

**Co-operative and Community Benefit Society No. 25197R
Regulator of Social Housing No. C3675**

CO-OP HOMES (SOUTH) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

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CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

EXECUTIVES AND ADVISORS

Board

Katharine Hibbert
Derrick Turner

Chair (from 16th July 2021)
Acting chair until 15th July 2021,
Vice Chair and Treasurer
RHP appointee

Toby D'Olier
Nicholas Leggett
Helen Berg
Steve Tucker
Gail Walters

Managing Director:

Neil Tyner

Secretary and Registered Office

Neil Tryner
8 Waldegrave Road
Teddington
Middlesex
TW11 8GT

Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick, West Sussex
RH6 0PA

Bankers

The Co-operative Bank
PO Box 718
Ealing
W5 2XA

Lloyds Bank PLC
City Office, PO BOX 72
Bailey Drive
Gillingham Business Park
Kent, ME8 0LS

**Co-operative and Community Benefit
Society registered number**

25197R

Regulator of Social Housing Number

C3675

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

Report of the Board

The Board present the audited financial statements for the year ended 31 March 2022, together with their report on the performance for the year. This includes how the business has met the requirements of the Value for Money Standard (VfM) and supporting Code of Practice.

Principal activity

The core business activity of the company (Co-op Homes) is to provide a range of services which meet the needs of our customers, both individual and corporate, principally:

- the provision of good quality, well managed, affordable housing for people in housing need; and
- the provision of management and support services to affiliated organisations.
- Development activity has started during the year, and the first scheme is expected to deliver 15 units by May 2023.

Review of results

The financial performance for the year is shown in the Statement of Comprehensive Income on page 14. During the year turnover increased by 4% (2021: 4%) to £3.3m (£3.1m) and surplus by 7.5% to £927k (2021: £862k). The operating margin increased to 30.8% (2021: 28.4%) as a result of achieving increased margins in social housing activities 40.1% (2021: 36.7%) and management fees of 14.8% (2021: 13%).

Co-op Homes' social housing activities cover the management of permanent accommodation (295 units) and temporary accommodation (5 units) and has contributed to most of the surplus of £898k (2021: £808k). The post pandemic operating environment has been challenging, but the team have managed the challenges well, arising from material shortages and cost pressures, and achieved a timely completion of the remedial works in the Reading properties. We capitalised £209k of costs on these remedial works.

Temporary social housing management continues to generate a loss of £43k, mainly due to high levels of void losses. We have actively managed these properties, monitoring their conditions and the related lease commitments to ensure that we hold adequate dilapidation provisions at the year end to cover the cost of any future hand back works.

Co-op Homes provided management and other services to 30 (2021: 27) affiliated organisations during the year, generating a revenue of £1,026k (2021: £929k). The turnover increase of 10.4% has been the result of securing three new management contracts, in addition to providing extra services to our existing customers. During the year we have also terminated a contract. This activity has generated a surplus of £152k in the year (2021: £121k).

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Report and financial statements for the year ended 31 March 2022

Report of the Board (continued)

Review of performance

As the restrictions on mobility eased during the year, services returned to business as usual whilst retaining the positive measures introduced during the pandemic, such as digital service delivery for the majority of formal meetings and mailings. Co-op Homes continued to embrace the group approach to flexible working arrangements 'Your Work, Your way' initiative, allowing employees to be flexible in terms of working locations and hours to deliver excellent customer services. We adapted to the changing working environment whilst also retaining excellent levels of employee engagement with 94% of staff feeling satisfied at work.

To ensure the safety of our customers and contractors we offered a reduced repair service for some parts of the year but moved to a full service in the latter half of the year. Despite the challenges of the pandemic, 86% of customers were satisfied with the way we deal with repairs, which is consistent with last year's performance. Overall tenant satisfaction also remains at 99%, which is above our target.

As the operating environment begins to return to normality, we have welcomed a few new agency clients including Hackney, Chisel, Effra and Ekkaro increasing the number of units in management.

Co-op Homes has faced challenges in some performance indicators, specifically rent arrears (2022, 4.99%, 2021, 4.97%) and repairs completed on target remaining below target (2022, 92% 2021, 91.5%) however overall performance remains in line with expectations with health and safety compliance metrics ending the year at 100% and average relet times exceeding target of 11 days.

Looking forwards

Co-op Homes will enter the last year of its current strategic period during 2022/23; during the year Co-op Homes will review the deliverability of the current strategic ambitions and also outline the strategic intent of the company for the next five years. The company has moved from a loss-making position on agency services by expanding the range and volume of services delivered, modernised the operational delivery of services by digitising services and also commenced a development program and has a firm foundation of strong performance metrics, a strong financial position and high levels of customer and employee satisfaction.

Due to the changing external environment, we have recently concluded a revised business plan which incorporates a newly agreed intercompany loan used to support development activity. The business plan has been stringently tested against several adverse scenarios, which are thought possible to occur in the wake of the pandemic. This exercise has concluded that Co-op Homes has retained sufficient strength to continue with our strategic objectives, without causing undue risk to our key stakeholders.

Co-op Homes have responded to the increased health and safety requirements for owned stock by significantly increasing the planned works program for the year from £300k to £641k to also enable investment in EPC ratings for all homes to increase the level of compliance from the current 60% of stock to 70% during the year, ensuring timely progress is made ahead of the 2030 deadline for all properties to be compliant.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

Report of the Board (continued)

Strategic Objectives

The business operates within a strategic planning framework. The 2017 - 2023 strategy includes three key strategic goals, each of which focus on Value for Money (VfM).

The strategic goals are:

1. Modernise the current business to release capacity and improve core service efficiency.

The impact of Covid-19 has allowed us the opportunity to embed alternative methods of delivering services to our customers, many of which have resulted in improved efficiency and positive feedback. We have now moved to providing all reporting to our managed clients digitally as well as offering a 'virtual' presence at all monthly client meetings. This had enabled us to more efficient and thereby increasing our operating margin to 30.8% for the year.

We have continued to invest in our self-service repair portal for our tenants, and tenants of our managed clients, which has resulted in 30% of tenants raising their own repairs and increasing the proportion of rent payments received via Allpay and Direct Debit, moving away from telephone transactions whilst retaining the same high levels of satisfaction with the service (94%) as the prior year.

2. Develop new homes for niche customer groups currently excluded from the housing offer.

During the year Co-op Homes have drawn down an initial £1m from the new £11m of revolving credit facility with our parent, Richmond Housing Partnership (RHP). We are currently working with the RHP development team and have exchanged contracts for 15 additional units in New Malden.

We have also provided consultancy support and acted as an agent to allow a consortium of our co-op clients to access grant funding, to support initial feasibility costs of developing two new sites for cooperative housing and both sites have now progressed to formal planning with the local authority.

3. Deliver management and support services to a wider range of organisations.

We have built upon our existing experience in providing management services to co-ops to be able to offer our services to a wider range of organisations, with the aim of diversifying our income streams, and increasing units under our management. During the year we welcomed three new housing cooperatives adding an additional 174 units in full management and an additional 250 units with a housing association where we now deliver responsive maintenance and planned works.

Delivering Value for Money (VfM) to Stakeholders

Our Value for Money (VfM) approach aims to optimise the benefits we deliver from our resources in an economic, cost effective and efficient manner.

The Board has a commitment to deliver VfM, which is demonstrated by the strategic aim to modernise business processes and improve service efficiency. Our achievement towards this strategic aim is measured by a set of performance indicators agreed by the Board that allows Co-op Homes to demonstrate delivery of VfM to our stakeholders and compare performance within the Group, and externally.

Each month Co-op Homes publishes and circulates data within the Group showing our achievements in key performance areas of 'Doing the Basics Brilliantly', 'Great Financial Management', 'Brilliant

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Report and financial statements for the year ended 31 March 2022

Report of the Board (continued)

Delivering Value for Money (VfM) to Stakeholders (continued)

Customer Service' and 'Being an Excellent Employer' each of which has several metrics within them. An extract is shown below:

CHS Scorecard	CHS	Board Target
Repairs completed within target time	92%	≥ 98%
Arrears (as a % of rent income)	4.99%	< 5.0%
Customer Satisfaction	86%	≥ 80%
Employee Satisfaction	94%	≥ 90%

The chart above illustrates some of the challenges that we have faced in the past year in relation to managing the repairs completion and rent arrears within the target, which will be closely monitored over the forthcoming months to ensure that performance is improved in line with our customers' expectations and that our targets remain achievable.

Each year we conduct a review of whether the performance metrics continue to be relevant and target the areas which challenge us in the current operating environment. This operational detail is contained within the annual management plan and in the forthcoming year we will be reporting on our new measures for EPC ratings for stock, along with the other Health and Safety compliance reports to the Board.

VfM Metrics and Self-Assessment

The chart below shows the Value for Money (VfM) performance metrics for the last three years, along with Sector Scorecard and competitors' metrics from 20/21.

Performance Metrics	CHS 19/20	CHS 20/21	CHS 21/22	Peer 1 20/21	Sector Scorecard 20/21
Reinvestment	1.4 %	1.7%	1.1%	1.7%	4.6%
New Supply Delivered	0.0%	0.0%	0.0%	0.0%	0.8%
Gearing	0.1%	-3.7%	12.9%	-12.5%	33.7%
Interest Cover (using EBITDA MRI)	1696%	2352%	1232%	333%	205%
Headline social housing cost per unit	£4,042	£4,530	£4,107	£4,595	£4,790
Operating Margin (social housing only)	39.8%	36.7%	40.1%	15.4%	25.1%
Operating Margin Overall	30.3%	28.4%	30.8%	7.6%	22.1%
Return on Capital Employed	6.0%	4.2%	4.2%	3.7%	2.9%

Peer 1 is a direct competitor, as it is one of few organisations that provide management services in addition to owning its own stock. The sector scorecard data includes registered providers with less than 2,500 units in London and the Southeast.

We note our strong performance in the profit related metrics compared with our peers. Whilst cost per unit of £4,107 is lower than the sector scorecard figure of £4,790, this metric can be volatile due to the low stock numbers Co-op Homes has currently to divide costs between. To achieve our strategic objective to modernise the business and improve core efficiency, it is necessary to invest in our systems. This investment is expected to increase our capacity to manage further units and protect our margins in the longer term.

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Report of the Board (continued)

A review of the VfM performance data highlights the importance of Co-op Homes progressing with new development activity to ensure that new supply is matched to, or better than, the Sector Scorecard metric of 0.8%. The Board has approved the purchase of 15 units that are currently being developed with the expected handover in May 2023. This will allow us to achieve our strategic objective to deliver new homes.

Co-op Homes' gearing and interest cover ratios also indicate a greater capacity for debt and interest cost compared with other small housing associations. We have £11m inter-company revolving credit facility with £10m undrawn, which will fund our future development aspirations.

Measuring Value for Money

Co-op Homes operates in a competitive market in the provision of management services to housing co-ops and other organisations. To retain and attract new customers, Co-op Homes must offer an excellent service at competitive prices which ensures that offering VfM is integral to our success.

The chart below shows our financial performance for the managed services part of our business compared with a competitor. Sector Scorecard data is not available for this business stream.

Managed Services	CHS 20/21	CHS 21/22	Peer 1 20/21
Turnover £000	929	1,026	1,419
Margin	13.1%	14.8%	0.7%
Units in management	1,248	1,422	1,559

The figures above demonstrate our success in growing this part of the business whilst maintaining a positive margin. Our challenge continues to be finding economies of scale in the way we deliver our services to 30 separate entities, each with their own ways of working. In response to this challenge, we are continuing to promote our 'digital only' service to new and existing customers. The 'digital only' service helps to increase the efficiency of our internal processes, and therefore allows us to offer a more competitive fee. As a result of the pandemic, we have been offering further digital services to our existing customers which we expect to lead to further efficiencies.

Regarding our owned properties, Co-op Homes uses 'cost per unit' as an important indicator of our performance and how it compares with others.

Overall operating results – Owned stock	CHS 20/21	CHS 21/22	Peer 1 20/21	Sector scorecard
Management cost per unit	£ 1,198	1,204	1,031	1,075
Routine repairs cost per unit	£ 923	1,013	1,845	1,295
Major repairs cost per unit	£ 1,420	1,134	904	935

The figures above illustrate that our management cost per unit is around 15% higher than our peers however routine repairs is significantly lower. Most of our stock is less than 30 years old, and we have continued to invest in maintaining the properties to a good standard which may account for the reduced routine repairs cost. The major repairs cost in 21/22 include significant repairs being required to some of our properties which were damaged due to subsidence and additional investment in health and safety costs relating to fire safety. Some of the major repair costs have been capitalised. The table shows the unit cost net of capitalisation.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

Report of the Board (continued)

To ensure that we can continue to maintain our properties to a good standard and deliver the necessary energy efficiency improvements, our Board has concluded that it is necessary to increase our rents by CPI (consumer price index) plus 1% for the forthcoming year. We remain mindful of our customers economic circumstances and will continue to offer the necessary support and signposting to ensure arrears are well managed.

Delivering VfM is embedded within Co-op Homes' culture and clearly measured by the achievements outlined above relating to systems improvements, business growth and improved financial performance. However, the Board has a continued commitment to VfM and seeks to continually improve the cost per unit whilst simultaneously increasing the revenue generated from new business.

Statement of responsibilities of the Board for the report and financial statements

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

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the organisation for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply these consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and, that the financial statements have been prepared in accordance with housing SORP : 2018 Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019, 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 organisation will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Co-op Homes and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014.

It is also responsible for safeguarding the assets of Co-op Homes and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Board is aware:

- there is no relevant audit information of which Co-op Homes' auditors are unaware; and
- the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the organisation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

Report of the Board (continued)

Internal controls assurance

The Board acknowledges its overall responsibility for monitoring the effectiveness of the internal control system for the organisation. It is supported by three group-wide committees, the Group Audit Committee and the Group Investment Committee with one member of the Board as a member of both committees. We are also supported by the Governance and Reward Committee.

The Group Audit Committee is responsible for overseeing internal and external audit, and for providing advice to the Co-op Homes Board on the effectiveness of the systems of internal controls, any major failures in the control assurance framework, and the arrangements for the management of risk.

The Group Investment Committee is responsible for the detailed scrutiny of Co-op Homes' financial planning and treasury management, reporting any areas of concern to both boards.

The purpose of the Governance and Reward Committee is to ensure effective and best practice governance arrangements and to keep under review the reward and engagement strategies.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by Co-op Homes is on-going and has been in place throughout the period commencing 1 April 2021 up to the date of approval of the report and financial statements. Key elements in the control framework include:

- Board approved terms of reference and delegated authorities.
- Clearly defined management responsibilities for the identification, evaluation, and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all employees.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- A robust approach to treasury management which is subject to external review each year.
- Regular reporting to both the Co-op Homes and RHP boards on key business objectives, targets and outcomes.
- Group-wide board approved whistle-blowing and anti-theft and corruption policies.
- Group-wide board approved fraud policies covering prevention, detection and reporting and recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

The Co-op Homes Board has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that Co-op Homes has on-going processes for identifying, evaluating and managing significant risks faced by the company. This process has been in place throughout the year under review and up to the date these accounts have been approved.

The Board has approved an annual management plan for 2022/23, covering internal controls, service delivery and financial performance. The plan sets out key targets in each area and performance is monitored regularly by the Co-op Homes and RHP boards.

CO-OP HOMES (SOUTH) LIMITED
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Report of the Board (continued)

Code of Governance

During the year, the Board carried out a review of its governance arrangements and assessed its compliance with the National Housing Federation (NHF) Code of Governance (2020). The Board confirms compliance with the code.

Statement of Compliance

In accordance with the requirements of the Accounting Direction 2019, the Board certifies that Co-op Homes has complied with the requirements of the Regulator of Social Housing Governance and Financial Viability Standard.

The Board and executive officers

The Board and senior leadership team of Co-op Homes are listed on page 1.

Going concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed.

Co-op Homes has extensively stress tested its Business Plan for the continued impact of Covid-19, material shortages, increases in inflation and interest rates causing cost pressures on its operations and potential development activity. In all scenarios tested, after mitigating actions were considered, Co-op Homes continues to be financially viable for the 30-year scope of the plan. Therefore, the Board continues to adopt the going concern basis in the financial statements.

External auditors

A resolution to reappoint BDO LLP as auditors of the Association will be proposed at the forthcoming Annual General Meeting.

By order of the Board.

DocuSigned by:

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Chair

Approved by the Board 27 September 2022

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019

We have audited the financial statements of Co-Op Homes (South) Limited ("the Association") for the year ended 31 March 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information including the Report of the Board and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

CO-OP HOMES (SOUTH) LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED (CONTINUED)

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements.
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association 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.

Responsibilities of the board

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Based on our understanding of the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED
(CONTINUED)**

have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

The audit procedures to address the risks identified included:

- Challenging assumptions made by management in their significant accounting estimates and judgements in relation to the useful lives of depreciable assets, pension discount rate, classification of loans
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted and journals posted after the year end.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 auditor's report.

CO-OP HOMES (SOUTH) LIMITED

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OP HOMES (SOUTH) LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick

Date 27 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Statement of Comprehensive Income			
	Notes	2022	2021
		£000's	£000's
Turnover	3	3,266	3,133
Operating costs	3	(2,260)	(2,242)
Operating surplus	3 & 8	1,006	891
Bank interest receivable		-	3
Interest payable and similar charges	7	(79)	(32)
Surplus for the Year		927	862
Other Comprehensive Income			
Actuarial gain/ (loss) on defined benefit pension scheme	14	53	(406)
Total comprehensive income for the year		980	456

The notes on pages 17 to 32 form part of these financial statements.

All amounts relate to continuing activities.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2022**

Statement of Changes in Reserves			
	Note	2022	2021
		£000's	£000's
Income and expenditure account reserve at 1 April		9,453	8,997
Actuarial gain/ (loss) on defined benefit pension scheme	14	53	(406)
Surplus on ordinary activities		927	862
Income and expenditure account reserve at 31 March		<u>10,433</u>	<u>9,453</u>

The notes on pages 17 to 32 form part of these financial statements.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Statement of Financial Position					
	Notes	2022		2021	
		£000's	£000's	£000's	£000's
Tangible fixed assets					
Housing properties	9	20,630		20,067	
Other tangible fixed assets	10	14		27	
			20,644		20,094
Current assets					
Debtors	11	265		247	
Cash at bank and in hand		2,071		1,172	
		2,336		1,419	
Creditors					
Other amounts falling due less than one year	12	(995)		(1,178)	
Net current assets			1,341		241
Creditors: amounts falling due more than one year	13		(10,986)		(10,178)
Net Pension Liability	14		(472)		(610)
Provisions for liabilities and charges	15		(94)		(94)
Total Net Assets			10,433		9,453
Capital and reserves					
Share capital	18	-		-	
Income and Expenditure reserve		10,433		9,453	
			<u>10,433</u>		<u>9,453</u>

The notes on pages 17 to 32 form part of these financial statements.

These financial statements were authorised and approved by the Board and signed on its behalf by:

DocuSigned by:

 95DE0782FA814F2...

Katharine Hibbert
 Chair

DocuSigned by:

 F7703ACE8D26487...

Derrick Turner
 Treasurer

DocuSigned by:

 9CA0B55D1CF644F...

Neil Tryner
 Company Secretary

Date of approval: 27 September 2022

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements

1. Legal status

Co-op Homes is registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. It is a public benefit entity.

2. Accounting policies

Basis of accounting

The financial statements have been prepared under the historic cost basis in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

Disclosure Exemptions

Advantage of the following exemptions available through FRS102 has been taken:

- No Statement of Cash Flows has been prepared as the parent, RHP Group, prepares publicly available consolidated financial statements.

Going Concern

Co-op Homes regularly prepares a long-term business plan which is tested against various adverse scenarios. The results of this testing indicate that Co-op Homes has sufficient resources to continue with day-to-day activities as well as the re-investment programme and planned development activity and is unconstrained by the lenders' covenants.

Co-op Homes has secured a 5-year intercompany revolving credit facility from 1 April 2021 which will be used to fund development activity. The business plan indicates that refinancing is required at the end of the facility term however it is expected that Co-op Homes will be able to secure new funding using newly developed homes and existing stock to offer as security.

Considering the current uncertainty in the operating environment, Co-op Homes reviews the business plan on a quarterly basis to ensure that the scenarios tested are sufficiently stringent. On this basis, the board has a reasonable expectation that Co-op Homes has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, we continue to adopt the going concern basis in the financial statements.

Significant judgements and estimates

The following are the significant management judgements or estimates made in applying the organisation's accounting policies that have the most significant effect on the financial statements.

Useful lives of depreciable assets

Co-op Homes reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to decent homes standards and regulatory requirements which may require more frequent replacement of key components. As at 31st March 2022, the carrying amount of the housing properties was £20,630k (2021: 20,067k) and the accumulated depreciation was £4,666k (2021: £4,295k).

CO-OP HOMES (SOUTH) LIMITED

Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

Significant judgements and estimates (continued)

2. Accounting policies (continued)

Impairment Review

In the financial year to March 2021, we had to write-down £108k of property component – structure costs, as some properties in Reading were damaged by subsidence. During the year we have rectified this and have relet them. We have capitalised £209k of these remedial costs. We have reviewed our impairment triggers and no areas of impairment has been identified for the year ended 31st March 2022.

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rate of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as shown in note 14). The net defined benefit pension liability at 31 March 2022 was £472k. (2021: £610k)

Loans with National Westminster Bank plc

Co-op Homes has 4 loans with National Westminster Bank plc (previously Orchardbrook) totalling £204k (2021: £262k). Due to administrative difficulties at the lender, Co-op Homes has been unable to obtain full details of the loan agreements to definitively determine how to account for the loans under FRS102. Based on the loan characteristics Co-op Homes considers the loans can be basic under FRS102 and has accounted for them on this basis in the financial statements.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year and fees for management services provided to other housing co-ops and customers. Fee income is recognised as the underlying work is undertaken in accordance with contractual arrangements. Rental income is recognised from the point when properties under development reach practical completion and are formally let.

Value added tax

Co-op Homes charges VAT on the fees charged to housing co-ops and other customers and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the organisation and not recoverable from HM Revenue and Customs. As Co-op Homes is part of a VAT Group with its parent, RHP, the balance of VAT payable or recoverable at the year end is included within amounts due to parent company (Note 12).

Debtors

Short term debtors are measured at transaction price less any impairment.

Creditors

Short term trade creditors are measured at transaction price.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2022****Notes to the financial statements (continued)****2. Accounting policies (continued)****Pensions**

Co-op Homes participates in the multi-employer defined benefit Social Housing Pension Scheme (SHPS). However, this scheme is closed for any new employees. For financial years ending on or after 31 March 2019 sufficient information is available to account for the obligations under the scheme on a defined benefit basis. Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Government grants

Government grants include grants receivable from the Regulator, its predecessors, local authorities and other government organisations. Government grants received for housing properties are recognised as income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accrual model.

Social Housing Grants (SHG) due from the regulator or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the regulator. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2022****Notes to the financial statements (continued)****2. Accounting policies (continued)****Depreciation of housing properties**

Co-op Homes separately identifies the major components which comprise its housing properties and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

Co-op Homes depreciates the major components of its housing properties over the following useful lives:

Structure	100 years
Walls	50 years
Roofs	50 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Doors	30 years
Boilers	20 years

Land is not depreciated on account of its indefinite useful life.

Impairment

Housing Properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the carrying value is written down to the recoverable amount. The resultant impairment loss is recognised as operating expenditure. Where the scheme is currently deemed not to be providing service potential to Co-op Homes, its recoverable amount is its fair value less costs to sell.

Co-op Homes defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Temporary social housing improvements

Co-op Homes renovates leased properties using temporary social housing grant, which comprises works and lease elements. On receipt, the grant is deferred and then taken to development income over the course of the renovation works.

For schemes in progress, the excess of grant received over works cost plus attributable direct cost and the surplus recognised, is shown as a current liability. If scheme costs exceed grant received the excess is shown as development in progress within current assets. Surplus is only recognised where the outcome of the scheme is reasonably certain.

On completion of the renovation works the excess of grant received over costs is deferred and amortised to the income and expenditure account over the period of the lease.

For schemes where costs exceed grant received the investment is capitalised as temporary social housing improvements provided that there is expected to be sufficient rental income over the period of the lease to meet the cost of depreciation. If there is expected to be any shortfall in rental income the excess costs are written off immediately.

CO-OP HOMES (SOUTH) LIMITED**Report and financial statements for the year ended 31 March 2022****Notes to the financial statements (continued)****2. Accounting policies (continued)****Other tangible fixed assets**

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. Estimated useful lives are as follows:

Temporary social housing improvements -	period of lease
Office furniture and equipment -	4 years

Capitalisation of finance costs

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of interest on SHG in advance; or
- interest on borrowings of the association after deduction of interest on SHG in advance to the extent that it can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year incurred.

Operating leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the period of the lease.

Dilapidation costs

Co-op Homes' leases for temporary social housing properties contain repair covenants relating to the upkeep of the properties. These lease covenants can give rise to dilapidation works or claims during or at the end of the related lease. Co-op Homes accounts for these costs in accordance with FRS 102 (provision and contingencies) which requires a provision to be recognised when there is an obligation at the reporting date regarding wants of repair at the related property. Co-op Homes makes provision for the expected cost of dilapidation work required. The provision is shown as a provision for liabilities in the financial statements.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

3. Turnover, operating costs and operating surplus before tax and interest

	2022			2021		
	Turnover	Operating (costs)	Operating surplus	Turnover	Operating (costs)	Operating surplus
	£000's	£000's	£000's	£000's	£000's	£000's
Social Housing Lettings						
(note 4)	2,240	(1,342)	898	2,203	(1,395)	808
Other social housing activities						
New business development	-	(44)	(44)	-	(39)	(39)
Management fees	1,026	(874)	152	929	(808)	121
Other	-	-	-	1	-	1
	<u>3,266</u>	<u>(2,260)</u>	<u>1,006</u>	<u>3,133</u>	<u>(2,242)</u>	<u>891</u>

4. Income and expenditure from social housing lettings

	Permanent accommodation	Temporary social housing	Total	Total
			2022	2021
	£000's	£000's	£ 000's	£ 000's
Rent receivable	1,942	28	1,970	1,933
Service charges receivable	136	-	136	136
Amortisation of Capital Grant (Note 17)	134	-	134	134
Turnover from social housing lettings	<u>2,212</u>	<u>28</u>	<u>2,240</u>	<u>2,203</u>
Expenditure on lettings				
Rents payable	-	18	18	15
Services	90	4	94	115
Management	361	39	400	391
Routine maintenance	304	9	313	297
Planned maintenance	101	-	101	61
Loss on disposal of property components	-	-	-	108
Depreciation of housing properties	392	-	392	389
Rent losses from bad debts	7	-	7	-
Other	16	1	17	18
Operating costs on social housing lettings	<u>1,271</u>	<u>71</u>	<u>1,342</u>	<u>1,394</u>
Operating surplus / (deficit) on lettings	<u>941</u>	<u>(43)</u>	<u>898</u>	<u>809</u>
Void losses	7	5	12	14

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

5. Directors' emoluments

The FRS102 defines the key management personnel to include the Board members, the Managing Director, and the senior management team.

	2022	2021
	£000's	£000's
Aggregate emoluments of the senior management team (including pension contributions)	322	312
Emoluments of the highest paid director (including pension contributions and benefits in kind)	108	101
Aggregate emoluments of the Board members	10	9

6. Employees

	2022	2021
	Number	Number
Average monthly number of employees expressed as full time equivalent (calculated based on standard working week of 37) during the year was:		
Office staff - full time equivalent	24	20

	2022	2021
	£000's	£000's
Employee costs (for the above persons):		
Wages and salaries	865	775
Social security costs	89	79
Pension costs & expenses – defined benefit (note 14. d)	4	35
Pension costs – other pension costs	<u>65</u>	<u>67</u>
	<u>1,023</u>	<u>956</u>

	2022	2021
The number of full-time employees who received remuneration (including employer pension contribution) greater than £60,000 (including senior management team):		
£60,001 to £70,000	1	-
£100,001 to £110,000	1	1

7. Interest payable and similar charges

	2022	2021
	£000's	£000's
On loans repayable in one to five years	59	19
On loans repayable in more than five years	8	8
Unwinding of discount rate associated with pension liability (note 14.d)	<u>12</u>	<u>5</u>
	<u>79</u>	<u>32</u>

No interest has been capitalised in the year (2021 £Nil). Included in the above is £54k (2021: £11k) of parent company (Richmond Housing Partnership) loan interest.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

8. Operating surplus	2022	2021
	£000's	£000's
Is stated after charging:		
Depreciation - other fixed assets	17	17
Depreciation - social housing properties	392	389
Loss on disposal of components	-	108
Auditor's remuneration (in their capacity as auditors):	16	15
Amounts payable under operating leases	18	14

9. Tangible Fixed Assets – Social Housing Properties

	Under Construction	Social housing properties for letting	Total
	£000's	£000's	£000's
Cost			£
At 1 April 2021	6	24,356	24,362
Additions	679	283	962
Disposals of components	-	(28)	(28)
At 31 March 2022	<u>685</u>	<u>24,611</u>	<u>25,296</u>
Depreciation			
At 1 April 2021	-	(4,295)	(4,295)
Charge for the year	-	(392)	(392)
Disposal of components	-	21	21
At 31 March 2022		<u>(4,666)</u>	<u>(4,666)</u>
Net book value			
At 31 March 2022	<u>685</u>	<u>19,945</u>	<u>20,630</u>
At 31 March 2021	<u>6</u>	<u>20,061</u>	<u>20,067</u>

The above cost relates to Co-op Homes' owned units (295 units: 2021- 295). The managed units' details are shown in note 21.

	2022	2021
	£000's	£000's
Expenditure on works to existing properties		
Components capitalised	209	406
Amounts charged to the Income and Expenditure account	73	61
Housing properties book value net of depreciation		
	2022	2021
	£000's	£000's
Freehold land and buildings	18,390	17,770
Long leasehold land and buildings	<u>2,240</u>	<u>2,297</u>
	<u>20,630</u>	<u>20,067</u>

The long leasehold properties have remaining lease terms more than 100 years.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

10. Other tangible fixed assets

	Temporary social housing improvements £000's	Office furniture & equipment £000's	Total £000's
Cost			
At 1 April 2021	100	179	279
Additions	-	<u>4</u>	<u>4</u>
At 31 March 2022	<u>100</u>	<u>183</u>	<u>283</u>
Depreciation			
At 1 April 2021	95	157	252
Charge for the year	-	<u>17</u>	<u>17</u>
At 31 March 2022	<u>95</u>	<u>174</u>	<u>269</u>
Net book value			
At 31 March 2022	<u>5</u>	<u>9</u>	<u>14</u>
At 31 March 2021	<u>5</u>	<u>22</u>	<u>27</u>

11. Debtors

	2022 £000's	2021 £000's
Amounts receivable within one year:		
Rental and service charges receivable	239	237
Less: provision for bad and doubtful debts	<u>(157)</u>	<u>(153)</u>
	82	84
Other debtors	174	143
Prepayments	<u>9</u>	<u>20</u>
	<u>265</u>	<u>247</u>

12. Creditors: amounts falling due within one year

	2022 £000's	2021 £000's
Loans	56	56
Trade creditors	15	89
Amount due to parent company	52	252
Prepaid rent	156	159
Other creditors	273	242
Accruals and deferred income	309	246
Housing grant to be released within 1 year	<u>134</u>	<u>134</u>
	<u>995</u>	<u>1,178</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

13. Creditors: amounts falling due after one year	2022	2021
	£000's	£000's
Deferred temporary social housing grant	3	3
Recycled capital grant fund (Note 16)	70	70
Loans	1,148	206
Social Housing Grant (Note 17)	<u>9,765</u>	<u>9,899</u>
	<u>10,986</u>	<u>10,178</u>
Loan Analysis		
Due within one year (Note 12)	56	56
Due more than one year but less than two years	35	61
Due between two and five years	33	67
Due more than five years or more	<u>1,080</u>	<u>78</u>
	<u>1,204</u>	<u>262</u>
Housing loans by lenders:		
National Westminster Bank plc	204	262
Richmond Housing Partnership (inter group loan)	<u>1,000</u>	-
	<u>1,204</u>	<u>262</u>

Co-op Homes has arranged a £11m intercompany revolving facility with its parent, RHP, available from 1 April 2021. This revolving credit facility will be used to support development activity and is secured by a floating charge over the company's existing and future housing properties. When funds are drawn, they will attract a margin of 1.23% and undrawn funds will incur a commitment fee of 0.492%.

The NatWest Loan is secured by a fixed charge on selected properties, owned the company. Interest is charged at rates ranging from 1.12% to 10.38%.

Deferred low start loan interest of £79,118 (2021: £79,118) has been included in the loan principal shown above.

14. Pension

a) Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2022	2021
	£'000	£'000
Fair value of plan assets	2,798	2,893
Present value of defined benefit obligation	<u>3,270</u>	<u>3,503</u>
Net defined benefit liability to be recognised	<u>(472)</u>	<u>(610)</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

14. Pension (continued)

b) Reconciliation of opening and closing balances of the defined benefit obligation

	2022	2021
	£'000	£'000
Defined benefit obligation at start of period	3,503	2,828
Current service cost	-	31
Expenses	4	4
Interest expense	74	67
Contributions by plan participants	-	31
Actuarial losses (gains) due to scheme experience	82	(29)
Actuarial (gains) losses due to changes in demographic assumptions	(58)	14
Actuarial (gains) losses due to changes in financial assumptions	(224)	662
Benefits paid and expenses	<u>(111)</u>	<u>(105)</u>
Defined benefit obligation at end of period	<u>3,270</u>	<u>3,503</u>

c) Reconciliation of opening and closing balances of the fair value of plan assets

	2022	2021
	£'000	£'000
Fair value of plan assets at start of period	2,893	2,540
Interest income	62	62
(Loss)/ Gain on plan assets (excluding amounts included in interest income)	(147)	241
Contributions by the employer	101	124
Contributions by plan participants	-	31
Benefits paid and expenses	<u>(111)</u>	<u>(105)</u>
Fair value of plan assets at end of period	<u>2,798</u>	<u>2,893</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £303,000 (2021, £27,000).

d) Defined benefit costs recognised in statement of comprehensive income

	2022	2021
	£'000	£'000
Current service cost	-	31
Expenses	4	4
Net interest expense	<u>12</u>	<u>5</u>
Defined benefit costs recognised in statement of comprehensive income	<u>16</u>	<u>40</u>

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

e) Defined benefit costs recognised in other comprehensive income

	2022	2021
	£'000	£'000
(Loss)/gain on plan assets (excluding amounts included in net interest cost)	(147)	241
(Loss)/gain arising on the plan liabilities	(82)	29
Gain/(loss) due to changes in the demographic assumptions	58	(14)
Gain/(loss) due to changes in the financial assumptions	<u>224</u>	<u>(662)</u>
Total amount recognised in other comprehensive income (loss)/gain	<u>53</u>	<u>(406)</u>

(f) Assets

	2022	2021
	£'000	£'000
Global Equity	537	461
Absolute Return	112	160
Distressed Opportunities	100	83
Credit Relative Value	93	91
Alternative Risk Premia	92	109
Fund of Hedge Funds	0	0
Emerging Markets Debt	81	117
Risk Sharing	92	105
Insurance-Linked Securities	65	69
Property	76	60
Infrastructure	199	193
Private Debt	72	69
Opportunistic illiquid credit	94	74
High Yield	24	87
Opportunistic Credit	10	79
Cash	10	-
Corporate Bond Fund	187	171
Liquid Credit	-	35
Long Lease Property	72	57
Secured Income	104	120
Liability Driven Investment	781	735
Currency Hedging	(11)	-
Net Current Assets	<u>8</u>	<u>18</u>
Total assets	<u>2,798</u>	<u>2,893</u>

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

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

14. Pension (continued)

g) Key assumptions

	2022	2021
	% per annum	% per annum
Discount Rate	2.79%	2.14%
Inflation (RPI)	3.66%	3.30%
Inflation (CPI)	3.23%	2.85%
Salary Growth	4.23%	3.85%
Cash commutation	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

Defined Benefit Pension Scheme

Co-op Homes participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to approximately 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

CO-OP HOMES (SOUTH) LIMITED
Report and financial statements for the year ended 31 March 2022

Notes to the financial statements (continued)

14. Pension (continued)

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme. However, the scheme is now closed for any new employees.

On 1 April 2019, sufficient information became available for the association in respect of SHPS to account for its obligation on a defined benefit basis and was therefore first reflected in the year ended March 2020.

The most recent formal actuarial valuation was at 30 September 2021 and rolled forward, allowing for the different financial assumptions required under FRS102 to 31 March 2022 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2022 is £472k (2021: £610k)

15. Provision for liabilities

	2022	2021
	£000's	£000's
At 1 April	94	96
Paid in the year	-	(16)
Charged to income in the year	-	<u>14</u>
At 31 March	<u>94</u>	<u>94</u>

This provision is the estimated amount of fulfilling the obligations of the short life property leases.

16. Recycled capital grant fund

	2022	2021
	£000's	£000's
At 1 April	70	70
Arising in the year	-	-
Recycled in the year	-	-
At 31 March	<u>70</u>	<u>70</u>

17. Social Housing Grant

	2022	2021
	£000's	£000's
At 1 April	10,033	10,167
Released to income for the year	<u>(134)</u>	<u>(134)</u>
At 31 March	<u>9,899</u>	<u>10,033</u>
Amount to be released within one year (Note 4)	(134)	(134)
Amounts to be released within more than one year (Note 13)	<u>(9,765)</u>	<u>(9,899)</u>

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Notes to the financial statements (continued)

18. Non equity share capital	2022	2021
	£	£
Shares at £5 each issued and fully paid:		
At 1 April 2021	215	215
Issued during the year	30	15
Cancelled during the year	<u>(10)</u>	<u>(15)</u>
At 31 March 2022	<u>235</u>	<u>215</u>

Shareholders have a right to vote at general meetings; there are no other rights attached to the shares.

When a shareholder ceases to be a member, that person's share is cancelled, and the amount paid up thereon becomes the property of the company. All shareholdings relate to non-equity interests.

19. Related party transactions

Co-op Homes provides management services to several primary housing co-operatives. These housing organisations are members of Co-op Homes and up to four Board places are available for their tenants as well as up to four Co-op Homes tenant members. In relation to these housing co-ops the company received £1,026k (2021: £929k) for management services during the year. At 31 March 2022 there were no Co-op Homes tenant members on the Board.

As detailed in Note 13, Co-op Homes had arranged a £11m revolving loan facility with the parent, RHP, and had drawn £1m during the year, which attracted £54k (2021: £11k) interest cost during the year.

In addition, Co-op Homes shares office premises, ICT services, HR services and other costs with its parent. Charges for these services during the year amounted to £111k (2021: £105k).

20. Commitments under operating leases

As at 31 March 2022 the company had minimum future payments under operating leases in respect of housing land and buildings as follows:

	2022	2021
	£000's	£000's
Within one year	15	15
Between one and five years	22	34
After five years	<u>4</u>	<u>6</u>
	<u>41</u>	<u>55</u>

These commitments relate to 5 (2021: 5) accommodation units.

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Notes to the financial statements (continued)

21. Units in management

	2022	2021
	No.	No.
Permanent accommodation	295	295
Short-life accommodation	5	5
Managed accommodation for affiliated Co-ops:	<u>1,422</u>	<u>1,248</u>
	<u>1,722</u>	<u>1,548</u>

These units in management are all general needs housing with rent at a social rent.

22. Parent company

The consolidated accounts of the parent company, RHP Group, are publicly available and can be obtained from 8 Waldegrave Road, Teddington, TW11 8GT.