

Connswater Homes Limited
Annual report and Financial statements for the year ended 31 March 2024

Report of the Board of Management for the Year Ended 31 March 2024

The Board of Management present their report and the audited financial statements for the year ended 31 March 2024 of Connswater Homes Limited (the "Association"). This report is also known as the Trustees' report for Charity law purposes.

Principal activities

The Association is an Industrial and Provident Society and is 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.

Board of Management

The Board of Management meets regularly throughout the year. There are also various committees who meet regularly throughout the year. The Committees have responsibility for development, housing management, maintenance and audit. Financial matters are reported directly to the Board. The Board carries out an annual appraisal of its own performance and an annual appraisal of individual of individual Board Members. The Board of Management are the directors of the company and are the trustees of the charity.

The Board of Management, who served the Association during the year, and up to the date of signing the financial statements, were:

Mr Robbie Davis (Chairman)
Dr Sara Templar (Vice Chairman)
Mr Alan Hill (Honorary Secretary)
Mrs Kelly Andrews (Honorary Treasurer)
Mr John Beattie
Mr Michael Graham
Professor Paddy Gray
Mr Martin Leahy
Mr Gerard McGarry
Mr Alex Ward
Mrs Nicola Barber (resigned 15/06/23)
Mr Trevor Hampton (resigned 14/02/24)

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Performance for the year ended 31 March 2024

During the year the number of homes in ownership increased to 1,262 from 1,205 at the end of the prior year representing a 4.7% increase in stock size for the Association. Turnover increased by 9.5% from £8,555,856 in 2022/23 to £9,372,108 in 2023/24. This increase is as a result of new homes added to the Association's stock during the year. An average annual inflationary rent increase of 5.9% on much of our existing stock also helped to boost turnover.

Operating costs of £6,449,286 represent 69% of turnover (2023: 72%). The Association generated a surplus for the year of £1,523,018 giving a net margin of 16% (2023: 14%), which is better than sector average and broadly in line with the performance of the Association over the past two years.

The Association continuously invests in the maintenance of our existing stock of properties, ensuring our homes remain in great condition. To this end £1,059,280 was spent on planned maintenance (including capital) during the year. These works included 44 window and door replacements, 17 kitchen replacements and 2 complete property refurbishments as well as improvement works to the hall at Mersey Street Primary School.

A programme of health and safety inspections was also completed including boiler servicing, smoke and carbon monoxide alarms testing, asbestos monitoring, legionella testing, periodic fixed wire testing and fire risk assessments.

The Board has a set number of key performance indicators monitoring the operations of the Association on regular basis.

Performance Indicator	Actual 23/24	Target 23/24
Emergency repairs carried out within 24 hours	97%	>85%
Urgent repairs carried out within 4 days	97%	>80%
Routine repairs carried out within 28 days	93%	>80%
Operating margin	31%	>30%
Net margin	16%	>10%
Gearing ratio	37%	<60%
Interest cover ratio	1.98	>1
Net debt per unit	£30,491	<£38,000
Voids as a % of Stock	0.5%	<4%
Board members attendance at Board meetings	83.25%	>75%

Housing management staff assisted tenants struggling on low incomes by offering welfare and general money management advice, including assistance with universal credit applications.

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Expected performance in the year ending 31 March 2025

The Association expects to maintain its level of operations and performance in 2024/25.

It is planned that 70 homes will be added to the development programme during the year made up of a number of schemes. We expect there will be approximately 68 properties completed from existing schemes on site and added to management during the year with the remainder completing in the years ending 31 March 2026 and 2027.

A cyclical and planned maintenance programme of approximately £1.6m of investment has been approved. This includes 10 heating upgrades, 50 bathroom upgrades, 55 window and door replacements, 30 new kitchens, 6 complete property refurbishments, external redecoration of 94 properties, internal decoration at one apartment scheme and all health and safety inspections.

Corporate Governance

In the opinion of the Board of Management, the Association is in compliance with the Best Practice issued by the NHF Code of Governance and with the DfC Regulatory Standards.

Corporate Strategy

The Association launched a new strategic plan in April 2022 covering the five year period 2022 to 2027. Our business goals over this period focus on working together and recognising diversity; striving to be more environmentally aware throughout our business and activities; promoting kindness, resilience and community cohesion; being open and clear in our actions, rectifying mistakes and doing what we say we will do; connecting with tenants, engaging with stakeholders and buddying up with others to improve our services. We will be working on these goals in a tough financial environment under the burden of welfare reform, political uncertainty and economic recovery following a global pandemic. It has never been more important to make sure value for money is embedded in our business; to offer services that our tenants actually need and to look at the wider picture of challenging poverty, improving health and wellbeing and promoting inclusivity.

Our strategy to achieve this is to help our tenants to live in warm, safe, affordable homes; to provide added value through community initiatives, customer led service provision and reducing our negative impact on the environment and by being a viable, forward thinking, environmentally aware business.

We want to see houses become homes; safe and well-maintained homes that complement their environment. We want to help our tenants to live comfortably in these homes, so making them more energy efficient and affordable is very important. We also aim to deliver excellence across our core housing service activities such as routine repairs, investing in planned maintenance, rent collection and peaceful living.

Whilst striving for continuous improvement and service development we will be inclusive and mindful of the needs of our tenants.

Our development priorities will be to not only provide new affordable homes in thoughtfully designed developments that will stand the test of time, but also to consider alternative models for their delivery and tenure. We will have an active asset management and investment strategy to maintain our homes.

We will continue to enhance our customer engagement opportunities through collaborative partnership with tenants and key stakeholders as we work to innovate in delivery of services.

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Through information and practice we want to get involved in the sustainability agenda as we provide homes, enhance neighbourhoods and operate our business. Our tenants and employees will be encouraged to get involved in our efforts to reduce our carbon footprint.

We will signpost our tenants to fuel poverty initiatives and offer welfare benefit advice.

We want to be a great employer and an employer of choice. It is our people who make us great, they determine how we perform as an organisation and we want to empower them to be the best they can. We want to develop a staff team with skills, knowledge and motivation to deliver our goals. We want our team to feel valued and listened to; to provide them with a working environment that is agile and safe and to ensure they have resources to perform at their best.

As an organisation, we will meet, or exceed statutory and legal requirements, apply appropriate risk controls, develop and comply with internal policies and apply innovative thinking to develop service efficiencies and deliver excellent customer focused services.

Our business activities are underpinned by sustainability, regulation and collaborative working. We will assess a range of factors to ensure positive outcomes for all parts of our business including financial viability, value for money and environmental sustainability. We will raise staff awareness of energy efficiency and how to pass benefits on to tenants.

Digital transformation has never been more important and Connswater recognises that it is business critical. We will ensure that the appropriate infrastructure, applications and systems are available in order for staff to deliver services in an efficient, consistent and cost-effective manner whilst ensuring clear and transparent governance. We will focus on improving customer access to services and data. This will be driven further by developing our tenant portal and improving access to equipment for tenants through our tablet loan scheme.

Going Concern

After making enquiries, the Board of Management have a reasonable expectation that the Association 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.

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Value for Money

Our strategy at Connswater Homes Limited is to operate our core activities as efficiently and effectively as possible.

We strive to improve the quality of our services to our tenants, continue building high quality homes and generate social value whenever we see the opportunity.

VFM Framework - 3 E's

The Association strives to achieve Value (i.e. be as effective as possible) for the money that is invested in the activities that we carry out.

We measure our VFM using a framework which examines our performance in terms of Economy, Efficiency and Effectiveness.

Treasury Management Policy

The Association's aim is to maintain loan balances at a level to support development while keeping loan interest charges to a minimum. This is achieved without comprising the Association's ability to meet its financial obligations at they fall due.

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Financial Risk Management

The Association's operations expose it to a variety of financial risks that include the effects of changes in credit risk, price risk and interest rate risk. The Association has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Association by regular review of activity levels against changing market conditions and adjustment to cashflow projections accordingly. The Association liaises with lenders on an ongoing basis to keep up to date with other products in the marketplace.

Interest rate risk

Exposure to fluctuating interest rates is managed by the composition of a balanced portfolio between fixed rate and variable rate loans. The Association's effective interest rate in 2023/24 was 3.6%. For the past number of years the Association's effective interest rate has been falling year on year as the Association agreed competitive terms on new loans. We recognise that we now find ourselves in a changed economic environment and that any new loans drawn down in future years are likely to be at considerably higher Interest rates. This will cause our effective interest rate to increase in future years. Higher interest rates will put a squeeze on Net Margins in years to come and our development plans will need to take account of this higher interest rate environment to ensure bank covenants are met. The Association runs stress testing scenarios each year to ensure our future plans are viable and we amend our plans where necessary.

Liquidity risk

The Association maintains a mixture of long-term and short-term loan finance that is designed to ensure there is sufficient funds to achieve business objectives and to facilitate planned growth.

Currency risk

The Association does not engage in foreign currency transactions and so is not exposed to exchange risk

Regulation

The Association's principal regulator is the Department for Communities (DfC). Their regulatory judgement for the year 2021/22 gave the Association the highest rating of Level 1 assessing the three standards: Governance, Finance and Consumer; the rating for 2022/23 has not yet been received. As a registered charity the Association is also subject to regulation by the Charity Commission for Northern Ireland.

Environmental matters

The Association 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 reduce waste wherever possible.

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Internal Financial Control

The Board of Management is responsible for establishing and overseeing a risk management framework in order to safeguard the assets of the Association and for the Association's systems of internal financial control and along with senior management is responsible for establishing and operating detailed control and report procedures. The systems of internal financial control can provide over reasonable, and not absolute, assurance against material misstatement and loss.

The Board of Management have reviewed the effectiveness of the Association's system of internal financial control. The review included consideration of the business risks facing the Association and of the existing internal financial control procedures.

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.
- Detailed budgets are prepared covering the Association's businesses which are reviewed and approved by the Board. Actual results are compared against budget and appropriate action identified and initiated.
- The Audit Committee review matters relating to internal control and receives reports on a regular basis from the external and internal auditors and from senior management.

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Statement of the Board's responsibilities in respect of the financial statements

The Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and Registered Housing Association legislation require the members of the Board of Management to prepare the financial statements for each financial year which give a true and fair view of the state of the Association's affairs and of its surplus or deficit for that period. In preparing these statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue to operate.

The members of the Board of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993. They have general responsibility for the taking of reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Events after the Balance Sheet date

The Association has no post balance sheet date events to disclose.

Charitable donations

Donations totalling £2,385 (2023: £3,555) were made by the Association during the year. No donations for political purposes were made during the year (2023: £nil).

Financial sustainability

The Association has a robust framework of longer term financial planning in place. The Board regularly considers the longer term financial plan which covers a 30 year period. The financial plan is prepared in accordance with FRS102 using Brixx planning software. The Association remains profitable for each of the 30 years in the plan and while gross margin remains strong, net margin is projected to fall to 4% in 2031 before rising again. Sensitivity analysis is carried out to see how the Association would cope financially under the following four stress factors: voids increase by 1%; bad debts increase by 1%; CPI increases by 1% and interest rates increase by 1%. This allows the board to consider whether the Association may need to amend or postpone future development plans should any of the above scenarios materialise.

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Statement of disclosure of information to auditors

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

- there is no relevant audit information of which the Association's auditors are unaware, and
- that each Board member has taken all the steps that ought to have been taken as a Board member in order to be aware of any relevant audit information and to establish that the Association's auditors are aware of that information.


Independent Auditors

The auditors, RBCA Limited, have indicated their willingness to continue in office, and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

Approved and authorised by the Board on 20/06/24 and signed on its behalf by:


.....
Mr Robbie Davis (Chairman)


.....
Mr Alan Hill (Honorary Secretary)


.....
Mrs Kelly Andrews (Honorary Treasurer)