

Registered no. IP224

Arbour Housing Limited
Report and Financial Statements
For the Year Ended 31 March 2023

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Board of Management and Advisers

Board of Management

A Clarke	Chair
M Blair	Co-opted 29 November 2022
S Bryans	
W Chambre	Co-opted 28 March 2023
P Flynn	
C Lyness	
M Spence	
N Hampton	
A O'Hagan	Resigned 27 July 2022
I Elliot	Appointed 28 June 2022
J Hool	Appointed 28 June 2022
S Lightfoot	Appointed 28 June 2022 – Resigned 21 November 2022

Chief Executive

K Matthews

Registered office

18 – 22 Carleton Street
Portadown
Co. Armagh
BT62 3EN

Registered number

Charity no. 102344

Independent Auditors

ASM (B) Ltd
Glendinning House
6 Murray Street
Belfast
BT1 6DN

Bankers

Danske Bank
45/48 High Street
Portadown
BT62 1LB

Solicitors

Thompson Mitchell
12-14 Mandeville Street
Portadown
BT62 3NZ

Strategic report of the Board of Management for the year ended 31 March 2023

The Board of Management present their strategic report for Arbour Housing Limited for the year ended 31 March 2023.

Principal activities

Arbour Housing is a Co-operative and Community Benefit society registered with the Department for Communities ("DfC") providing housing accommodation for those in need. It has charitable status with HM Revenue and Customs and is a registered charity with the Charity Commission for Northern Ireland.

Corporate Strategy

Arbour Housing has reviewed and updated its 2018-2023 Strategy to cover the next 5 years, 2023 to 2028. Arbour aims to build on what has been achieved to date and to make a positive difference to our tenants, local communities and the environment.

Vision Statement: To provide more homes, meet our tenants' needs and make a positive difference to people's lives, communities and the environment.

Strategic Objectives:

1. Empower our tenants
Supporting, involving and empowering tenants in everything we do.
2. Build a strong business
Being a strong, well-run organisation who are seen as a partner and employer of choice.
3. Provide great homes
Providing good quality and safe homes that meet residents' needs now and in the future.
4. Provide more new homes
Building new homes to meet housing needs across Northern Ireland.
5. Protect our environment
Reducing our impact on the environment.

Values: These are the guiding principles of what we do and how we work and will set the standard that our tenants can expect from us. Our values are to be - Caring, Honest, Supportive and Effective and to have Integrity.

The strategy will be actioned through a series of annual business plans that are designed towards a programme of performance improvement and business growth. The plan sets out a series of goals and key performance indicators that will guide staff towards the strategic objectives and are monitored by the Board of Management and the management team throughout the year.

Board of Management

The Board of Management meets regularly throughout the year. There are three committees that meet regularly throughout the year with specific responsibilities for property services, procurement and development, finance and corporate performance and audit and risk.

Board members are elected for a three year period; retire on expiration of the three years and are eligible for re-election if they have not served the maximum allowed of nine years.

Strategic report of the Board of Management for the year ended 31 March 2023

Gender analysis

7 members of the Board of Management are male and 3 are female. The management team of Arbour Housing comprises 4 males and 1 female. At 31 March Arbour Housing had a total of 28 employees of which 12 were male and 16 were female.

For staff, excluding the senior management team, analysis shows the average female salary to be 8.99% lower than the male average. For members of the senior management team, excluding the Chief executive, the average female salary is 14.48% lower. Arbour Housing fully supports fair employment and its objective is to fill each position with the best candidate through a process of open and fair competition in line with best recruitment practice.

Arbour Housing has a salary structure based upon assessment of the job specification and skills requirement for each post. A job evaluation framework is used to objectively carry out the job assessment. The successful candidates for recruitment of each role has their salary determined by the independent evaluation of the job and the analysis above is the reflection of this.

Operational performance

Arbour Housing aims to operate efficiently and effectively, and outputs are monitored by the Board of Management and Committees who receive performance reports covering a variety of financial and non-financial performance information.

For the core business areas the Board has set a number of key performance indicators - these include rent arrears, voids, customer satisfaction, maintenance repair times, and financial stability.

In challenging operating conditions, the following performance against key targets has been achieved:-

Performance Indicator	Actual 2022-23	Target 2022-23	Comment
Liquidity margin	0.76	>0.75	Liquidity remains at a comfortable level and the position is managed throughout the year with emphasis on managing borrowing and interest costs.
Gearing ratio	22.2%	25.1%	Lower than budget and remains comfortably within covenants agreed with lenders. Lower gearing reflects the management of borrowing and the timing of development expenditure budgeted around year end.
Interest cover	176%	186%	Lower than budget but is comfortably within covenants agreed with lenders. This represents a positive outturn in the context of considerable increases in interest rates and increased market costs for repairs including capital works.

Strategic report of the Board of Management for the year ended 31 March 2023

Performance Indicator	Actual 2022-23	Target 2022-23	Comment
Operating margin	26.6%	24.3%	Above budget. Improved results reduced overhead costs including staff vacancies during the year, savings against budget on repairs and a positive outcome on the review of potential bad debts.
Tenant arrears	6.2%	5.7%	Payments have remained strong through the period and exceeded those anticipated to be impacted by the cost of living crisis. Arrears and tenants continue to be a matter for considerable attention.
Loss of revenue through Voids	0.55%	0.60%	Analysis shows 0.22% loss arising on routine void turnaround with reduced number of tenants terminating. There were other losses for non routine voids including those with additional maintenance works (0.33%).
Response maintenance repairs completed within timescale Emergency Urgent Routine	88% 82% 85%	85% 80% 80%	Results reflect good performance by contractors and ongoing management supervision in the matter of contractor performance.
Tenant satisfaction Service Provision Rent value for money Quality of neighbourhood Recommend to family or friend Ability of staff to deal effectively with query	99% 100% 97.5% 98% 99%	85% 85% 85% 85% 85%	Achieved high levels of tenant satisfaction within all operational areas reflecting the success of the Tenant Participation Strategy. There is continued focus on areas to address and improve service.

The management of financial resources is critical to Arbour Housing's ability to meet its objectives. Whilst Arbour Housing has a voluntary non-profit making status, the generation of an annual surplus is vital to ensure the on-going investment in new housing stock, to provide for longer term maintenance obligations, to meet the commitments to lenders and to generally ensure adequate protection against unforeseen circumstances.

Employee information

Arbour Housing's total staff costs increased to £1,202,098 (2022: £1,050,457) including increased pension costs. Sickness absence levels were 4.8% in 2022-23 (2.3% in 2021-22). There were 8 new staff joining and 2 staff members left during the year.

Strategic report of the Board of Management for the year ended 31 March 2023

Geo-Political Events & Global Pandemic

Following on from the challenges brought about by the Global Pandemic and EU exit the outworking of the war in Ukraine presented Arbour with new and additional challenges that included cost inflation, interest rate increases, supply chain disruption and labour skills shortages.

To maintain effective decision making in the interests of Arbour Housing, throughout the year the Board has overseen:

- Development and implementation of mitigating actions and processes to ensure that Arbour Housing continues to operate an effective control environment: in particular, addressing any key reporting and other controls on which we place reliance historically, but which may not prove effective in the current environment.
- Provision of reliable and relevant information, on a continuing basis, in order to manage operations and those of our suppliers.
- Maintenance of capital, ensuring that Arbour Housing has sufficient reserves.

Arbour Housing's Board considers that the challenges which arose throughout the year have not had a material effect on Arbour Housing's financial position that would impact on its ability to maintain operations, continued level of service to tenants or its ability to maintain bank covenants. The Board are of the opinion that the agreed actions have assisted tenants and Arbour Housing itself to avoid the potentially significant impact that might have arisen due to the uncertainty created by the challenges noted above.

The reported surplus for the year ended 31st March 2023 is comfortably ahead of the budget set at the beginning of the year and therefore ahead of the reforecast set midway through the year to take account of the potential impact of interest rate rises cost pressures and potential impact of tenants circumstances.

The results reflect improvements in the letting process, managed void loss, fewer restrictions on the process of completing repairs, other planned works and greater level of progress with on-going development activity, as we come out of Covid 19.

The latest review of rental debtors and tenant payments shows that the position has not deteriorated and Arbour Housing continues to offer support to tenants in financial hardship including referral to other support services.

The Board consider that there will be no significant impact on the value of properties under the existing use valuation basis as a result of the inflationary and interest rate increases.

In response to the challenges Arbour Housing carried out a comprehensive risk assessment, has identified the risks and put in place an action plan to mitigate those risks.

During the year Arbour Housing continued to maintain a specific Covid-19 risk register, which has now been downgraded from strategic to operational and its budget for the year ended 31st March 2023 and five-year plan 2023-28 make provision for deferred planned component replacements as a result of the pandemic.

Strategic report of the Board of Management for the year ended 31 March 2023

Consideration of the overall financial impact of interest and inflationary cost increases have been reflected in the budget and five-year plan; which covers operational performance, financial position and cash flow projections. Arbour Housing will undertake regular reviews of the underlying assumptions in the budget and five-year plan over the course of 2023-24 and consider corrective action measures, as appropriate.

The operating surplus for the year ended March 2024 is projected to be £1.1m presenting a healthy outcome for the year ahead. The budget and five-year plan projections confirm that Arbour Housing is in a position to achieve its objectives and is in a position, financially, to manage the risks raised. The projections show that the impacts on cash flow is not a concern and that Arbour Housing has adequate facilities in place to ensure liquidity at all times. The key financial ratios computed on the budget outturn and five-year plan are comfortably within those covenanted to lenders.

The Board considers that the budget provides a reasonable estimate of the financial impact of the interest rate and inflationary cost increases.

Subsequent events

Arbour Housing Board considers there have been no other events since the year end that have had a significant effect on its financial position.

Status

Arbour Housing Limited is registered under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 (No. IP224) and is a Registered Housing Association.

Arbour Housing Limited is a registered charity (Charity No. XN46064).

Arbour Housing Limited is registered with the Charity Commission for Northern Ireland (Registration No. NIC102344).

Value for Money

Arbour Housing Limited's focus on delivering value for money as identified in two principal strands. Strand 1 relates to continuous improvement that is a key element of our business strategy. Strand 2 relates to benchmarking our outcomes against our peers and other relevant external measures to identify and prioritise areas of focus.

Our consideration in driving VfM is to maximise capacity and better utilise our assets and resources in a manner that balances and meets the needs of both existing and future tenants and residents. Value in our service provision is therefore informed by the perspective of our customers.

The focus is not just about cost savings and financial improvement. Consideration is given to economy, efficiency and effectiveness in the maintenance and use of our housing assets to achieve our targets for new housing development, resident services and community investment.

Arbour Housing pays due regard to rents and our annual business plans are designed towards continual performance improvements and organisational growth which will contribute towards achieving our VfM aims. VfM is ensuring that our investment and expenditure is providing adequate returns in terms of the quality of service from suppliers and contractors as well as ensuring costs are managed.

Strategic report of the Board of Management for the year ended 31 March 2023

In the year 2022-23 our VfM approach has helped deliver 131 homes to the Social Housing Development Programme at 105.6% of the Total Cost Index which is considered to be a positive outcome in the context of increasing building costs. With loan finance at 43.3% of the total cost of the properties acquired, gearing is well within the covenant level required by our lenders. The results mean Arbour Housing will incur comparatively lower interest charges and is maintaining capacity for further investment in homes for those in need.

The income generated in the year ended 31 March 2023, from rent, rates and service charges, totalled £7.6m (2022 - £7.0m) and represents an increase of 8.9% on the previous year (2022 - 6.4%). The cash generated was applied to interest charges on existing loans (13%), capital repayments on existing loans (15%) maintenance activities (38%), rates (10%), management and overhead (23%), bad debt and voids (1%), with maintenance activities including reinvestment in improvement and replacements representing an increased amount.

For the year ended 31 March 2023 Arbour Housing had a net drawdown of finance (£2.25m), received grant funding (£15.3m) and expending a total of £20.3m on new and existing housing stock and presents a reduced cash balance at year end (£0.75m).

Arbour Housing's activities which contribute to VfM include;

- Effective procurement of services designed to secure most economical supply including the use of joint procurement with other Housing Associations to consolidate the combined purchasing power
- Focused set of internal key performance indicators to encourage efficient cost-effective practices and services
- Regular contract meeting with service providers including review of contract performance indicators
- A programme of quality assurance checks on work being carried out by service providers
- Ongoing investment in existing properties to ensure continued operational service and standard of accommodation
- Engagement with benchmarking opportunities including NIFHA and DfC to measure performance against others
- A series of tenant satisfaction surveys to assess quality of services from the perspective of the end user – tenants

Tenant Participation

Arbour Housing is committed to ensuring that all tenants receive the best service possible. To achieve this we will provide a range of real opportunities for tenants to contribute to and influence decisions and the service delivery of Arbour Housing, placing tenants at the centre of our decision making process and to build upon our existing good practices and level of tenant involvement.

The objectives of our Tenant Participation Strategy are:

- To ensure that tenant involvement is at the centre of what we do.
- To develop and establish regular and meaningful opportunities for all our tenants to partake in.
- To provide tenants with the support they need to promote tenant participation, local empowerment and community cohesion.
- To promote partnership working between Arbour Housing, tenants and the local community to deliver effective and meaningful improvements to the local environment.

Strategic report of the Board of Management for the year ended 31 March 2023

Tenant Involvement helps us manage our business so that tenants and other stakeholders find it easy to participate in and influence decisions at a level at which they are comfortable. To help achieve this, we recognise that many different opportunities are required.

We aim to;

- Put tenants' views at heart of our decision-making process
- Listen, act and provide feedback to tenants
- Provide a range of options for tenant involvement, via our Menu of Involvement
- Ensure the promotion and expression of our community ethos
- Ensure all staff embrace this strategy to achieve meaningful participation
- Review our practices and how we operate by acting positively to feedback from tenants
- Commit to the provision of adequate resources to deliver all aspects of the Strategy.

The members of the Tenants' Forum have access to training to enable them to maximise their contribution including Governance training and following consideration, have approved activities for Tenant Engagement throughout the year.

The Tenants Forum performs an enhanced scrutiny role on behalf of Arbour Housing. Tenant involvement in the scrutiny of a landlord's performance is rooted in the principle that landlords take account of the following;

- Tenant's priorities and needs
- Involving tenants in setting policies and standards
- Taking tenants' views into account before decisions are taken
- How to support tenants to hold the landlord to account.

Results from the latest Tenant Satisfaction Survey support the practice of tenant involvement and participation:

- 95% of respondents were satisfied that Arbour Housing listened to their views and acted on them
- 96% of respondents felt that Arbour Housing kept them informed about things that might affect them as a resident.

Tenant representatives have been involved in 240 joint scheme visits with staff in order provide the tenant perspective on a range of services provided with requests and views considered and actioned in the year to March 2023.

Risk Management

Responsibility for the identification of risks is clearly defined and operates through a rolling risk assessment process. Key risks facing Arbour Housing are considered by the Board of Management and the Board has adopted a risk-aware strategic focus.

Performance in the sector is generally affected by government policies and changing legislation, the impact of the regulatory regime, changes in demographic, political or economic conditions or environmental risks. Some of the major factors which may affect Arbour Housing over the next year are:

Strategic report of the Board of Management for the year ended 31 March 2023

Strategic risks

- Macroeconomic and financial environment
- Delivering against Tenant expectations
- Diversification into new business
- Access to labour and skills
- Counterparty risk
- The requirements arising from the objective of decarbonisation and the investment that will be required

Operational risks – existing stock and service delivery

- Existing stock quality
- Delivering services to tenants
- Health and safety
- Costs and inflation
- Grant funding levels
- Rent setting
- Tenant welfare
- Rental income and arrears
- Data security
- Data integrity

Operational risks – development

- Contractual risks
- Construction process risks

Finance and treasury management

- Existing debt
- New debt
- Alternative funding models
- Pensions
- Fraud

Measures are in place to control these risks and the implementation of further mitigating actions is regularly monitored by the Board.

Following the easing of risks arising from Covid 19 new risks are arising from the wider global circumstances that have been developing over recent months. Arbour Housing is alert to the risks and will monitor and mitigate as far as is possible.

Performance in the year ended 31 March 2023

During the year the number of homes in management increased to 1,436 (2021-22: 1,343). A further 58 properties had been substantially progressed in the year and will be completed in early 2023-24.

The turnover figures show an increase of 8.5% in income from social housing activities from £8,074,615 in 2021-22 to £8,760,818 in 2022-23. Arbour Housing's annual review of rental charges at March 2022 resulted in a 3.95% increase in the majority of rents, which was considered in the context of increasing costs faced by the Association and the pressures on tenants.

Strategic report of the Board of Management for the year ended 31 March 2023

Operating costs of £6,504,176 represents 73.3% of turnover (72.3% in 2021-22) with a further 12.1%% to cover interest cost on loans (11.8% in 2021-22).

The surplus on ordinary activities was £1,358,703, showing an increase from 2021-22 by £59,117. The surplus on ordinary activities is reflective of the increase in operating costs being higher at 10.4% than the increase in revenue at 8.9% in addition to a significant increase in the level of capitalised repairs within the planned maintenance programme of works. The Board is content that the figures represents a healthy underlying performance.

Arbour Housing continued its programme of major repairs and improvements to properties and the total expenditure in the year, inclusive of capital reinvestment, was £2,071,566 (2021-22 £1,418,305). The level of expenditure of this nature will fluctuate from year to year dependent on the age and condition of schemes and the portion of this charged through the statement of comprehensive income can have a significant impact on the amount of retained surplus in any one year. Difficulties in the supply market and increasing market costs have contributed to the recorded increased costs. The Board is confident that this does not impact on the covenants related to Bank finance.

Financing costs increased from £962,968 in 2021-22 to £1,073,974 as a result of the borrowing requirements through the year and the increasing interest rates through the year. The current year includes £14,000 of other finance costs relating to pension adjustments (2021-22: £19,000).

Arbour Housing is committed to supporting contractors and suppliers through the timely payment of invoices. The target is to settle the accounts for undisputed invoices within 30 days. For the year 2022-23 the average payment period was 17 days (2021: 17 days).

Expected performance in the year ending 31 March 2024

Arbour Housing expects to maintain its level of operations and performance in 2023-2024.

It is planned that 423 homes will be undergoing development during the year. £1,750,080 of expenditure regarding the on-going programme of component replacement, major repairs and improvements to properties is anticipated in the year.

Financial sustainability

Arbour Housing has a robust framework of longer term financial planning in place. The Board regularly considers the longer term financial plan which covers a 25 year period. The plan includes sensitivity analysis and compares projected results to funders' covenants where applicable. The Board has considered the potential impact of the Covid 19 pandemic and will keep this under review.

By order of the Board


Angela Clarke

Chair

Date: 26/6/2023

Report of the Board of Management for the year ended 31 March 2023

The Board present their report together with the financial statements for the year ended 31 March 2023.

Principal activities

Arbour Housing is a registered non-profit making housing association providing housing accommodation for those in need. It is an active participant in the Social Housing Development Programme.

Financial results

The surplus on ordinary activities for the year was £1,358,703 compared to a surplus of £1,299,586 for the previous year.

Board of Management

The Board of Management meets regularly throughout the year. There are three committees which meet regularly throughout the year with specific responsibilities for property services, procurement and development, finance and corporate performance and audit and risk.

Board members are elected for a three year period; retire on expiration of the three years and are eligible for re-election if they have not served the maximum allowed of nine years.

Treasury

Arbour Housing's treasury policy is regularly reviewed by the Finance & Corporate Performance Committee, under delegated authority from the Board of Management. The aim is to maintain adequate cash balances to minimise interest payments on loans, without compromising the ability to meet our financial obligations as they arise.

Arbour Housing was fully compliant with loan covenants during the year and monitors these covenants in all budget projections.

All surpluses generated by Arbour Housing are reinvested in order to maintain homes in good condition, develop new homes at rents that are as low as possible and to reduce the borrowing requirements. The reserves that Arbour Housing has built up have been reinvested in its housing properties, and are not, therefore, represented by cash balances.

Interest rate risk

Exposure to fluctuating interest rates is managed by the composition of a balanced portfolio of fixed and variable rate loans. Arbour Housing's effective interest rate for 2022-23 was 4.52% (2022 : 4.46%) and Arbour Housing has attempted to mitigate against the impact of increasing interest rates through effective cash management.

Report of the Board of Management for the year ended 31 March 2023

Liquidity risk

Arbour Housing maintains a mixture of long term and short term finance that is designed to ensure that there is sufficient funds to achieve business objectives and to facilitate growth with consideration to the interest costs of such finance.

Currency risk

Arbour Housing does not engage in foreign currency transactions and is not exposed to exchange risk.

Environmental matters

Arbour Housing recognises its corporate responsibility to carry out its operations and development programme whilst minimising environmental impacts. The Board's continued aim is to comply with all applicable environmental legislation, prevent pollution and to reduce waste wherever possible and its objectives are reinforced in its energy strategy.

Arbour recognises that the Housing sector has a critical role to play in delivering the government's ambition for net zero carbon emissions, and responding to the climate crisis. Last year, in consideration of the move to net zero, the Board of Management included the following objective to our Five year strategic plan, *"Baseline Arbour's carbon footprint across Housing Stock and Operational Activities and determine a strategic plan to achieve a minimum EPC rating of 'C' for all stock by 2030 and a 'Net Zero' carbon footprint by 2050."*

Following a review of RDSAP data, obtained through Energy Performance Certificates (EPC's), Arbour completed its baseline exercise, indicating that 50% of properties were rated C or above, with an estimated works cost of £12m required to ensure remainder meet minimum C rating by 2030.

Arbour is committed to making homes greener and warmer for residents. We understand the need to tackle climate change and fuel poverty, improve resident satisfaction, health and wellbeing and reduce fuel bills for residents. These are key drivers for retrofitting our existing homes and investing in new ones. There are significant challenges in retrofitting homes including lack of finance, policy uncertainty, concerns around technology, conflicting organisational priorities and the lack of capacity and capability in supply chains. As a responsible social landlord we are committed to playing our part in addressing these challenges.

Corporate Governance

Having regard to the 2021 annual Regulatory Judgement from the Regulator (Department for Communities), which cover the three standards of Governance, Finance and Consumer and which received top grade, it is the opinion of the Board of Management that Arbour Housing is in compliance with the best practice issued by NHF Code of Governance.

Report of the Board of Management for the year ended 31 March 2023

Audit and Risk Committee

Arbour Housing has an Audit & Risk Committee with clearly defined terms of reference. The Committee monitors risk management and internal controls through the management of internal and external audit programmes. The Committee provides a forum through which the internal and external auditors report to the Board. The Board believes that it has an objective and professional relationship with its auditors.

Going Concern

After making enquiries, the Board of Management is confident that Arbour Housing has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal controls

The Board of Management is responsible for Arbour Housing's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage and reduce, rather than to eliminate, the risk of failure to achieve business objectives. It can provide only reasonable, and not absolute, assurance against material misstatement or loss.

We operate ongoing processes for identifying, evaluating and managing the significant risks faced by Arbour Housing. They have been in place for the year to 31 March 2023 and up to the date of the approval of the Annual Report and the Financial Statements. The processes are reviewed at least annually by the Committee.

The key elements of the control system in operation are:

- The Board has adopted a formal schedule of matters reserved for its approval ensuring it maintains responsibility for overall strategy, approval of all property transactions and other major capital expenditure projects;
- There is an organisation structure with clearly defined lines of responsibility and delegation of authority; and
- Detailed budgets are prepared covering Arbour Housing's business which are reviewed and approved by the Board of Management. Actual results are compared against budget and appropriate action identified and initiated.

Statement of the responsibilities of the Board of Management

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

The Board of Management is required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Arbour Housing and of its surplus or deficit for that period. In preparing these financial statements, the Board of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;

Report of the Board of Management for the year ended 31 March 2023

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Arbour Housing will continue in operation.

The Board of Management are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of Arbour Housing and enable them to ensure that the financial statements comply with the Financial Reporting Standard 102 and Housing SORP 2018. They are also responsible for safeguarding the assets of Arbour Housing and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as each of the members of the Board of Management are aware at the date of approval of these financial statements:

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

Auditors

A resolution to reappoint ASM (B) Ltd will be proposed at the Annual General Meeting.

On behalf of the Board of Management


Angela Clarke
Chair

Date: 26/6/2023

Independent Auditor's Report

Opinion

We have audited the financial statements of Arbour Housing Limited for the year ended 31 March 2023 which comprises the statement of comprehensive income, the statement of changes in reserves, the statement of financial position, the statement of cash flows and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of Arbour Housing's affairs as at 31 March 2023 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969; the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993; Article 19 of the Housing (NI) Order 1992; Regulation 9 of the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015; and the Charities Act (Northern Ireland) 2008.

Basis of opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where;

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the association's ability to continue as a going concern.

Independent Auditor's Report (cont'd)

Reporting on other information

The other information comprises the information included in the Report of the Board of Management other than the financial statements and our auditor's report thereon. The Board of Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinion on other matters prescribed by the Companies Act

In our opinion, based on the work undertaken in the course of the audit;

- the information given in the Report of the Board of Management for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board of Management has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of Arbour Housing and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Management.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report (cont'd)

Responsibilities of the board of management

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: a. We considered the opportunities and incentives that may exist within the company for fraud and identified the greatest potential for fraud in the following areas: timing of recognition of income and posting of unusual journals. To address those risks we discussed the risks with client management and designed audit procedures to test the timing of revenue recognition and tested a sample of journals to confirm they were appropriate.

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

Use of our report

This report is made solely to the Board of Management, in accordance with Article 38 of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 (formerly the Industrial and Provident Societies Act (Northern Ireland) 1969). Our audit work has been undertaken so that we might state to the Board of Management those matters that we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Board of Management, for our audit work, for this report, or for the opinion we have formed.

Arbour Housing Limited
Year Ended 31 March 2023

B Clerkin (Senior Statutory Auditor)
for and on behalf of ASM (B) Ltd
Statutory Auditor
Glendinning House
6 Murray Street
Belfast
BT1 6DN
(date)

B. Clerkin *Clerkin*
26/6/23

Statement of Comprehensive Income

For the year ended 31 March 2023

		2023	2022
	Note	£	£
Turnover	5, 28, 30	8,868,617	8,144,684
Operating costs	6, 28, 30	(6,504,176)	(5,889,167)
Gain on disposal of housing properties	10	76,774	25,301
Operating surplus		2,441,215	2,280,818
Interest receivable and similar income	11	5,462	736
Interest payable and similar charges	12a	(1,073,974)	(962,968)
Other finance costs	12b	(14,000)	(19,000)
Surplus on ordinary activities		1,358,703	1,299,586
Actuarial gain (loss) in respect of pension	31	580,000	398,000
Surplus for the financial year		1,938,703	1,697,586
Retained surplus brought forward	24	19,241,477	17,543,891
Retained surplus carried forward		21,180,180	19,241,477

All amounts above relate to continuing operations of Arbour Housing.

The notes on pages 25 to 49 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2023

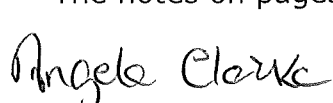
	2023	2022
	£	£
Surplus for the financial year	1,938,703	1,697,586
Movement in capital and reserve	3	-
Net addition to capital and reserves	1,938,706	1,697,586
Opening total capital and reserves	19,241,577	17,543,991
Closing total capital and reserves	21,180,283	19,241,577

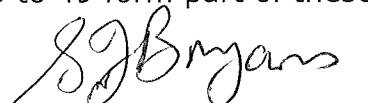
Statement of Financial Position

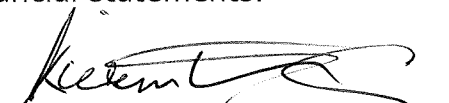
As at 31 March 2023

	Notes	2023 £	2022 £
Fixed assets			
Housing properties – depreciated cost	13	131,350,892	113,171,081
Other tangible fixed assets	14	683,581	696,559
		132,034,473	113,867,640
Current assets			
Debtors	15	1,828,839	1,721,470
Cash at bank and in hand		1,525,581	2,272,245
		3,354,420	3,993,715
Creditors: amounts falling due within one year	16	(5,746,563)	(4,713,570)
Net current (liabilities)/assets		(2,392,143)	(719,855)
Total assets less current liabilities		129,642,330	113,147,785
Creditors: amounts falling due after more than one year	17	(108,462,047)	(93,302,208)
Pension liability	31	-	(604,000)
Total net assets		21,180,283	19,241,577
Capital and reserves			
Called up share capital	22	23	20
Capital reserve	23	80	80
Revenue reserve	24	21,180,180	19,241,477
Total funds		21,180,283	19,241,577

The notes on pages 25 to 49 form part of these financial statements.


A Clarke (Chair)


S Bryans (Secretary)


K Matthews (Chief Executive)

Arbour Housing Limited

Registered number: IP224

Date: 26/6/2023

Date 26/6/2023

Date: 26th June 2023

Statement of Cash Flows

For the year ended 31 March 2023

	2023	2022
	£	£
Net cash from operating activities	25 2,846,739	3,076,423
Cash flow from investing activities		
Purchase and development of housing properties	(20,294,821)	(15,323,690)
Receipt of housing association grant	15,363,501	11,059,870
Receipts from disposal of housing properties	1,401,845	385,685
Purchase of other tangible assets	(29,718)	(38,781)
Interest received	5,462	736
Net cash used in investing activities	(3,553,731)	(3,916,180)
Cash flows from financing activities		
Loan advances	12,500,000	9,355,854
Loan principal repayments	(11,484,459)	(6,793,263)
Allotment of shares	3	-
Interest paid	(1,055,516)	(971,449)
Net cash used in from financing activities	(39,972)	1,591,142
Net (decrease)/ increase in cash and cash	(746,964)	751,385
Cash and cash equivalents at the beginning of the year	2,272,245	1,520,860
Cash and cash equivalents at the end of the year	26 1,525,281	2,272,245

The notes on pages 25 to 49 form part of these financial statements.

1. General information

Arbour Housing's principal activity during the financial year continues to be providing housing accommodation for those in need. Arbour Housing is registered under the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and domiciled in the UK. The address of the registered office is 18-22 Carleton Street, Portadown, BT62 3EN.

2. Statement of compliance

These financial statements of Arbour Housing Limited have been prepared on the going concern basis in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom and Statement of Recommended Practice for Accounting by Registered Social Landlords. The principal accounting policies, which have been applied consistently throughout the year, are set out below. The presentation of the financial statements complies with the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Arbour Housing's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Foreign currencies

Transactions and non-monetary assets, denominated in foreign currencies, are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date or the exchange rate of a related foreign exchange contract where relevant. The resulting exchange gains or losses are dealt with in the Statement of comprehensive income.

3. Summary of significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by Arbour Housing and value added taxes. Arbour Housing bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash and cash equivalents is deferred and the arrangement constitutes a financing transaction, the fair value of the consideration is measured at the present value of all future receipts using the imputed rate of interest. Revenue is recognised when, and to the extent that, Arbour Housing obtains the right to consideration in exchange for its performance.

i. Net rental income

Income includes rent and service charge income arising from the provision of housing accommodation and the amortisation of Housing Association Grant. Income is recognised in the period to which it relates.

ii. Other income

Other income is recognised in the Statement of comprehensive income when the terms of revenue recognition have been met.

Employee benefits

Arbour Housing provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. Defined benefit plan

Arbour Housing operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit other than a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of each financial year less the fair value of the plan assets at the same date.

The defined benefit obligation is calculated annually by an external actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Sterling and that have terms approximating the estimated period of the future payments ('discount rate').

3. Summary of significant accounting policies (continued)

The fair value of plan assets out of which the obligations are to be settled is measured in accordance with Arbour Housing's accounting policy for financial assets. For most plan assets this is the quoted price in an active market. Where quoted prices are not available appropriate valuation techniques are used to estimate the fair value.

The cost of the defined benefit plan, recognised in profit or loss, except where included in the cost of an asset, comprises:

- (a) the increase in net defined benefit liability arising from employee service during the financial year; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate (both as determined at the start of the financial year, taking account of any changes in the net defined benefit liability during the financial year as a result of contribution and benefit payments). This net interest cost is recognised in profit or loss as 'finance expense' and presented within 'interest payable and similar charges'.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. These amounts together with the return on plan assets less the interest income on plan assets included in the net interest cost, are presented as 're-measurement of net defined benefit liability' in other comprehensive income.

Tangible fixed assets

i. Housing properties

Operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock. Housing properties are stated at cost including appropriation on costs and net of initial sales proceeds from part owners in respect of leasehold schemes.

ii. Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation.

iii. Long leasehold office property

Arbour Housing's policy is to depreciate the cost over the remaining useful economic life of the property.

iv. Schemes under construction

Schemes under construction are carried at cost and are not depreciated until brought into use.

3. Summary of significant accounting policies (continued)

Capitalisation of development costs

Development costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Such costs generally include the labour costs of company employees arising directly from the acquisition or development of the property and incremental costs that would only have been avoided if the property concerned had not been acquired or constructed.

Housing Association Grant and other grants

Housing Association Grant and other grants received as a contribution towards the capital costs of housing properties of Arbour Housing were set against the capital cost of these properties in prior years. As per the 2018 Housing SORP and FRS 102 the grants have been included as 'Creditors: amounts falling due after more than one year' and 'Creditors: amounts falling due within one year' and are amortised to the Statement of comprehensive income as per the turnover policy above. Housing Association Grant received against revenue expenditure is credited to revenue in the period in which the related expenditure is charged.

Such grants, although treated as a grant for accounting purposes, may be repayable under certain circumstances, primarily following the sale of housing property, but any amount repayable would be restricted to the net proceeds of the sale.

Depreciation and Impairment

i. Housing properties

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional guidance and Arbour Housing's asset management strategy. In determining the remaining useful lives for the housing stock, Arbour Housing has taken account of views provided by both internal and external professional sources.

Freehold land is not subject to depreciation whilst leasehold land is depreciated over the unexpired period of the lease. Depreciation is charged so as to write down the cost or valuation of the freehold housing properties and major components on a straight line basis over their expected use economic lives.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

Land	Not depreciated
Structure (including roof)	100 years
Windows and doors	35 years
Main heating system unit	15 years
Kitchens	20 years
Bathrooms	25 years
Electrics	30 years
Mechanical systems	30 years
Lift	20 years

Housing assets are subject to a depreciation charge in the year of acquisition or completion. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down is charged to operating surplus.

ii. Other fixed assets

Depreciation of other fixed assets is charged on a straight-line basis over the estimated useful economic lives of the assets at the following annual rates:

Office furniture and equipment	5 years
Computer equipment	3 years

iii. Long leasehold office property

The useful economic life of the asset has been estimated at 50 years.

Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to Arbour Housing and the cost can be measured reliably. The carrying amount of any replaced component is derecognised. Repairs, maintenance and minor inspection costs are expensed as incurred.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

Leased assets

At inception Arbour Housing assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the period of the lease.

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one month or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of comprehensive income.

i. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligations can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

3. Summary of significant accounting policies (continued)

ii. Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in Statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in Statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or, (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in Statement of comprehensive income, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

*

3. Summary of significant accounting policies (continued)

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow company companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Disposal proceeds fund

The net surpluses, after loan repayments, that arise from the sale of property to tenants under the voluntary purchase grant arrangements instituted by the Department for Communities can be used by Arbour Housing to fund works on property that would not be eligible for housing association grant or in certain circumstances, attract loan finance.

If the surpluses are not used within two years of their receipt they may be payable in part or in full to the Department for Communities.

Revenue reserves

Arbour Housing's policy is to retain a level of revenue reserves which reflects its needs at the current time and in the foreseeable future. The reserves required are sufficient to meet committed running costs for a period equivalent to nine months budgeted future expenditure. The Board of Management reviews the adequacy of the revenue reserves level on an annual basis.

Tenants Services Fund

For certain schemes Arbour Housing is required to charge the tenants for additional services provided, over and above those of the normal management and maintenance services. Arbour Housing levies an additional charge to the tenants for this. Annual surpluses and deficits are transferred to a fund to equalise the financial position over a period of time.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the financial statements 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.

a) Critical judgement in applying the entity's accounting policies

i. Carrying value of properties

On an annual basis, Arbour Housing carries out an impairment review of its housing property assets. Arbour Housing will first consider if there has been any trigger or indication that assets might be impaired. Arbour Housing will then determine an appropriate cash generating unit to be best represented by an individual scheme as this is the level that an investment appraisal will be completed at. The impairment review is based upon the existing use of the asset which corresponds with the economic use valuation "EUV" provided for bank security. This confirms that the majority of scheme are financially viable. In the event that a scheme notes a potential for impairment in the initial review, Arbour Housing will complete a discounted cash flow appraisal using the specific details of each of the schemes. Finally, if required, an external valuation will be obtained to assess if there is a requirement for impairment.

Arbour Housing has completed their annual impairment review and reported its findings to the Finance committee and Board of Management in March 2023. There was no evidence of impairment noted based on the assessment carried out. There are no other critical judgements in applying the entity's accounting policies.

b) Critical accounting estimates and assumptions

The Board of Management makes estimates and assumptions concerning the future in the process of preparing the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Defined benefit pension scheme

Arbour Housing has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 31 for the disclosures relating to the defined benefit scheme.

ii. Useful economic lives of housing properties

The annual depreciation on housing properties is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of housing properties, and note 3 for the useful economic lives for each component of housing property.

4. Critical accounting judgements and estimation uncertainty (continued)

There are no other critical accounting estimates and assumptions.

5. Turnover

Turnover represents rental income, service charges receivable and other income (net of voids). Revenue is recognised when, and to the extent that, Arbour Housing obtains the right to consideration in exchange for its performance.

6. Operating costs

	2023	2022
	£	£
Direct costs	5,078,469	4,572,652
Administrative expenses	1,425,707	1,316,515
	6,504,176	5,889,167

7. Operating surplus

	2023	2022
	£	£
This is stated after charging:		
Staff costs (note 8)	1,202,098	1,050,457
Depreciation (notes 13 & 14)	2,034,085	1,894,432
Amortisation of grant (note 13)	1,094,253	1,027,981
Release of capital grant (note 13)	2,088	2,088
Release of revenue grant	67,584	5,869
Loss on disposal of fixed assets	64,157	46,257
Auditors' remuneration		
-audit services	13,000	13,000

8. Employee information

Average monthly number of persons employed during the financial year by activity.

	2023	2022
	No.	No.
Administration	6	6
Housing management	7	8
Maintenance	9	6
Development	4	4
	<u>26</u>	<u>24</u>

Staff costs

	2023	2022
	£	£
Wages and salaries	909,978	733,791
Social security costs	89,740	63,268
Other pension costs	189,798	208,301
Agency costs	12,582	45,097
	<u>1,202,098</u>	<u>1,050,457</u>

9. Directors' emoluments

The remuneration of key management personnel of Arbour Housing during the year was:

	2023	2022
	£	£
Aggregate emoluments	308,260	278,809
Pension contributions	61,675	56,368
	<u>369,935</u>	<u>335,177</u>
Emoluments to highest paid member of management team (excluding pension)	<u>85,277</u>	<u>78,425</u>

The number of management team members to whom emoluments (excluding pensions contributions) were paid during the year falls within each of the following bands:

	2023	2022
£85,000 - £90,000	1	
£75,000 - £80,000	-	1
£60,000 - £65,000	1	1
£50,000 - £55,000	3	-
£45,000 - £50,000	-	3
	<u>5</u>	<u>5</u>

Members of the Board of Management serve in a voluntary capacity and nil (2022: £nil) was in receipt of emoluments during the year.

The Board and Committee members are reimbursed for expenses totaling Nil during the year (2022: £nil).

10. Transfer to disposal proceeds fund

	2023	2022
	£	£
Proceeds of disposal	1,109,995	258,750
Original asset, disposal costs and excluded surplus	(1,033,221)	(187,365)
Transfer to disposal proceeds fund (note 18)	<u>76,774</u>	<u>71,385</u>

11. Interest receivable and similar income

	2023	2022
	£	£
Interest receivable	<u>5,462</u>	<u>736</u>

12.a Interest payable and similar charges

	2023	2022
	£	£
On bank loans, overdrafts and other loans	<u>1,073,974</u>	<u>962,968</u>

12.b Other financial costs

	2023	2022
	£	£
Defined benefit pension scheme net interest cost (note 31)	<u>14,000</u>	<u>19,000</u>

13. Housing properties – depreciated cost

			2023 £	2022 £
	Housing Properties For relet	Shared Equity For relet	Total	
Cost or valuation				
At 1 April 2022	132,338,762	153,700	132,492,462	117,477,824
Additions	21,250,367	-	21,250,367	15,930,150
Disposals	(1,856,330)	(33,737)	(1,890,067)	(915,512)
At 31 March 2023	151,732,799	119,963	151,852,762	132,492,462
Accumulated Depreciation				
At 1 April 2022	19,314,336	7,045	19,321,381	17,890,409
Charge for the year	1,991,681	-	1,991,681	1,855,651
Disposals	(811,192)	-	(811,192)	(424,679)
At 31 March 2023	20,494,825	7,045	20,501,870	19,321,381
Net book value				
At 31 March 2023	131,237,974	112,918	131,350,892	113,171,081
Net book amount comprises				
- Freehold property	126,107,041	112,918	126,219,959	108,075,609
- Long leasehold property	5,130,933	-	5,130,933	5,095,472
	131,237,974	112,918	131,350,892	113,171,081
Net book amount comprises:				
- Completed schemes	100,817,710	112,918	100,930,628	94,331,063
- Properties under construction	30,420,264	-	30,420,264	18,840,018
	131,237,974	112,918	131,350,892	113,171,081

	2023 £	2022 £
Housing Association Grant and other grants		
At 1 April 2022	82,141,027	75,326,414
Grants receivable	15,343,871	7,221,061
Disposals	(1,094,717)	(406,448)
At 31 March 2023	96,390,181	82,141,027
Accumulated Amortisation		
At 1 April 2022	11,794,032	10,995,785
Charge for the year	1,096,341	1,035,938
Disposals	(431,158)	(237,691)
At 31 March 2023	12,459,215	11,794,032
Net book value		
At 31 March 2023	83,930,966	70,346,995

14. Other tangible fixed assets

	Long leasehold office property	Office and computer equipment	Total
	£	£	£
Cost			
At 1 April 2022	911,428	259,153	1,170,581
Additions	-	29,718	29,718
Disposals	-	(13,626)	(13,626)
At 31 March 2023	911,428	275,245	1,186,673
Accumulated Depreciation			
At 1 April 2022	261,374	212,648	474,022
Charge for the year	18,587	23,817	42,404
Disposals	-	(13,334)	(13,334)
At 31 March 2023	279,961	223,131	503,092
Net book amount			
At 31 March 2023	631,467	52,114	683,581
At 31 March 2022	650,054	46,505	696,559

15. Debtors

	2023	2022
	£	£
Gross rental debtors – Technical	298,605	266,098
Gross rental debtors – Non-Technical	217,714	231,090
Provision for bad debt	(218,067)	(217,812)
Net rental (including rates, service charges) debtors	298,252	279,376
Housing Association Grant receivable	1,233,149	1,306,863
Prepayments and accrued income	183,398	54,243
Tenant services account	61,216	64,017
Other debtors	52,824	16,971
	<u>1,828,839</u>	<u>1,721,470</u>

16. Creditors

Amounts falling due within 1 year

	2023	2022
	£	£
Bank Loans (note 19)	1,463,719	1,234,729
Loans (note 19)	2,680	3,317
Bought Ledger Control	896,214	595,634
Housing Association Grant and other grants (note 13)	1,314,390	1,123,935
Rent in advance	96,068	91,734
Accruals and deferred income	1,968,630	1,661,729
Other creditors	4,862	2,492
	<u>5,746,563</u>	<u>4,713,570</u>

17. Creditors

Amounts falling due after more than 1 year

	2023	2022
	£	£
Bank Loans (note 19)	24,535,435	23,745,567
Other Loans (note 19)	-	2,680
Disposal Proceeds Fund (note 18)	1,310,036	330,901
Housing Association Grant and other grants (note 13)	82,616,576	69,223,060
	<u>108,462,047</u>	<u>93,302,208</u>

Arbour Housing expects to utilise the disposal proceeds fund within the timescales allowed by the Department for Communities.

18. Disposal proceeds fund

	2023	2022
	£	£
At 1 April	330,901	259,516
Transfers in from house sales (note 10)	1,033,221	71,385
Utilised against development schemes	(54,086)	-
	<u>1,310,036</u>	<u>330,901</u>

19. Loans

	2023	2022
	£	£
Bank loans – Housing property		
Less than one year, or on demand (Note 16)	1,463,719	1,234,729
Between one and two years	1,492,644	1,522,999
Between two and five years	13,240,133	4,740,802
After more than five years	9,802,658	17,481,766
	<u>25,999,154</u>	<u>24,980,296</u>

Security

Bank loans bear interest at rates ranging between 3.22% and 6.65% at variable and fixed rates. Bank loans are repayable on an amortised basis over varying periods between 22 and 30 years. All RCF loans outstanding at the end of the applicable availability period, will be converted to term loan until the end of facility term being repayable on amortised basis over 25 years. All bank loans are secured by way of mortgages upon the deeds of approved portfolios of properties.

	2023	2022
	£	£
Department of Communities – Housing property loans		
Less than one year (Note 16)	2,680	3,317
Between one and two years	-	2,680
Between two and five years	-	-
After more than five years	-	-
	<u>2,680</u>	<u>5,997</u>

Security

The loans from the Department for Communities bear interest at rates ranging between 9.63% and 12.25% at fixed rates and are repayable on an amortised basis (capital and interest) over 30 years. These loans are not secured.

20. Financial instruments - assets

	2023	2022
	£	£
Financial assets at amortised cost	<u>1,645,441</u>	<u>1,540,992</u>

21. Finance instruments - liabilities

	2023	2022
	£	£
Financial liabilities at amortised cost	<u>28,871,540</u>	<u>27,246,118</u>

22. Called up share capital

Ordinary shares of £1 each fully paid:

	2023	2022
	£	£
At 1 April	20	21
Issued in the year	3	-
Transferred to capital reserve	-	(1)
At 31 March	<u>23</u>	<u>20</u>

23. Capital reserves

	2023	2022
	£	£
At 1 April	80	79
Transfer to capital reserve	-	1
At 31 March	<u>80</u>	<u>80</u>

24. Revenue reserves

	2023	2022
	£	£
At 1 April	19,241,477	17,543,891
Surplus on ordinary activities	1,358,703	1,299,586
Actuarial gain/(loss) recognised in pension scheme	580,000	398,000
At 31 March	<u>21,180,180</u>	<u>19,241,477</u>

25. Net cash generated from operating activities

	2023	2022
	£	£
Surplus on ordinary activities	1,358,703	1,299,586
Surplus arising from disposals of housing property	(1,109,995)	(96,686)
Transfer to disposal proceeds fund	1,033,221	71,385
Interest receivable and similar income	(5,462)	(736)
Interest payable and similar charges	1,073,974	962,968
Other finance costs	14,000	19,000
Operating surplus	2,364,441	2,255,517
Depreciation charge	2,034,085	1,894,432
Amortisation charge and grant release	(1,163,935)	(1,035,938)
Impairment and costs written off	64,157	46,257
Movement in debtors	(41,964)	(61,221)
Movement in creditors	(369,988)	(18,284)
Difference in pension charge and cash contributions	(40,057)	(4,340)
Net cash generated from operating activities	2,846,739	3,076,423

26. Analysis of net debt

	1 April 2022 £	Cash flow £	31 March 2023 £
Cash at bank and in hand	2,272,245	(746,964)	1,525,281
Bank overdraft	-	-	-
Cash and cash equivalents	2,272,245	(746,964)	1,525,281
Debt due after one year	(23,748,247)	(787,188)	(24,535,435)
Debt due within one year	(1,238,046)	(228,353)	(1,466,399)
Debt	(24,986,293)	(1,015,541)	(26,001,834)
Net Debt	(22,714,048)	(1,762,505)	(24,476,553)

27. Reconciliation of net cash flow to movement in net debt

	2023	2022
	£	£
(Decrease)/Increase in cash and cash equivalents and in	(746,964)	751,385
Repayment of loans	11,484,459	6,793,263
New loans	(12,500,000)	(9,355,854)
Movement in net debt in the financial year	(1,762,505)	(1,811,206)
Net debt at 1 April	(22,714,048)	(20,902,842)
Net debt at 31 March	(24,476,553)	(22,714,048)

28. Turnover, Operating costs and operating surplus - Association

	2023		2022
	Operating Turnover	Operating Costs	Operating Surplus/ (deficit)
	£	£	£
Social Housing Activities	8,760,818	6,396,377	2,364,441
Non-Social Housing Activities	107,799	107,799	-
	<u>8,868,617</u>	<u>6,504,176</u>	<u>2,364,441</u>
			<u>2,255,517</u>

29. Housing Stock

Number of units owned by the Arbour Housing managed at year end	2023	2022
	Number	Number
General Needs Housing	1,436	1,343
Total owned	<u>1,436</u>	<u>1,343</u>
Number of units managed (but not owned) by Arbour Housing managed at year end	2023	2022
	Number	Number
General Needs Housing	4	5
Total managed	<u>4</u>	<u>5</u>
Total Units Owned and Managed at year end	<u>1,440</u>	<u>1,348</u>

30. Turnover, operating costs and operating surplus/(deficit) from social and non-social housing activities - Association

Social Housing Activities	General Needs Housing £	2023 Total £	2022 Total £
Income from Social Housing Lettings			
Rent receivable net of Service Charges	7,488,156	7,488,156	6,930,467
Service charges received/receivable	149,800	149,800	153,724
Income from HAG	1,094,253	1,094,253	1,027,981
Income from Other Grants	69,672	69,672	7,957
First tranche equity share sales	-	-	-
Other	-	-	-
Gross Income from rents and service charges	8,801,881	8,801,881	8,120,129
Less: Voids	(41,063)	(41,063)	(45,514)
Net Income from rents and service charges	8,760,818	8,760,818	8,074,615
Operating Costs			
Services	149,800	149,800	153,724
Supporting People costs	-	-	-
Care Costs	-	-	-
Management costs	684,371	684,371	660,941
Housing for all costs	67,584	67,584	5,869
Bad debts	36,659	36,659	16,991
Maintenance Administration costs	640,501	640,501	626,202
Planned & Cyclical Maintenance	213,509	213,509	216,551
Reactive Maintenance	975,970	975,970	874,837
Major Repairs and improvement works	713,525	713,525	531,111
Depreciation of Social Housing	1,991,681	1,991,681	1,855,651
Rates Payable	879,953	879,953	842,844
Depreciation of non-social housing assets	42,404	42,404	38,781
Development costs written off	420	420	5,596
Impairment of rental properties	-	-	-
Cost of sales first tranche equity sales	-	-	-
Total Operating costs	6,396,377	6,398,997	5,829,098
Operating surplus	2,364,441	2,364,441	2,245,517

30.Turnover, operating costs and operating surplus or deficit from social and non-social housing activities - Association (continued)

Social Housing Activities (continued)

	2023 Total £	2022 Total £
DfC Allowances		
Management Allowances	563,112	526,284
Management Costs	(684,371)	(666,810)
Deficit	(121,259)	(140,526)
Maintenance allowances	853,495	810,344
Planned & cyclical maintenance	(213,509)	(216,551)
Reactive Maintenance	(975,970)	(874,837)
Deficit	(335,984)	(281,044)
Technical & non- technical income		
Technical	5,523,458	5,026,428
Non- technical	2,074,236	1,989,803
Total	7,599,694	7,016,231

Non-social Housing Activities

	2023 Total £	2022 Total £
Operating Income		
Provision of support services	107,799	60,069
Other recharges	-	-
Other Income	-	10,000
Total non-social housing income	107,799	70,069
Operating costs		
Administration costs	9,800	5,486
Other costs	97,999	54,583
Total non-social housing expenditure	107,799	60,069
Operating surplus on non-social housing	-	10,000

31. Pension liability

The net pension 'deficit' shown below under FRS102 section 28 'Retirement benefits' does not represent a shortfall which requires short term cash funding. The amount shown below is calculated to comply with the Financial Reporting Standard, the specific requirements of which differ from the basis on which pension liabilities are actuarially calculated for the purpose of the ongoing funding of the scheme. The Financial Reporting Standard requires:

- i. actuarial deficiencies to be recognised immediately as a "liability" in the financial statements rather than being spread forward over employees' remaining service lives;
- ii. the actuary, in valuing the scheme's liabilities, is required to use a bond yield as the discount rate for valuing future liabilities, rather than a rate that reflects the expected return on the scheme's particular asset portfolio, with the result of an apparent increase in the present value of future longer term liabilities.

At the 31st March 2023 the pension valuation reports a net pension asset of £530k before consideration of a surplus restriction. In line with FRS102 para 28.22 the Association has not recognised this surplus on the basis of prudence, as it is uncertain as to whether this surplus (calculated for Financial Reporting purposes) will be recoverable via reduced pension contributions (calculated for pension funding purposes) As such we have recognised a nil balance in the Pension Asset / (Liability) Account.

The below is in relation to employees and ex-employees who are members of the NILGOSC pension scheme.

An Actuarial Valuation of the scheme was carried out as at 31 March 2023.

The major assumptions used by the actuary were:

	31 March 2023	31 March 2022
Rate of increase in salaries	4.1%	4.4%
Rate of increase in pensions in payment	2.6%	2.9%
Discount rate	4.6%	2.7%
Inflation assumption	2.6%	2.9%

The mortality assumptions used were as follows:

	2023 Years	2022 Years
Average expected future life at age 65 for		
- male currently aged 65	22.2	21.8
- female currently aged 65	25.0	25.0
- male currently aged 45	23.2	23.2
- female currently aged 45	26.0	26.4

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The assets in the scheme and the expected rates of return were:

	Value at 31 March 2023	Value at 31 March 2022
	£'000	£'000
Equities	1,467	1,646
Property	411	384
Government Bonds	756	947
Corporate Bonds	110	84
Multi Asset Credit	488	502
Cash	239	153
Other	198	119
Total market value of assets	3,669	3,835
Present value of scheme liabilities	3,669	4,439
Net pension deficit	-	604

Notes to the financial statements for the year ended 31 March 2023

31 Pension liability (continued)

Reconciliation of present value of scheme liabilities	2023	2022
	£'000	£'000
At 1 April	4,439	4,471
Service cost	149	177
Member contributions	25	23
Interest on scheme liabilities	120	94
Actuarial gains	(1,021)	(283)
Benefits paid	(43)	(43)
At 31 March	3,669	4,439
Reconciliation of fair value of scheme assets	2023	2022
	£'000	£'000
At 1 April	3,835	3,485
Interest on pension scheme assets	106	75
Actuarial (losses)/gains	(441)	115
Employer contributions	187	180
Member contributions	25	23
Benefits paid	(43)	(43)
At 31 March	3,669	3,835
	£'	
Funded status	53	
Unrecognised asset due to restriction	(5)	
Net funding of funded plans	-	
Amount in Statement of Financial Position	-	

Analysis of amounts charged/ (credited) to income and expenditure

	2023	2022
	£'000	£'000
Current service cost	149	177
Interest on pension scheme assets	(106)	(75)
Interest on pension scheme liabilities	120	94
	163	196
Amounts for current and previous two years:	2023	2022
	£'000	£'000
Fair value of employer assets	3,669	3,835
Present value of defined benefit obligation	3,669	4,439
Deficit	-	(604)
Experience (losses)/gains on assets	(441)	115
Experience (gains)/losses on liabilities	(1,021)	(283)
		790

Actuarial gains and losses

The amount of actuarial gains recognised in the Statement of comprehensive income is a gain of £580,000 (2022: Gain of £398,000).

32 Contingent liabilities

Arbour Housing released Housing Association Grant of £278,263 (2022: £238,947) during the year in relation to building components replaced arising from planned maintenance works. The possibility of any reimbursement to the Department for Communities is considered to be unlikely as the housing properties are expected to continue to be made available for social housing for the foreseeable future.

33 Capital commitments

	2023	2022
	£	£
Capital Expenditure		
Contracted for but not provided in the financial statements	24,622,939	19,055,162

The Association anticipates that some of this expenditure will be funded by Housing Association Grant from the Department for Communities and by private finance.

34 Related Parties

Arbour Housing has not identified any transactions which must be disclosed under the terms of section 33 of FRS 102.

