) of FRS 102 and use the 31 March 2014 valuation as the deemed cost of social housing properties at that date. All social housing properties completed after that date are recognised at cost.

## 3 Accounting policies (continued)

**Property, plant and equipment and depreciation, non-social housing**

Property, plant and equipment, is stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent expenditure is capitalised where it increases the value of the asset or extends its life. Completed social housing properties are covered by a separate policy. Depreciation is charged on a straight line basis over the expected remaining UEL of the assets as follows:

| Asset | UEL (years) |
|---|---|
| Freehold offices | 35-50 |
| Leasehold offices | Lease term |
| Motor vehicles | 4 |
| Office, estate equipment and furniture | 3-10 |

Freehold premises (non-social housing properties) depreciation is provided to write off the cost less estimated residual value over the UEL of the property. Any additions and improvements are depreciated over the remaining life of the premises.

Assets under construction are stated at cost (as defined above). They are presented separately in the note to the financial statements and not depreciated until they are completed and brought into use. The UEL of all property, plant and equipment is reviewed annually.

**Capitalisation of internal staff costs**

a) Housing development schemes

Internal staff costs that are directly related to the development of housing assets are capitalised to the schemes under construction where the outcome of the scheme is certain. Where the outcome of the scheme is uncertain or aborted, the direct development administration costs are charged to the Statement of Income and Retained Earnings for the year.

b) Development of internally created assets

Internal staffing costs relating to internally created other tangible or intangible assets are capitalised to the extent that they are additional costs incurred due to the development of the asset.

An internally generated intangible asset is only recognised if all the following conditions are met:

- The asset created can be identified (such as software or a website);

- It is expected that the asset created will generate future economic benefits; and

- The development cost of the asset can be measured reliably.

**Capitalisation of internal staff costs (continued)**

Internally generated intangible assets are recognised at cost and amortised on a straight-line basis over the useful lives from the date the asset becomes usable.

**Capitalisation of interest costs**

Interest costs relating to the construction and acquisition of housing assets are charged to the cost of the development scheme, over the period of its development. The amount capitalised represents either:

- Interest costs incurred specifically for financing the development programme after the deduction of social housing grant in advance; or

- Interest costs of the group as a whole after the deduction of interest on social housing grant in advance to the extent that they are funding the development programme.

Other interest costs are recognised in the Statement of Income and Retained Earnings for the period to which they relate.

**Interest receivable and payable**

Interest is recognised on an accruals basis, using the effective interest rate method recognised in the Statement of Income and Retained Earnings over the life of the financial instrument.

## 3 Accounting policies (continued)

**Leased assets**

Where assets are financed by leasing agreements that transfers substantially all the risks and rewards of ownership, they are treated as if they had been purchased outright. The amount capitalised is the lower of the present value of the minimum lease payments payable during the lease term or the fair value of the leased asset. The corresponding leasing commitments are shown as the present value of the obligations to the lessor. Lease payments are treated as consisting of a finance charge and a reduction in the liability. The finance charge is charged to the Statement of Income and Retained Earnings for the period using the effective interest method.

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings for the period on a straight line basis over the period of the lease.

**Investment properties**

Investment properties are properties held for capital appreciation, rented at a market rate where there are no restrictions on who can be a tenant, or both.

Investment properties are re-valued each year to their fair or market value. Any changes in value are recognised in the Statement of Comprehensive Income in the year they occur.

**Impairment**

a) Other tangible and intangible assets

Other tangible and intangible assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, the affected assets are written down to the recoverable amount. Any such write down is charged to the Statement of Income and Retained Earnings for the year.

b) Social housing

Social housing properties are subject to impairment trigger reviews on completion and then annually thereafter. If there is a trigger and evidence of impairment is found the carrying value of the property is compared to its depreciated replacement cost. This represents the amount it would cost the group to replace the property. For properties built or acquired prior to 1 April 2014 this replacement cost is depreciated from 1 April 2014. For properties built or acquired after 1 April 2014 depreciation starts from the build or acquisition date. If the property's carrying value is higher than its depreciated replacement cost the carrying value must be reduced to the depreciated replacement cost, the write down is charged to the Statement of Income and Retained Earnings for the year.

In the portfolio there are some pre-fabricated reinforced concrete construction properties and bedsits. Where an impairment review indicates that their useful economic life is likely to be less than the standard policy they have been re-life to 10 years.

c) Unsold first tranche current assets

On practical completion shared ownership property assets are spilt between current assets for the unsold first tranche portion and property, plant and equipment for the rental portion.

First tranche current assets are reviewed for impairment if there are indications that the market value of the property has dropped below that included in the investment appraisal. If any current assets are found to be impaired the carrying value is reduced to the selling price less costs to complete and sell.

The rental portion is treated as social housing for impairment purposes.

**Accrued income**

When, as a result of performing a service or otherwise meeting the requirements of an agreement with a third party, income falls due but has not been invoiced in the period, an accrual is made for this income.

**Deferred income**

Where payment has been received for goods or services not yet delivered, the amount is initially recorded as a liability in the Statement of Financial Position and recognised as turnover once the delivery has been made.

**Service charge sinking funds**

The association owns a number of schemes which require it to manage sinking funds in order to maintain the upkeep of the properties. These funds are held separately by the association, and may only be used for the benefit of the relevant schemes. These funds are held in creditors on the Statement of Financial Position.

## 3 Accounting policies (continued)

### Financial instruments

Section 11 Basic Financial Instruments of FRS 102 permits an accounting policy choice for financial instruments. The group has chosen to adopt sections 11 and 12 of FRS 102 as permitted by this section.

**a) Rent arrears and other debts**

Rent arrears, other amounts due from tenants and other miscellaneous debts are recognised and carried at original amount of the charge, less provision for impairment. A provision is made and charged to the Statement of Income and Retained Earnings for the year when there is objective evidence that the group will not be able to collect all amounts due in accordance to the original terms.

Any tenants or miscellaneous debtors who have a payment arrangement to pay their debts over a period of longer than the normal terms of business are treated as having a financing transaction. These transactions are recognised at their present value rather than transaction value. The discount rate used for the present value calculation is based upon an estimate of the rate the debtor could obtain in their own right.

**b) Cash and cash equivalents**

Cash and cash equivalents includes cash, short-term deposits and other short-term highly liquid investments with an original maturity of twelve months or less.

**c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**d) Trade creditors**

Trade creditors are not interest-bearing and are stated at their transaction value.

**e) Committed borrowings and bank overdrafts**

Interest-bearing loans and overdrafts are recorded at the amounts received, net of direct issue costs, using the effective interest method. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption, are charged to the profit or loss for the period as incurred using the effective interest rate method and are added to the carrying value of the borrowings or overdraft to the extent they are not settled in the period in which they arise.

When a loan facility agreement is entered into, any associated costs are capitalised, discounted at the prevailing market rate of interest amortised over the life of the related loans.

### Social housing and other grants

Social housing grant (SHG) is receivable from the Regulator for Social Housing (RSH). It is accounted for under section 24 of FRS 102 ‘Government grants’ using the accrual model. Once properties have been completed the grant is classified as a long-term creditor and amortised to the Statement of Comprehensive Income for the year over the life of the properties’ structure. Where grants are paid in advance, they are included in creditors until performance is completed.

If a property which received a grant is subsequently sold, or another relevant event takes place the SHG appears as a creditor due in less than one year. It can be recycled for use in a project approved by the RSH or repaid to the RSH if it is not used within the agreed timescale.

Prior to transition to FRS 102 the association held its social housing properties at valuation. On transition this became the deemed cost. All SHG received prior to transition on 1 April 2014 was transferred to the profit and loss reserve. It is recycled from this reserve if a relevant event occurs.

Government grants received after 1 April 2014 are recognised in income over periods in which the related costs are recognised for which the grant is intended to compensate, over the useful economic life of the property's structure.

Other Government grants received are also accounted for under section 24 of FRS 102 using the accrual model.

When part of the government grant is deferred, it is recognised as deferred income within creditors and allocated between due within one year and due after more than one year as appropriate.

**3 Accounting policies (continued)**

**Pension Costs**

The association also operates a defined benefit pension scheme which is closed to new members. The pension scheme liability shown in the financial statements relates to the association’s own defined benefit scheme. The difference between the fair value of the assets held in the association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the association's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the association is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

In 2021/22, the pension scheme was “bought in” which means assets were used to purchase an insurance policy that will meet all future benefits payable from the Scheme. The carrying value of the resulting surplus remains restricted on the basis that this will primarily be used to meet expenses needed for the eventual wind-up of the pension scheme. There are ongoing discussions about the use of any remaining surplus, and so any surplus refund to the employer remains uncertain and unrecognised.

**Provisions**

*a) General provisions*

A provision is recognised in the Statement of Financial Position where the association has an obligation as a result of a past event, and it is probable that economic benefits will be required to settle the obligation. The amount of provision is re-assessed each year in the light of estimated future income and costs as appropriate.

## 4 Critical accounting judgements and estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates, which are shown below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical judgements in applying the association's accounting policies**

**Fair value**

The directors have made the following judgements regarding fair value:

- If land is donated at below market cost it is recognised at its fair value. The directors judge this to be its market value at the time of the donation.

**Cash generating units**

When reviewing social housing properties for impairment the directors are required to consider the level of cash generating unit. For impairment purposes, the directors consider that each individual property constitutes a cash generating unit as it generates cash flows that are largely independent of the cash flows generated by other assets.

**Impairment triggers for housing properties**

On completion each development scheme is reviewed for impairment triggers using the group's property impairment flow chart. If it is judged that there is evidence that the scheme has activated one of the triggers in the flow chart an impairment review is undertaken. Where impairment is found the carrying value of the properties in the scheme is reduced to their depreciated replacement cost. This process is also applied to completed properties annually.

**Useful lives of social housing property assets**

Social housing property assets are split into their component parts, with each component being depreciated over a separate estimated useful economic life. The annual depreciation charge for social housing property assets in total is sensitive to changes in these estimated useful economic lives. The useful economic lives of individual components are re-assessed as part of a rolling stock condition survey, examining 20% of the stock annually, and amended where necessary. See note 3 for the useful economic lives for each class of component.

**Critical accounting estimates and assumptions**

The association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Rebalancing surpluses from first tranche shared ownership sales**

Where social housing development schemes consist of social rental and shared ownership properties the cost of development is split between the individual properties by property classification. As these costs cannot be accurately assigned to individual properties management assumes that they are evenly spread by floor area.

The shared ownership property costs are then further split between the percentage of the property to remain as property, plant and equipment and the current asset based on the percentage to be sold as the first tranche sale.

The exception to this treatment is where the overall surplus on first tranche shared ownership sales on mixed tenure developments is restricted to the net present value of future cash flows on shared ownership properties.

**Pensions**

The discount rate used in the calculation of the pension scheme liability and insurance policy asset has been derived from an AAA rated corporate bond yield curve whereas prior to 1 April 2016 a AA rated corporate bond 15-year index yield was used to measure the pension scheme liability. Whilst the use of an AAA rated bond is unusual, the accounting guidance in FRS 102 section 28 states that pension obligations should be discounted by reference to market yields of a high quality corporate bond but is not prescriptive as to the rating of those bonds. The application of the discount rate derived from the AAA rated corporate bond is within the accounting guidance and is a matter of management judgement. Management have used their judgement in this matter, as a valuation based on AAA corporate bonds gives a more realistic view of the pension scheme liability with the
scheme buy out and eventual wind-up in mind. This was discussed and agreed with the pension scheme actuaries prior to the change in approach post 1 April 2016 and a consistent approach has been adopted at subsequent year-ends.

**5 Turnover, operating expenditure and profit**

**5a**

| | Note | 2023 Turnover | 2023 Operating expenditure/ cost of sales | 2023 Operating profit /(loss) |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| **Income and expenditure from lettings** | | | | |
| Housing accommodation | 5b | 14,162 | (16,501) | (2,339) |
| **Other income and expenditure** | | | | |
| **Social housing** | | | | |
| Residental Care Homes | | 8,202 | (7,801) | 401 |
| Properties managed by agents | | 1,131 | (1,435) | (304) |
| Supporting people | | 61 | (61) | - |
| | | 9,394 | (9,297) | 97 |
| **Non social housing** | | | | |
| Other lettings | | 1,514 | (1,374) | 140 |
| Other - commercial | | 79 | (436) | (357) |
| | | 1,593 | (1,810) | (217) |
| **Total income and expenditure** | | 25,149 | (27,608) | (2,459) |
| Impairment of intercompany loan | | | | (234) |
| Decrease in fair value of investment properties | | | | (732) |
| **Operating loss** | | | | (3,425) |

| | Note | Reclassified 2022 Turnover | Reclassified 2022 Operating expenditure/ cost of sales | Reclassified 2022 Operating profit /(loss) |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| **Income and expenditure from lettings** | | | | |
| Housing accommodation | 5b | 12,533 | (13,894) | (1,361) |
| **Other income and expenditure** | | | | |
| **Social housing** | | | | |
| Residental Care Homes | | 7,424 | (7,454) | (30) |
| Properties managed by agents | | 1,067 | (993) | 74 |
| Supporting people | | 65 | (65) | - |
| | | 8,556 | (8,512) | 44 |
| **Non social housing** | | | | |
| Other lettings | | 1,120 | (1,000) | 120 |
| Other - commercial | | 88 | (3,181) | (3,093) |
| | | 1,208 | (4,181) | (2,973) |
| **Total income and expenditure** | | 22,297 | (26,587) | (4,290) |
| Surplus on sale of housing property, plant and equipment | 6 | 621 | (353) | 268 |
| Impairment of intercompany loan | | | | (1,336) |
| Decrease in fair value of investment properties | | | | (75) |
| **Operating loss** | | | | (5,433) |

Care Service has been reclassified as management consider it part of the group's other income for social housing.

# Central & Cecil Housing Trust

## Notes to the Financial Statements (continued)

**5 Income and expenditure from lettings**
**5b**

| | 2023 | | | | |
|---|---|---|---|---|---|
| | **General needs housing £000** | **Supported housing £000** | **Sheltered Housing £000** | **Shared Ownership £000** | **Total £000** |
| **Income** | | | | | |
| Rents | **1,732** | **322** | **6,631** | **13** | **8,698** |
| Service charges | **521** | **259** | **3,924** | **8** | **4,712** |
| Amortisation of government grants | **146** | **16** | **337** | **-** | **499** |
| Other revenue grants | **3** | **251** | **(1)** | **-** | **253** |
| **Total net rents from lettings** | **2,402** | **848** | **10,891** | **21** | **14,162** |
| **Expenditure** | | | | | |
| Management | **(786)** | **(280)** | **(3,738)** | **-** | **(4,804)** |
| Services | **(838)** | **(322)** | **(5,655)** | **(8)** | **(6,823)** |
| Routine maintenance | **(455)** | **(141)** | **(1,680)** | **-** | **(2,276)** |
| Planned maintenance | **-** | **-** | **(9)** | **-** | **(9)** |
| Major improvements and repairs | **2** | **(5)** | **(127)** | **-** | **(130)** |
| Bad debts | **61** | **(254)** | **251** | **-** | **58** |
| Depreciation of housing properties | **(487)** | **(70)** | **(1,848)** | **(1)** | **(2,406)** |
| Loss on component disposals | **(9)** | **(2)** | **(100)** | **-** | **(111)** |
| **Operating costs on lettings** | **(2,512)** | **(1,074)** | **(12,906)** | **(9)** | **(16,501)** |
| **Operating loss on lettings activities** | **(110)** | **(226)** | **(2,015)** | **12** | **(2,339)** |
| Rental income is stated net of void losses as set out below: | | | | | |
| Void losses | **82** | **22** | **1,171** | **-** | **1,275** |

| | Reclassified 2022 | | | |
|---|---|---|---|---|
| | General needs housing £000 | Supported housing £000 | Sheltered Housing £000 | Total £000 |
| Income | | | | |
| Rents | 1,647 | 265 | 5,526 | 7,438 |
| Service charges | 542 | 175 | 3,825 | 4,542 |
| Amortisation of government grants | 145 | 16 | 188 | 349 |
| Other revenue grants | - | 194 | 10 | 204 |
| Total net rents from lettings | 2,334 | 650 | 9,549 | 12,533 |
| Expenditure | | | | |
| Management | (793) | (221) | (3,922) | (4,936) |
| Services | (603) | (206) | (4,176) | (4,985) |
| Routine maintenance | (259) | (80) | (909) | (1,248) |
| Planned maintenance | 3 | - | (67) | (64) |
| Major improvements and repairs | (62) | (16) | (141) | (219) |
| Bad debts | (97) | (38) | (659) | (794) |
| Depreciation of housing properties | (505) | (59) | (948) | (1,512) |
| Loss on component disposals | (31) | (10) | (95) | (136) |
| Operating costs on lettings | (2,347) | (630) | (10,917) | (13,894) |
| Operating loss on lettings activities | (13) | 20 | (1,368) | (1,361) |
| Rental income is stated net of void losses as set out below: | | | | |
| Void losses | 47 | 21 | 317 | 385 |

Care Service has been reclassified as management consider it part of the group's other income for social housing.

## 6 Profit on disposal of housing property, plant and equipment

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | | **Cost of** | | | Cost of | |
| | **Proceeds** | **disposal** | **Profit** | Proceeds | disposal | Profit |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Office equipment | **-** | **-** | **-** | 621 | (353) | 268 |
| | **-** | **-** | **-** | 621 | (353) | 268 |

## 7 Operating loss

| | **2023** | 2022 |
|---|---|---|
| | **£000** | £000 |
| **Operating loss is stated after charging:** | | |
| Auditor's remuneration (excluding irrecoverable VAT) | | |
| In their capacity as auditor's: | | |
| Financial statements audit | **66** | 50 |
| Depreciation: | | |
| Property, plant and equipment - (social housing) | **2,724** | 1,785 |
| Loss on component disposals | **122** | 139 |
| Property, plant and equipment - (other assets) | **497** | 964 |
| Amortisation of intangible assets | - | (366) |
| Impairment: | | |
| Intercompany loan | **(234)** | (1,336) |
| Operating lease payments: | | |
| Land and buildings | **27** | 98 |

## 8 Directors' emoluments

**Members of the executive board and executive management team**
Central & Cecil Housing Trust did not directly employ any members of the Executive Board or the executive management team during the year. The executive board and management team were not recharged (2022: £nil) to the association by Aster Group Limited due to the complexity of accurately apportioning these cost.

The Directors of Central & Cecil Housing Trust resigned on 31 December 2021. The cost of £571,000 was incurred for the nine month period up to 31 December 2021. New appointees are remunerated within Aster Group Limited and reported in the Astert Group Limited consolidated financial statements.

**Non-executive directors**
The association operates as part of the Aster Group Overlap Boards. The non-executive directors are paid by Aster Group Limited.

Directors' emoluments were not recharged (2022: £nil) to the association by Aster Group Limited due to the complexity of accurately apportioning these cost.

# Central & Cecil Housing Trust

## Notes to the Financial Statements (continued)

### 9 Employee information

| | 2023 No. | 2022 No. |
|---|---|---|
| The average number of persons employed during the year (full time equivalents 'FTE') based on 37 hours per week | **188** | 234 |

**FTE by salary bands:**
Salary includes salary, car allowance, any acting up allowances, bonuses and pension contributions made by the group.

| | 2023 No. | 2023 No. |
|---|---|---|
| £59,999 or less | **179** | 217 |
| £60,000 to £69,999 | **3** | 5 |
| £70,000 to £79,999 | **3** | 3 |
| £80,000 to £89,999 | **-** | 4 |
| £90,000 to £99,999 | **-** | 2 |
| £100,000 to £109,999 | **1** | 1 |
| £110,000 to £119,999 | **2** | 1 |
| £120,000 to £129,999 | **-** | 1 |
| | **188** | 234 |

None of the above employees received any enhanced pension payments during the year (2022: nil).

| | 2023 £000 | 2023 £000 |
|---|---|---|
| Staff costs: | | |
| Wages and salaries | **7,481** | 8,399 |
| Social security costs | **769** | 778 |
| Other pension costs | **266** | 313 |
| | **8,516** | 9,490 |

### 10 Gift aid received

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Central & Cecil Construction Services Limited | **-** | 551 |
| 55 London | **-** | 52 |
| | **-** | 603 |

### 11 Finance income and expense

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **Interest receivable and similar income** | | |
| Bank interest receivable | **18** | - |
| Interest receivable from other group companies | **234** | 200 |
| | **252** | 200 |
| **Interest payable and similar charges** | | |
| Bank loans and overdrafts | **(9)** | (892) |
| Loans with other group companies | **(794)** | - |
| Bank loan break costs upon redemption | **-** | (1,486) |
| | **(803)** | (2,378) |
| Interest capitalised | **135** | 892 |
| Total interest payable on financial liabilities not measured at fair value through profit or loss | **(668)** | (1,486) |
| **Interest on net pension liability** | | |
| CCHT pension fund | **30** | - |
| **Net finance expense** | **(386)** | (1,286) |

## 12 Tax on loss on ordinary activities

| | 2023 | 2022 |
|---|---|---|
| | £000 | £000 |
| **(a) Tax expense included in profit or loss** | | |
| The tax charge on the profit on ordinary activities was as follows: | | |
| **Current tax** | | |
| UK corporation tax expense | **-** | - |
| Under provision in prior year | **-** | - |
| Total current tax | **-** | - |
| **Deferred tax** | | |
| Deferred tax for the year | **-** | - |
| Total deferred tax | **-** | - |
| **Tax on profit/(loss) on ordinary activities** | **-** | - |

| | 2023 | 2022 |
|---|---|---|
| **(b) Factors affecting tax charge for the year** | **£000** | £000 |
| **Loss on ordinary activities before taxation** | **(3,811)** | (6,116) |
| Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2022: 19%) | **(724)** | (1,162) |
| Effects of: | | |
| Loss from charitable activities | **724** | 1,162 |
| | **-** | - |

**(c) Deferred tax**

The tax charge on ordinary activities for the year is £nil (2022: £nil). There is no deferred tax asset or liability arising during the year (2022: £nil). There are no factors expected to affect future tax charges.

**(d) Tax rate changes**

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly.

## Central & Cecil Housing Trust

### Notes to the Financial Statements (continued)

**13 Property, plant and equipment (social housing)**

| | Housing properties under construction £000 | Completed housing properties £000 | Shared ownership under construction £000 | Shared ownership completed £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2022 | **68,693** | **93,149** | **-** | **-** | **161,842** |
| Additions | 8,385 | - | 959 | - | 9,344 |
| Components | - | 448 | - | - | 448 |
| Disposal of components | - | (267) | - | - | (267) |
| Completions | (75,732) | 75,732 | (767) | 767 | - |
| Disposals | - | - | - | - | - |
| **At 31 March 2023** | **1,346** | **169,062** | **192** | **767** | **171,367** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| At 1 April 2022 | **-** | **28,052** | **-** | **-** | **28,052** |
| Charge for year | - | 2,724 | - | - | **2,724** |
| Disposal of components | - | (145) | - | - | **(145)** |
| Transfer from group company | - | - | - | - | **-** |
| Disposals | - | - | - | - | **-** |
| **At 31 March 2023** | **-** | **30,631** | **-** | **-** | **30,631** |
| | | | | | |
| **Net book value at 31 March 2023** | **1,346** | **138,431** | **192** | **767** | **140,736** |
| | | | | | |
| Net book value at 31 March 2022 | 68,693 | 65,097 | - | - | 133,790 |

The cost of completed properties during the year includes £135,000 (2022: £892,000) of capitalised borrowing costs at an average cost of borrowing of 1.5% (2022: 2.9%).

**Net book value of property, plant and equipment - social housing by tenure**

| | **2023 £000** | 2022 £000 |
|---|---|---|
| Freehold | **128,721** | 121,478 |
| Long leasehold | **10,039** | 4,002 |
| Short leasehold | **1,976** | 8,310 |
| **Net book value** | **140,736** | 133,790 |

**Current value of completed social housing properties**

The below valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors on 31 March 2023, on the basis of Existing Use Value - Social Housing. The valuations were carried out in accordance with RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

| | Housing properties under £000 | Completed housing properties £000 | Shared ownership under £000 | Shared ownership completed £000 | Total £000 |
|---|---|---|---|---|---|
| **Existing Use Valuation - Social Housing** | | | | | |
| | | | | | |
| **Valuation at 31 March 2023** | **-** | **484,695** | **-** | **1,260** | **485,955** |

**14 Property, plant and equipment (other assets)**

| | Other properties £000 | Fixtures, Fittings & Equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2022 | **3,754** | **7,705** | **11,459** |
| Additions | - | 2,072 | **2,072** |
| Disposals | - | (504) | **(504)** |
| **At 31 March 2023** | **3,754** | **9,273** | **13,027** |
| **Accumulated depreciation** | | | |
| At 1 April 2022 | **1,454** | **5,059** | **6,513** |
| Charge for year | 77 | 420 | 497 |
| Disposals | - | (504) | **(504)** |
| **At 31 March 2023** | **1,531** | **4,975** | **6,506** |
| **Net book value at 31 March 2023** | **2,223** | **4,298** | **6,521** |
| Net book value at 31 March 2022 | 2,300 | 2,646 | 4,946 |

**15 Investment properties**

| | Market rented properties £000 | Freehold £000 | Total investment properties £000 |
|---|---|---|---|
| **Fair value** | | | |
| At 1 April | **775** | **-** | **775** |
| Additions | 7,972 | **-** | **7,972** |
| Fair value adjustment | (732) | - | **(732)** |
| **At 31 March** | **8,015** | **-** | **8,015** |

The above valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors on the basis of Market Value using the comparison method at 31 March 2023.

Market value is defined by the Royal Institution of Chartered Surveyors (RICS) as 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'. The valuations were carried out in accordance with RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

**16 Investments in subsidiaries**

| | **2023** £ | 2022 £ |
|---|---|---|
| Central & Cecil Innovations Ltd - 1 £1 share | **1** | 1 |
| Central & Cecil Construction Services Ltd - 1 £1 share | **1** | 1 |
| 55 London - 1 £1 share | **1** | 1 |
| | **3** | 3 |

**17 Debtors: amounts falling due after more than one year**

| | **2023** £000 | 2022 £000 |
|---|---|---|
| Other debtors | **-** | 706 |

### 18 Debtors: amounts falling due within one year

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Rent and service charge arrears | **3,237** | 2,766 |
| Less provision for bad debts - rent arrears and service charges | **(682)** | (1,200) |
| | **2,555** | 1,566 |
| Amounts owing by group undertakings | **6,639** | 9,583 |
| Less provision for bad debts - rent arrears and service charges | **(2,986)** | (2,751) |
| Other debtors | **2,262** | 5,686 |
| Prepayments and accrued income | **3,386** | 1,453 |
| | **11,856** | 15,537 |

Units held for re-sale by a subsidiary company were valued as at 31 March 2023. The projected proceeds from these sales have been compared to the intercompany loan facility balance and a provision for £3.0 million (2022: £2.8 million) recognised.

### 19 Cash and cash equivalents

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Cash at bank and in hand | **1,729** | 2,228 |
| | **1,729** | 2,228 |

### 20 Creditors: amounts falling due within one year

| | Note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| Trade creditors | | **219** | 495 |
| Deferred capital grant | **22** | **-** | 366 |
| Recycled capital grant | **23** | **100** | 685 |
| Taxation and social security | | **117** | 258 |
| Rent paid in advance | | **1,526** | 1,526 |
| Amounts owed to group undertakings | | **2,440** | 1,235 |
| Other creditors | | **255** | 115 |
| Accruals and deferred income | | **5,321** | 4,026 |
| | | **9,978** | 8,706 |

### 21 Creditors: amounts falling due after more than one year

| | Note | 2023 £000 | | 2022 £000 |
|---|---|---|---|---|
| Amounts owed to other group undertakings | | **25,335** | | 17,250 |
| Deferred capital grant | **22** | **40,073** | | 35,339 |
| Recycled capital grand fund | **23** | **1,197** | | 948 |
| | | **66,605** | - | 53,537 |

Amounts owed to other group undertakings represent loans that have been received from fellow group undertakings as part of a long-term financing relationship with Aster Group Limited. Amounts owed to group undertakings are carried at amortised cost and secured over specific housing assets of the original borrowers. The amounts are non-instalment debts.

£5 million of amounts owed to parent undertakings represent an unsecured revolving credit facility with Aster Group Limited with floating interest rates at Bank of England Base rate plus a margin of 1.5%. £20 million of amounts owed to parent undertakings represents a fixed credit facility with Aster Group Limited at an interest rate of 4.5%.

## 22 Deferred capital grant

| | 2023 £000 | 2022 £000 |
|---|---|---|
| At 1 April 2022 | **35,705** | 36,221 |
| Additions | **4,995** | - |
| Disposals | **(304)** | (245) |
| Amortised within Statement of Comprehensive Income | **(433)** | (366) |
| Previously amortised grant reinstated | **110** | 95 |
| At 31 March 2023 | **40,073** | 35,705 |
| Recognised in: | | |
| Creditors: Amount falling within one year | **-** | 366 |
| Creditors: Amount falling due after more than one year | **40,073** | 35,339 |
| | **40,073** | 35,705 |

SHG is receivable from the RSH. Grant received for properties under construction is classified as a creditor due in less than one year as the grant would be repayable should the delivery of properties not be completed. Once properties have been completed the grant is classified as a long-term creditor and amortised to the profit or loss for the period over the life structure of the property.

As at 31 March 2023 deferred capital grant included £nil (2022: £8.5 million) of SHG for schemes under development.

**Cumulative government grants received**

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Social housing grant | **48,961** | 43,966 |
| Recognised in: | | |
| Profit and loss reserve | **7,591** | 6,628 |
| Creditors: amounts falling due within one year | **100** | 1,051 |
| Creditors: amounts falling due after more than one year | **41,270** | 36,287 |
| | **48,961** | 43,966 |

## 23 Recycled capital grant

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Balance as at 1 April | **1,633** | 1,041 |
| Additions: | | |
| Grants recycled | **228** | 591 |
| Interest | **9** | 1 |
| Withdrawals: | | |
| Repayment | **(573)** | - |
| **Balance as at 31 March** | **1,297** | 1,633 |
| Analysis of maturity: | | |
| In less than one year | **100** | 685 |
| In one to two years | **215** | 364 |
| In more than two years | **982** | 584 |
| | **1,297** | 1,633 |

## 24 Pension

**Central & Cecil Housing Trust pension schemes**

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102 section 28 – ‘Employee Benefits’. Central & Cecil Housing Trust participates in three pension schemes.

There is one defined benefit schemes:
- CCHT Pension Fund (closed to new members),

and two defined contribution (‘stakeholder’) schemes:
- L&G defined contribution scheme,
- Aegon defined contribution scheme (from 1 April 2022).

The accounting treatments for each of the schemes are described below.

The pension cost to the company for the year ended 31 March 2023 was £625,000 (2022: £972,000 beofre pension insurance buy-out costs) in respect of 273 (2022: 379) employees.

**Summary of movements and balances in funding**

| | Note | Total cost by scheme £000 | Total interest on net pension liability by scheme £000 | Actuarial gains / (losses) in pension scheme £000 | Pension deficit £000 |
|---|---|---|---|---|---|
| | | | 2023 | | |
| **Defined benefit schemes** | | | | | |
| **CCHT Pension Fund** | | **376** | **(30)** | **1,443** | **1,097** |
| **CCHT pension fund asset ceiling** | | **-** | **-** | **(1,097)** | **(1,097)** |
| **Defined contribution scheme** | | | | | |
| **L&G** | | **188** | **.** | **.** | **.** |
| **Aegon** | | **61** | **-** | **-** | **-** |
| | | **625** | **(30)** | **346** | **-** |

| | Note | Total cost by scheme £000 | Total interest on net pension liability by scheme £000 | Actuarial gains / (losses) in pension scheme £000 | Pension deficit £000 |
|---|---|---|---|---|---|
| | | | 2022 | | |
| **Defined benefit schemes** | | | | | |
| **CCHT Pension Fund** | | 2,896 | (53) | 2,896 | - |
| **Defined contribution scheme** | | | | | |
| **L&G** | | 313 | - | - | - |
| | | 3,209 | (53) | 2,896 | - |

## 24a L&G Defined contribution scheme

A defined contribution pension scheme is operated by Central & Cecil Housing Trust. The assets of the scheme are held separately from those of the association in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £188,000 (2022: £290,000).

## 24b Aegon defined contribution scheme

The scheme is administered by the Aegon UK and is open to all employees of Central and Cecil Housing Trust. The assets of the scheme are held separately from those of the association in an independently administered fund. The company paid contributions between 4% and 10% (2022: 4% and 10%) and employees paid contributions from 3% (2022: from 3%). At 31 March 2023 there were 42 (2022: nil) active members of the scheme.The pension charge represents contributions payable by the group to the fund and amounted to £61,000 (2022: £nil).

### 24 Pension obligations (continued)

### 24c Defined benefit pension scheme

Central and Cecil Housing Trust operates a defined benefit pension scheme ('CCHT Pension Fund'). The CCHT Pension Fund is a registered defined benefit (final salary) scheme. The Fund provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement or leaving service and their length of service. The Fund closed to new entrants from 31 May 2014. Pension benefits depend upon age, length of service and salary level.

The Fund was established under trust and is governed by the Fund's definitive trust deed and rules dated 30 January 2004.

The scheme funding valuation as at 31 March 2020 revealed a funding surplus of £188,000. In accordance with the Schedule of Contributions dated 29 March 2021 the Association is expected to pay no contributions over future accounting periods. With the effect from 1 September 2020, except to the extent agreed otherwise in writing, the Association is not expected to meet any expense payments in relation to administering the Fund. These will instead be met out of the Fund's surplus assets. Over the period the Fund disinvested the majority of its invested assets and purchased a buy-in insurance policy with Legal and General to meet all future Fund benefit payments.

In late 2021, Central & Cecil Housing Trust pension scheme purchased a buy-in insurance policy for £16.1 million covering all non-insured benefits in the Fund. The £2.8 million cost of this transaction and the on-going running costs of the Scheme were fully funded by assets held by the scheme. The scheme is now in the process of being closed in consultation with the beneficiaries. As at 31 March 2023 the Fund holds the value of that insurance policy and surplus funds held as cash.

The liabilities of the Fund are based on the current value of expected benefit payment cashflows to members approximately over the next 60 years. The average duration of the liabilities is approximately 17 years.

A full actuarial valuation of the Fund was carried out as at 31 March 2020 and has been updated to 31 March 2023 by a qualified independent actuary.

None of the assets of the Fund are invested in the Association's own financial instruments and none of the assets are properties or other assets used by the Association.

The major assumptions used by the actuary were (in nominal terms) as follows:

| **Financial assumptions** | **2023** | **2022** |
|---|---|---|
| | **%p.a.** | **%p.a.** |
| Price increases - RPI | **3.5** | **3.9** |
| Price increases - CPI | **3.0** | **3.4** |
| Salary increases | **3.5** | **3.9** |
| Discount rate | **4.4** | **2.4** |

| **Mortality** | **2023** | **2022** |
|---|---|---|
| | **years** | **years** |
| Current pensioners | | |
| Females | **23.9** | **23.8** |
| Males | **21.9** | **21.8** |
| Future pensioners | | |
| Females | **25.7** | **25.6** |
| Males | **23.9** | **23.8** |

**Fair value of plan assets**

| | **2023** | 2022 |
|---|---|---|
| | **£000** | £000 |
| Insured annuitites | **8,647** | 11,698 |
| Cash and other | **1,097** | 1,462 |
| | **9,744** | 13,160 |

**Cost recognised as an expense**

| | **2023** | 2022 |
|---|---|---|
| | **£000** | £000 |
| Current service cost | **-** | 2,599 |
| Interest costs | **-** | - |
| Administration expenses | **376** | 297 |
| | **376** | 2,896 |

| | | |
|---|---|---|
| **Return on plan assets** | **(2,607)** | (97) |

## Central & Cecil Housing Trust

### Notes to the Financial Statements (continued)

**24 Pension obligations (continued)**

**24c Defined benefit pension scheme (continued)**

**Reconciliation of defined benefit obligation**

| | 2023 | 2022 |
|---|---|---|
| | £000 | £000 |
| **Opening defined benefit obligation** | **11,698** | 13,052 |
| Current service cost | **-** | - |
| Interest expense | **276** | 206 |
| Actuarial losses/(gains) | **(2,894)** | (1,217) |
| Benefits paid and expenses | **(433)** | (343) |
| **Closing defined benefit obligation** | **8,647** | 11,698 |

**Reconciliation of fair value of scheme assets**

| | 2023 | 2022 |
|---|---|---|
| | £000 | £000 |
| **Opening fair value of scheme assets** | **13,160** | 16,496 |
| Interest income | **306** | 259 |
| Actuarial gains | **(2,913)** | (356) |
| Settlements | **-** | (2,599) |
| Scheme administration costs | **(376)** | (297) |
| Benefits paid and expenses | **(433)** | (343) |
| **Closing fair value of scheme assets** | **9,744** | 13,160 |
| **Asset ceiling adjustment** | **(1,097)** | (1,462) |
| **Closing fair value of scheme assets recognised in financial statements** | **8,647** | 11,698 |
| **Net Pension deficit** | **-** | - |

**Net defined benefit liability / (asset) to be shown in OCI:**

| | 2023 | 2022 |
|---|---|---|
| | £000 | £000 |
| Return on assets, excluding interest income | **2,913** | 356 |
| Interest income as a result of unrecognised surplus | **-** | (53) |
| Experience gains and losses arising on the Fund liabilities | **690** | 184 |
| Changes in assumptions underlying the present value of the Fund liabilities | **(3,584)** | (1,401) |
| Change in the amount of surplus that is not recoverable (excluding interest income) | **(365)** | (1,982) |
| | **(346)** | (2,896) |

**25 Share capital**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| At 1 April | **20** | 26 |
| Shares issued in the year | **-** | 7 |
| Shares cancelled in the year | **-** | (13) |
| **At 31 March** | **20** | 20 |

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

**26 Operating leases**

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

| | 2023 | 2022 |
|---|---|---|
| | £000 | £000 |
| Less than 1 year | **1** | 29 |
| Between 1 and 5 years | **-** | 2 |
| | **1** | 31 |

### 27 Capital commitments

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | **31,704** | 8,030 |
| Capital expenditure that has been authorised by the board but has not yet been contracted | **-** | 8,694 |
| | **31,704** | 16,724 |

Capital commitments contracted but not provided for represents the amount committed to develop sites for which the association has proceeds from sales of property in an escrow account and undrawn loan facilities to meet contractual obligations.

### 28 Other reserves

| | Restricted reserve £000 |
|---|---|
| Balance at 1 April / 31 March | **317** |

**Restricted reserve**

Restricted reserves comprise a legacy of £317,000 (2022: £317,000) that was received in 2012 from a deceased resident at Cecil Court. These funds have been left for the specific benefit of the Cecil Court care home.

### 29 Homes and bed spaces in management and in development

| | 2023 No. | 2022 No. |
|---|---|---|
| **Under development at end of year:** | | |
| Housing accommodation | **42** | 153 |
| Shared ownership | **61** | - |
| Open market sale | **-** | 17 |
| | **103** | 170 |
| **Under management at end of year:** | | |
| Owned and managed by Central & Cecil Housing Trust: | | |
| Housing accommodation | | |
| Social rent | **312** | 289 |
| Supported housing | | |
| Social rent | **1,244** | 1,055 |
| Shared ownership | **4** | - |
| Market rented | **17** | - |
| Care homes (bed spaces) | **123** | 124 |
| | **1,700** | 1,468 |
| Not owned but managed by Central & Cecil Housing Trust: | | |
| Supported housing | | |
| Social rent | **21** | 19 |
| Shared ownership | **3** | - |
| | **24** | 19 |
| Owned but managed by others at the end of the year: | | |
| Supported housing | | |
| Social rent | **122** | 134 |
| Care homes (bed spaces) | **51** | 51 |
| Sub-market rented | **112** | 100 |
| Long leaseholders | **46** | 46 |
| | **331** | 331 |
| | **2,055** | 1,818 |

## 30 Related party transactions

The association receives management and other services from its holding company, Aster Group Limited, and fellow group companies, Aster Communities and Synergy Housing Limited.

The association has taken advantage of the exemption allowed under FRS 102 Section 33 'Related Party Disclosures' not to disclose related party transactions within the group. This exemption is available providing the transactions are entered into between two or more members of a group, so long as any subsidiary which is party to the transaction is wholly owned.

The Accounting Direction for Private Registered Providers of Social Housing requires disclosure of the material recharges for services between non-regulated and regulated entities during the year and the balance outstanding as at the year end. The recharges for services in the year are:

| | | **Annual recharges** | | **Balance as at 31 March** | |
|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 |
| **From non-regulated entity** | **Nature of supply** | **£000** | £000 | **£000** | £000 |
| 55 London | Management services | **1,427** | 1,029 | **(80)** | (20) |
| CCIL | Management services and loan facility | **324** | 321 | **6,335** | 9,583 |
| CCCS | Construction services and management services | **6,769** | 30,151 | **-** | (1,212) |

Construction services from CCCS to its parent CCHT include a 2% mark up on cost. All other services are at cost.

## 31 Ultimate parent company

Central & Cecil Housing Trust is a wholly owned subsidiary of Aster Group Limited, the ultimate parent entity and controlling party, and whose consolidated financial statements may be obtained from the following address:

The Company Secretary, Sarsen Court. Horton Avenue, Cannings Hill, Devizes, Wiltshire, SN10 2AZ.

Aster Group Limited is the only group entity to consolidate the association’s financial statements.