THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

Financial Statements

Year ended
31 March 2024

Final 6 September 2024

Co-operative and Community Benefit Societies Act 2014: Registered number 17107R
Regulator of Social Housing: Registered number LH0170

Page:

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Co-operative and Community Benefit Societies Act 2014: Registered number 17107R
Regulator of Social Housing: Registered number LH0170

REPORT OF THE BOARD OF MANAGEMENT

Members of the Board of Management of the Society who served during the year 31 March 2024 or who have been appointed since, are as follows:

BOARD OF MANAGEMENT
Ms Jayam Dalal (Chair, resigned 30 September 2023)
Mr Matthew Creasey (Interim Chair to 13 December 2023)
Ms Juliet Lack (Was Treasurer, appointed as new Chair 14 December 2023)
Mr Simon Charlick (appointed to board 21 November 2022, and appointed as Treasurer 29 January 2024)
Mr Ben Anim-Antwi
Mr Tony Bush
Ms Rebecca FitzGerald
Mr Satish Jassal
Ms Lakechia Jeanne
Mr Robert Robson (appointed 1 July 2023)
Ms Rebecca Southern

Each member of the Board of Management, who is not also a member of the senior team, holds one fully paid share of £1 each in the Society.

SENIOR MANAGEMENT TEAM (SMT)

Members of the SMT during the year to 31 March 2024 or who have been appointed since are:

Tom Bremner	Chief Executive
Christina Friedenthal	Corporate Services Director
Anne Hauxwell	Finance Director (Resigned May 2024)
Shazia Nawaz	Finance Director (Appointed May 2024)
Levent Kerimol	Project Director, CLH London
Kristell Marcantoni	Operations Director
Nigel Moore	Head of Client Services

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the audited financial statements of The Co-operative Development Society Limited (CDS) for the year ended 31 March 2024.

PRINCIPAL ACTIVITIES

CDS is a Charitable Community Benefit Society (previously a co-operative society) and a social landlord established in 1975 to provide, promote and support co-operative and community led housing. We are regulated by the Regulator of Social Housing (RSH) and registered with the Financial Conduct Authority (FCA). We also act as a co-op support agency providing landlord and business management services to a wide range of housing co-ops in London and the South East and we work with the GLA to reinvest some of our surpluses to promote growth in co-op and community led housing.

At March 2024, we owned 738 rented homes and 240 shared ownership and leasehold properties and provided services to 34 housing co-ops and their 1,573 homes.

Our work aims to be of benefit to the wider community, increasing opportunities for people to be well housed in a home that they can afford, with a commitment to the long-term stewardship and protection of assets and to maintaining affordability in our housing stock. We are a social business and the way we do things is as important to us as the things we do. We strive to build trust with our customers and partners by being reliable, fair and acting with integrity. With our co-op history, we believe we can achieve more by working with others, listening for understanding and showing kindness in our work to build effective collaboration.

THE YEAR UNDER REVIEW

Overview

CDS is proudly unique. Co-operation is what we are about and nobody else covers the breadth of what we do. For 50 years we have been at the heart of co-operation in the housing sector and our mission is to continue that for the next 50.

CDS's purpose is to provide, support and promote co-op and community-led housing solutions. Our vision is to grow co-op and community-led housing to see more people living and working in co-operative ways. We have a set of seven values because we believe that how we work is as important as what we do: unity, trust, intention, impact, collaboration, communication and kindness.

The start of the year saw CDS's new Chief Executive take up post, and the Board appointed a new Chair who took up the position in early 2024.

We undertook a fundamental review of CDS's strategic planning. This included the adoption of an interim 1-year Plan for 2023/24 under the theme of 'making things work better' with a set of stretching but achievable targets across the whole organisation that all represented an improvement on the 2022/23 performance. In addition, the Board agreed a staff bonus scheme which was linked to achievement against the Corporate Plan targets. The overall results showed a strong positive trajectory with 80% of the targets being met including an improved operating margin for social housing of 16.4% (against a target of 12.1%) and 92.8% of staff who would recommend CDS as an employee (against a target of 87%). The main area where the targets were missed was tenant satisfaction, although we have seen a significant improvement the first months of 2024/25. Based on the successful results from the 2023/24 Corporate Plan, the Board agreed to pay staff an unconsolidated bonus of 5% which was affordable due to the improvement in the financial position of CDS.

REPORT OF THE BOARD OF MANAGEMENT

The whole team, including all staff, the Senior Management Team and the Board, were heavily involved in co-producing CDS's new 5-year Corporate Plan to run from 2024 to 2029 which includes our 50th anniversary in 2025. The Plan has three Principles underpinned by three Pillars that will ensure that we continue to meet our purpose, vision and values.

The Principles are:

1. CDS is committed to all three business streams: landlord services, management services and growth and development.
2. Each business stream is financially viable.
3. CDS continues to be an independent small (under 1000) housing association.

The Pillars are that CDS is always:

1. Financially viable.
2. Legally and regulatory compliant.
3. Customer and community focussed.

These Principles and Pillars will stand for the 5 years, and for each year there is a theme and a set of priorities and targets – which are covered later in this report.

With the start of a new Finance Director in May 2024, we identified some historical irregularities in our financial accounts, and as a result have instigated legal proceedings against a former member of staff for fraudulent activity. Whilst the amount was substantial being circa £341k predominantly over 4 years, there is no material impact on either 2023/4 Financial Statements nor the prior year. The issue poses no risk to the financial viability of CDS nor is there any evidence of Client Co-op accounts being compromised. It was immediately self-reported to the Regulator of Social Housing, with whom we continue to be in close contact, as well as being reported to the Police.

Service Performance for CDS residents

Our service performance for our CDS residents was mixed and overall tenant satisfaction with services fell from 68% in 22/23 to 60% for 23/24 as a whole (although we have seen a bounce back in quarter 1 of 2024/25 to 73%) as we continue our efforts to make improvements, including being more responsive across all communication channels and improvements in reliability to regain trust.

We carried out over 2,100 repairs in the year or just under three for every one of the rented properties. Costs remained high, partly due to the continued rising prices of materials and labour and the lack of historical investment in our stock. We successfully recruited a Repairs Manager and a Head of Property Services to improve our service and help manage costs.

We are committed to making sure that all our properties meet the decent home standard. Before we relet, we ensure our properties are clean, safe, secure, and ready for our tenants to move into whilst maintaining good void turnaround times. We did not meet our target turnaround times in 23/24. This was influenced by the decision to deprioritise void management in favour of addressing more critical issues, such as damp, mould, and complex, long-standing repairs.

We continued to see success in the work of the income collection and welfare team with debt management and support for those experiencing financial difficulty. Our combined arrears position at the end of the period compares well with our targets and our peers at just over 2.5% (1.76% for our tenanted properties) and many residents have secured income that they were entitled to through the efforts of the welfare adviser and the income collection team, supported by colleagues in the housing team. The Board has again approved an allocation of £8000 from our rental income to relieving hardship through our Hardship Fund. We maintained our commitment to resident engagement by organising several well-received and well-attended estate events in 2023-24. Additionally, we conducted a "call out campaign," reaching out to over 300 residents to gather feedback on the overall satisfaction with our services. The data captured is being used to develop our Resident Voice Strategy in 2024-25.

During the year we completed several key investment projects; over 200 boilers and 200 fire doors were replaced, improving efficiency, comfort and fire resistance. We also revamped 15 kitchens and 10 bathrooms. We conducted over 450 EPC inspections. In collaboration with Warmfront, a governmental scheme designed to help residents benefit from energy efficiency improvements, we evaluated properties in need of cavity wall insulation. We insulated 72 properties, at no cost to CDS.

Service Performance for Clients

We are proud of the services we offer to housing cooperative and will be further revising and renewing our offer and service agreement over the coming year. We saw steady performance for the year on our internal KPIs. In particular, we performed well on dealing with emergency repairs and issuing management and financial reports on time. We also completed all landlord gas checks on time for the Coops who take this service.

Some Coops had issues with ensuring their audited accounts were completed and filed on time and we provided support as needed to help them achieve this. The auditors used by 30 of our Coops ceased operation from November 2023 and we have been helping committees to identify and appoint new firms as a result.

Coops have faced a raft of changes in the regulatory and statutory environment and we have provided guidance, tools and support for them to meet the new challenges. In particular we commissioned a Tenant Satisfaction Survey for Coops, which 26 of them bought into, and arranged an online seminar with the Regulator for Social Housing which was attended by over 20 Coops.

We continued to work with our Founder Member Coops, including supporting one of them to set up a committee and become independent. During the financial year the Steering Group met regularly, completed its training programme and put everything in place to achieve independence. It has now elected a Committee and is functioning as a fully mutual housing cooperative for the first time since its inception in 1997. We are consulting with residents of the other Coops on options for their future management as it is intended to wind up the Founder Member Committee in 2024/25.

Another notable achievement was putting management services in place for a self-build Coop in South London, which the CLH London Team had supported through the development phase of its 36 homes.

Safety and Compliance Performance

We are committed to ensuring our residents can live safely and securely in their homes. This is achieved through ongoing programmes of building safety management including fire, gas, electrical, water and lift inspections.

We are compliant with all of the required safety regulations. We have an annual independent audit of our safety compliance to make sure that our systems and reporting are accurate.
Every one of our homes has five-year electrical safety and gas safety certificates, and we have installed heat, smoke and carbon monoxide alarms in all our homes.

All our buildings continue to be compliant with fire risk assessments. All remedial actions are managed promptly working closely with our fire partners, while housing officers walk around our estates every month to look out for any fire safety or health hazards.

We comply with the Building Safety Act regulation and for our tall buildings, (>18 meters), we completed the installation of secure information boxes which contain important information about the building which can be used by the Fire and Rescue Service in the event of a fire. We invested £380,000 to replace over 200 fire doors across our estates where it was deemed necessary to increase fire resistance

Promoter Work

In 2017/18, we were instrumental in establishing Community Led Housing London with the GLA and with the support of other national bodies. We host CLH London providing practical advice, mentoring and support to emerging and established community groups and organisations looking to provide new homes. CLH London has made good progress in securing sites for community led housing, with several projects reaching planning stage, and other groups at preferred purchaser or similar for specific sites. The GLA has supported most of the costs of this work to date. The GLA funding was extended and will cease in the next financial year (2024/25). The CLH London team are already partly supplementing their costs through other paid work and are developing new approaches to community led housing that are less reliant on early-stage revenue funding, and that offer people control of what in more efficient manner than undertaking housing development projects.

Employee Matters

We increased our efforts to reduce our reliance on temporary staff. At the end of the year, we only had one temporary worker who was due to be converted to permanent and two vacant positions, both of which were actively being recruited. Our staff turnover decreased significantly from 33% to 17%, which was below the sector median from the previous year. We are proud that over 90% of our employees said through quarterly engagement surveys that they would recommend us a as employer and over three quarters of our staff rated us as an empowering employer.

OUR FORWARD PLANS

As outlined above during 2023/24 we undertook a thorough top to bottom review of CDS's mission and Corporate Plan and that included a confirmation from the Board that our Purpose, Vision and Values (as outlined under) remain relevant and appropriate. Following this the Board agreed a new 5-year Corporate Plan 2024-2029 with three Principles and three Pillars (again see above) that will hold good through the whole period of the Plan giving continuity and consistency.

Each year of the Corporate Plan will have a theme. This builds on the 2023/24 theme of 'Making things work better'. The themes for each year are as follows:

2024/25: Foundations and Transformation
2025/26: Implementation and Celebrate 50 Year Anniversary
2026/27: Improve and Review
2027/28: Adapt and Change
2028/29: Reflect and Plan

For each year there will be a set of Priorities and Goals. For 2024/25 these are:

A. *Priority*: Efficient and effective service delivery and investment
    a. *Goal*: Review and adapt operating model and costs
    b. *Goal*: Maximise the benefit of technology
    c. *Goal*: Data driven asset management strategy and delivery
B. *Priority*: Working co-operatively with communities and customers to make a difference
    a. *Goal:* Learning what matters to our customers and acting on it
    b. *Goal:* Explore ways for CDS residents to have a meaningful and lasting role in their homes and communities
C. *Priority:* Having and influential impact on wider sector and society
    a. *Goal:* Develop commercial models for growth in Community Led Housing
    b. *Goal:* CDS recognised as an innovator and influencer in the social housing sector
    c. *Goal:* CDS growth plan developed

These Priorities and Goals have been translated into a set of 41 targets relating to 15 objectives with clear and measurable targets and a direction of travel (i.e. what will be different or what will be maintained) for the year and a look ahead to what the ambition is for five years' time. A new staff bonus scheme has been agreed relating to these targets but with two super targets ('Actual and forecast covenant compliance' and 'No reportable regulatory failures') that need to be met for any bonus to be paid – which in any event must be affordable for CDS.

Given the historic fraud CDS is also now undertaking independent reviews of controls and policies to minimise the possibility of this happening again. The September 2024 Board has approved the outcome of these reviews and adopted a revised set of policies and approaches, including an implementation plan. The Board has also approved the appointment of a new expert and experienced co-optee Board member to strengthen CDS's response and help ensure the changes are embedded.

RISK AND UNCERTAINTY

The overall risks and uncertainty remain similar with our operating environment having had significant uncertainty in recent years. The UK has faced sequence of severe and ongoing macroeconomic shocks over the past three years, including from Brexit, Covid-19, and resulting from Russia's invasion of Ukraine. We have also faced increased cost pressures from high inflation, a tight labour market, and the residual impact of the pandemic on supply chains. Interest rates have risen significantly, although our proportion of fixed debt and relatively low gearing protects us to some extent. We are also aware of the impact of the cost of living crisis on our customers and the risk posed to our income. At the same time we need to invest more in the homes we own to deliver against quality, building safety, and decarbonisation commitments. In common with many providers we need to make choices about how our finite resources are allocated.

Key Risks

The RSH publishes an annual risk review which highlights the key areas of risk to the sector, including those arising from external conditions such as macroeconomic risk and external regulations and those arising from a provider's own situation such as condition of stock. As an organisation we are not exposed to development or sales risk and so these are excluded here.

Health & Safety Risk

As a social landlord we are responsible for ensuring that our tenants are safe in their homes and that our staff are safe at work. Compliance with the statutory requirements is a basic minimum to ensure that tenants are safe, and we are expected to do what we need to beyond this to demonstrate that health and safety risks are well managed. The CDS Board is responsible for ensuring that there are measures in place to identify, manage, monitor, and report on risk in a way that provides it with effective oversight.

The Building Safety Act came into force in April 2022 and sets out extensive reforms to regulations, particularly for higher rise buildings. The main requirements that affect our work are those about ensuring responsibilities for safety are in place, in addition to carrying out new checks in tall buildings, including quarterly checks of communal fire doors and annual checks of flat front doors.

Economic Risk

There were persistent inflationary pressures over the past year. Although materials inflation has diminished, continued high inflation and a tight labour market will have an impact on staff costs and the overall costs for planned works programmes. To protect against this, it is essential we understand our cost base and continue to apply stress testing to our business plans.

Strategic Choices

In common with other similar organisations, we recognise that we face a range of competing pressures and trade-offs in setting our strategic direction and in utilising our limited financial capacity, including the need to undertake essential investment to respond to changing building safety and energy efficiency standards and to maintain the quality of our existing housing stock. At the same time, we are investing in the services that we provide to our tenants and face increased pressure from rising prices in all areas. These choices are reflected in our new 2024-29 Corporate Plan.

Delivering Value for Money

Meeting the regulatory requirements in relation to value for money is an increasingly important part of our responsibility as an organisation funded largely by rents. Our value for money report included in this report, measures our performance against the standard metrics and our own goals.

Service Delivery and Accountability to Tenants

The provision of good quality housing services to their tenants is core to the role of a registered provider. Our corporate plan has a set of clear objectives and targets to strengthen engagement with tenants and improve the services they receive. We complied with the new Tenant Satisfaction Measures Standard in 2023-24 and communicated our performance to tenants through our annual report. We completed the Housing Ombudsman's complaint handling self-assessment and changes were made to our complaint's policy as a result. We have a clear action plan to address the areas needing further work. We comply with 78% of the code with minor adjustments required to be fully compliant. Our tenants' feedback received in 2023-24 will be used to update our Resident Voice strategy in 2024-25.

Reputational Risks

It continues to be true that the Grenfell Tower fire brought social housing providers under extraordinary scrutiny about the way in which we operate, manage services and safety and how we relate to our residents. More than ever, we are expected to be conscious of the potential for reputational damage when things go wrong, not just for our organisation but for the sector more widely and the views of lenders, investors, central and local government. This needs to include all aspects of our work and business practices, not just safety and to make us mindful of the operating practices of our clients and partners.

Where we are supporting clients specifically in relation to their governance responsibilities, we need to ensure that clients are fully considering and appropriately responding to risk.

We are also mindful of the need to reflect more clearly the voice of our customers in the design and delivery of services and to ensure that we have process in place to guard against incorrect rent setting, data breaches and poor complaints.

We are also acutely conscious of the potential reputational risk for CDS and the housing sector from the historic fraud uncovered in May 2024 and are and will continue to act in a way which demonstrates a robust and thorough response to this.

Data Security and Safety Monitoring

The collection and use of data presents a number of risks for us. Firstly, good data is essential to provide oversight of our business and to accurately report on our regulatory and statutory requirements. It is also critical that the data that we use is safely and appropriately managed, taking into consideration the more onerous requirements of the GDPR which came into effect in recent years. Finally, it is crucial that accurate and transparent data is held and used by us to monitor and gain assurance about our safety requirements.

We meet GDPR requirements, providing training to all of our staff and information for all of our clients. All our key applications are cloud-based, including our housing management system which gives us the protection of internationally recognised data security through the use of Microsoft products. We use multi-factor authentication at login and carry specific insurance to protect against cyberattacks.

We use an independent IT consultant to help us review our data and cyber threats and regularly assess what else may need to be done to keep our business and the data we hold safer.

Existing Stock

The Home Standard requires us to meet all statutory requirements for the health and safety of occupiers and to meet the decent homes standard. As part of that standard, we are also required to provide a cost effective repairs and maintenance service to homes and to communal areas and to have a prudent, planned approach to repairs and maintenance. Alongside an appropriate short and long-term approach, we need to ensure that our business plans have sufficient capacity to meet the required investment to meet the decent homes standard and ensure that our view is based on good quality and up to date information.

During 2018 we carried out a stock condition survey looking at a sample of homes on every estate that we own. This formed the basis of an asset management strategy agreed with the Board in 2019. In 2024-25 we have a plan to complete surveys for 100% of our stock to ensure we have more comprehensive information which we can use to refine our plans further in line with the Safety and Quality consumer standards requirements. The Government has set a target for the UK to become 'net zero' in terms of carbon emissions by 2050. This will have significant impact on housing providers where existing homes contribute significantly. Our surveys will determine the requirements for reaching the goal. In updating our asset management plan, and in collaboration with the contracted surveying firm, we will consider how to best plan our approach, with a focus on insulation, windows and doors to reduce energy consumption, seek out affordable alternatives to traditional solid fuel use and engage with our tenants through education in energy saving practices to ensure they contribute to and benefit from the transition.

Our stock was largely built around 25 – 30 years ago and some component elements are nearing the end of their life. Our asset management plan sees investment rise significantly over the life of the plan and with an increased ongoing commitment beyond the life of the plan. This plan is now underway. For the period up to March 2025 we have agreed a variation to our loan covenants which will enable us to speed up the investment and spend much of our accumulated cash.

Income Collection

Income collection and debt has been identified as a key risk to the business and increasing debt is a key stress test for our business plan. We recognise the high inflation and real terms wage reductions increase the financial pressures on our residents and could increase arrears. We have continued to invest resources and prioritise helping customers, whilst ensuring that all accounts are kept under review. We are pleased with our continued good debt performance during the year.

Financial and Treasury Risks

Interest rates have steadily increased since December 2021, but the Bank of England announced a rate cut in August. This has had a cost impact for us but our position is lower risk. We have a low level of debt overall (£3.6m) of which just over £1.5m is variable rate. A variation of 1% in the interest rate would therefore equate to around £15k increase in our interest payments.

Our rent increase at March 2024 was 6.7% in line with the rent standard but many of our cost lines have increased at a higher rate. Our surplus has come under pressure and there continues to be a real risk of costs continuing to rise at a higher rate than our income. Inflation was 10.1% in March 2023 but did reduce to 3.2% in March 2024, further reductions were seen following the year end, however we are aware of the need to continue to manage our cost base effectively to maintain our viability in the longer term.

Pensions

CDS participates in the Social Housing Pension Scheme (SHPS), which is a defined benefit scheme in relation to certain employees and past employees. The scheme is currently in deficit and the financial obligations are remeasured on a triennial basis, creating risks of increased costs if this deficit increases. Changes from 2030 to align the calculation of the Retail Prices Index with the Consumer Prices Index including owner-occupiers' housing costs will likely further reduce funding levels for many schemes.

Management of risks

At CDS we have embedded risk management throughout our business with employees at every level taking responsibility for identifying and managing risks.

Our risk map details those risks that could prevent us from achieving our strategic objectives and the controls in place for mitigating those risks. The risk map considers:

- Impact Mitigation Risks – underlying risks that CDS needs to have awareness of and a plan in place for how to respond to that risk should it crystallise.
- Managed Active Risks – These are the key day to day risks facing the business where there is a control framework in place to ensure that the risk is managed.
- Current Live Risks – This details current risks that are live in the business that Directors and Operational Management have on their agenda and for which there will be a definite short term action plan to reduce the risk.

It is prepared by the Senior Management Team and approved by the Board annually, reviewed by the Finance, Audit & Risk Committee at every meeting (quarterly) and discussed and updated regularly by SMT and Operational Managers.

Additionally the finance team implemented a number of immediate controls to strengthen our financial controls and operations, due to the discovery of the historic fraud. The finance team are currently working with external consultants on a substantial project to plan and implement additional control improvements designed to further improve financial governance and controls; to ensure we are operating at the highest standard of accuracy and compliance. To name a few areas of improvements: enhanced budget monitoring, strengthening access to systems, review of all system controls, review of all system supplier data and a review of all financial regulations and policies.

FINANCIAL RESULTS – HIGHLIGHTS

Overview

We delivered an operating surplus of £1,228k (2022/23 £690k) which equated to a net margin of 16.6% on turnover (2022/23 9.8%). We received £199k of net proceeds from property disposals (2022/23 £119k) which are included in the operating surplus. Our surplus enables us to continue to invest in and improve the services we provide to our customers.

Our operating margin on social housing lettings (measured excluding losses and surpluses on disposals of properties and components) has risen to 19.4% (2022/23 12.1%), due to rent increases and also a reduction in costs overall. Our overall operating margin (excluding disposals), increased from 8.7% to 15.2%

Our Value for Money Statement for 2023/24 (included as part of this document) reviews our financial performance in more detail including our relative performance and plans for improving our profitability in future years to provide more resilience for changing demands and risks.

2023/24 Surplus before Taxation

Our 2022/23 surplus before taxation was £1,073k (2023/24: £540k), an overall increase of 534k. Net proceeds from property sales have increased by £79k.

Also included in the statement of comprehensive income is the remeasurement of the SHPS pension scheme deferred benefit obligation for 2023/24, which has resulted in a charge of £322k (2022/23: a charge of £197k) Excluding the effect of property sales the underlying surplus has increased by £465k

There were a number of contributing factors, but the main ones were;

- An increase in rental income of £264k (6.7%) due to the rent increase, less increased void costs and an increase of £29k in service charge income.

- A movement from a break even position to a deficit position of £96k on the client services (supporter) business, due to challenges with staffing, and a loss of a small number of contracts.
- A reduction of £221k in housing management costs, due to reduced expenditure on estate services.
- A small increase in reactive and void maintenance spend of £24k more than offset by a reduction in planned and cyclical maintenance of £50k due to the focus on the capitalised asset programme.

Allocation of Overheads (Notes 3 & 4)

Our allocation of costs between different business activities is based on a detailed review carried out with Housemark in 2015/16. We continue to use this base as there has been no significant change in the nature of work or attribution. Where possible the allocation uses an assessment of actual levels of activity and is updated for changes in the balance of activity in the business in each operating year. Overheads are apportioned in relation to either staff costs, units under ownership/management or turnover depending on the nature of the cost.

Statement of Financial Position

Our Statement of Financial Position demonstrates that we are financially strong with a significant property asset base of £33.5m at depreciated cost and reserves of £16.0m at the year end.

We have outstanding loan balances of £3.6m, producing a very low gearing, excluding cash balances, of only 7.2%. Our overall liquidity, including quick access to considerable cash reserves, provides us with confidence that we can meet our foreseeable commitments.

VALUE FOR MONEY

Meeting the regulatory requirements in relation to value for money is an increasingly important part of our responsibility as an organisation funded largely by rents. The Value for Money (VFM) Standard focuses on improving the quality of governance around VFM, particularly the strategy and measurable impact of those strategies. We are measured against a standard set of metrics set by the regulator and also against the defined measures of success for our own strategic objectives.

Our value for money strategy is not separate from our business strategy but is a way of looking at our wider strategy through a value for money lens and selecting those goals and supporting strategies which deliver value for money through the most efficient use of our resources, and which best support the delivery of the overall strategy.

Key Risks

The Sector risk profile, published by the Regulator each year, highlights some of the most significant common sources of risk to providers ongoing compliance with the Standards.
This coupled with our own internal assessment of risk identifies a number of key risks relating to our ability to deliver value for money, these include.

- Economic risk including the impact of rising prices, particularly for repairs and investment work.
- Our ability and appetite to raise rents in line with cost inflation and the impact if we do not or cannot.
- Income collection and rising customer debt.
- Financial and Treasury risks including the impact of changes in interest rates on existing and future debt.
- Increased obligations for areas such as environmental sustainability and compliance.
- Difficulties in attracting and retaining specialist and expert staff and consultants.

Business Plan

Our Business Plan for the medium term, as approved in March 2024, includes our intention to invest in our stock as part of our Asset Management Plan over the period to March 2025 and demonstrates that we have the capacity and cash flow to do this, supported by the change in our loan covenants. Our plan is to ensure we have sufficient resources to respond to the expected pressures of safety, environmental and Decent Homes requirements and to the challenging economic landscape and so we will continue to carefully manage our operating and other costs.

Our strategy also includes our intention to continue to invest in the Promotor Stream, building the capacity of the sector to grow at scale. This is central to our mission and may include opportunities to act as the registered provider for new groups and projects. Any opportunities to increase our stock will be properly evaluated to ensure they deliver value.

Value for Money Strategy
Our Value for Money strategy for 2024-27, approved in March 2024, centres around the goal of improving value for money to support the delivery of our overall business strategy and to ensure the continued viability of the whole of the organisation and progress toward our mission.

The three pillars which support our Corporate plan and therefore our value for money approach are that we should be:

- Financially Sustainable
- Compliant with relevant law and regulation

- Customer and community focused

We will achieve this by driving value through improved efficiency, collaborating with our residents and clients to deliver improved services and properly recovering the costs of our services from clients and in relation to service costs for both tenants and leaseholders.

We will target improvement of our overall operating surplus and the use of this to drive growth in the sector through others. We will benchmark both our costs and our performance against the sector as a whole, particularly in the cost and effectiveness of our repairs service which has such an impact on all of our outcomes. We will do this through a meaningful peer group and seek to understand differences so that we can act to make changes or improvements where these are needed.

We will assess our current and future structural and financing arrangements to make sure that both are consistent with our strategic goals and are able to support their achievement.

Our key strategic goals are:
- Provide good quality homes and landlord services that reflect our values
- Provide clients with reliable and efficient landlord and business services in line with our values
- Promote mainstream growth in co-op and community-led housing
- Be well managed and well governed

Our priorities are to:
- Radically improve service experience
- Promote a culture of collaboration and belonging with residents, clients and employees
- Remain well-managed and governed with a strong performance focus
- Strengthen financial and operational resilience.

Value for money for us means achieving our goals with the right balance of quality, value and reliability and in line with our business values. To strengthen our financial resilience, we will need to reduce our risk by managing our overall costs whilst improving service. Only by achieving both of these goals together can we deliver on our financial and investment plan.

Measuring Value for Money

The Value for Money standard includes seven standard measures of VfM in our core landlord business, which are outlined below. In addition, it requires Providers to select their own measures which best reflect their strategic aims and overall approach to VfM. With this in mind, we have selected a small number of targets for each of our business streams.

We are primarily a service organisation and a key element of delivering value for money is that our customers know what they can expect from us, can rely on getting it and are happy with both quality and price.

We monitor VfM primarily through:

- Monitoring our business plan, operational plan and performance against targets.
- Benchmarking our performance and costs relative to our peers.
- Reviewing feedback from customers, clients, employees and other stakeholders.

Our targets for each metric and our performance against them in the current and prior year are shown in the table below.

In our **Supporter** stream we measure progress towards profitability, with the goal of generating a 5% surplus.

In our **Promoter** stream we will measure value for money by the extent to which we are able to deliver agreed outcomes using the promoter budget.

Value for Money Self-Assessment 2023/24

Measured against the standard metrics

Our performance for the year against the standard metrics is as follows. We have given comparatives from the 2022/23 Global accounts data for smaller providers (under 2,500 homes) and the sector median.

Value for Money Metrics	Actual 23/24	Actual 22/23	Global Accounts (smaller providers) 22/23	Sector Median 2023
Metric 1 – Reinvestment %	3.8%	1.3%	3.7%	6.7%
Metric 2 – New supply delivered %	0%	0%	0.7%	1.3%
Metric 3 – Gearing %	-13.3%	-15.3%	32.9%	45.3%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	190%	395%	171%	128%
Metric 5 – Headline social housing cost per unit	5,336	4,936	5,720	4,590
Metric 6 – Operating Margin %				
Social housing lettings only	19.4%	12.7%	18.7%	19.8%
Overall (including Promotor)	15.2%	8.7%	16.8%	18.2%
Metric 7 – Return on capital employed (ROCE) %	3.2%	1.8%	2.1%	2.8%

The Global Accounts analysis and Sector Averages are produced by the Regulator for Social Housing who capture the data for all housing associations nationally. The data which is publicly available however, is for those housing associations which are over 1,000 homes but less than 2,500 homes nationally, which is the source of the comparisons above.

Reinvestment

Our business plan forecasts and allows for the projected investment needed to keep our homes in good repair. As part of our annual budget, we allocate funds to spend on specific projects and on 'at fail' requirements, recognising that homes respond to use and environment as well as age and that our geography offers limited opportunities for economies of scale through procurement. The amount that we spend varies year to year depending both on what projects are planned and the "at fail" needs.

Our current asset management plan includes our plans to significantly increase the amount that we invest in our housing stock up to April 2025. The completion of stock condition surveys in 2024-25 covering the entire stock, will inform an updated plan with a focus on safety, decent homes work and a plan to reach net zero. In 2023-24 we replaced boilers, doors, windows, kitchens and bathrooms increasing energy efficiency, fire resistance, ensuring our homes meet the required standards.

New Supply Delivered

The Board has considered how CDS can best use its assets to meet the challenge of providing more homes, taking account of our capacity and our specific purpose.

We believe we can best achieve this by enabling the design and delivery of mainstream co-op and community housing solutions, in collaboration with others, measuring our success by the number of homes built overall, rather than simply additions to our own stock.

The Board recognises that we will sometimes be the developer of choice, particularly where sites are adjacent to our own, where existing relationships offer advantageous deals or where there is the opportunity to pilot a new CLH approach. In these cases, we will consider each scheme on its merits, seeking to use our borrowing capacity to deliver more affordable and community led homes in line with our overall vision. For the year 2023/24 we had a surplus of £7k in promoter activities and we allocated £398k of the funds that we administer on behalf of the GLA, to providing support and direct grants to community led housing groups and projects. We also provided support to the GLA Hub from our central costs.

Gearing

CDS has relatively low gearing even compared to other non-developing providers, reflecting the age of the stock and low calls on borrowing for further investment. The standard measure also includes cash, so our ratio is negative, reflecting both the fact that we continue to repay debt and the amount of cash held at the year end. The ratio indicates lower risk but also potential unused borrowing capacity for the future.

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

This measure is also an indication of risk and of borrowing capacity. We expect this to increase over time as we repay debt, improve Provider surpluses, and reduce deficit on our Supporter workstream. The reduction in the current year, reflects a the high level of spend on major repairs.

Headline social housing cost per unit

This is the cost measured across our rented (738) and shared ownership (240) homes. Compared to the prior year, Social Housing costs have increased by 14.1%, but if major repairs are excluded then they have reduced by 6.3%. This reflects the focus on cost control throughout the financial year. Compared to the benchmark group of smaller providers our cost is 6.7% lower, but it should be noted that the benchmark is for the prior year.

Operating Margin

Our operating margin on Social Housing lettings on par with the sector average. Our cost per unit is higher than average and has increased compared to the prior year due to the higher property costs.

Our overall margin is lower than that on Social Housing alone, due to the inclusion of our Client Services (Supporter) business which has made a deficit in 2023/24 We have again missed our target of improving this to a small margin for risk (about 5%) in the year due to challenges with staffing, including having to recruit temporary staff, but it remains our target to do so. We have also lost a small number of contracts in year. This more sustainable business will be the basis for growth in support of the emerging community led housing market and other smaller landlords. Total margin also includes the promoter stream which shows a small deficit and so reduces overall margin.

Return on Capital Employed

This measure has increased year on year due to an improvement in operating surplus.

Measured against our chosen metrics

In addition to the standard metrics, we also measure performance against our specific metrics which we have chosen to align with our strategic goals. The targets included below are taken from the 2023-24 Corporate Plan

CDS Specific Value for Money Metrics	Target	Met or not met	Actual 2023/24	Actual 2022/23
Provider Stream				
Tenant satisfaction with overall service	>68%	Not Met	60%	72%
Tenants satisfaction with repairs service	>68%	Not Met	60%	64%
Tenants satisfaction with “listen and act”	>63%	Not Met	52%	60%
% Complaints managed within HOS code timescales	100%	Not Met	88.89%	87%
Current tenant arrears as % rent debit	<2.5%	Met	1.76%	1.5%
Homes meeting Decent Homes Standard	100%	Not Met	99.05%	100%
Homes meeting EPC C	>30%	Met	88%	30%
Employees who would recommend us as an employer	>86.8%	Met	90.3%	87%
Supporter Stream				
Operating surplus on Client business	5%	Not Met	(6.2%)	0.2%

Tenant Satisfaction

Despite a decline in tenant satisfaction to 60% in 2023-24, down from 68% the previous year (consistent with trends in the sector), we remain committed to making improvements. It places us in the lower quartile of benchmarked scores for similar size organisations. Improving customer satisfaction and demonstrating our responsiveness to tenants' views are integral to our corporate objectives for the upcoming financial year. Everyone across the business is expected to contribute actively to these objectives.

The provision of a safe home (70%), tenants being treated fairly and with respect (67%), and the upkeep of communal areas (65%) showed the highest levels of satisfaction in 2023/24. However, compared to the previous year, satisfaction levels dropped in all but one area: communal areas being kept clean.

Tenant Debt

Debt performance continues to be very strong with current tenant arrears at 1.76% at the year end.

Property Standards and Compliance

We met our target for 100% compliance with the Building Safety act requirements. We identified nine properties needing investment to meet the Decent Homes Standard and work is underway.

Employee Satisfaction

Employee satisfaction, measured as the percentage who would recommend us as an employer, and has improved year on year exceeding our target at 90.3%%.

Supporter Stream

Our strategic aim is for the Client Services business to break even and generate a small (5%) margin to cover risk from March 2021. In 2023/24 we made a deficit and will look at how this position ca be improved over the next 12 months with a focus on streamlining services where we can whilst also ensuring that we recover our costs appropriately.

COMPLIANCE

RSH Governance and Financial Viability Standard

The Board confirms our compliance with the Regulator of Social Housing's Regulatory Code. The Board has confirmed full compliance relating to financial viability and reasonable compliance relating to governance – the latter because of the reviews concerning controls and associated matters arising from the historic fraud uncovered in May 2024.

Our compliance is review annually and the report as at August 2024, which confirmed CDS's compliance with the standard, went to Board for approval in September 2024.

NHF Code of Governance

We have adopted the National Housing Federation Code of Governance 2020 and are compliant with it. The Board conducts annual assessment of compliance with the code, with the latest taking place in May 2024.

NHF Voluntary Code on Mergers, Group Structures and Partnerships

In January 2016, the Board agreed to adopt the above code. They reviewed it and confirmed their continuing adoption of it at their January 2024 meeting.

The Board has agreed that there is no immediate need or benefit to be obtained from pursuing a merger. Partnerships to share services or central costs are of interest and any approach would receive appropriate consideration as to its value in increasing the pace or scale of movement towards the business mission.

No proposals for merger were made in the year and no representations were received from any third party with any proposals for merger.

STATEMENT OF BOARD'S RESPONSIBILITIES

As a Registered Provider of Social Housing, the Board is responsible for preparing the report and financial statements for each financial year in accordance with applicable law and regulations, Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation. Under that law the directors 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 Act 2014, the directors 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 Society for that period. In preparing these financial statements, the directors are 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.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that CDS 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 CDS and enable it to ensure that the financial statements comply with the

Co-operative and Community Benefit Societies Act 2014, Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2019 and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018.

The Board has general responsibility for safeguarding the assets of CDS and hence for the prevention and detection of fraud and other irregularities.

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

STATEMENT ON INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk and that the system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Society's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Society is exposed. The Board ensures that there is a long-term business plan setting out both the goals of the Society and our financial capacity and this plan is robustly tested. Our risk assessment framework is directly related to ensuring that we manage and mitigate those risks that might undermine our ability to meet our business plan goals.

The process adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some of the key elements of the control framework includes:

- Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Society's activities. This process is co-ordinated through a regular reporting framework by the senior management team which regularly considers reports on significant risks facing the Society and the team is responsible for reporting to the Board any significant changes affecting key risks.

- Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to management and to the Board. This includes an agreed programme of internal audit reviews designed to provide regular and objective assurance on key internal controls.
There is in place a rigorous procedure for ensuring that corrective action is identified in relation to any significant control issues, particularly those with a material impact on the financial statements.

- Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including new investment projects. The Board has adopted and disseminated to all employees a code of conduct for board members and staff based upon the NHF Code of Conduct 2022. This sets out CDS's requirements with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, asset protection and fraud prevention and protection.

- Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for the subsequent four years, as well as detailed cash flow forecasts for the same period. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

- Arrangements for managing the risk of fraud

The Board has an anti-fraud policy which sets out the arrangements for preventing, detection and reporting of fraud. As part of the internal fraud review, the Finance & Audit Committee has reviewed the fraud register and reported any instances of fraud to the Board, as appropriate. The historical fraud has been noted, and appropriate action has been taken.

- Key Risks

The Board considers that the key risks that are most likely to influence future performance and our ability to deliver our business objectives are economic and political, staff turnover, information and communications technology, internal controls and health and safety. More detail on the key risks and the action taken to mitigate these risks is included in the Risk and Uncertainty section above.

- Internal audit

The internal control framework and risk management process are subject to regular review by the Internal Auditors who are responsible for providing independent assurance to the Board via its Finance & Audit Committee. The Finance & Audit Committee considers internal controls and risk at each of its meetings.

- Annual review of the effectiveness of internal controls

The Board confirms that it has received the annual report of the senior management team on the effectiveness of internal controls and 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 there is an on-going process for identifying, evaluating and managing significant risks faced by the Society. This process has been in place throughout the year under review and up to the date of the approval of these statements and is regularly reviewed by the Board. The Board confirms that no weaknesses in internal controls have resulted in any material losses, contingencies or uncertainties which would require disclosure in the financial statements.

EQUALITY AND DIVERSITY

CDS is committed to operating fairly and openly and without discrimination. All decisions relating to employment practices will be objective, free from bias and based solely on work criteria and individual merit. We are responsive to the needs of our employees, residents and the community at large. In January, a new policy on Fair & Equal Pay was approved by our Board, codifying our practice of not only paying equally for equal work, but also of ensuring all staff make at least the benchmarked median salary for their job role.

HEALTH AND SAFETY

The Board receives a health and safety report at every meeting with regular updates on property compliance, as well as employee safety. The health and safety of CDS's employees, residents and partners is paramount to the Board and we are constantly seeking to develop a safety aware and safety confident culture.

We strive for safe and healthy working conditions, housing, equipment, and systems of work for all those connected with CDS and to provide such information, training and supervision as is needed for this purpose. In the last year, our external health and safety consultant reviewed and updated our suite of health and safety policies, which were subsequently approved by the board.

There have been no material health and safety breaches in the year.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of CDS's Board Members, as set out on page 2, confirm the following:

- so far as each Board Member is aware there is no relevant information needed by CDS's auditors in connection with preparing their report of which CDS's auditors are unaware; and

- each Board Member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant information needed by CDS's auditors in connection with preparing their report and to establish that CDS's auditors are aware of that information

GOING CONCERN

CDS has a significant property asset base of £33.5m at depreciated cost and reserves of £16m at the year end. Loans outstanding were £3.6m and although CDS has no overdraft facility we had total cash holdings of £8.1m

CDS complies with the Governance and Financial Viability Standard, which means that we need both to have access to sufficient liquidity (for us this is met by cash reserves) to meet our obligations and to comply with our loan covenants. We monitor actual and expected compliance with loan covenants throughout the year.

The operating budget for 2024/25 shows that we plan to make a surplus (including promotor spend of £94k) of £407k. This excludes property sales, which we do not budget for as for us they are staircasing and lease extensions so are not planned.

The plans include £1.5m of major repairs, of which we have assumed we will capitalise £1.4m. This is continuation of our asset management program, £4.6m in total and with £1.2m of the programme delivered in 2023/24. This programme runs for three years in total to March 2025. We are able to finance this spend out of our available cash and the amendment to our loan agreement with Natwest (the covenant waiver) means that we can do so within our loan covenant. We report progress against this plan to the Finance and Risk Committee and will review the potential need to extend the waiver with NatWest well in advance of the March 2025 deadline and with the support of DTP our Treasury Advisors.

We performed a range of stress tests on the business plan and identified cost inflation as a key risk to the business, particular to the extent that costs increase at a higher rate than we are able or willing to increase rents. To mitigate this risk, we will keep costs under review and will identify specific plans to reduce costs or increase income if the risk crystalises. We also identified a continued risk relating to income collection and customer debt, although currently our arrears performance remains good, we continue to monitor this as a key risk.

Our treasury policy provides that we consider cash requirements over the medium term (at least the next 24 months) and that an updated cash flow is prepared on at last a quarterly basis. The most recent forecast shows a forecast year end balance of available cash of £3.2m. For the following year, the forecast shows a cash outflow of £0.1m and a closing balance of available cash of £3.1m. These figures reflect the planned spend on the asset management programme of £1.5m in the year and £0.9m next year. Cash is not forecast to fall below our current minimum requirement of £1.5m over the next eighteen months' time and we do not require additional funding to maintain cash at the required level.

Based on projections, including the long-term business plan and the 24-month cash forecast, we consider there is a reasonable expectation that CDS will continue to deliver adequate surpluses and meet its financial covenants and that CDS has adequate resources to continue in operational existence for the foreseeable future. For this reason, we recommend that the Board continues to adopt the going concern basis in preparing the financial statements.

By order of the Board of Management

Christina Friedenthal

C. Friedenthal
Secretary   Date: 16 September 2024

Independent Auditor's Report to the Members of The Co-operative Development Society Limited

Opinion on the financial statements

We have audited the financial statements of The Co-operative Development Society Limited]the 'Society') for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2024, and of the income and expenditure of the Society for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2022.

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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [Group's and] Society'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 members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board members are responsible for the other information contained within the annual report. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 we are required by the Co-operative or 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 [parent] Society; or
- a satisfactory system of control has not been maintained over transactions; or
- 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 Society's 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 Board's responsibilities set out on page 18, 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 members 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 is responsible for assessing the the Society'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 Society 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:

- We obtained an understanding of the legal and regulatory frameworks within which the Society operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We 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.

The audit procedures to address the risks identified included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Discussions with management about actual or potential litigation and claims;
- Challenging assumptions made by management in their significant accounting estimates;
- Identifying and testing the appropriateness of journal entries and assessing whether the judgements made in making accounting estimates were indicative of a potential bias;
- Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility; and
- Reviewing financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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/auditors responsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Society's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed

27 September 2024
Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2024

	Note	2024 £	2023 £
Turnover	3	7,414,958	7,079,448
Operating costs	3	(6,385,794)	(6,508,380)
Surplus on sale of housing properties	5	198,634	119,118
Other Income		-	-
Operating surplus	3	1,227,798	690,249
Investment and other income	6	108,553	33,620
Interest payable and similar charges	7	(262,604)	(183,981)
Surplus before taxation		1,073,747	539,888
Tax on surplus on ordinary activities	11	-	-
Surplus for the financial year		1,073,747	539,888
Re-measurement of pension obligation	21	(322,000)	(197,000)
Total comprehensive income for the year		751,747	342,888

All amounts relate to continuing activities.

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

J.A.Lack S.Charlick Christine Friedenthal

J. Lack
Chair

S. Charlick
Treasurer

C. Friedenthal
Secretary

Date of approval: 16 September 2024

The notes on pages 34 to 57 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
At 31 March 2024

	Revenue Reserve £
At 1 April 2022	14,903,420
Surplus for the year	539,888
Re-measurement of pension obligation	(197,000)
At 31 March 2023	15,246,308
Surplus for the year	1,073,747
Re-measurement of pension obligation	(322,000)
At 31 March 2024	15,998,055

The notes on pages 34 to 57 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 March 2024

	Note	2024 £	2023 £
Tangible fixed assets			
Housing properties	12	33,525,306	33,132,870
Other fixed assets	13	201,578	250,508
Fixed asset investment	14	23,345	22,665
		33,750,229	33,406,043
Current assets			
Debtors	15	322,423	199,831
Cash at bank and in hand		8,069,258	8,867,814
		8,391,681	9,067,645
Creditors: amounts falling due within one year	16	(4,008,685)	(4,664,274)
Net current assets		4,382,996	4,403,371
Total assets less current liabilities		38,133,225	37,809,414
Creditors: amounts falling due after one year	17	(20,735,736)	(21,241,465)
Defined benefit pension liability	21	(1,399,424)	(1,321,635)
Total net assets		15,998,065	15,246,314
Capital and reserves			
Share capital	22	10	10
Revenue reserve		15,998,055	15,246,304
Total capital and reserves		15,998,065	15,246,314

All shareholdings relate to non-equity interests, as disclosed in note 22.

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

JA Lack S.Charlick Christina Friedenthal

J. Lack	**S. Charlick**	**C. Friedenthal**
Chair	Treasurer	Secretary

Date of approval: 16 September 2024

The notes on pages 34 to 57 form part of these financial statements.

STATEMENT OF CASHFLOWS
For the year ended 31 March 2024

	Note	2024	2023
Net cash inflow from operating activities	23	1,603,582	1,139,616
Cash flow from investing activities			
Purchase of fixed assets – housing properties		(2,315,564)	(548,621)
Purchase of fixed assets – other		(11,657)	(51,176)
Transfer of engagements		40,060	-
Net proceeds from lease extensions/ sales of housing properties		207,089	119,181
Social Housing Grant repaid		(70,458)	(6,743)
Interest received		107,873	32,960
Net cash (used in)/ generated from investing activities		(2,042,657)	(454,399)
Cash flow from financing activities			
Repayment of borrowings		(185,456)	(183,237)
Interest paid		(174,025)	(132,289)
Share issued		1	2
Shares redeemed		(1)	(1)
Net cash used in financing activities		(359,481)	(315,525)
Net increase in cash and cash equivalents		(798,556)	369,692
Cash and cash equivalents at the beginning of the year		8,867,814	8,498,122
Cash and cash equivalents at the end of the year		8,069,258	8,867,814

	2024	2023
Cash and cash equivalents consist of:		
Cash at bank in hand	8,069,258	8,867,814
Bank overdraft	-	-
Cash and cash equivalents	8,069,258	8,867,814

The notes on pages 34 to 57 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently from one financial year to another and in dealing with items which are considered to be material in relation to the financial statements of The Co-operative Development Society Limited (The Society).

Basis of preparation

The Society is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Housing SORP 2018 Statement of Recommended Practice for registered social housing providers (Housing SORP 2018) and comply with the Accounting Requirements for Private Registered Providers of Social Housing 2022 (the Accounting Direction).

The functional currency is GBP sterling. The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Society's management to exercise judgement in applying its 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 2.

Going concern

The Society's activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board.

The Society has in place long term debt facilities as well as considerable cash reserves which provide adequate resources to finance committed reinvestment programmes along with day to day operations.

The Society also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. This plan has been stress tested, key risks, their likely impact and appropriate mitigation have been identified. The budget for the current year also shows a good surplus.

The Society's treasury strategy also provides that cash requirements over the medium term (at least the next 24 months) are considered and that an updated cash flow is prepared on at least a quarterly basis. The cash flow shows that sufficient cash is available to meet expected needs over this period.

On this basis, the Board has a reasonable expectation that the Society 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, in the opinion of the Board, a material uncertainty does not exist and as a result it continues to adopt the going concern basis of preparation in the financial statements.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Turnover

Turnover represents rental income (receivable net of rent losses from voids), service charges, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year and amortisation of deferred capital grants.

Revenue recognition

Rental income is recognised from the point when the properties under development reach practical completion or otherwise become available for letting. Revenue grants are recognised when the conditions for receipt of grant funding have been met. Income from deferred capital grants is recognised in turnover in a systematic basis over the useful economic life of the asset (usually the properties fabric) for which it was received. Income from services contracts is recognised in the period to which it relates.

Value Added Tax

The Society is VAT registered but a large proportion of its income, comprising rents, is exempt for VAT purposes. Accordingly, expenditure relating to rental income is shown inclusive of VAT in these accounts. VAT on expenditure relating to taxable supplies is reclaimable in full and, accordingly, this expenditure is shown net of VAT in these accounts. For expenditure of a general nature (i.e. certain overheads) which cannot be directly attributed to exempt or taxable supplies the partial exemption provisions apply. This expenditure is accounted for net and irrecoverable VAT is charged to other expenditure.

Interest payable

The arrangement fees and legal costs incurred in connection with loan facilities have been capitalised as part of loan issue costs and will be amortised over the term of the facilities or until there is a significant event that would require immediate expensing.

Housing properties

Housing properties are properties available for Social rent and properties subject to shared ownership leases. Housing properties are stated at cost less depreciation. 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 which have resulted in an economic benefit to the Society as well as directly incremental overhead costs and staff time associated with new developments, improvements and component-works.

Disposal of housing properties

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets, which is included in the operating surplus for the year in the statement of comprehensive income.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Depreciation of housing properties

The Society accounts for its expenditure on housing properties using component accounting. A housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives.

The components identified by the Society and their respective useful economic lives are as follows:

Component	Useful Economic Life
Structure	100 Years
Structure (Sylhet)	59 Years
Kitchens	20 Years
Boilers	15 Years
Wiring	25 Years
Bathrooms	25 Years
Heating	30 Years
Roof	60 Years
Windows	30 Years
Lifts	30 Years
Fire alarm systems	10 Years

Where a separately identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

Expenditure on items not separately identified as components are capitalised if they result in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Other fixed assets and depreciation

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged for a full year in the year of acquisition on a straight line basis with no charge in the year of disposal. The principal annual rates used for other assets are:

Improvements to leasehold offices	-	over the term of the lease
Office furniture and equipment	-	20%
Computer equipment and software	-	20%
Tenant service equipment	-	25%
Community buildings	-	2%

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of tangible fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified a detailed assessment is then undertaken at estate or block level to determine the assets or cash generating units (CGUs) recoverable amount. The recoverable amount will be the higher of fair value less costs to sell, or Existing Use Valuation for Social Housing (EUV-SH), or Value in Use (in respect of assets held for their service potential) (VIU-SP). As allowed by Housing SORP 2018 the Society uses Depreciated Replacement Cost (DRC) as a reasonable estimate of VIU-SP.

Where the carrying amount of an asset or CGU is deemed to exceed its recoverable amount, the excess will be recognised in the Statement of Comprehensive Income.

Financial assets

Basic financial assets, including tenant debtors and other receivables, 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.

Social Housing Grant (SHG) and other capital grants

SHG is receivable from the Homes and Communities Agency (HCA), and other capital grants are receivable from local authorities and other organisations.

Grant received is recognised as deferred income in the Balance Sheet and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received, usually a housing property's fabric.

When a Grant funded property is sold, any attributable Grant becomes recyclable and is transferred to a recycled capital grant fund (RCGF) or disposal proceeds fund (DPF for right to acquire units) until it is reinvested in a replacement property. The related Grant amortisation is charged to the Income and Expenditure Account.

CDS administers grant funding on behalf of the GLA as part of its London Hub activity to support "early stage" Community Led Housing projects. This funding is released to the Statement of comprehensive income to match the costs of providing this support, including direct grants awarded to projects. Unallocated grant is shown in other creditors and accruals falling due within one year.

Recycled capital grant fund

The Grant element on the net sale receipts of Grant funded properties, typically right to buy or shared ownership staircasing but not right to acquire, are required to be credited to a recycled capital grant fund under the terms of the SHG originally paid on such properties. Within the terms defined by the Homes and Communities Agency (HCA) the fund is to be used to provide replacement properties for rent, land acquisition and works to existing stocks or if unused within three years, is repayable to the HCA.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Pension costs

CDS participates in the Social Housing Pension Scheme (SHPS), which is a defined benefit scheme in relation to certain employees and past employees. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation less the fair value of the plan assets at the reporting date.

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 current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as remeasurement of net defined benefit liability. Further details are shown in note 21.

Provisions

CDS only makes provision for any contractual and constructive liabilities existing at the balance sheet date.

Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the respective lease terms.

Taxation

Since 8 August 2019, CDS has been a charitable Community Benefit Society. It also has exempt tax status, effective the same date and does not therefore pay Corporation Tax on surpluses generated from its Charitable activities. In the prior year the charge for taxation is based upon the surplus generated prior to conversion and includes current tax and deferred tax.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Society anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Any assets and liabilities recognised have not been discounted.

Deferred tax is measured at the tax rates expected to apply in the periods when the timing differences are expected to reverse, based on tax rate and law enacted or substantially enacted at the balance sheet date.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 102 requires that management exercise its judgement in the process of applying the Society's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Determining whether an impairment review is required

Annually housing properties are assessed for impairment indicators and, in particular, factors that could impact on ability to let the property. These include the condition of the properties, current experience of void periods, including short term effects such as letting delays caused by the Coronavirus epidemic and demand for properties in the local area. We also consider any property specific factors such as upcoming works that might indicate the need to impair or dispose existing components and any recent valuations obtained. No indicators were identified that required a full impairment review and no impairment losses have been recognised in the year.

(b) Key accounting estimates and assumptions

Preparation of the financial statements requires management to make significant judgement and estimates. The areas in the financial statements where these have been made include impairment, capitalisation and any areas where there is estimation or uncertainty.

(i) Useful economic lives of tangible fixed assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets including any components. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

(ii) Impairment of debtors

The Society makes an estimate of the recoverable value of tenant and other debtors. When assessing impairment of tenant and other debtors, management considers factors including the ageing profile of debtors and historical experience. We make a provision of 35% against current tenant arrears and 100% against former tenant arrears. We have considered this level of provision in light of current experience of income collection during the current Coronavirus epidemic and consider it to be adequate. For other, non tenant debtors we consider the recoverability of balances on a case by case basis and make provision as required.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

(iii) Defined benefit obligation

The estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Management has adopted the assumptions proposed by the SHPs scheme actuaries. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 21). The net defined benefit pension liability at 31 March 2024 was £1,405k.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

				2024				2023
	Turnover £	Other Income £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Other Income £	Operating costs £	Operating surplus / (deficit) £
Social housing lettings (note 4)								
General needs accommodation	4,882,024	-	(4,121,508)	760,516	4,605,837	-	(4,170,735)	435,102
Shared ownership accommodation	355,096	-	(98,242)	256,854	344,744	-	(182,248)	162,526
	5,237,120	-	(4,219,751)	1,017,369	4,950,611	-	(4,352,983)	597,628
Other social housing activities								
Tenant participation / training	-	-	-	-	-	-	-	-
Leasehold services	178,242	-	(81,994)	96,248	168,506	-	(192,369)	(23,863)
Promoter activities	397,501	-	(390,958)	6,543	527,192	-	(571,606)	(44,414)
	575,743	-	(472,953)	134,969	695,698	-	(763,975)	(68,277)
Activities other than social housing activities								
Fees from managed associations	1,560,523	-	(1,657,662)	(97,139)	1,394,419	-	(1,391,422)	2,977
Commercial letting	41,572	-	-	41,572	38,720	-	-	38,720
	1,602,095	-	(1,657,662)	(55,567)	1,433,139	-	(1,391,422)	41,717
Surplus on disposal of housing properties	-	198,634	(35,429)	163,205	-	119,181	-	119,181
Total	7,414,958	198,634	(6,385,794)	1,227,798	7,079,448	119,181	(6,508,380)	690,249

4. INCOME AND EXPENDITURE FROM LETTINGS

	General needs properties £	Shared ownership properties £	via 2024 Total £	General needs properties £	Shared ownership properties £	2023 Total £
Income						
Rents receivable net of identifiable service charges	4,327,846	274,227	4,602,073	4,080,910	257,569	4,338,479
Service charges income	265,805	71,432	337,237	236,554	72,017	308,571
Amortisation of deferred capital grants	288,373	9,437	297,810	288,373	15,188	303,561
Turnover from social housing lettings	4,882,024	355,096	5,237,120	4,605,837	344,774	4,950,611
Expenditure						
Management	(598,818)	(10,702)	(690,519)	(855,594)	(55,817)	(911,411)
Service charge costs	(444,313)	(54,656)	(498,969)	(376,056)	(35,064)	(411,120)
Routine maintenance	(1,643,228)	-	(1,643,228)	(1,619,171)	-	(1,619,171)
Planned maintenance	(568,696)	(13,971)	(582,667)	(560,634)	(71,624)	(632,258)
Major repairs expenditure	-	-	-	-	-	-
Bad debts	(22,526)	(3,890)	(26,416)	(14,730)	(4,231)	(18,961)
Depreciation of housing properties						
-annual charge	(776,936)	(15,024)	(791,959)	(719,805)	(15,512)	(735,317)
-accelerated on disposal of components	(66,992)	-	(66,992)	(24,745)	-	(24,745)
Operating expenditure on social housing lettings	(4,121,508)	(98,242)	(4,219,751)	(4,170,735)	(182,248)	(4,352,983)
Operational surplus on social housing lettings	760,516	256,854	1,017,369	435,102	162,526	597,628
Void losses	(90,486)	-	(90,486)	(48,480)	-	(48,480)

5. SURPLUS ON SALE OF HOUSING PROPERTIES

	2024 £	2023 £
Sale proceeds	210,778	121,170
Costs of sale transferred from fixed assets (note 12)	(8,456)	-
Incidentals	(3,689)	(1,990)
Surplus for the year	198,634	119,181

6. INTEREST RECEIVABLE

	2024 £	2023 £
On surplus cash	108,553	33,620
	108,553	33,620

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2024 £	2023 £
On loans	181,964	142,327
On Recycled Capital Grant Fund	3,498	52
On sinking fund	15,142	-
Loan fee amortisation	5,000	5,000
Net Interest on defined benefit pension liability	57,000	34,000
	262,604	183,981

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2024	2023
Is stated after charging / (crediting):	£	£
Depreciation	852,546	841,016
Loss on disposal of components	66,992	24,745
Surplus on sale of fixed assets – properties	(198,634)	(119,181)
Operating lease rentals: land and buildings	59,789	77,439
Auditors' remuneration (excluding VAT):		
• for their audit of the financial statements	36,500	35,700

9. EMPLOYEE INFORMATION

	2024 Number	2023 Number
Average number of employees		
The average monthly number of employees expressed in full time equivalents (based on a standard working week of 35 hours)	41	41

	2024 £	2023 £
Staff costs were as follows:		
Wages and salaries	2,216,693	1,862,680
Social security costs	209,602	209,163
Other pension costs	89,389	96,681
	2,515,684	2,168,525

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL

The aggregate remuneration for key management personnel, which includes the executive directors and other members of the senior management team, charged in the year is:

	£	£
Aggregate emoluments payable to key management personnel (including pension contributions and benefits in kind)	623,213	499,585
Emoluments payable to the highest paid director, the Chief Executive, excluding pension contributions but including benefits in kind	135,441	118,248

The figures include the cost of Employer's National Insurance contributions and of pension contributions (except where stated otherwise) and also include amounts paid in respect of previous years such as bonus to the extent that these have been included in the accounts in the current year. The Chief Executive served for 12 months of the year (11 months in 2022/23).

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL (continued)

The number of staff, including directors, who received emoluments, excluding pension contributions, greater than £60,000;

	2024 Number	2023 Number
£60,001 - £70,000	4	2
£70,001 - £80,000	2	3
£80,001 - £90,000	2	1
£90,001 - £100,000	-	-
£100,001 - £110,000	1	1
£110,001 - £120,000	1	1

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The society does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2023: £nil).

Payments to members of the Board of Management, excluding the Chief Executive, were:

	2024 £	2023 £
B Anim-Antwi	2,217	1,940
A Bush	2,217	2,062
S Charlick	2,392	751
M Creasey	4,359	2,621
J Dalal	5,751	5,540
R FitzGerald	2,174	172
S Jassal	2,804	2,062
L Jeanne	2,217	2,062
J Lack	5,401	3,093
A Pakes	-	1,031
R Robson	1,624	-
R Southern	2,365	2,449
B A Sutcliffe	-	4,511
L F Zollner	-	859
	33,519	29,153

Total expenses payments paid to members of the Board of Management, excluding the Chief Executive were £356 paid to four members and comprised reimbursement of travel costs and membership fees.

11. TAXATION

	2024	2023
	£	£
Tax on profit on ordinary activities	-	-

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2024	2023
	£	£
Surplus on ordinary activities before tax	1,059,096	539,888
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 25% (2023: 25%)	264,774	134,972
Effect of:		
Surplus generated as a charitable society	(264,774)	(134,972)
	-	-

12. TANGIBLE FIXED ASSETS – Housing properties

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Cost			
At 1 April 2023	46,834,117	2,712,801	49,546,918
Additions	1,259,844	-	1,259,844
Disposals - properties	-	(17,836)	(17,836)
Disposals - components	(478,842)	-	(478,842)
At 31 March 2024	47,615,119	2,694,965	50,310,084
Accumulated depreciation			
At 1 April 2023	15,807,863	606,185	16,414,048
Charge for the year	791,959	-	791,959
Disposals – properties	-	(9,380)	(9,380)
Disposals - components	(411,849)	-	(411,849)
At 31 March 2024	16,187,973	596,805	16,784,778
Net Book Value			
At 31 March 2024	31,427,146	2,098,160	33,525,306
At 31 March 2023	31,026,254	2,106,616	33,132,870

All housing properties are held as freehold. Loans are secured against a number of these properties. There is no capitalised interest included in housing properties (2023: nil)

Improvements to properties	**2024 £**	**2023 £**
Replacement of components	1,259,844	440,063
Major repairs expensed	-	-
	1,259,844	440,063

13. TANGIBLE FIXED ASSETS – Other

	Community buildings £	Office furniture and equipment £	Computer equipment and software £	Tenant services equipment £	Total £
Cost					
At 1 April 2023	155,418	14,812	1,016,740	117,643	1,304,613
Additions	-	-	7,373	4,284	11,657
Disposals	-	-	-	-	-
At 31 March 2024	155,418	14,812	1,024,113	121,927	1,316,270
Depreciation					
At 1 April 2023	15,541	14,812	924,084	99,669	1,054,106
Charge for year	2,590	-	38,951	19,045	60,586
Disposals	-	-	-	-	-
At 31 March 2024	18,131	14,812	963,035	118,714	1,114,692
Net book value					
At 31 March 2024	137,287	-	61,078	3,213	201,578
At 31 March 2023	139,877	-	92,656	17,974	250,507

14. FIXED ASSET INVESTMENT

	£
At 1 April 2023	22,665
Interest charged for the year	680
At 31 March 2024	23,345

The fixed asset investment is a holding in the loan stock of Bunker Housing Co-operative Ltd.

15. DEBTORS

	2024 £	2023 £
Amounts due within one year:		
Rent and service charge arrears	161,094	130,915
Less: provision for bad debts	(84,798)	(69,009)
	76,296	61,906
Amounts due from clients for monies paid on their behalf	17,032	6,352
Other debtors and prepayments	229,095	131,573
	322,423	199,831

16. CREDITORS: amounts falling due within one year

	2024 £	2023 £
Housing loans (note 18)	204,400	188,252
Recycled capital grant fund (RCGF) (note 19)	14,531	70,224
Trade Creditors	31,822	72,706
Loan Interest accrued	33,517	25,385
Capital expenditure on housing properties	193	154,475
Other taxation and social security payable	120,579	89,197
Rent and service charges received in advance	312,757	296,723
Amounts due to clients for monies received on their behalf	1,151,425	1,282,477
Leaseholder sinking funds	719,556	632,222
GLA grants not paid out	573,296	968,140
Other creditors and accruals	543,198	580,913
Deferred social housing grant (note 20)	303,415	303,560
	4,008,689	4,664,274

17. CREDITORS: amounts due after one year

	2024 £	2023 £
Housing loans (note 18)	3,417,019	3,613,624
Recycled capital grant fund (RCGF) (note 19)	182,313	179,242
Deferred social housing grant (note 20)	17,136,404	17,448,599
	20,735,736	21,241,465

18. HOUSING LOANS

Housing loans are secured by specific charges on the Society's housing properties.
Interest rates and maturities of the loans are disclosed at note 30.

Repayment profile of housing loans	**2024**	**2023**
All repayable by instalments	**£**	**£**
Repayable in one year	204,400	188,252
Repayable in two to five years	899,461	855,486
Repayable in more than five years	2,517,558	2,758,138
	3,621,419	3,801,876

19. RECYCLED CAPITAL GRANT FUND

	2024	**2023**
	£	**£**
At 1 April 2023	249,465	253,555
Grants recycled (note 29)	14,531	-
Interest accrued	3,306	2,653
Repayments	(70,458)	(6,743)
At 31 March 2024	196,844	249,465

During the year £14,531 (2023: £nil) of SHG including simple interest was recycled into the fund on disposal of a property that was staircasing.

Of the total £132,280 (2023: £70,224) is repayable within one year.

The notional interest charged to the fund was £3,306 (2023: £2,654).

20. DEFERRED SOCIAL HOUSING GRANT

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Social housing grant			
At 1 April 2023	26,025,876	1,469,884	27,495,760
Transferred to recycled capital grant fund	-	(14,531)	(14,531)
At 31 March 2024	26,025,876	1,455,353	27,481,229
Amortisation			
At 1 April 2023	9,292,617	450,984	9,743,601
Amortisation credit for the year	288,373	15,042	303,415
Released on disposals	-	(5,606)	(5,606)
At 31 March 2024	9,580,990	460,420	10,041,410
Net Book Value			
At 31 March 2024	16,444,886	994,933	17,439,819
At 31 March 2023	16,733,259	1,018,900	17,752,159

	2024 £	2023 £
Amount to be amortised within one year	303,415	303,560
Amount to be amortised after one year	17,136,404	17,448,599
	17,439,819	17,752,158

21. DEFINED BENEFIT PENSION LIABILITY

The society participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a 'last man standing' arrangement. Therefore, the society 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.

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

For the year ended 31 March 2024, sufficient information is available for the society in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2020 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2023 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 31 March 2023 is £1,322k and £1,405k as at 31 March 2024.

Fair value of plan assets, present value of defined benefit obligation, and defined benefit asset

	31 March 2024 (£000s)	31 March 2023 (£000s)
Fair value of plan assets	5,902	5,874
Present value of defined benefit obligation	7,307	7,196
Surplus (deficit) in plan	(1,405)	(1,322)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(1,405)	(1,322)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2024 (£000s)
Defined benefit obligation at start of period	7,196
Expenses	7
Interest expense	347
Actuarial losses due to scheme experience	21
Actuarial (gains) due to changes in demographic assumptions	(74)
Actuarial (gains) due to changes in financial assumptions	(16)
Benefits paid and expenses	(174)
Defined benefit obligation at end of period	7,307

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

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

	Year ended 31 March 2024 (£000s)
Fair value of plan assets at start of period	5,874
Interest income	290
Loss on plan assets (excluding amounts included in interest income)	(391)
Contributions by the employer	303
Benefits paid and expenses	(174)
Fair value of plan assets at end of period	5,902

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2024 was (£101,000).

Defined benefit costs recognised in statement of comprehensive income (SoCI)

	Year ended 31 March 2024 (£000s)
Expenses	7
Net interest expense	57
Defined benefit costs recognised in Statement of Comprehensive Income	64

Defined benefit costs recognised in other comprehensive income

	Year ended 31 March 2024 (£000s)
Loss on plan assets (excluding amounts included in net interest cost)	(3,91)
Experience losses arising on the plan liabilities	(21)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	74
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	16
Total amount recognised in other comprehensive income -loss	(322)

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Assets

	31 March 2024 (£000s)	31 March 2023 (£000s)
Global Equity	588	110
Absolute Return	231	64
Distressed Opportunities	208	178
Credit Relative Value	193	222
Alternative Risk Premia	187	11
Emerging Markets Debt	76	32
Risk Sharing	346	432
Insurance-Linked Securities	31	148
Property	237	253
Infrastructure	596	671
Private Equity	5	-
Private Debt	232	261
Opportunistic Illiquid Credit	231	251
High Yield	1	21
Opportunistic Credit	-	-
Cash	116	42
Corporate Bond Fund	-	-
Long Lease Property	38	177
Secured Income	176	270
Liability Driven Investment	2402	2705
Currency Hedging	-2	11
Net Current Assets	10	15
Total Assets	5,902	5,874

Principal actuarial assumptions: Financial assumptions

	31 March 2024 % per annum	31 March 2023 % per annum
Discount Rate	4.90%	4.87%
Inflation (RPI)	3.15%	3.19%
Inflation (CPI)	2.78%	2.75%
Salary Growth	3.78%	3.75%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Mortality assumptions

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.8
Female retiring in 2043	24.4

22. NON-EQUITY SHARE CAPITAL

Ordinary shares of £1 each issued and fully paid	**2024 £**	**2023 £**
At 1 April	10	9
Issued during the year	1	2
Cancelled during the year	(1)	(1)
At 31 March	10	10

Each non-executive member of the Board of Management holds one £1 share in the Society.

23. NOTES TO THE CASH FLOW STATEMENT

	2024 £	2023 £
Surplus for the financial year	751,747	539,888
Surplus on sale of housing properties	(198,634)	(119,181)
Interest receivable and similar income	(108,553)	(33,620)
Interest payable and similar charges	262,604	183,481
Operating Surplus	707,164	570,568
Depreciation	852,546	841,016
Grant amortisation	(297,810)	(303,560)
Other capital adjustments – disposals	66,992	24,745
Pension deficit payment	(297,992)	(279,136)
Decrease/ (increase) in debtors	(122,592)	226,578
(Decrease)/Increase in creditors	695,274	59,405
Net cash generated from operating activities	1,603,582	1,139,616

24. NET DEBT

	At 1 April 2023 £	Cash Flows £	Fair Value Movements £	Foreign Exchange Movements £	Other non-cash Movements £	At 31 March 2024 £
Cash	8,867,814	(798,556)	-	-	-	8,069,258
Bank loans due within one year	(188,252)	180,457	-	-	(196,605)	(204,400)
Bank loans due in over one year	(3,613,624)	-	-	-	196,605	(3,417,020)
	(3,801,876)	180,457	-	-	-	(3,621,420)
Net Debt	5,065,938	(618,099)	-	-	-	4,447,839

25. CAPITAL COMMITMENTS

	2024 £	2023 £
Expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Expenditure that has been authorised by the Board of Management but has not yet been contracted for	-	-

26. OPERATING LEASES

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2024 £	2023 £
Not later than 1 year	30,438	29,975
In 2 years	-	-
In 2 – 5 years	-	4,952
Total	30,438	34,927

27. CONTINGENT LIABILITIES

There were no contingent liabilities (2021: nil).

28. UNITS AND BED SPACES IN MANAGEMENT

	2024 Number	2023 Number
Units in management owned		
Units for rent	738	738
Shared ownership units	78	79
Leasehold	162	162
Total Owned	978	979
Units managed on behalf of others		
Units for rent	1,438	1,399
Shared ownership units	68	40
Leasehold	67	59
Total managed on behalf of others	1,573	1,498
Total owned and managed units	2,551	2,477

29. ACCUMULATED SOCIAL HOUSING GRANT

	Treated as a capital grant (note 20) £	Treated as revenue income £	Total 2024 £	Total 2023 £
At 1 April 2023	27,673,800	1,469,884	29,143,684	29,621,226
Recycled in year	(14,531)	-	(14,531)	-
At 31 March 2024	27,659,269	1,469,884	29,129,153	29,621,226

30. FINANCIAL ASSETS AND LIABILITIES

The board policy on financial instruments is explained in the board report as are references to financial risks.

Categories of financial assets and financial liabilities

	2024 £	2023 £
Financial liabilities measured at amortised cost	3,621,419	3,801,876
Total	3,621,419	3,801,876

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2024 £	2023 £
Floating rate on money market deposits	6,060,303	7,515,619
Fixed rate investments	23,345	22,665
Financial assets on which no interest is earned	2,008,955	1,352,195
Total	8,092,603	8,890,479

The fixed rate investment is a trade investment in the loan stock of another entity. The financial assets on which no interest is earned comprise cash balances in non-interest bearing accounts. The remaining financial assets are floating rate, attracting interest at rates that vary with bank rates.

30. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities excluding trade creditors – interest rate risk profile

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

			2024	2023
Financial liabilities measured at amortised cost			**£**	**£**
Fixed Rate Instruments	**Rate**	**Maturity**		
Bilateral bank loan	4.54%	2037	2,006,724	2,106,985
Bilateral bank loan	11.32%	2037	109,942	118,014
			2,116,666	2,224,999
Variable Rate Instruments	**Margin over LIBOR**	**Maturity**		
Bilateral bank loans	0.375%–0.4%	2037	1,543,636	1,620,760
			1,543,636	1,620,760
Amortised loan issue costs			(38,883)	(43,883)
Total			3,621,419	3,801,876

31. RELATED PARTY TRANSACTIONS

One member of the Society's Board of Management is also a committee member of a fully mutual co-operative to which the Society has provided landlord and business management services during the year (Mr Tony Bush, Shorncliffe Co-op in Folkestone). All transactions between the Society and the fully mutual co-operative were conducted with the co-op's management committee on the Society's normal trading terms. The total value of fees receivable from this cooperative was £20,636 inclusive of VAT (2023: £18,514 inclusive of VAT) and the net balance due to the co-operative at 31 March 2024 was £27,821 (2023: £19,805).

32. LEGISLATIVE PROVISIONS

The Society is incorporated under the Co-operative and Community Benefit Societies Act 2014 with registration number 17107R and is a Registered Provider registered with the Regulator of Social Housing, with number LH0170 under the Housing Act 1996.