22/23
GROUP ANNUAL REPORT & FINANCIAL STATEMENTS

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Report of the Board and Financial Statements

FOREWORD BY THE CHAIR OF THE BOARD

I am delighted to present the annual report for Cobalt for 2022/23.

It has been a challenging year for the housing sector:

- After the tragedies of Grenfell and the tragic death of Awaab Ishak there has been, quite rightly, an increased focus on getting the basics right and expectations on landlords to make sure they are keeping tenants safe and well, with increased scrutiny and challenge from customers, the regulator and the media to make sure that we continue to maintain really high performance standards and manage our homes effectively
- Political turmoil has seen three prime ministers in a year and four housing ministers
- Very high inflationary cost increases have impacted on our performance and created a 'cost of living' crisis for our customers
- There is an urgent need to invest in our homes to address the environmental crisis

Against that difficult backdrop I'm very grateful to our whole staff team for their fantastic performance, set out in more detail in the main report, delivering:

- great financial health
- strong operational performance
- a range of innovative support and help for tenants

My personal highlights for the year include:

The Good Help Hub which launched from our HQ in January, bringing together a range of partner organisations to offer a new type of support service to local residents, including Merseyside Police, NHS teams, Job Centre staff, Liverpool City Council services and Citizens Advice Bureau. Themed days at the hub focus on key areas like employment and skills, housing and the cost of living and its now infamous "bacon butty Friday"

The 'Our Croxteth' initiative, made up of £50,000 worth of funding from Liverpool City Council, Mersey Care NHS, Cobalt Housing and Merseyside Police's proceeds of crime, supported local community groups to take action on ideas including walking groups, a community choir, armchair exercise for people with dementia, art for wellbeing, educational plays, a women's group, and much more.

Altbridge Park's completion of 57 new homes, our first major development since demerger, bringing a much-needed mix of 1 and 2-bed apartments, and 2, 3 and 4-bed houses with a number of the homes designed for wheelchair access and the needs of range of ages. This will soon be followed up by new homes on the Showcase cinema site supported by funding from Homes England to create 88 new homes and new tenure offers.

During the year we said goodbye to Chief Executive, Alan Rogers. I and all the Board wish him all the best in his retirement with grateful thanks for his hard work and commitment.

As new CEO, we welcomed Claire Griffiths who will take Cobalt forward and drive the delivery of a new Corporate Plan which will see us invest over £300 million into our homes and communities over the next 10 years, with key objectives of:

- Supporting thriving communities
- Investing in quality homes
- Excellent customer service
- Developing positive people

The plan tackles head on the challenges facing our homes, communities and sector and we will, with the help, support and guidance of our tenants:

- Invest over £110m in our existing homes in the next five years, also making them more energy efficient
- Build 1000 new homes
- Invest in regeneration, improving estates
- Use technology to improve the way we provide services to tenants
- Use our investment as a catalyst to create jobs and training opportunities for local people

Kieran Timmins
Chair of Cobalt Housing's Board

BOARD, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

Members of the Board

Kieran Timmins (Chair from Aug 2022, Deputy Chair to Aug 2022)
Andy Pritchard
Eddie Wright
Yvonne Davis
Stephanie Ramsden
Mike Rea
Wesam Baker
Pamela Smith
Mark Patchitt (appointed Nov 2022)
James Anderson (appointed Apr 2023)
Helen Ward (appointed Apr 2023)
Liam Knowles (appointed Apr 2023)
Zoe Carmichael (appointed Apr 2023)

Members who stood down in the year

Stephen Kinsella (Chair to Aug 2022, resigned Aug 2022)
Jan Souness (resigned Jan 2023)

Executive Directors

Claire Griffiths (Chief Executive) appointed Aug 2022
Annette Brandwood (Director of Corporate Services)
Jonathan Webster (Director of Resources)
Louise Davies (Director of Development and Growth) appointed Feb 2023
Sequoia Chapman (Director of Transformation & ICT) appointed Jan 2023
Dave Woods (Director of Operations) – resigned May 2023
Alan Rogers (Chief Executive) – resigned Aug 2022

Company Secretary

Annette Brandwood

Registered Head Office

Cobalt Housing Limited
199 Lower House Lane
Liverpool
L11 2SF

Principal Legal Advisors

Brabners Chaffe Street LLP
58 King Street
Manchester
M2 4LQ

External Auditor

Beever and Struthers
One Express
1 George Leigh Street
Manchester
M4 5DL

Principal Banker

National Westminster Plc
33 Piccadilly
Manchester
M1 1LR

Principal Funders

bLEND Funding Plc
3rd Floor
17 St. Swithin's Lane
London
EC4N 8AL

Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

STRATEGIC REPORT

Overview and background

Cobalt is a Liverpool based, not for profit registered provider of social housing. Formed in 2003, it owns and manages just under six thousand family homes for low cost rent in the neighbourhoods of Fazakerley, Croxteth and Norris Green.

Principal Activities

The Association is a public benefit entity whose principal activities are the management, maintenance and development of affordable homes for rent. It owns 5,806 homes as at March 2023 located on the north-eastern outskirts of Liverpool.

The Association defines its role as being much more than just a landlord managing bricks and mortar. Cobalt is a people business and actively engaged with partners to bring about lasting positive change to individuals, our communities and our neighbourhoods.

The majority of its homes are "general needs" social housing for rent with all but eleven homes falling into this category. The majority of are semi-detached or terraced family homes with gardens front and rear.

Property history	2003-2023
Stock transfer in 2003	**6,138**
Less property sales	-1,195
Less demolitions and other disposals	-372
Add development of new homes	752
Add homes acquired from other providers	438
Add other homes purchased	45
Total Homes Owned at March 2023	**5,806**

Current Property Ownership	31st March 2023	
	No.	%
General Housing (social rent)	5,398	93.0%
General Housing (affordable rent)	397	6.8%
Low cost home ownership	2	-
Total Social Housing Homes	**5,797**	**99.8%**
Non-Social Housing (market rent)	9	0.2%
Total Homes Owned at March 2023	**5,806**	**100%**

Legal structure

The Association is a charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority with a registration number of IP29516R. The Association is registered with the Regulator for Social Housing as a Registered Provider of social housing with a registration number of L4361.

The Association has a wholly owned subsidiary, Altview Living Limited. This company is registered at Companies House registration number 12553683. It undertakes development activity on behalf of the Association.

Our Strategy and Corporate Plan

Cobalt is a strong and resilient anchor organisation and we can significantly assist our customers and communities through uncertain times. But our commitment and ambition is far greater than that, and plans for the next stage of our journey involve significant change and investment to ensure that we become a catalyst for our communities to thrive and to be able to live their lives to their best potential.

As we celebrate our 20th Birthday in 2023, we are confident, and determined to ensure, that we can drive much greater opportunities for our communities. We will continue to collaborate with our customers, the wider housing sector, local government, public and voluntary agencies, our supply chain and the research community, to achieve our objectives and we will be agile and responsive to changing needs and opportunities as they evolve.

Our Corporate Plan for 2023-2028 describes our mission and purpose:

Our Purpose — **We will provide quality homes and services and maximise the positive impact of our investment for the communities we serve.**

Our Vision — **Everyone deserves a community they can call home; a place to make their own, feel safe and secure and set down firm foundations. The right home will help people to live well, realise their potential and achieve the things that are important to them.**

STRATEGIC REPORT

We have developed four new corporate priorities to help us focus on delivering our ambitious plans. For each priority we have developed a set of local performance Indicators, core supporting objectives and future measures of success.

Provide excellent customer service

We will provide the best possible services to our customers. We know that we have work to do to improve some of our services, including repairs, and we are continuously reviewing and developing ways to do this.

The key performance indicators agreed for 2023-24 for this priority are:

Performance Measure	Measure of:	2021/22 Actual	2022/23 Target	2022/23 Actual	RAG Status	2023/24 Target	Notes
% Rent Loss (General Needs)	Efficiency	0.6%	0.5%	0.7%		<1.0%	Void losses increased slightly year on year.
% Tenancy Turnover	Effectiveness	4.6%	5.0%	4.5%		5.0%	Our drive to create sustainable tenancies in thriving communities is maintaining very low tenancy turnover.
Actual Re-let Time	Efficiency	43 days	35 days	54 days		35 days	Relet times worsened in 2022-23 as a number of homes needed significant repair. This remains a key focus for improvement.
% Rent Collected	Efficiency	99.4%	99.25%	99.7%		>99.25%	Rent collection was ahead of target and improved to 99.7%
% Current Tenant Rent Arrears (excl. amounts due to Hsg Ben)	Efficiency	4.5%	4.7%	4.3%		<4.7%	Rent arrears ended the year lower than target at 4.3%.
% Former Tenant Rent Arrears	Efficiency			1.3%		<1.5%	New KPI introduced for 2023

The core objectives and local success measures for this priority are:

Priority	Success Measure	Timescale
We will increase our customer satisfaction scores across all our services	There will be an annual reduction in customer complaints	2023
	Our customer satisfaction will be 80% or higher for all services.	2024
We will use new systems to improve our repairs service and make it easier for customers to report and track their repairs online	100% repairs appointments will be allocated at the first point of contact.	2024
	An annual increase in right first-time repairs.	2025
	60% of interactions with customers will be digital by 2025 and 85% by 2030	2025
	At least 60% of our customers will access their service needs digitally	2025
We will develop new ways to ensure all customers are able to make their voices heard	100% of our customers will know about our Engagement Framework and the opportunities open to them	2024
	More than 30% of our customers will be registered on our Engagement Portal, with 10% using it to engage.	2025
	80% of our customers are satisfied that the Portal is useful, easy to access and understand.	2025
We will visit all our customers to ask you about the quality of your home	100% of our customers will have received a tenancy visit.	2025
	We will have asked 100% of our customers about their specific needs and expectations and use this to improve our services.	2025
Make sure we offer proactive services tailored to our customers' needs, where they are needed most	Reception opening times will reflect our customers' needs.	2024
	Our Community Hub offer will be expanded	2024
	A new service offer will be in place for 100% of our customers.	2025
	We will publish our performance against a suite of agreed service standards that customers have told us mean the most to them.	2025

STRATEGIC REPORT

Invest in quality homes

We will ensure that the significant resources we invest in our homes, services and the wider community, achieve targeted and measurable outcomes for the benefit of Croxteth, Norris Green and Fazakerley and Sparrow Hall.

The key performance indicators agreed for 2023-24 for this priority are:

Performance Measure (All homes)	Measure of:	2021/22 Actual	2022/23 Target	2022/23 Actual	RAG Status	2023/24 Target	Notes
% Properties failing to meet the Decent Homes Standard	Effectiveness	0%	0%	0.53%		0%	Thirty-one homes failed the decent homes standard due to HHSRS hazards identified. All hazards have been rectified in 2023.
% properties with a Landlord Gas Safety Record	Effectiveness	99.9%	100%	99.98		100%	A single property was overdue for inspection at the year-end. Appropriate legal action is being pursued to gain access.
% of properties that have had all necessary asbestos surveys (TSM)	Effectiveness					100%	New measure for 2023
% properties with valid Electrical certificate	Effectiveness	99.8%	100%	99.93%		100%	Four properties were overdue for inspection at the year-end. This included two that were not occupied.
% properties with a valid Fire Risk Assessment (TSM)	Effectiveness	100%	100%	100%		100%	Full compliance achieved
% of homes rated EPC C or above	Effectiveness			66.5%	-	69%	New measure for 2023 as we aim for 100% of homes where possible to be rated EPC C by 2030.

Performance Measure (New homes)	Measure of:	2021/22 Actual	2022/23 Target	2022/23 Actual	RAG Status	2023/24 Target	Notes
Starts on site	Effectiveness	None	88	88		47	Number of starts achieved target. The forty-seven for 2023-24 is our financial plan target for new starts.
New homes completed or acquired	Effectiveness	7	50	50		Nil	Fifty homes completed in line with target. Next completions not due until 2024-25.
Strategic land and property acquisitions	Effectiveness	2	10	2		10	Opportunities to acquire suitable existing properties in and around our operating area were limited.
% Tenant satisfaction with new build	Effectiveness	100%	90%	98%		90%	Delighted to report 98% tenant satisfaction from tenants moving into our new homes.
Value of development schemes in the pipeline	Economy					£20m	New measure for 2023
In year planning approvals obtained	Effectiveness					4	New measure for 2023

The core objectives and local success measures for this priority are:

Priority	Success Measure	Timescale
We will invest £110 million into our existing homes, including energy efficiency measures and develop our roadmap to zero carbon	We will invest £55 million by 2028, increasing this to £110 million by 2033.	2028
	100% of our homes will meet the Decent Homes Standard.	2024
	We will have installed sensory technology/IOT devices into at least 30% of our homes	2026
	30% of our existing homes will have improved affordable warmth.	2026
	100% of our homes will achieve Energy Performance Certificate C	2030

STRATEGIC REPORT

Priority	Success Measure	Timescale
We will work with customers, contractors and frontline staff to develop new standards for repairs and maintenance of our homes	We will have completed stock condition surveys on 100% of our homes	2023
	More than 80% of our customers will be satisfied that their homes are well maintained	2024
	More than 80%* of our customers will be satisfied that their homes are safe and that their communal areas are clean and well maintained	2024
	A property portfolio dashboard will be accessible to all customers so our investment activities and plans can be viewed	2025
We will build over 1,000 new affordable homes by 2033	We will invest £189 million into new homes and remodeling of existing estates to improve thermal comfort, affordability and customer satisfaction.	2028
	A Cobalt design standard for all our new homes will produce 75-80% less carbon emissions.	2028
	We will have created well-managed green spaces, creating places to help people improve their physical and mental well-being	2028
We will diversify our housing offer, providing homes for sale, shared ownership and rent to buy, and specialist housing for older people	We will have secured additional development opportunities outside our core neighbourhoods	2024
	Around 30% of our new homes will be built on an intermediate tenure basis.	2028

Support thriving communities

Our wider investment in community support and development will be closely aligned to what our communities tell us their needs are, and what we know will make the most positive impact on their lives.

The key performance indicators agreed for 2023-24 for this priority are:

Performance Measure	Measure of:	2021/22 Actual	2022/23 Target	2022/23 Actual	RAG Status	2023/24 Target	Notes
Number of tenants supported into employment opportunities	Effectiveness	14	15	116		150	We were able to support many more tenants into employment opportunities.
Number of tenants supported into training opportunities	Effectiveness	125	125	148		175	We were able to support many more tenants into training opportunities.
Amount of additional welfare benefit awarded to tenants	Effectiveness	£1.5m	£1.2m	£1.5m		£1.3m	We secured significant additional benefit awards for our tenants during the year.
% of new tenancies sustained beyond 12 months	Effectiveness	93.9%	95%	90.5%		95%	Tenancy sustainability reduced slightly over the last 12 months. A new role of Tenancy Wellbeing Officer has been introduced to improve things.
%age spend with businesses based in Liverpool City Region	Local Economy	52%	50%	72%		>50%	Our spending power can make a positive contribution to the local economy.

The core objectives and local success measures for this priority are:

Priority	Success Measure	Timescale
We will be supporting financial inclusion and opportunities to work in our neighbourhoods	We will launch our Neighbourhoods/Financial Inclusion Strategy to deliver improved outcomes for our customer and communities	2025
We will work with our customers to develop and deliver new neighbourhood plans to use as a framework for new projects and investments in each area	Our Neighbourhood Plans will be launched and published	2023
	We will publish the social value benefits delivered into our communities by our suppliers and contractors.	2024
We will develop and enhance our key partnerships with external organisations to maximise the impact of our services for our customers	We will develop a staff volunteering skill bank and increase the number of volunteering days by 20%.	2024
	We will refine our Good Help Hub offer with established service offers from our new community hub	2024

STRATEGIC REPORT

Priority	Success Measure	Timescale
We will ensure that we maximise the added social value benefits from our suppliers and contracts to make a real difference in our communities	At least 80% of our customers are satisfied that we make a positive contribution to their neighbourhoods	2024
	We will create a new Social Value Policy	2025
	We will win at least three grants worth at least £30,000 each in areas identified as priorities in the Corporate Plan	2026

Successful delivery of our Corporate Plan is based on the creation of an environment where we attract, retain and support talented people who share our values, and who are in turn valued and supported.

The key performance indicators agreed for 2023-24 for this priority are:

Performance Measure	Measure of:	2021/22 Actual	2022/23 Target	2022/23 Actual	RAG Status	2023/24 Target	Notes
Health and safety breaches (including RIDDOR)	Effectiveness	2	None	5	☹	None	There were 5 RIDDOR Reportable incidents, 2 for injuries and 3 for Gas incidents. All were investigated to prevent re-occurrence.
Working days lost to sickness	Efficiency	10.4	7	6.5	☺	7	Significant reduction in instances of long-term sickness absences has been achieved.
Investors in People accreditation	Effectiveness	Silver	Silver	Silver	☺	Silver	Silver accreditation was maintained.
% employees paid (at least) the real living wage	Economy	-	-	100%	☺	95%	Cobalt pays all its employees, excluding apprentices, in excess of the real living wage.
Median gender pay gap	Economy	Nil	-	Nil	☺	No gap	There is no median pay gap within Cobalt.

The core objectives and local success measures for this priority are:

Priority	Success Measure	Timescale
We will increase the number of apprenticeships, trainees and entry level opportunities at Cobalt	A range of apprenticeships and entry level positions will be available each year.	2024
We will develop a talent management framework, with training academies and coaching and mentoring programmes	We will deliver coaching/mentoring programmes for improving career and personal development.	2024
	Reduced staff turnover in key roles	2024
We will enable staff to work with agility, helping them to work out in community locations and customer homes to maximise our efficiency.	Mobile devices with remote access for customer facing staff will drive improvements in how we work	2024
We will develop a new performance management framework for colleagues, with clear targets for everyone.	Clear performance expectations and accountability for all staff	2024
	A new behaviors framework that supports our new values will be in place	2024

STRATEGIC REPORT

The Operating Environment and Future Prospects

Cobalt's business fundamentals are strong with significant capacity to deliver future investment in growth and regeneration. Its homes and neighbourhoods remain popular with demand for its homes outstripping the supply. The majority of those taking up a new tenancy, choose to stay and overall tenancy turnover is low at c. 5% a year.

At local authority level, Liverpool City Council continues to rebuild its organisation and finances post the Caller Report publication in 2021. The Liverpool City Region Combined Authority has started developing its role in delivering some significant infrastructure funding and projects.

Our neighbourhoods have transformed since 2003. Alongside our investment, the area has benefited from new commercial and retail investment and several hundred new private homes for sale and rent. Despite this, our communities face multiple inequalities and barriers to success.

Sector

The affordable housing sector is undergoing a period of change and is under some increased scrutiny due to some high-profile failings. The Regulator for Social Housing will be implementing its Social Housing Regulation Bill from April 2023, and the National Housing Federation and Chartered Institute of Housing joint review of the Sector "the Better Social Housing Review" pointed to a need for the sector to refocus its priorities on ensuring basic services are met and the customer voice is heard.

Cost of living crisis

Many of our customers are dealing with significant hardship as economic conditions impact on people's ability to afford basic utilities and food. High inflation and supply chain shortages are impacting on all organisations' ability to maintain investment and services, in public sector services and in the private sector.

Despite these pressures on family finances, our rent collection and arrears rates have been maintained over the past twelve months. For planning purposes, we have provided for an increase in rent arrears. We will do everything possible to support our communities and we have made increased provision over the next three years for investment into community support initiatives.

Producer prices inflation

Cobalt is also impacted by rising prices with many contracts linked to increases in CPI. Regulated rents have risen by less than CPI in five of the last nine years, putting pressure on the finances of the social housing sector. It is expected that the rate of increase in process will reduce in the coming months, however unless prices actually fall the ongoing cost pressures will remain.

Rent setting

The current rent setting regime allows for rent increases of up to CPI (consumer prices index) + 1% until 2024-25. Cobalt's social housing rents increased by 4.1% in April 2022 and by 7.0% in April 2023. CPI is expected to fall in 2023, but at a slower rate than originally expected. Our plans assume that inflation will still be above 6% by September 2023, and that rents will rise by 7% in 2024.

The rent settlement for 2025 and beyond has yet to be announced. Increases above CPI from 2025-26 may continue, however our financial plans do not rely upon this.

Our homes

Our homes are well-maintained and have needed comparatively little re-investment in recent years. Many of the property components installed in the years immediately after stock transfer in 2003, are becoming due for a second renewal. Keeping our homes well maintained and fit for the future is a key responsibility and our financial plans identify the funding necessary to achieve this.

There is uncertainty regarding the scale and timing of future investment into improving the energy efficiency of our homes. Over time we anticipate that Government policy, technology and potential funding streams will continue to develop. Additional "extra-over" costs associated with decarbonisation have been included within our financial plans with spend expected to increase in the coming years. The board recognises that our development ambitions may need to flex as the level of investment required is quantified.

We have no high-rise homes and so do not face the same challenges as other landlords over building health and safety remediation.

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New homes

We ended 2022-23 with cash and short-term investments of £53.9m and an undrawn loan facility of £5m. This provides the majority of the funding needed to fund our plans to develop new homes for the next four years. The board has ambitious plans to utilise these funds to grow the business. Our financial plans are based upon 1,000 unit starts by 2030 including homes for rent and for low-cost home ownership.

There is grant available through Homes England to support social housing for sale and for rent. Our development plans are predicated on grant being available to part fund the cost. Should funding not be available, then alternative tenures and reduced development levels would result. The delivery of affordable and social rented homes in our core neighbourhoods will continue to be a focus for Cobalt, ensuring that we strive to meet the demand for this tenure as one of our key products.

Home ownership and rent to buy.

Our new Corporate Plan recognises the importance of alternative forms of tenure and providing choice and options for a wider customer base including first time buyers and those struggling to secure a home on the private rental market. Home ownership will therefore be an integral part of our future development strategy.

Through discussions with our tenants and Board as part of our revised Corporate Plan, new homes will be delivered outside of core Cobalt neighbourhoods across the Liverpool City Region so as to add financial resilience to our business plan.

We see continued demand from tenants who quality for the Right to Buy or Right to Acquire their home, selling 59 properties to tenants in the past year. We expect this level to reduce to c.42 units per year. It has been Government policy to extend the Right to Buy to all social housing tenants for several years and this commitment was renewed in 2022. We await details on how the final scheme will operate and how the discounts will be paid for.

Risk and uncertainty

Effective risk management is vital to the success of the Association. Our approach to mitigating risks and maximising opportunities is aligned to our business activities and supports the achievement of our strategic objectives. Our strategic risk register is kept under constant review and at the time of publishing identifies thirteen strategic risks as described below:

Strategic Risk	Risk Score (1-25)	Key Management and Mitigation
Development and Regeneration Failure to deliver the approved development programme, including replacement homes sold under the new Right to Buy, to time, standard or within budget, in order to deliver our strategic plan.	16	A full suite of sub-risks has been developed to deliver our strategic investment and growth plan, using the PESTEL methodology. Detailed financial appraisal and risk management review are conducted for all schemes prior to formal approval process.
Economic Conditions/Financial Crisis Adverse macroeconomic circumstances that may result in significant loss of income, increase in costs or our failure to achieve corporate objectives.	16	Significant degree of headroom maintained to contend with possible financial shocks or deterioration in the macro-economic climate. Financial plan stress tested for the impacts of a range of adverse scenarios and modelled the impact of real terms reductions in net cash flows.
Asset Management Inadequate asset management leads to a decline in stock condition and or a failure to maximise our return on assets.	16	Business plan resources and property improvement plans are linked to detailed knowledge of our stock and its stock condition needs.
Environmental and Zero Carbon Challenge Failure to meet emerging environmental and zero carbon challenges in line with sector standards	16	There is a range of activity to ensure our asset management and new homes programme will satisfy Environmental, Health and Safety and new emerging regulatory and consumer/ tenant standards. Other areas covered and initiatives in place consider the environmental impact on a wide range of our business activity e.g. staff WFH/agile working and travel arrangements, ICT developments, the procurement of and appointment of environmentally focused contractors and suppliers and Cobalt business/office buildings energy efficiency/carbon footprint.
Customer Expectations and Service Service delivery does not meet customers' needs, expectations or service standards	16	We manage customer expectations, experience and service as a wider response to the new Consumer Standards. There are extensive mechanisms in place for customer engagement to ensure we keep pace with changing

STRATEGIC REPORT

Strategic Risk	Risk Score (1-25)	Key Management and Mitigation
		customer requirements and legal and regulatory standards. We focus our activities on the delivery of our Customer Voice Strategy and link to Tenant Satisfaction Measures, transactional surveys, feedback and complaints, with customer insight used to inform decisions and improvements to service offer.
ICT Service Provision ICT service provision is not developed, maintained or sufficiently resilient resulting in core service activity not being provided to the required standard, quality or timescale	16	Delivery of core ICT services is currently outsourced under a formal service level agreement. Regular steering group and programme board meetings discuss performance, project delivery and direction of travel. A business/project plan to bring ICT service in-house to improve operational efficiency and improve digital services is currently underway and this is reflected in the risk score rating.
Reputational Management Failure to manage increased reputational scrutiny of key stakeholders	16	Social Media Policy in place and all key Stakeholder communications are managed, measured and controlled via Executive Management Team. We share regular daily messages around positive business activity across digital channels, reinforced by print communications (rent statements/newsletter), and are working with teams to put out relevant messages and communications on all platforms.
Government Policies Changes to social housing and welfare policies impact upon our asset base, our income and our tenants' ability to pay.	12	We are fully conversant with Government policies and proposals and these are kept under review, along with emerging sector standards. We have effective income management processes with robust performance monitoring in place. A specialist welfare and benefits advice team support those tenants most at risk.
Data and Records Quality, integrity, protection and appropriate governance of data failure, may result in fines, claims and reputational damage.	12	Data protection policies and procedures in place with regular staff training and awareness campaigns. Robust cyber-security arrangements are in place and regularly tested. An email security software solution is in place to further mitigate potential breaches and phishing attempts.
Health & Safety Failure to comply with legislation results in death, serious injury, regulatory investigation and penalties.	12	Robust health and safety procedures with appropriately trained staff. Annual risk assessments undertaken with all areas of the business. ICT systems enhanced to automatically report on landlord compliance obligations and performance.
Financial Viability Ineffective financial planning and management results in a failure or inability to react to adverse financial events and a breach of loan covenant.	10	Robust approach to and governance of budget setting and financial planning. Multivariate stress testing ensures adequate headroom against agreed financial golden rules. Robust Treasury Management Policy and Procedures limit our exposure to refinancing and liquidity risks.
People and Culture to deliver Corporate Plan Failure to attract, retain or motivate staff has an adverse impact on people, culture and related performance and ability to deliver Corporate Plan	9	Suitably qualified in-house HR function in place. Detailed and comprehensive support package in place for all staff, with hybrid office and agile/remote working arrangements now forming part of the standard business model operating arrangements.
Governance Ineffective governance leads to noncompliance with regulatory requirements, inappropriate decision making and a failure to achieve corporate objectives.	6	A skills-based Board and Committee Structure supported by an experienced and qualified Executive Management Team and Company Secretary. Governance Framework sets out clear roles, responsibilities and requirements. Skills, capacity and systems in place to meet all regulatory standards.

STRATEGIC REPORT

Financial and Operating Review

The Association achieved an operating surplus of £9.4m (2022 £10.6m). Net interest charges turned positive in the year as we earned more interest on deposits than we paid on borrowing. These charges resulted in a surplus on ordinary activities for the year of £9.7m (2022 £9.9m surplus).

Statement of Comprehensive Income	Group 2023 £'m	Association 2023 £m	Group 2022 £'m	Association 2022 £m
Turnover	29.1	29.2	28.1	28.1
Operating costs	(22.3)	(22.4)	(20.2)	(20.3)
Gain on disposal of housing properties	2.6	2.6	2.8	2.8
Operating surplus	**9.4**	**9.4**	**10.7**	**10.6**
Net interest charges	0.2	0.3	(0.7)	(0.7)
Surplus/(Deficit) for the year	**9.6**	**9.7**	**10.0**	**9.9**

Turnover:

Turnover increased by £1.0m (3.7%) to £29.1m (2022 £28.1m). Our underlying income from rents increased by 3.7% with average rents per property increasing by 4.1% offset by fewer homes in management and an increase in void losses.

Operating Costs:

Operating costs increased by £2.1m (10.4%) to £22.4m (2022 £20.3m). The main factors behind this increase were an increase in the cost of property repairs and increase in uncapitalised development activity and increased investment in community support.

Gain on disposal of housing properties

The gain on the disposal of homes reduced by £0.1m as 62 homes were sold in the year (2022: 66 sales). See note 4 for more details.

Interest Receivable and Payable

Interest receivable on short-term investments and deposits increased to £1.0m (2022 £41k) as interest rates rose during the year. Interest payable increased to £0.7m (2022 £0.6m).

STRATEGIC REPORT

Five-year financial highlights - Association

Statement of Comprehensive Income	**2019 £'m**	**2020 £'m**	**2021 £'m**	**2022 £'m**	**2023 £'m**
Turnover	27.5	27.2	27.7	28.1	**29.2**
Cost of sales	-	-	-	-	-
Operating costs	(21.0)	(20.3)	(21.1)	(20.3)	**(22.4)**
Gain (loss) on disposal of housing properties	1.5	1.5	1.1	2.8	**2.6**
Operating surplus	8.0	8.4	7.7	10.6	**9.4**
Net interest (charge)/income	(2.0)	(2.1)	(8.1)	(0.7)	**0.3**
Surplus on disposal of assets	-	-	-	-	-
Surplus for the year	6.0	6.3	(0.4)	9.9	**9.7**

Statement of Financial Position	**2019 £'m**	**2020 £'m**	**2021 £'m**	**2022 £'m**	**2023 £'m**
Fixed assets at cost less depreciation	150.3	147.2	143.8	146.1	**143.4**
Net current assets/(liabilities)	20.2	24.6	3.7	39.2	**51.1**
Pension asset	-	0.6	0.4	-	-
Total assets less current liabilities	170.5	172.4	147.9	185.3	**194.5**
Creditors due after more than one year	(72.5)	(65.7)	(44.2)	(70.2)	**(69.9)**
Total Net Assets	98.0	106.7	103.7	115.1	**124.6**
Reserves	98.0	106.7	103.7	115.1	**124.6**

Treasury and Funding	**2019**	**2020**	**2021**	**2022**	**2023**
Borrowing outstanding	£30.0m	£25.0m	-	£25.0m	**£25.0m**
Cash and equivalents	£22.2m	£22.1m	£6.3m	£32.3m	**£44.8m**
Net debt/(cash)	£7.8m	£2.9m	(£6.3m)	(£7.3m)	**(£19.8m)**
Debt per unit owned	£5.0k	£4.2k	-	£4.3k	**£4.3k**
Net debt/(cash) per unit owned	£1.3k	£0.5k	(£1.1k)	(£1.2k)	**(£3.4k)**

STRATEGIC REPORT

Treasury and funding review

The Association defines its treasury management activities as the management of the Association's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Association regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on their risk implications for the Association.

The Association acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Board of Management sets annual targets/parameters for its treasury management operations including:

- A limit on exposure to variable interest rates, currently 40%
- Use of derivative instruments
- Approved sources of borrowing and investment

Treasury Position – Cash Flows, Funding and Liquidity

The Association is financed by a combination of retained reserves, long-term loan facilities and project specific grants that part fund the acquisition and development of new homes.

The net cash inflow from operating activities reduced by 15% to £14.3m in 2022-23 (2022 £16.8m). This operating cash inflow funded all the Association's investing activities in the year.

There were no changes to the Association's borrowing in the year. Total borrowing remained at £25m, at a fixed interest rate until repayment in 2054.

Total borrowing is repayable in instalments as follows:	2022 £'000	2023 £'000
Within one year or on demand	-	-
One year or more but less than two years	-	-
Two years or more but less than five years	-	-
Five years or more	25.0	25.0
Total Borrowing	**25.0**	**25.0**

The Association had closing cash and equivalents (maturing within 90 days) of £44.8m and short-term deposits (maturing within 365 days) of £9.0m. All cash deposits and investments are time limited and restricted to institutions or money market funds that meet prudent counterparty credit criteria.

Year ended 31st March	2022 £'m	2023 £'m
Borrowing outstanding	25.0	25.0
Cash and equivalents	(32.3)	(44.8)
Short-term investments (95-day notice account)	(9.0)	(9.0)
Net indebtedness (borrowing less cash and short-term investments)	**(16.3)**	**(28.8)**

At the 31st March 2023, the Association had access to committed, secured and fully drawable revolving credit loan facilities of £5.0m. The cash and short-term investments and undrawn facilities are sufficient to fund the Association's projected spending plans until 2026.

Interest rate risk

At the 31st March 2023, 100% of the Association's borrowing was at fixed rates of interest.

STRATEGIC REPORT
VALUE FOR MONEY

Our Value for Money Strategy

We are here to deliver the best possible outcomes for our tenants and communities from the resources we have available. Our ambition is to deliver the highest quality of customer services possible, and incorporate value for money in its widest sense, and continuous improvement throughout all our corporate priorities.

VFM is an ongoing process where there will always be more that can be achieved and where changing circumstances need to be accommodated and adapted to. We have defined VFM as:

"Making the most of all the resources we have available to optimise the delivery of our corporate objectives."

At its core it is about Cobalt being a well-run effective social business. It is having a clear understanding of what we are here to achieve and then continually re-engineering our business so that we optimise delivery and achieve our vision to be:

"A successful, high performing, innovative and ethical social business that makes the most of all its assets to deliver lasting social value."

This is clearly about much more than costs and, in this report, we utilise a range of VfM and performance metrics to describe the relationship between:

Operating Costs
A competitive and affordable cost base improves our financial health and our capacity to deliver investment into both new and existing homes.

+

Operating efficiency
Optimising the income from our homes (consistent with our social purpose) through effective lettings and management.

=

Financial returns
Low operating costs and strong performance will result in improved financial health and higher returns on our assets.

→

Investment capacity
Strong financial health provides increased capacity to develop new homes as well as meeting the long-term investment needs of existing stock.

Social outcomes
Our costs and performance must be commensurate with achieving our wider long-term corporate objectives. Short term savings cannot be at the expense of long-term viability, poor services or deteriorating homes.

Our VfM Ethos

Value is not the same as cost. We are not here to minimise costs in order to simply increase our "profitability" or to improve our VfM metrics. Our focus on efficiencies is about releasing resources to allow us to do more of the things that our tenants and residents value.

Our VfM Journey

Cobalt has a well-established track record of delivering quality services and well-maintained homes from a competitive cost base. Over the past five years our overall costs per unit have remained amongst the lowest of our peers.

During this period, we have built up significant cash and short-term investments as we seek to identify suitable opportunities to develop new homes. Our development programme is building up and in 2022-23 we completed our first major development scheme of 57 new build homes since demerger. We also started on site with an 88-unit scheme due to complete in 2024-25.

Over the next five years we are significantly increasing our investment across a range of fronts:

1. An increase in asset management reinvestment and energy efficiency
2. Scaling up our development and regeneration activity to achieve 1,000 completions by 2033
3. Investment in modern IT and digital services
4. Investment in community initiatives and support

STRATEGIC REPORT
VALUE FOR MONEY

Operational Efficiency

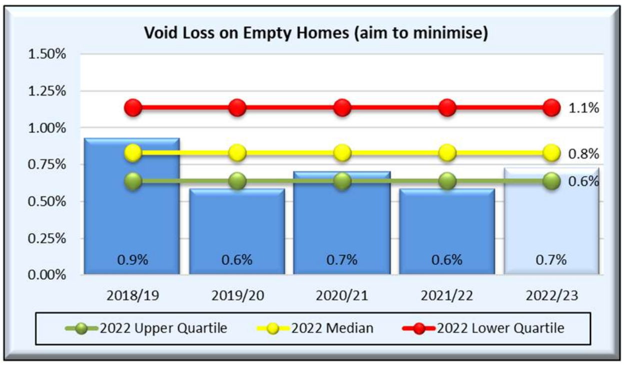
The Board is pleased to provide details in relation to our key operational housing management performance. These reflect the type of indicators that the Executive Management Team and Board regularly review to ensure the Association is operating efficiently.

The income deprivation in our neighbourhoods and communities presents a challenge to collecting rents, but we are pleased to report positive performance in the year.

Void Losses

The rental income lost while homes were unoccupied increased from 0.6% to 0.7%. This is above our own internal target of 0.5% but better than median performance within our peer group.

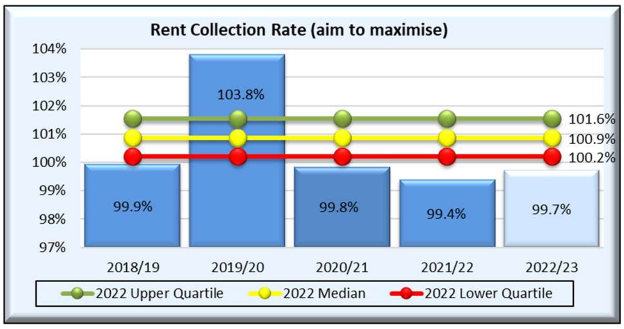
Letting homes quickly and sustainably is the key to optimising our income and minimising the impact that homes standing empty can have on communities.



Rent Collection

Our rent collection performance was maintained at close to 100%, despite the impact on our tenants of the cost of living crisis. Our peers report performance of c.100%.

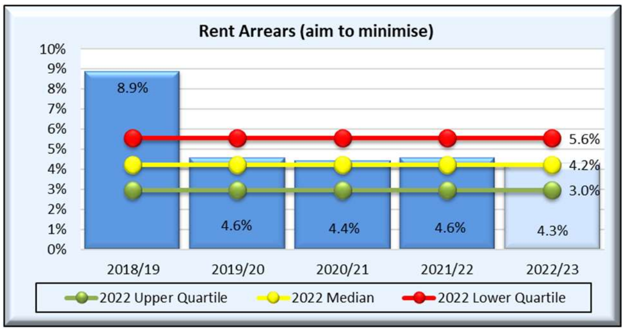
The roll out of Universal Credit to our tenants remains a risk and we proactively support those who most need help with their finances as they transition.



Rent Arrears

Current tenant arrears reduced from 4.6% to 4.3% of the rent roll in 2022-23. This is close to the median position with our peer group.

This improvement is a very positive outcome in light of the cost of living challenges facing many who live in our homes.



Peer Group Comparators

For the operational performance measures the peer group median and quartiles shown above are sourced from Housemark and include all Northwest based housing providers who reported results for General Needs housing for year ended 31st March 2022.

For the seven regulatory VfM metrics overleaf, the peer group results have been sourced from the 2022 VfM Metrics data published by the Regulator of Social Housing. We have selected organisations that meet the following criteria:

1. Northwest based, large scale voluntary organisations more than 12 years old
2. Between 3,000 and 8,000 units of which less than 25% are designated for supported housing or older people

The resultant peer group comprises nine other organisations. These are:

Calico Homes Limited, Castles and Coasts Housing Association, Cheshire Peaks and Plains Housing Trust, Community Gateway Association Limited, Halton Housing, Irwell Valley Housing Association Limited, South Liverpool Homes, Southway Housing Trust (Manchester) Limited and Weaver Vale Housing Trust Limited.

STRATEGIC REPORT

VALUE FOR MONEY

Regulatory Value for Money (VfM) Metrics at a glance

A summary of the Association's performance against the required regulatory VfM metrics is set out below:

No.	Metric	Backward Look			Current Performance			Forward Look				Summary Narrative
		2020-21 Cobalt Actual	2021-22 Cobalt Actual	2021-22 NW Peer Group Avg	2022-23 Cobalt Target	2022-23 Cobalt Forecast	2022-23 Quartile Ranking*	2023-24 Year 1	2024-25 Year 2	2025-26 Year 3	VfM Ambition	
1	Reinvestment %	2.6%	5.5%	9.6%	8.4%	2.8%	Bottom	11.4%	22.2%	19.5%	N/a	Our reinvestment % in 2022-23 was lower than target as a key development scheme started later in the year. Our projected development and stock condition spend will see us more from the bottom quartile to the top quartile over the coming years.
2A	New supply delivered % (social housing units)	0.0%	0.1%	0.9%	0.9%	0.9%	Median	0.0%	1.3%	1.1%	1,000 completions by 2030	Fifty new homes were completed in 2022-23 taking the total completions against our 1,000 target to fifty-seven. Construction started on a further eighty-eight with the next completions due in 2024-25.
2B	New supply delivered % (non-social housing units)	0.0%	0.0%	0.0%	0.0%	0.0%	Median	0.0%	0.0%	0.2%	N/a	No new non-social units have been delivered in 2022-23. A small number of non-social homes are projected to complete in 2025-26 as part of a wider regeneration scheme.
3	Gearing %	-4.8%	-2.8%	45.7%	-3.0%	-11.8%	Bottom	-9.2%	-1.7%	7.6%	Below 40%	Our gearing is negative because cash and equivalents exceed the value of our debt. As our cash balances are used to pay for development and stock reinvestment, our gearing will increase and become positive in 2025-26.
4	EBITDA MRI Interest Cover %	136%	1407%	171%	972%	1313%	Top	508%	148%	168%	Above 150%	Our interest cover levels are currently very high as we have comparatively low levels of debt and low unit costs. Cover will reduce markedly over the next three years as we reinvest much more of income back into our homes and communities.
5	Headline social housing cost per unit (at 2022-23 prices)	£3,208	£3,103	£3,942	£3,634	£3,369	Bottom	£4,769	£5,172	£5,110	Competitive costs vs outcomes.	Our headline costs per unit for 2022-23 remained in the lowest 25% of our peers. Over the next three years our unit costs will increase signficantly as we invest in technology, stock condition, energy efficiency and estate regeneration.
6A	Operating margin on social housing lettings %	26.7%	31.9%	25.4%	28.3%	28.0%	Second	20.3%	23.1%	24.3%	25.0%	Our operating margin on social housing lettings remained in the top quartile for 2022-23. Over the next three years we expect to move closer to our 25% target.
6B	Operating margin overall %	23.8%	27.7%	24.4%	22.6%	23.0%	Third	12.7%	13.8%	15.2%	20.0%	Our overall operating margin also exceeded the target for 2022-23. Reflecting financial pressures on the sector, our 2023 financial plan includes increased investment in services, property and technology and the target operating margin has been reduced from 25% to 20%.
7	Return on capital employed	5.2%	5.7%	3.8%	4.2%	4.8%	Second	2.9%	3.0%	3.2%	3.5%	Our return on capaital employed was in the top quartile for 2022-23. Over the next three years the projected returns will be lower as our operating costs will be higher.

* Estimated quartile ranking based on 2021-22 Peer Group results.

STRATEGIC REPORT

VALUE FOR MONEY

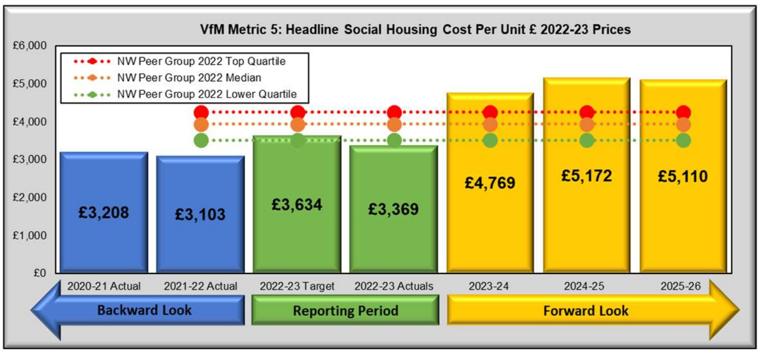
OUR OPERATING COSTS

We are pleased to report that our operating costs are affordable and competitive and remained well within the lowest 25% within the sector.

Headline Social Housing Cost per Unit

Our total cost per unit last year of £3,369 was 7% below target and predicted to maintain our ranking within the lowest spending quartile in our peer group.

Our costs are projected to increase dramatically in real terms in the coming years due to much higher levels of stock condition reinvestment and estate regeneration activity.



Key Component Cost Analysis

Our headline social housing unit cost is analysed into its component parts in the table below. The only areas where our spend was higher than the projected peer group average was "other costs". In our role as community catalyst, we invest more than many of our peers into on the delivery of services beyond our core landlord responsibilities, supporting individuals and communities to thrive.

Social Housing Cost Per Unit 2022-23 Prices	Total	Management	Service Charges	Routine Repairs	Planned Repairs	Major Repairs	Other
2022-23 Actuals	£3,369	£1,099	£44	£802	£206	£653	£565
2022-23 Predicted Quartile	First	Second	First	Second	First	First	Fourth
NW Peers Lowest 25% (2022 plus CPI)	£3,516*	£975	£151	£736	£266	£654	£121
NW Peers Median (2022 plus CPI)	£3,942*	£1,283	£235	£845	£298	£871	£202

*The quartiles for each cost category do not add across as organisations are not in the same quartile for each.

Future Projections

Over the next three years, we project that our overall unit costs will increase by circa 50% in real terms. The main areas of increase reflect a higher level of reinvestment into our existing homes and our plans for estate regeneration.

Social Housing Cost Per Unit 2022-23 Prices	Total	Management	Service Charges	Routine Repairs	Planned Repairs	Major Repairs	Other
2023-24 Projections	£4,769	£1,295	£60	£803	£285	£1,653	£673
2024-25 Projections	£5,172	£1,318	£61	£807	£242	£1,982	£762
2025-26 Projections	£5,110	£1,235	£63	£812	£242	£2,012	£746
Real terms 3-year change from 2022-23	+51.7%	+12.4%	+43.2%	+1.2%	+17.5%	+208%	+32.0%

STRATEGIC REPORT

VALUE FOR MONEY

OUR OPERATING MARGINS AND RETURN ON CAPITAL EMPLOYED

We are pleased to report that our operating margins reduced by less than expected in 2022-23. Looking ahead, our margins will be significantly lower over the next three years as we increase our investment in property maintenance spending, community support activities and estate regeneration.

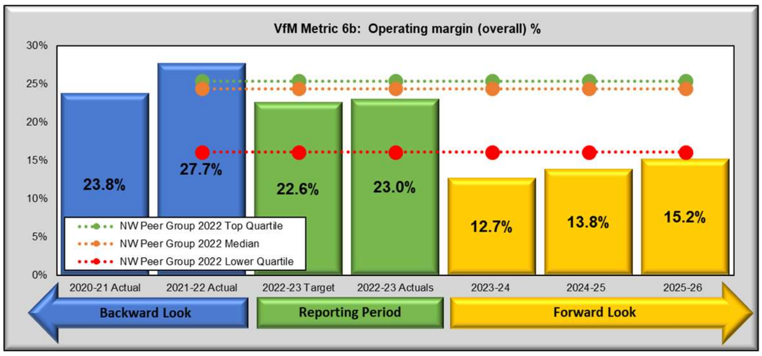
Operating Margin Overall

Our overall operating margin reduced from 27.7% to 23.0% (third quartile within our peer group).

Performance was ahead of target with additional repair costs in the year offset by spending reductions and efficiency elsewhere.

Over the next three years, we project lower margins as we increase investment into technology and digital services, community support and estate regeneration.

The Board's long-term ambition is to achieve and maintain an overall operating margin of 20%.

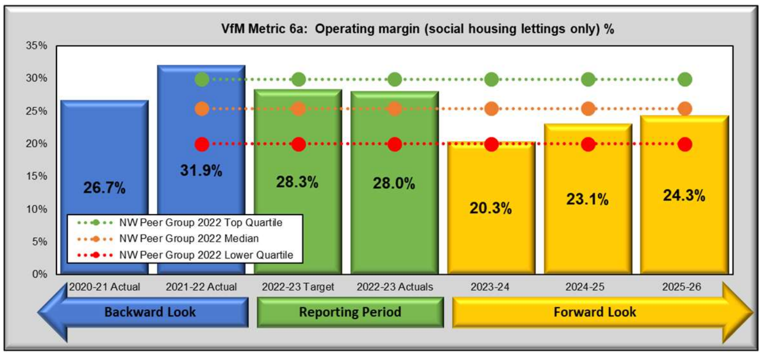


Operating Margin on Social Housing Lettings

Our margin on social housing lettings reduced from 31.9% to 28.0% (second quartile within our peer group).

This performance was broadly in-line with our target for the year.

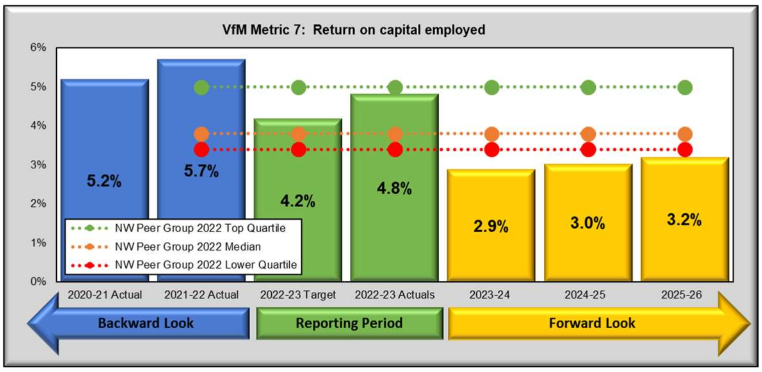
For 2023-24 we expect a further reduction in margin to 20%. This is followed by a gradual recovery towards the Board's target margin of 25%.



Return on Capital Employed

Our return on capital employed reduced from 5.7% to 4.8% in 2022-23 (second quartile within our peer group).

Over the next three years the return will fall to c. 2.9% to 3.2%. This is below the Board's ambition to achieve returns of 3.5% but reflects our plans for increased property works, community support and estate regeneration.



STRATEGIC REPORT

VALUE FOR MONEY

INVESTMENT AND SUPPLY

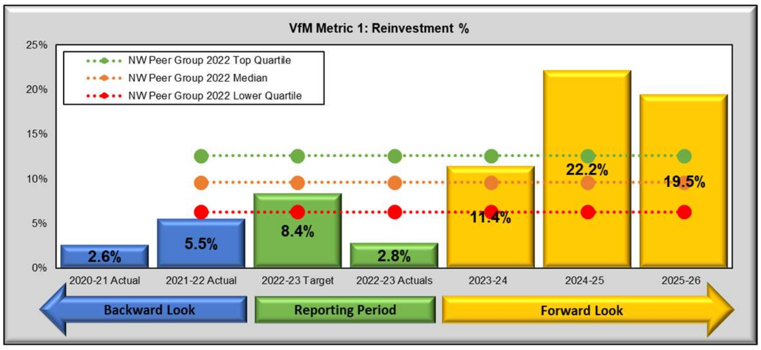
The focus for development of new homes in recent years has been to build a pipeline, as well as progress sites in our core neighbourhoods. In terms of new build, the team has successfully completed schemes at Altbridge (57 homes), Silverdale (18 homes), and Carr Lane East (10 homes) as part of the delivery programme. The revised Corporate Plan instigates a period of growth for Cobalt which will see a significant increase in new build and regeneration projects, developing 1,000 homes in the coming years.

Cobalt is also coming to the end of a period when our existing homes have needed comparatively little renewal and improvement works. A number of property components renewed after transfer are also coming to the end of their useful life and are programmed for replacement. In the next three years a number of major re-investment and de-carbonisation schemes in the pipeline are expected to start on site.

Reinvestment %

Reinvestment will increase dramatically over the next three years, moving from third quartile to top quartile

This reflects both increased development of new homes and increased re-investment into our existing homes.

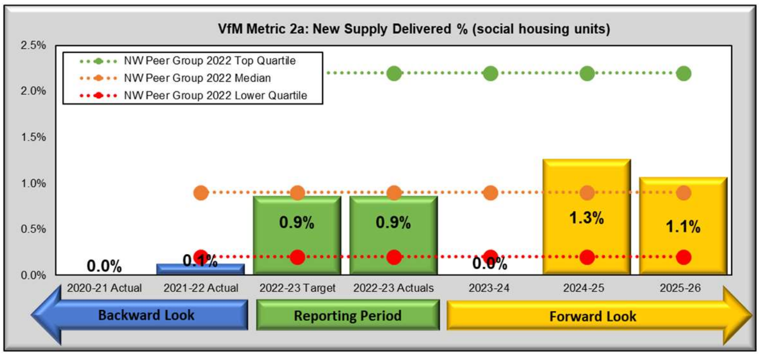


New Supply Delivered: Social Housing

Fifty new homes were completed in 2022-23 as planned.

A further eighty-eight units were on-site at March 2023. A number of other schemes are being progressed and there is a potential pipeline of circa 250 homes established on sites across the wider Liverpool City Region.

The next unit completions are expected in 2024-25.



New Supply Delivered: Non -social housing

Our core purpose is the provision of social housing. We have a small portfolio of non-social housing (nine properties let at open market rents). We have not added any new non-social housing in recent years. As part of the emerging development strategy, Cobalt will consider the delivery of non-social housing only where it adds to our financial resilience as a business or enhances our offer in core neighbourhoods/provides a competitive return on the investment.

STRATEGIC REPORT

VALUE FOR MONEY

Development and Growth Plans

Growth is a key corporate ambition and our target is to complete 1,000 new units by 2033. To deliver this programme, we expect to invest £120.9m building and acquiring new homes over the next five years. After assumed grant support of £29.5m and sales proceeds from shared ownership of £5.2m, our net investment will be £86.2m before inflation.

	Unit Starts					Development Pipeline Resources (2023 Prices)				
Year	Gen Needs Affordable Rent	Shared Own'ship	Rent to Homebuy	Non-Social (No grant)	Total	Capital Cost £m	Revenue XS £m	Grant £m	Sales Proceeds £m	Net Cost £m
2023-24 Budget	20	15	12	-	**47**	8.1	0.5	(3.2)	0.0	**5.4**
2024-25	70	25	40	-	**135**	27.0	0.5	(5.6)	(0.5)	**21.3**
2025-26	49	20	27	37	**133**	26.8	1.3	(6.4)	(1.2)	**20.5**
2026-27	70	25	40	-	**135**	26.4	1.7	(6.7)	(2.0)	**19.4**
2027-28	70	25	40	-	**135**	28.5	0.2	(7.6)	(1.6)	**19.6**
Five Year Plan	**279**	**110**	**159**	**37**	**585**	**116.8**	**4.1**	**(29.5)**	**(5.2)**	**86.2**

Specific schemes have yet to be identified for all this projected activity. The final tenure mix and resource requirement is therefore subject to change. Other tenures will be considered where they improve the property mix or scheme viability.

Stock Condition and Future Investment Plans

Cobalt is committed to ensuring that its homes get the investment needed to keep them in good condition. As components now approach the end of their life cycle, we are investing £110m over the next ten years on elemental renewals and energy efficiency work to see Cobalt stock reach SAP band C.

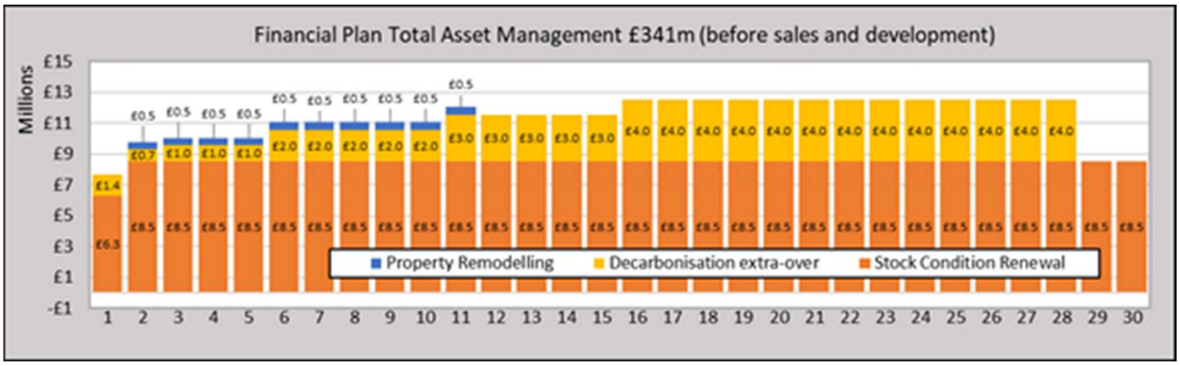
By the end of 2023 we will have collected 100% stock condition and HHSRS (Housing Health and Safety Rating System) data within the last three years (subject to access). We are committed to identifying the resources necessary to maintain our stock over the long term. The timing of this investment is based on component lives and replacement values.

This increase in future spending will impact most dramatically on the VfM metrics for: Costs per unit; Reinvestment and EBITDA MRI interest cover.

Asset Management Capital Reinvestment

The financial plan includes a total of c.£341m at 2023 prices, profiled across the next thirty-years as per table below. This is gross spend including allowances for stock condition renewals, property remodelling and decarbonization of our stock.

We are coming to the end of a period of comparatively low stock reinvestment. In 2023-24 we expect to spend £7.7m with further increases to £9.7m from year 2 onwards.

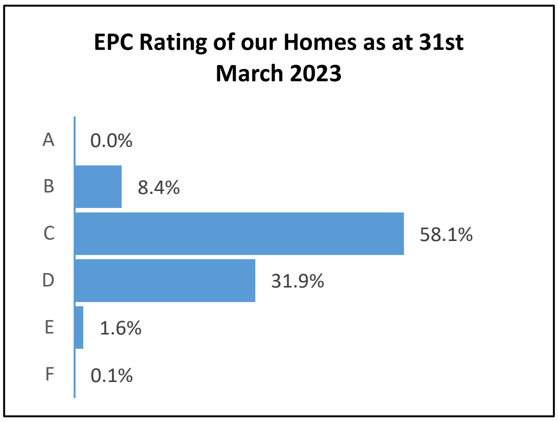


Energy Efficiency and Net Carbon Zero

A third of our homes are currently below EPC band C and will need improvement by 2030 and further investment towards Net Zero for 2040 (Liverpool City Region target) and 2050 (national target). The average SAP rating of our homes is 70.

Our 2023-53 financial plan provides for investment of £82m over the next 30-years (£14k average per property) to bring our existing homes to EPC band B, where practical.

Measures planned include decarbonising the form of heating, adding micro-generation (solar panels) and storage (batteries). Our plan assumes that 40% of the total cost will be covered by some form of external grant or other income.



The expenditure has been profiled from 2023 to 2050, starting at c.£1m per year over the first five years. This should allow time to pilot/test the suitability and viability of potential interventions and deliver the EPC C target by 2030.

Asset Performance and Viability

We seek to improve the overall performance of our assets by analysing both the financial and non-financial performance of our homes. By understanding those that perform well and those that do not, we can better target our asset management and neighbourhood management interventions.

As the major property owner, landlord and community anchor in our communities, the sale of problem stock is rarely the answer. Our approach includes targeted investment, local lettings and intensive management, property remodelling and regeneration.

Property Remodelling and Regeneration

Although our homes are in good condition and demand is high, almost half our stock is approaching 100 years old. A significant minority was built using non-traditional forms of construction and some property layouts are also not ideal.

A further £5m provision (£0.5m per year over ten years) has been included in the plan to fund possible future asset management and regeneration investment beyond simple component renewal.

Building and Fire Safety

The safety of those living in our homes is a key priority and we have a robust approach to managing and maintaining building and fire safety. We do not have any high-rise homes and so do not face the remediation challenges associated with combustible cladding or other significant fire safety issues.

We were swift in our response to address sector-wide concerns over damp and mould. We have analysed the risks attached to both our housing stock and customer base, and identified appropriate interventions where required.

We have developed a damp and mould policy and proactively manage the associated risks in our properties. Our aim is a “right first time” response to damp and mould using data analysis, suitably trained staff and clear communication with customers to mitigate it from recurring.

STRATEGIC REPORT

VALUE FOR MONEY

FINANCIAL CAPACITY

Development activity has been limited in recent years with schemes taking longer than anticipated to start on site. At the same time there has also been comparatively low levels of re-investment into our existing stock. As a result, we have built up significant surplus cash and short-term investments.

In 2020-21 we refinanced the business and repaid all outstanding debt to became debt free. The following year we received the proceeds from a £25m bond issue at a very competitive long-term fixed interest rate. This dramatically improved interest cover.

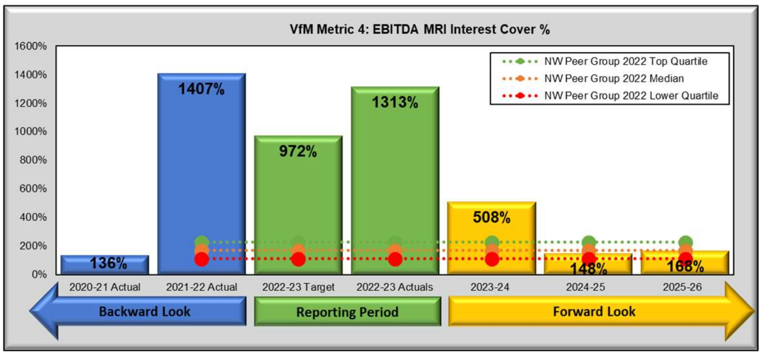
The Association recognises its unique financial capacity position and the need to ensure that this capacity is used wisely rather than quickly. The development and stock re-investment plans outlined above will utilise this capacity in a controlled and sustainable way, for the long-term benefit of our communities.

EBITDA MRI Interest Cover

In 2022-23 we achieved interest cover of 1313%, ahead of target and well above our peer group comparators. This reflects our low level of debt and our low total unit costs.

In future years we project cover levels more in-line with our peers as we borrow to fund development and increase our re-investment in our homes.

Our internal "golden rule" minimum for interest cover is 150%.

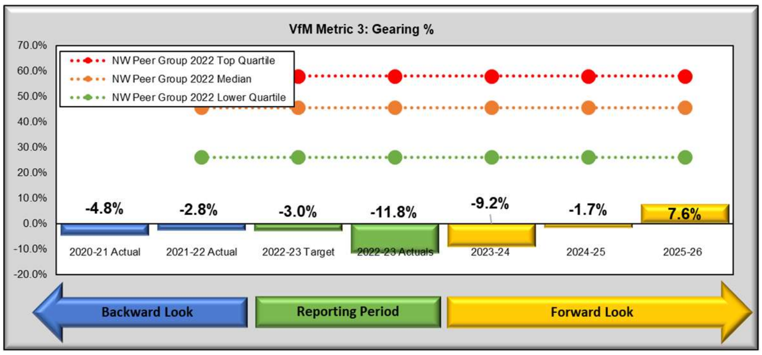


Gearing

This ratio measures net indebtedness (borrowing less cash). Our cash and equivalent balances continue to exceeded our indebtedness and our gearing remained negative.

Gearing is expected to remain negative until 2025-26 before increasing as key developments get under way.

Our internal "golden rule" is to keep gearing below 40%.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

As with many other sectors in the UK, the social housing sector is increasingly being called upon to evidence its commitment to people, planet and organisational accountability, demonstrating the tangible ways in which it is striving to deliver value to residents and stakeholders.

As a community-based, not-for-profit provider of social housing, we have a social purpose at our core and we're passionate about bringing about long-term positive change. Our focus has always been on much more than core landlord responsibilities. We are actively engaged in a wide range of activities that improve the resilience and cohesion of our communities and help individuals to overcome any inequality of opportunity they may face.

In September 2022 we published our second Social Impact Report where we quantify the impact that our investment in projects and services has had across our communities. Measuring this impact, helps shape future service provision and based on the voice of our customers and stakeholders, will ensure that we continually monitor service delivery and adapt our projects to meet our customers' needs.

In November 2022 we published our first Environmental, Social and Governance Report, where we set out our journey to create a brighter future for our communities, showing transparency, demonstrating our progress, and highlighting the work we need to undertake to reach our ambitious and necessary goals.

THE TENANT'S VOICE IN VFM

Meaningful tenant involvement, engagement and accountability is a key priority for the Association. Tenants play a vital role in decision making, shaping services and holding the association to account:

i. Resident involvement and engagement is a key element within all staff roles and at all levels, both formally and informally. Following a recent recruitment drive we have eight tenants that are members of our Homes & Neighbourhoods Committee, giving them direct access to the Board and a further two trainee Board Members.

ii. Membership of our Consultative Panel of tenants has increased with representation from each of our neighbourhoods. The eight members have partaken in additional training throughout the year to enhance their already extensive skillset, thus providing a vital 'critical friend' role to Cobalt around such areas as engagement, policy changes and community funding opportunities. The panel identifies the key performance indicators, most relevant to tenants and these are published on Cobalt's website on a monthly basis.

iii. The TCP panel have been consulted with and provided feedback/comments on the new Corporate Plan.

iv. Members of the Tenant Consultative Panel have completed an in-depth review of Cobalt's current Engagement Opportunities, their review outlines the principles of a new Customer Engagement Framework which includes a menu of choice based around the tenants interests and capacity. The Framework also highlights the need to develop a training programme for all tenants to upskill them and give them confidence to challenge us and hold us as their landlord to account.

v. During the year, we reviewed and refreshed the methodology for tenant scrutiny. Spotlight reviews continue to focus on engaging with the most appropriate service users, allowing us to engage with, and hear the views from tenants who had recently received or been involved in the service area under review.

vi. Tenants are engaged in focus groups, workshops and procurement exercises. We actively engage with tenants who tell us they are dissatisfied (e.g., through complaints, surveys or conversations). This ensures we fully understand their issues or concerns, identify the root causes and address them effectively.

vii. Tenants were involved in the development and launch of our Tenant Engagement Portal which we are using to reshape our offer for both involvement and engagement through on-line discussion forums, blogs, surveys and consultation. The Portal allows access to all these themes within one platform and provides tenants' views and feedback to help shape services and decision-making. In the first week the platform saw 214 Visits, 222 Site registrations and 216 activated participants.

viii. Tenants play a key role in deciding which community groups/activities to allocate our Community Funds to, with a tenant sitting on the funding panel.

ix. Tenant and the wider customer feedback were influential in the design and development of the Good Help Hub working model.

x. Tenants were involved in the design and development of our Neighbourhood Plans which are bespoke to each neighbourhood and highlights tenants' priorities for the coming year.

xi. Tenants have been influential in developing new proposed Customer Engagement performance metrics for assessing the impact of involvement

General Needs and Older People Customer Satisfaction

A full digital survey of tenants' views has been undertaken annually since 2021. The move to digital from postal surveys has enabled us to capture the views of a much wider tenant-base and give us more confidence that the results are representative of our communities.

Analysis of the findings, along with actions to improve satisfaction are reported to and discussed by our Homes & Neighbourhoods Committee.

General Needs – Customer Satisfaction	2022 Survey
% of tenants satisfied with overall services provided	75%
% of tenants satisfied with the overall repairs service	72%
% of tenants satisfied with the time taken to complete their most recent repair	71%
% of tenants satisfied that their home is well maintained and safe	73%
% of tenants satisfied that their views are listened to and acted upon	65%
% of tenants satisfied that they are kept informed about things that matter to them	75%
% of tenants satisfied that communal areas are safe and well maintained	66%
% of tenants satisfied that Cobalt makes a positive contribution to their neighbourhood	66%
% of tenants satisfied with Cobalt's approach to handling anti-social behaviour	65%
% of tenants satisfied with Cobalt's approach to handling complaints	61%

From 2023-24 all registered providers of social housing are required to collect and publish their results against a set list of Tenant Satisfaction Measures (TSM's). These include twelve "tenant perception" measures, as set out below, to be assessed by carrying out tenant perception surveys. The Association has set a target of 80% satisfaction across all areas.

Tenant Satisfaction Measures (Perception)	2023 Target
TP01 Overall satisfaction	80%
TP02 Satisfaction with repairs	80%
TP03 Satisfaction with time taken to complete most recent repair	80%
TP04 Satisfaction that home is well-maintained	80%
TP05 Satisfaction that the home is safe	80%
TP06 Satisfaction that the landlord listens to tenant views and acts upon them	80%
TP07 Satisfaction that the landlord keeps tenants informed about things that matter to them	80%
TP08 Agreement that the landlord treats tenants fairly and with respect	80%
TP09 Satisfaction with the landlord's approach to handling complaints	80%
TP10 Satisfaction that the landlord keeps communal areas clean and well-maintained	80%
TP11 Satisfaction that the landlord makes a positive contribution to neighbourhoods	80%
TP12 Satisfaction with the landlord's approach to handling anti-social behaviour	80%

VfM Progress Against Our Plans

In the table below we provide stakeholders with as assessment of the progress made against last year's forward plan.

Action	Timescale	Rating	Progress Update
Development and regeneration ✦ Complete the development on Altbridge Park ✦ Complete the regeneration of the Stonedale estate ✦ Start 1,000 new homes by 2030	 2022-23 2024-25 2029-30		Our 57-unit new build scheme at Altbridge Park completed in 2022-23. The wider Stonedale regeneration project also progressed well with further demolitions due in 2023. An 88-unit new build scheme started on site in March 2023 taking the total starts to 155 units. Potential future schemes to deliver the remaining 845 homes by 2030 are being identified and appraised.
Management and Operating Performance: ✦ Establish and embed new hybrid ways of working ✦ Conclude strategic review of core IT systems ✦ Digital channel shift and robotic process automation	 2022-23 2022-23 2022-25		A hybrid approach to working has been successfully implemented. Our strategic review of existing core IT systems was completed in 2022-23 and a new strategy agreed. The first key stage of delivering this new strategy is the procurement and selection of new core IT solutions (housing management system and financial system) in 2023-24. Combined with a pilot low-code application these will form the foundation of our channel shift. Customers are now able to engage with us via a digital Tenant Communication Portal.
Asset Management: ✦ Establish new Cobalt lettable standard ✦ Update the Asset Management Strategy ✦ Undertake repairs trend analysis ✦ Identify poor performing assets	 2022-23 2022-23 2022-23 2022-23		Progress has been made, but we now expect these actions to be delivered in 2023 and 2024. Our review of the Asset Management Strategy is on target to be approved by July 2023. This strategy will be supported by a delivery plan which includes a review of the lettable standard by 2024 and through improved stock condition data and analysis of repairs, more informed investment decisions regarding our assets by 2024
Community regeneration and support: ✦ Expand our community support initiatives ✦ Measure social impact of activities	 2022-25 2022-25		An expansion of community support was achieved through initiatives such as the Good Help Hub and Our Croxteth. A local stakeholder group has been established that is helping ensure our individual contributions are aligned and impact optimised. All activities are assessed to determine the social impact, value for money, opportunities for match funding and link to delivery of our corporate priorities.
Resident involvement: ✦ Launch new digital engagement platform ✦ Enhance the opportunity for tenants to have direct influence on Board decision making and shaping services	 2022-23 2022-23		A new digital tenant engagement platform "My Voice Matters" was launched in the final quarter of 2022-23. Two hundred and fifty tenants signed up in the first week. We have already started sharing policies and users are helping map 20-minute neighbourhoods. We completed an in-depth review of our customer engagement framework, looking at the golden thread from grass roots feedback to board decision making. More detail is provided on page 23 under the Tenant's Voice in VfM.

Our priorities, targets and plans for the future are set out on pages 4 to 7.

STRATEGIC REPORT
VALUE FOR MONEY

VfM Conclusion
The Board has considered the Association's results against its corporate objectives, the VfM metrics and feedback from customer and would summarise its conclusion as:

- Our underlying cost base compares favourably with the sector and our peer group while our services, homes and neighbourhoods are of a good standard.
- Customer satisfaction is below our expectations and we know our repairs service needs improvement.
- Costs are expected to increase in future years but provided the outcomes delivered are commensurate with the investment this remains good VfM.
- We have been unable to realise our development ambitions in recent years and generated significant cash and equivalent balances. We enjoy very high levels of interest cover and very low gearing and this capacity will be put to good use developing much-needed new homes in the coming years.
- The board has set ambitious targets for further efficiency gains across the business.

Statement of compliance
The form and content of the strategic report review has been prepared in line with the Statement of Recommended Practice for registered Social Housing Providers 2018. The statement has also been prepared in accordance with The Accounting Direction for Private Registered Providers of Social Housing 2022.

A. Brandwood.

Annette Brandwood
Company Secretary

REPORT OF THE BOARD

The Board presents the Annual Report (the 'Annual Report') and the audited financial statements for Cobalt Housing Limited (the 'Association') for the year ended 31 March 2023.

Principal activities and future prospects

Details of Cobalt's principal activities, its performance during the year and factors likely to affect its future development are contained within the Strategic Report which precedes this Report.

Board members and executive directors

The current board members (and others who served during the period) are set out on page 2. Board members are remunerated for their services to the Association and permitted to claim expenses incurred in the performance of their duties. Details of the remuneration of board members is set out in note 7 to the financial statements.

Executive director service contracts and remuneration

The chief executive and other executive directors are appointed on permanent contracts of employment with a notice period of six months. The remuneration of the executive directors is reviewed by the Remuneration Committee, who make recommendations to be considered and determined by the Board. Full details of executive emoluments are set out in note 7 to the financial statements.

Pensions

The executive directors are eligible to participate in the Social Housing Pension Scheme defined contribution scheme. Their participation is on the same terms as all other eligible staff. The association contributes to the scheme on behalf of its employees.

Non-executive directors are not eligible to participate in any company pension scheme.

Other benefits

The executive directors are not entitled to any other benefits.

Corporate governance

The Association is governed by a Board of Management of between five and twelve non-executive Directors. Board members are selected from a wide background to encompass an appropriate mix of skills, competencies, experience and knowledge.

The Board determines what matters should be delegated to the Executive Management Team or to a Committee of the Board and what matters it will reserve for its own consideration and decision. Board members act in the interest of the Association and not on behalf of any other interest group.

Cobalt's Board, supported by its Committees ensures that the organisation operates to high standards of integrity, transparency and accountability.

The Board is supported by four Committees:

REPORT OF THE BOARD

Audit and Risk Committee

This committee comprises up to four members. The Chair of the committee is appointed by the Board and cannot be the Board Chair. The committee is expected to meet at least three times a year. Its responsibilities include, to review the financial statements and the appointment of external and internal auditors and recommend their approval by Board. The committee meets with Cobalt's auditors, without officers present, at least annually.

The committee plays a valuable role in monitoring the control environment and ensuring that there is an appropriate risk management strategy, risk assessment and control process are embedded, and appropriate systems are in place.

Homes and Neighbourhoods Committee

This committee comprises up to twelve members, including up to eight tenants, with the expectation that the Chair must always be a Board Member and is appointed by the Board. The committee is expected to meet at least 3 times a year. It undertakes a scrutiny and review function to provide assurance for the Board on the delivery of regulatory consumer standards, the law and health and safety. It monitors the management of operational performance, service delivery and satisfaction, taking account of the aspirations and experience of local people.

Remuneration Committee

This committee comprises up to four members and is expected to meet at least twice a year. The Chair of the committee is appointed by the Board and cannot be the Board Chair. Its responsibilities include reviewing and making recommendations to Board in respect of the remuneration and terms and conditions of staff and Board Members. Committee oversight includes remuneration policies and practices, pension strategy, and appraisal and performance management frameworks.

Development and Regeneration Committee

This committee comprises up to four members and is expected to meet at least four times per year. The Chair is appointed by the Board. Operating within specific delegated authority limits set by the Board, the committee's responsibilities include approving and overseeing Cobalt's development and estate regeneration activities, considering and making recommendations to Board in respect of other opportunities, and monitoring programme performance and risks.

Compliance

The Association complies with the provisions of the National Housing Federation's Code of Governance 2020.

Executive management team

The Board delegates day to day management and control of the Association, to a group of Executive Directors who meet as an Executive Management Team (EMT). The EMT meets on a regular basis and recommends policy decisions to the Board.

Led by the Chief Executive, the EMT ensures the effective performance and successful delivery of services to customers and investment in neighbourhoods, in line with the agreed corporate objectives.

Employees

The Board recognises that its employees are its greatest asset and that it cannot achieve its aims and objectives without their involvement and contribution towards running the organisation. The Association communicates and consults with its employees through a variety of structures including colleague conferences, team briefings, employee emails, newsletters, trade union meetings and a staff forum.

The Association is committed to maintaining a culture in which equality and diversity is integral to all its activities, including the recruitment and development of staff. We aim to achieve an inclusive culture that respects and values differences and eliminates discrimination in all areas.

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has detailed health and safety policies and provides staff training and education on health and safety matters.

Corporate social responsibility

The Board are committed to be a socially responsible organisation, managing in a socially responsible way, ensuring adherence to legislation and ethical operation. The Association is actively working with local communities and partners to improve the life chances of our tenants and residents.

REPORT OF THE BOARD

Statement of compliance

The Board confirms that the financial statements have been prepared in accordance with applicable reporting standards and legislation.

The Association confirms that these financial statements comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Donations

The Association made no charitable donations (2022 £nil) and no political donations (2022 £nil).

Regulatory Compliance

The Association is registered with and regulated by the Regulator of Social Housing (RSH). Under a co-regulation approach the onus is on each registered provider to self-regulate, assess and scrutinise service provision and demonstrate clearly that services provided represent value for money.

The Association's grading with the RSH are:

Governance grading G1	The provider meets our governance requirements
Viability grading: V1	The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios

The Governance and Financial Viability Standard requires registered providers to assess their compliance with the Standard at least annually and Boards are now required to report their compliance with the Standard within their annual accounts. It is the judgement of the Board that the Association complies with the Governance and Financial Viability Standard.

The board is also satisfied the Association has complied with all laws and regulations that are relevant.

Landlord health and safety compliance

The Association complies fully with its responsibilities for landlord for health and safety and we continue to deliver compliance related activities to keep our tenants safe and meet our legislative responsibilities.

Where there are difficulties securing access to properties, a dynamic desk top risk assessment process is in place should any property fall overdue for a legislative compliance inspection or service and we continue to pursue access at the earliest opportunity.

Statement of internal control

The Board is the ultimate governing body and is responsible for the Association's system of internal control. The Board, advised by the Audit and Risk Committee, has reviewed the effectiveness of the system of internal control for the year ended 31 March 2023 and to the date of approval of these financial statements. For the year ended 31 March 2023, the Board makes the following statements:

- The system of internal control is designed to provide the Board with reasonable but not absolute assurance that risks are identified on a timely basis and dealt with appropriately; that assets are safeguarded; that proper accounting records are maintained; and that the financial information used within the business or for publication is reliable. Control is exercised through an organisational structure with clearly defined levels of authority, responsibility and accountability.
- The Association maintains a culture of risk awareness, based on a sound control environment with high regard for integrity and ethical values. Regular reviews of the risk universe and risk mitigation actions are carried out. Any business development involving significant risk is subject to Board approval.
- The framework of internal control is subject to a regular programme of review. Throughout 2022/23 the Association worked closely with Mazars, who are contracted to provide the Internal Audit function and who report directly to the Audit and Risk Committee. At year end, the contract for Internal Audit was awarded to BDO.

REPORT OF THE BOARD

- Service delivery risks are monitored through the risk management framework, self-assessment and tenant scrutiny. This ensures that the control environment framework remains robust during a period of continued external change.
- The Association is committed to sound financial management in all aspects of its business. It has a robust business planning process and all parts of the Association have detailed annual budgets. The Association has a comprehensive system of management reporting. This includes financial results, key performance indicators and reporting against a matrix of Board approved limits and thresholds set to ensure financial viability. Overall scrutiny is provided by the Board.
- The Association maintains a suite of policies covering the main elements of its business. The policies are subject to a rolling programme of review to confirm their continued appropriateness.
- The Anti-fraud Policy sets out the commitment to preventing fraud. Confidential reporting arrangements are in place to allow staff to voice their concerns and know that they will be properly investigated.
- The Anti-bribery and Corruption Policy sets out guidelines for all staff to ensure the highest standards of conduct in business dealings. A register of frauds and losses is maintained and is available and reported to the Audit and Risk Committee.
- The Whistleblowing Policy encourages those with serious concerns about fraud, misconduct or wrongdoing in respect of any aspects of our work of Cobalt to come forward and raise those concerns. The Policy sets out Cobalt's approach for whistleblowers to work within an open and transparent framework linked to Cobalt's values of openness, fairness and respect.
- In reviewing the effectiveness of the Association's system of internal control, the Board has considered a range of sources of assurance including:
  - management reports
  - key performance indicators
  - internal audit reports
  - quality management systems
  - external regulator reports.
- During the year there were no weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in these financial statements.

External audit assurance

The work of the external auditor, Beever and Struthers provides some independent assurance over the adequacy of the internal control environment. The Association receives a management letter from the external auditors which identifies any internal control weaknesses identified as part of their work on the audit of the financial statements. The Board itself and through the activities of the Audit and Risk Committee has reviewed the outcome of external audit work and the external audit management letter.

Going concern

The Association's financial results were ahead of expectations in the year under review in terms of operating margin, interest cover and liquidity.

The Association has long-term debt facilities in place and cash and equivalent holdings which are estimated to provide the resources necessary to finance the Association's spending plans until 2026. The Association's long-term financial plans shows that it can service these debt facilities and continue to comply with lenders' covenants.

The rates of occupation being achieved exceed those assumed within our financial plans and tenancy turnover remains very low. When homes do fall empty, the demand from new customers outstrips the supply of homes we have available.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the annual report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

REPORT OF THE BOARD

Accounting Policies

The Association's principle accounting policies are set out on pages 40 to 46 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of costs; amortisation of deferred government grant; housing property depreciation; investment properties and the treatment of pensions.

Effects of material estimates and judgements upon performance

Preparation of the financial statements requires management to make significant judgements and estimates. The estimates and assumptions that can have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Housing property categorisation

The categorisation of housing properties is a significant judgement made by management. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented properties are investment properties.

Impairment

Management assesses the Association's housing properties for indicators of impairment at each balance sheet date. Where indicators exist, a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. Judgements in assessing the level of a cash generating units and the recoverable amounts could lead to increases or decreases in the impairment provision.

No impairment reviews were triggered in 2022-23.

Investment properties

The Association owns nine properties let at open market rents for investment purposes and held at estimated open market value. These properties were valued at £1,010k by a suitable qualified independent valuer as at 31st March 2023, an 4% increase (£42K) from the value in March 2022.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of its depreciable assets at each reporting date based upon the expected utility of the assets. Uncertainty in these estimates relate to changes in decent homes standards, component failure or obsolescence and customer abuse or misuse. Any of these could lead to more frequent replacement of key components.

Defined benefit pension obligations

Management's estimate of the Association's defined benefit pension obligations under the Social Housing Pension Scheme is based upon a number of critical underlying assumptions such as rates of inflation, mortality, discount rates, investment returns and future salary increases. Variation in these assumptions may significantly impact upon the obligation amount and the annual defined benefit expenses as shown in note 34.

At 31st March 2023 the Association had an estimated pension deficit of £1,253,000 with SHPS (2022 £1,405,000). Further details are provided in note 34 to the accounts.

Provisions for doubtful debt

Management reviews the provision held against the risk of failure to recover current and former tenant rent and service charge arrears at each reporting date. The provision made has an impact upon the value of the current assets recognised at the reporting date and any change in value of the provision during the period is recognised as an operating cost in the statement of comprehensive income in the period.

The basis for calculating the provision is set out in Note 1 to the accounts. The rates applied are considered prudent and have not been revised in the year. At 31st March 2023 the Association's provision for doubtful debt was £982,000 (2022 £1,128,000) as shown in note 18.

REPORT OF THE BOARD

Disclosure of information to auditors

So far as each of the directors of the Association is aware, at the time this report is approved:

- There is no relevant information which the Association's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting will be held on the 4th September 2023.

Independent auditor

A resolution to re-appoint Beever and Struthers as the organisation's auditors will be proposed at the forthcoming Annual General Meeting. Beever and Struthers have indicated their willingness to continue in office should the resolution concerning their reappointment be agreed at the AGM.

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

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

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

The Report of the Board, including the financial statements, was approved by the Board on 31st 2023 and signed on its behalf by:

A. Brandwood.

Annette Brandwood
Company Secretary

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of Cobalt Housing Limited

Opinion

We have audited the financial statements of Cobalt Housing Limited ('the Association') and its subsidiary (the Group) for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity (reserves), Association Statement of Changes in Equity (reserves), Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 Group's affairs as at 31 March 2023 and of the Group's income and expenditure 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 Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board'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 or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the Association has not maintained a satisfactory system of control over transactions; or
- the Association has not kept adequate accounting records; or
- the Association's financial statements are not in agreement with books of account; 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 32, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, 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 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 gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the trustees about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.

- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5 DL

Date: 24 August 2023

Statement of Comprehensive Income

For the year ended 31st March 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Turnover	2	**29,075**	28,055	**29,146**	28,116
Operating expenditure	2	**(22,372)**	(20,156)	**(22,440)**	(20,332)
Gain on disposal of housing properties	2	**2,640**	2,771	**2,640**	2,771
Increase in valuation of investment properties	15	**42**	-	**42**	-
Operating Surplus	2	**9,385**	10,670	**9,388**	10,555
Gain on disposal of property, plant and equipment (fixed assets)	6	**5**	17	**5**	17
Interest receivable and similar income	9	**995**	38	**1,011**	41
Interest payable and similar charges	10	**(709)**	(649)	**(709)**	(649)
Other financing amounts	11	**(33)**	(68)	**(33)**	(68)
Surplus / (Deficit) on ordinary activities before tax		**9,643**	10,008	**9,662**	9,896
Taxation	12	**-**	-	**-**	-
Surplus / (Deficit) for the year after tax		**9,643**	10,008	**9,662**	9,896
Other Comprehensive Income					
Actuarial gain/(loss) in respect of pension schemes	34	**(234)**	1,567	**(234)**	1,567
Other comprehensive Income for the year		**9,409**	1,567	**(234)**	1,567
Total Comprehensive Income for the year		**9,409**	11,575	**9,428**	11,463

The financial statements were approved by the Board on the 31st July 2023 and signed on its behalf by:

.... Board Member

.... Board Member

A. Brandwood. .... Company Secretary

Statement of Financial Position
As at 31st March 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Fixed Assets					
Housing Properties	13	**139,237**	141,560	**139,237**	141,560
Other Tangible Fixed Assets	14	**2,332**	2,418	**2,332**	2,418
Intangible Fixed Assets	-	**1**	33	**1**	33
Investments including properties	15	**1,744**	2,113	**1,744**	2,113
		143,314	146,124	**143,314**	146,124
Current Assets					
Stock	17	**39**	-	**39**	-
Trade and other debtors	18	**1,517**	2,531	**1,519**	1,320
Short term investments	19	**9,000**	9,000	**9,000**	10,115
Cash and cash equivalents	31	**44,857**	32,355	**44,765**	32,346
		55,413	43,886	**55,323**	43,781
Creditors					
Amounts Falling Due Within One Year	20	**(4,135)**	(4,589)	**(4,138)**	(4,591)
Net Current Assets		**51,278**	39,297	**51,185**	39,190
Total Assets Less Current Liabilities		**194,592**	185,421	**194,499**	185,314
Creditors: Amounts Falling Due After More Than One Year					
Deferred grant income	21	**(39,900)**	(39,847)	**(39,900)**	(39,847)
Debt	22	**(28,331)**	(28,412)	**(28,331)**	(28,412)
Recycled Capital Grant Fund	23	**-**	(127)	**-**	(127)
Other Creditors	24	**(35)**	(223)	**(35)**	(228)
		(68,266)	(68,609)	**(68,266)**	(68,614)
Provisions for liabilities					
Provisions for Liabilities and Charges	25	**(393)**	(136)	**(393)**	(136)
Pension Liability	34	**(1,253)**	(1,405)	**(1,253)**	(1,405)
Total Net Assets		**124,680**	115,271	**124,587**	115,159
Capital and Reserves					
Non-Equity Share Capital	26	**-**	-	**-**	-
Revenue Reserves		**124,680**	115,271	**124,587**	115,159
Total Capital and Reserves		**124,680**	115,271	**124,587**	115,159

The financial statements were approved by the Board on the 31st July 2023 and signed on its behalf by:

....	....	A. Brandwood. ....
Board Member	Board Member	Company Secretary

Statement of Changes in Equity

For the year ended 31st March 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
General reserves					
Balance at 1 April		**115,271**	103,696	**115,159**	103,696
Total comprehensive income for the period					
Surplus / (Deficit) for the year		**9,643**	10,008	**9,662**	9,896
Actuarial Gains / (Losses) in respect of pension schemes	34	**(234)**	1,567	**(234)**	1,567
Balance at 31 March		**124,680**	115,271	**124,587**	115,159

Statement of Cash Flows

For the year ended 31st March 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Cash flows from Operating Activities	30	**15,482**	15,666	**14,273**	16,759
Cash flow from investing activities					
Purchase and Construction of Housing Properties		**(1,649)**	(5,912)	**(1,654)**	(5,902)
Housing component renewal		**(2,321)**	(2,122)	**(2,321)**	(2,122)
Social Housing Grant Received		**584**	-	**584**	-
Purchase of Other Fixed Assets		**-**	(47)	**-**	(47)
Disposal of Fixed Asset Investments	15	**414**	-	**414**	-
Disposal of Short Term Investments	19	**-**	-	**1,115**	-
Purchase of Short Term Investment	19	**-**	(9,000)	**-**	(10,115)
Interest received		**810**	24	**826**	27
Cash flow from investing activities		**(2,162)**	(17,057)	**(1,036)**	(18,159)
Cash flow from financing activities					
Interest Paid		**(818)**	(1,622)	**(818)**	(1,622)
Draw down of new borrowing		**-**	25,000	**-**	25,000
Loan premium received		**-**	4,107	**-**	4,107
Cash flow from financing activities		**(818)**	27,485	**(818)**	27,485
Net increase / (decrease) in cash and cash equivalents		**12,502**	26,094	**12,419**	26,085
Cash and cash equivalents at the beginning of the year		**32,355**	6,261	**32,346**	6,261
Cash and cash equivalents at the end of the year	31	**44,857**	32,355	**44,765**	32,346

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Legal Status

Cobalt Housing Limited is incorporated in England under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority and with the Regulator for Social Housing as a Registered Provider of social housing. The registered office is 199 Lower House Lane, Liverpool, L11 2SF. Cobalt Housing Limited's principal activity is to provide social housing.

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Association's financial statements have been prepared in compliance with FRS102. The Association meets the definition of a public benefit entity (PBE).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Measurement convention

The financial statements are prepared on a historical cost basis except for investment properties which are stated at their fair value.

Provisions for doubtful debt

The provision is calculated for each individual tenancy in line with the age of the debt and most recent payment patterns. The provision rates used at the reporting date have been reviewed in light of current performance and judged to remain prudent and appropriate.

Age of Arrears	Static or increasing arrears	Reducing arrears
Up to 4 weeks	25%	10%
5-8 weeks	50%	25%
9 to 16 weeks	75%	50%
17 to 32 weeks	100%	75%
Above 32 weeks	100%	90%
Former tenant arrears	100%	100%

Other debtor amounts are dealt with on a case by case basis.

Basic financial instruments

Tenant arrears, trade and other debtors

Tenant arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. After initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. After initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents are recognised at transaction price and comprise cash balances, investments and deposits with maturities of up to three months. Bank overdrafts that are repayable on demand and form an integral part of the association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Short term investments
Short term investments are recognised at transaction price less attributable transaction costs. They comprise financial investments and cash deposits with maturities of more than three months and up to one year.

Non-basic financial instruments
Non-basic financial instruments are recognised at fair value and are revalued using a valuation technique at each reporting date. Any movements in the fair value are posted to the Statement of Comprehensive Income unless hedge accounting is applied.

Turnover
Turnover comprises a range of significant income streams including:

Rents and service charges
Rents and service charge income receivable is shown net of void losses. Rental income on homes newly acquired or developed is recognised from the execution of the first tenancy agreement. Rental income is taken up to 31 March.

Proceeds from disposal of property developed for sale
Properties sold that were developed or acquired for outright sale are included within turnover. The proceeds from the first tranche sales of shared ownership properties are included within turnover. Subsequent tranche sales are included within the gain / (loss) on disposal of housing properties. Proceeds on sales are recognised upon practical completion of the sale.

Grants
Turnover includes grants recognised as income under the performance method and the amortisation of government grant under the accrual model. More detail is provided in specific grant accounting policies.

Grants relating to revenue are recognised as income as the same period as the expenditure to which they relate, one reasonable assurance has been gained that any funding conditions have been met and the grant will be received,

Other fees and income receivable
Other fees and income is recognised as receivable on delivery of the services provided.

Expenses

Cost of sales
Cost of sales comprises the carrying cost of the asset sold including any capitalised interest and direct overheads incurred in the development or acquisition of the asset. It also includes any marketing, conveyancing or other incidental costs incurred in the sale.

Operating leases
Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

Gain / (loss) on the disposal of housing properties

The proceeds from properties sold under the Right to Buy, Right to Acquire, other voluntary disposal or shared ownership staircasing, are recognised within the operating surplus as a Gain/(loss) on the disposal of housing property. This gain is reported after deducting the carrying cost of the property sold.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in the statement of comprehensive income using the effective interest method and unwinding of the discount on provisions.

Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the borrowing.

Borrowing costs that are directly attributable to the acquisition, construction or production of housing properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested.

Value added tax

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on expenditure to the extent that it is suffered by the Association and not recovered from HMRC.

Tax

Cobalt Housing Limited is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is exempt from taxation in respect of income or capital gains received within the categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Tangible fixed assets

Housing properties for rent

Social housing properties for rent are stated at historic cost less accumulated depreciation and impairment. Costs include the cost of acquiring land and buildings, development costs, interest charges incurred during the development period, directly attributable staff costs and expenditure incurred in respect of improvement or component renewal.

Components and renewal

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life.

Expenditure relating to the subsequent replacement or renewal of major property components is capitalised as incurred. The original component is disposed of on renewal and any residual carrying cost recognised as an operating cost.

Property improvement

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business.

Shared ownership

Shared ownership properties are included in housing properties at cost related to the percentage of equity retained, less any provisions needed for impairment or depreciation.

Unsold shared ownership properties, including those under construction, are split between fixed assets and current assets (stock). The proportion included as stock is determined by the percentage of the property agreed or expected to be sold under the first tranche sale. The remainder is classified as tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

Donated land and other assets

Land and other assets donated by local authorities and other government sources is added to cost at their fair value at the time of the donation. Where land is not related to a specific development and is donated by a public body, an amount equivalent to the difference between fair value and consideration paid is treated as non-monetary government grant and recognised as a deferred income liability on the Statement of Financial Position. Where the donation is from a non-public source, the difference between fair value and consideration paid is included as income on the Statement of Comprehensive Income.

Depreciation of housing properties

Depreciation is charged to the statement of comprehensive income from the year following the assets acquisition or replacement. It is charged on a straight-line basis over the estimated useful lives of each component part of our housing properties. Freehold land and properties under construction are not depreciated.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change in the pattern by which the association expects to consume an asset's future economic benefits.

Fixed Asset Category	Useful Economic Life in Years
New build housing structure	100
Other housing structure	50
Boundary walls and car hard-standings	50
Pitched Roofs	50
Bay and Flat roofs	30
Windows	25
Electrical installation	25
Bathrooms	40
Structural cladding	25
Fascia and soffits	25
Fencing	25
External doors	20
Boilers and heating systems	17.5
Kitchens	18
Communal lift	25
Door entry system	15
Emergency lighting & fire detection	10

Capitalisation of Development Administration Costs

Costs which are directly attributable to development activity are capitalised.

Capitalisation of Interest

Borrowing costs that are directly attributable to the acquisition, construction or production of housing properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset.

Impairment

Financial assets not carried at fair value are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

Impairment (continued)

For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Housing properties are assessed annually for any indicators of impairment. Where indicators are identified an assessment of impairment is undertaken comparing the carrying value of our assets to their recoverable amount.

Where the carrying amount of our assets is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where an asset is deemed not to be providing its intended service potential, its recoverable amount is deemed to be its fair value less costs to sell. For impairment purposes assets can be individual properties, schemes or groups of similar properties.

Properties developed for sale

Completed properties for outright sale and properties under construction are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads and capitalised interest. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Investment properties

Investment properties are not held for their social benefit, but either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost and subsequently held at fair value. Any gains or losses arising from changes in the fair value are recognised in the statement of comprehensive income in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

Other tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged on a straight-line basis over the expected economic useful lives as shown below, to write them down to their estimated residual value.

Fixed Asset Category	Economic Life in Years
Office premises	60
Furniture, fixtures and fittings	5
Office equipment	5
Vehicles	4
Computer equipment	5

Other fixed assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets will be written down to the recoverable amount via operating expenditure.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and any provision for impairment. Amortisation is charged on a straight-line basis over the expected economic useful lives.

Fixed Asset Category	Economic Life
ICT system licences	5 Years

Government grants – including social housing grant (SHG)

Government grants includes grants receivable from Homes England, local authorities and other government organisations. Government grants received for housing properties are recognised as income over the useful life of the housing property structure under the accrual method.

An amount equivalent to the accumulated SHG taken to revenue reserves is disclosed as a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. On the sale, disposal or change of approved use of a government grant funded property, some or all of the grant is transferred into the Recycled Capital Grant Fund. Amounts within this fund are recognised as liabilities until they are either recycled or repaid in accordance with the social housing grant regime.

If there is no requirement to recycle or repay the grant on disposal of an asset, any unamortised residual grant is released from creditors and recognised as income.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Other grants

Grants from non-government sources are recognised using the performance method. A grant which does not impose specific future performance conditions is recognised as income when the grant proceeds are received or receivable. A grant that imposes specific future performance related conditions on the association is recognised only when these conditions are met.

Employee benefits

Defined contribution pension plans

The majority of the Association's employees are members of a defined contribution plan. The association pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Any such contributions are recognised as an expense in the statement of comprehensive income in the period during which services are rendered by employees.

Defined benefit pension plan – Social Housing Pension Scheme (SHPS)

The Association participates in the Social Housing Pension Scheme ('SHPS'), a multi-employer pension scheme. The difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. Further disclosures in this area are included in note 34. The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Termination benefits

Termination benefits are recognised as an expense when the association is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the association has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

Loan finance issue costs or premia

Material loan issue costs are written off evenly over the life of the related loan. Material issue premia proceeds are amortised evenly over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds including any issue premium and after issue and arrangement costs. The cost of interest rate swap options not utilised is written off to expenditure on the maturity of the option where relevant.

Property managed by agents

Where the Association carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the income and expenditure account. Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association.

Provisions

A provision is recognised in the statement of financial position when the association has a present legal or constructive obligation as a result of a past event, which can be reliably measured and is likely to be required to be settled. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted in the business plan updated in 2022 and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. Development expenditure.
   The Association capitalises development expenditure in accordance with the accounting policy described on page 42. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
b. Categorisation of housing properties.
   The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented property are investment properties.

NOTES TO THE FINANCIAL STATEMENTS

2. Turnover, Operating Costs and Operating Surplus

Group

	Notes	2023 Turnover £'000	2023 Operating costs £'000	2023 Gain on disposal of housing property £'000	2023 Increase in valuation of investment properties £000	2023 Operating Surplus £'000	2022 Turnover £'000	2022 Operating costs £'000	2022 Gain on disposal of housing property £'000	2022 Operating Surplus £'000
Social Housing Lettings										
General Let Accommodation		**28,828**	**(20,765)**	**-**	**-**	**8,063**	27,897	(18,986)	-	8,911
Shared Ownership		**7**	**(3)**	**-**	**-**	**4**	6	(2)	-	4
Social Housing Lettings	3	**28,835**	**(20,768)**	**-**	**-**	**8,067**	27,903	(18,988)	-	8,915
Other Social Housing Activities										
Gain on disposal of housing property	4	**-**	**-**	**2,640**	**-**	**2,640**	-	-	2,771	2,771
Development services		**-**	**(786)**	**-**	**-**	**(786)**	-	(170)	-	(170)
Regeneration initiatives		**108**	**(520)**	**-**	**-**	**(412)**	15	(706)	-	(691)
Estate Services		**-**	**(280)**	**-**	**-**	**(280)**	-	(273)	-	(273)
Other		**61**	**-**	**-**	**-**	**61**	-	1	-	1
Other Social Housing Activities		**169**	**(1,586)**	**2,640**	**-**	**1,223**	15	(1,148)	2,771	1,638
Total Social Housing Activity		**29,004**	**(22,354)**	**2,640**	**-**	**9,290**	27,918	(20,136)	2,771	10,553
Non-Social Housing Activities										
Investment Properties		**68**	**(15)**	**-**	**42**	**95**	135	(18)	-	117
Commercial		**1**	**-**	**-**	**-**	**1**	1	-	-	1
Leaseholders		**2**	**(3)**	**-**	**-**	**(1)**	1	(2)	-	(1)
Non-Social Housing Activities		**71**	**(18)**	**-**	**42**	**95**	137	(20)	-	117
Total		**29,075**	**(22,372)**	**2,640**	**42**	**9,385**	28,055	(20,156)	2,771	10,670

NOTES TO THE FINANCIAL STATEMENTS

2. Turnover, Operating Costs and Operating Surplus (continued)

Association

	Notes	2023 Turnover £'000	2023 Operating costs £'000	2023 Gain on disposal of housing property £'000	2023 Increase in valuation of investment properties £000	2023 Operating Surplus £'000	2022 Turnover £'000	2022 Operating costs £'000	2022 Gain on disposal of housing property £'000	2022 Operating Surplus £'000
Social Housing Lettings										
General Let Accommodation		**28,828**	**(20,765)**	**-**	**-**	**8,063**	27,897	(18,986)	-	8,911
Shared Ownership		**7**	**(3)**	**-**	**-**	**4**	6	(2)	-	4
Social Housing Lettings	3	**28,835**	**(20,768)**	**-**	**-**	**8,067**	27,903	(18,988)	-	8,915
Other Social Housing Activities										
Gain on disposal of housing property	4	**-**	**-**	**2,640**	**-**	**2,640**	-	-	2,771	2,771
Development services		**20**	**(854)**	**-**	**-**	**(834)**	61	(346)	-	(285)
Regeneration initiatives		**108**	**(520)**	**-**	**-**	**(412)**	15	(706)	-	(691)
Estate Services		**-**	**(280)**	**-**	**-**	**(280)**	-	(273)	-	(273)
Gift Aid income		**112**	**-**	**-**	**-**	**112**	-	-	-	-
Other		**-**	**-**	**-**	**-**	**-**	-	1	-	1
Other Social Housing Activities		**240**	**(1,654)**	**2,640**	**-**	**1,226**	76	(1,324)	2,771	1,523
Total Social Housing Activity		**29,075**	**(22,422)**	**2,640**	**-**	**9,293**	27,979	(20,312)	2,771	10,438
Non-Social Housing Activities										
Investment Properties		**68**	**(15)**	**-**	**42**	**95**	135	(18)	-	117
Commercial		**1**	**-**	**-**		**1**	1	-	-	1
Leaseholders		**2**	**(3)**	**-**		**(1)**	1	(2)	-	(1)
Non-Social Housing Activities		**71**	**(18)**	**-**	**42**	**95**	137	(20)	-	117
Total		**29,146**	**(22,440)**	**2,640**	**42**	**9,388**	28,116	(20,332)	2,771	10,555

NOTES TO THE FINANCIAL STATEMENTS

3. Income and Expenditure from Social Housing Lettings

Group and Association	General Housing £'000	Shared Ownership £'000	Total 2023 £,000	Total 2022 £'000
Income				
Net Rents Receivable	28,104	6	**28,110**	27,084
Service Charges Receivable	132	-	**132**	141
Net Rents Receivable	**28,236**	**6**	**28,242**	27,225
Revenue Grants	111	-	**111**	195
Supporting People Grants	5	-	**5**	9
Amortised Government Grants	474	1	**475**	473
Other Income	2	-	**2**	1
Total Income from Social Housing Lettings	**28,828**	**7**	**28,835**	27,903
Operating Expenditure				
Management	(6,368)	(1)	**(6,369)**	(6,978)
Service Charge costs	(252)	-	**(252)**	(162)
Routine Maintenance	(4,649)	-	**(4,649)**	(4,017)
Planned Maintenance	(1,196)	-	**(1,196)**	(1,282)
Major Repairs	(1,141)	-	**(1,141)**	(408)
Disabled Adaptations	(392)	-	**(392)**	(349)
Depreciation of Housing Properties	(5,411)	(2)	**(5,413)**	(5,590)
Impairment of Housing Properties	(15)	-	**(15)**	-
Rent Bad Debts	(110)	-	**(110)**	(74)
Other costs	(1,231)	-	**(1,231)**	(128)
Total Expenditure on Social Housing Lettings	**(20,765)**	**(3)**	**(20,768)**	(18,988)
Operating Surplus on Social Housing Letting Activities	**8,063**	**4**	**8,067**	8,915
Void Losses	***199***	***-***	***199***	*154*

NOTES TO THE FINANCIAL STATEMENTS

4. Gain on disposal of housing properties

Group and Association	Notes	PRTB, RTA & Voluntary sales £'000	Shared Ownership Staircasing sales £'000	Total 2023 £'000	Total 2022 £'000
Disposal proceeds from property sales		3,329	-	**3,329**	3,329
Right to Acquire grant		207	-	**207**	297
Total income		3,536	-	**3,536**	3,626
Carrying value of properties sold		(896)	-	**(896)**	(732)
Grant amortisation write off	21	(25)	-	**(25)**	(9)
Grant on properties sold		116	-	**116**	16
Other costs of disposal		(91)	-	**(91)**	(130)
Gain on disposal of housing properties		2,640	-	**2,640**	2,771

Number of properties sold		**Number**	**Number**	**Number**	Number
Preserved Right to Buy sales		35	-	**35**	33
Right to Acquire sales		23	-	**23**	33
Voluntary sales		3	-	**3**	-
	29	61	-	**61**	66

5. Operating Surplus

Operating surplus is stated after charging/(crediting):	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Auditors' remuneration (excluding VAT):					
Audit remuneration		**23**	19	**23**	19
Audit of subsidiaries		**3**	2	**3**	2
Taxation compliance services		**5**	6	**5**	6
Depreciation of Housing Properties	13	**5,413**	5,590	**5,413**	5,590
Depreciation of Other Fixed Assets	14	**86**	70	**86**	70
Amortisation of Intangible Assets		**32**	60	**32**	60
Impairment of Housing Properties	16	**15**	-	**15**	-
Operating Lease Payments	32	**18**	18	**15**	19
Amortisation of Government Grant	21	**(475)**	(473)	**(473)**	(473)

NOTES TO THE FINANCIAL STATEMENTS

6. Gain/(Loss) on Disposal of Fixed Assets

Group and Association	2023 £'000	2022 £'000
Disposal Proceeds from Other Fixed Assets	5	17
Gain / (Loss) on Disposal of Fixed Assets	**5**	17

7. Key management personnel remuneration

Group and Association	2023 £'000	2022 £'000
The directors including executive directors are as listed on page 2.		
Remuneration paid to or receivable by non-executive directors	60	59
Remuneration paid to or receivable by committee members	15	14
Remuneration paid to or receivable by executive directors (including pension contributions and benefits in kind)	524	474
Remuneration paid to the highest paid director excluding pension contributions	106	144
Remuneration paid to the incoming Chief Executive (Claire Griffiths) excluding pension contributions (appointed August 2022)	104	-
Pension contributions to the incoming Chief Executive (Claire Griffiths)	8	-
Remuneration paid to the outgoing Chief Executive (Alan Rogers) excluding pension contributions (left August 2022)	59	144
Pension contributions to the outgoing Chief Executive (Alan Rogers)	5	14

The outgoing and incoming Chief Executives were ordinary members of the SHPS defined contribution salary pension scheme. No enhanced or special terms apply to their membership and they had no other pension arrangement to which the Association contributed.

The Remuneration (including pension contributions and benefits in kind) or fees paid to non-executive directors on the Board were as follows:

Group and Association	Basic salary £'000	Pension contributions £'000	2023 £'000	2022 £'000
Current Board members				
K Timmins (Chair from August 2022)	10	-	10	10
AF Pritchard	6	-	6	6
M Rea	6	-	6	6
S Ramsden	6	-	6	5
J Souness	5	-	5	6
EJF Wright	5	-	5	5
MY Davies	5	-	5	5
W Baker	5	-	5	2
P Smith	5	-	5	2
M Patchitt (from November 2022)	2	-	2	-
Former Board members				
S Kinsella (Chair until August 2022)	5	-	5	3
NC Crofts (Deputy Chair until February 2022)	-	-	-	7
G Foster (to May 2021)	-	-	-	1
C Griffiths (to January 2022)	-	-	-	1
	60	-	60	59

Expenses paid during the year to Board Members totalled £942 (2022: £nil)

7. Key management personnel remuneration (continued)

The Association's employees are active members of the Social Housing Pension Scheme (SHPS) defined contribution plan.

The aggregate number of full-time equivalent staff (based on an average of 35 hours) whose remuneration (including salaries, benefits in kind, pension contributions paid by the employer and any termination payments) exceeded £60,000 was as follows:

Remuneration between	**2023 Number**	2022 Number
£60,000 and £69,999	**6**	**7**
£70,000 and £79,999	**1**	**-**
£80,000 and £89,999	**-**	**-**
£90,000 and £99,999	**-**	**1**
£100,000 and £109,999	**3**	**1**
£110,000 and £119,999	**1**	**1**
£130,000 and £139,999	**-**	**-**
£140,000 and £149,999	**-**	**-**
£150,000 and £159,999	**-**	**1**
	11	**11**

8. Employee Information

Group and Association The average number of employees expressed as full-time equivalents (based on an average of 35 hours per week) was:	**2023**	2022
Office staff	**127**	126
Operatives	**18**	18
	145	144

Staff costs (For the above persons)	**2023 £'000**	2022 £'000
Wages and Salaries	**5,294**	4,965
Social Security Costs	**570**	515
Pension Costs	**383**	374
Defined benefit past service pension deficit costs	**8**	844
	6,255	6,698

NOTES TO THE FINANCIAL STATEMENTS

9. Interest Receivable

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Interest on deposits and investments		**996**	38	**996**	38
Interest on loan to Altview Living	28	**-**	-	**16**	3
Less interest transferred to Recycled Capital Grant Fund		**(1)**	-	**(1)**	-
		995	**38**	**1,011**	41

10. Interest Payable and Similar Charges

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Interest payable on bond finance		**731**	704	**731**	704
Loan arrangement fees amortized		**50**	37	**50**	37
Loan security costs		**10**	9	**10**	9
Loan administration costs		**34**	26	**34**	26
Non-utilisation costs		**38**	64	**38**	64
		863	840	**863**	840
Loan premium write-down		**(125)**	(121)	**(125)**	(121)
Capitalised Interest		**(29)**	(70)	**(29)**	(70)
		709	649	**709**	649
Average interest rate used for capitalisation in the period		**2.217%**	2.217%	**2.217%**	2.217%

11. Other Financing costs

Group and Association	Notes	Total 2023 £'000	Total 2022 £'000
Expected return on pension scheme assets		**(336)**	(397)
Interest on pension scheme liabilities		**369**	465
	34	**33**	68

12. Taxation on Surplus on Ordinary Activities

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Corporation Tax	**-**	-	**-**	-

13. Fixed Assets – Housing Properties

Group and Association	Completed Schemes		Assets Under Construction			
	Rented £'000	Shared Ownership £'000	Rented £'000	Shared Ownership £'000	Total 2023 £'000	Total 2022 £'000
Cost						
At 1 April	205,000	159	7,243	-	**212,402**	207,893
Development additions	-	-	1,296	98	**1,394**	5,918
Transfers to stock (note 17)	-	-	-	(39)	**(39)**	-
Component renewals	2,647	-		-	**2,647**	1,999
Completed properties	7,384	-	(7,384)	-	**-**	-
Disposals	(3,723)	-		-	**(3,723)**	(3,408)
At 31 March	**211,308**	**159**	**1,155**	**59**	**212,681**	212,402
Depreciation						
At 1 April	(70,198)	(21)	-	-	**(70,219)**	(67,305)
Charge for the year	(5,411)	(2)	-	-	**(5,413)**	(5,590)
Disposals	2,826	-	-	-	**2,826**	2,676
At 31 March	**(72,783)**	**(23)**	**-**	**-**	**(72,806)**	(70,219)
Impairment						
At 1 April	(623)	-	-	-	**(623)**	(623)
Charge for the year (note 16)	(15)	-	-	-	**(15)**	-
Disposals	-	-	-	-	**-**	-
At 31 March	**(638)**	**-**	**-**	**-**	**(638)**	(623)
Net Book Value						
At 1 April	134,179	138	7,243	-	**141,560**	139,965
At 31 March	**137,887**	**136**	**1,155**	**59**	**139,237**	141,560

Freehold land & buildings	**132,431**	134,387
Long leasehold buildings	**6,806**	7,173
At 31 March	**139,237**	141,560

Additions to housing properties in the year included capitalised interest of £29K (2022: £70K).

Expenditure on works to existing properties charged to the Statement of Comprehensive Income totalled £5,810K (2022: £4,800K).

Assets under construction includes £130K for land acquired for development where development has yet to start.

NOTES TO THE FINANCIAL STATEMENTS

14. Fixed Assets – Other Assets

Group and Association	Freehold Land and Buildings	Vehicles, Furniture and Equipment	Total 2023	Total 2022
	£'000	£'000	**£'000**	£'000
Cost				
At 1 April	3,141	285	**3,426**	3,459
Additions	-	-	**-**	47
Disposals	-	(56)	**(56)**	(80)
At 31 March	**3,141**	**229**	**3,370**	3,426
Depreciation				
At 1 April	(824)	(184)	**(1,008)**	(1,018)
Charge for the year	(52)	(34)	**(86)**	(70)
Disposals	-	56	**56**	80
At 31 March	**(876)**	**(162)**	**(1,038)**	(1,008)
Net Book Value				
At 1 April	2,317	101	**2,418**	2,441
At 31 March	**2,265**	**67**	**2,332**	2,418

15. Fixed Assets - Investments

Group and Association	Liquidity reserve	Collateral Deposits	Investment Property	Total 2023	Total 2022
	£'000	£'000	£'000	**£'000**	£'000
Valuation at 1 April	731	414	968	**2,113**	1,314
Additions	3	-	-	**3**	731
Revaluations	-	-	42	**42**	68
Disposals	-	(414)	-	**(414)**	-
Valuation at 31 March	**734**	**-**	**1,010**	**1,744**	2,113

The Association has £731,000 on deposit as a Liquidity Reserve in relation to its THFC bLEND bond finance. The funds will be held in trust by THFC bLEND until the bond finance is repaid in 2054.

The Association had £414,000 held on deposit as collateral in relation to its participation in the Local Government Pension Scheme. This was repaid following closure of the scheme.

The Association owns 9 properties let at market rents held for investment purposes Sample valuations of the properties were carried out in March 2023 by external Chartered Surveyors (SK Estates) in accordance with the RICS Appraisal and Valuation Manual. Their reports indicated that the market value of investment property had increases from £968,000 to £1,010,000 during the year.

NOTES TO THE FINANCIAL STATEMENTS

16. Impairment

Capital component replacements were undertaken necessary in properties within a redevelopment area. Eight properties were impaired by a total of £15,000 to bring their net book value to zero. The net charge for the year is disclosed separately in note 5.

There were no impairment triggers during 2022/23 and therefore a full impairment review was not required.

Group and Association **Properties in redevelopment area**	**Note**	**Total 2023 £'000**	Total 2022 £'000
Opening Net Book Value after previous impairment		**-**	-
Increase in Net Book Value in the year		**15**	-
Impairment charge	13	**(15)**	-
Closing Net Book Value following impairment		**-**	-

17. Stock

	Notes	**Group 2023 £'000**	**Group 2022 £'000**	**Association 2023 £'000**	**Association 2022 £'000**
First tranche Shared ownership properties:					
Completed		**-**	-	**-**	-
Work in progress		**39**	-	**39**	-
Total stock		**39**	-	**39**	-

NOTES TO THE FINANCIAL STATEMENTS

18. Trade and other debtors

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Amounts Falling Due Within One Year					
Current Tenant Rent and Service Charge Arrears		**1,220**	1,263	**1,220**	1,263
Former Tenant Rent and Service Charge Arrears		**359**	453	**359**	453
Gross Rent and Service Charge Arrears		**1,579**	1,716	**1,579**	1,716
Bad Debt Provision		**(982)**	(1,128)	**(982)**	(1,128)
Net Rent and Service Charge Arrears		**597**	588	**597**	588
Capital grant receivable		**-**	72	**-**	72
Revenue grant receivable		**48**	46	**48**	46
Tax debtor		**-**	1,231	**-**	-
Amounts owed from related undertakings	28	**-**	-	**2**	20
Prepayments and Sundry Debtors		**872**	594	**872**	594
Total Amounts Falling Due within One Year		**1,517**	2,531	**1,519**	1,320

19. Short term investments

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
95-day notice bank deposits		**9,000**	9,000	**9,000**	9,000
Intercompany loan to Altview Living Limited	28	**-**	-	**-**	1,115
Total short-term investments		**9,000**	9,000	**9,000**	10,115

The Association made a £1,115,000 loan to its wholly owned subsidiary Altview Living Limited during 2021/22. This loan was to cover working capital requirements and was repaid in July 2022.

20. Creditors: Amounts Falling Due Within One Year

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Borrowing	22	**105**	99	**105**	99
Trade Creditors		**1,295**	1,197	**1,295**	1,004
Capital Creditors and Retentions		**717**	337	**606**	327
Rent and Service Charges Received in Advance		**1,071**	1,075	**1,071**	1,075
Other Taxation and Social Security		**155**	1,182	**155**	1,182
Amounts owed to related undertakings	28	**-**	-	**114**	205
Grants Received in Advance		**161**	80	**161**	80
Unamortised Government Grant income	21	**497**	475	**497**	475
Recycled Capital Grant Fund	23	**-**	-	**-**	-
Accruals and Deferred Income		**134**	144	**134**	144
Total Creditor Amounts Falling Due within One Year		**4,135**	4,589	**4,138**	4,591

NOTES TO THE FINANCIAL STATEMENTS

21. Deferred capital grant income

Group and Association	Notes	Social Housing Grant	Other grants	Total 2023	Total 2022
		£'000	£'000	**£'000**	£'000
Total Government Grant Income					
At 1 April		29,793	16,756	**46,549**	46,525
Grant received and recycled		724	-	**724**	84
Grant on property disposals		(199)	-	**(199)**	(60)
At 31 March		**30,318**	**16,756**	**47,074**	46,549
Less Total Amount Amortised to date					
At 1 April		(3,538)	(2,689)	**(6,227)**	(5,763)
Released to Statement of Comprehensive Income	3	(303)	(172)	**(475)**	(473)
Amortised grant written back on disposals	4	25	-	**25**	9
At 31 March		**(3,816)**	**(2,861)**	**(6,677)**	(6,227)
Unamortised Grant Income					
Amounts to be released within one year	20	325	172	**497**	475
Amounts to be released in more than one year		26,177	13,723	**39,900**	39,847
At 31 March		**26,502**	**13,895**	**40,397**	40,322

NOTES TO THE FINANCIAL STATEMENTS

22. Debt

Group and Association

Debt is repayable in instalments as follows:	**Notes**	**2023 £'000**	2022 £'000
Due within one year			
Bank loans		**-**	-
Bond finance		**-**	-
Premium on bond issue		**125**	125
Less Issue costs		**(20)**	(26)
Total due within one year	20	**105**	99
Due after more than one year			
Bank loans		**-**	-
Bond finance		**25,000**	25,000
Premium on bond issue		**3,738**	3,862
Less Issue costs		**(407)**	(450)
Total due after more than one year		**28,331**	28,412
Total borrowing is repayable in instalments as follows:			
Within one year or on demand		**-**	-
One year or more but less than two years		**-**	-
Two years or more but less than five years		**-**	-
Five years or more		**25,000**	25,000
Total Borrowing		**25,000**	25,000

Loan Security

As at the 31st March 2023, the Association's total loans of £25,000,000 were secured by a charge over 878 of the Association's properties.

Terms of repayment and interest rates

The nominal rate of interest on the £25.0m is 2.922% and the effective interest rate after the premium is 2.217%. The interest rate is payable half-yearly and fixed for the life of the bond, interest payments are payable half yearly and the bond is repayable in 2054.

An undrawn loan facility with Santander plc is available to draw until 2026 at variable rates plus lenders margin.

Premium on bond issue

In 2021-22 the Association drew down a £25m nominal loan from bLEND (THFC). The gross proceeds of £29,107,500 included a premium of £4,107,500 which is amortised over the life of the nominal loan. The premium discharged is netted off against loan interest payable in the Statement of Comprehensive Income (see note 10).

NOTES TO THE FINANCIAL STATEMENTS

22. Debt (continued)

Covenant Compliance

Covenant compliance is monitored on a monthly basis. There were no breaches identified in the year. The following financial covenants are the tightest by definition and are assessed on an annual basis:

	Tightest Covenant Threshold	**Internal Golden Rule**	**2023 £'000**	2022 £'000
Interest cover	110%	Above 150%	**(3,690%)***	2,192%
Gearing (debt to GBV of housing assets)	Below 45%	Below 40%	**(9.3%)**	(3.5%)

*The interest cover test is calculated using net interest payable (interest payable less interest receivable). The net interest payable was negative as interest receivable exceeded interest payable. In such circumstances the association is deemed to fully comply with the covenant requirements.

23. Recycled Capital Grant Fund

Group and Association	**Notes**	**2023 £'000**	2022 £'000
Opening balance		**127**	**96**
Inputs to the fund			
Sales proceeds recycled		**83**	**44**
Interest accrued		**1**	**-**
Amounts recycled			
Provision of new build dwellings for Affordable rent		**(211)**	**(13)**
Balance At 31 March		**-**	**127**
Amounts Falling Due Within One Year	20	**-**	**-**
Amounts Falling Due After More Than One Year		**-**	**127**
		-	**127**

24. Other Creditors: Amounts Falling Due After More Than One Year

Other Creditors	**Notes**	**Group 2023 £'000**	**Group 2022 £'000**	**Association 2023 £'000**	**Association 2022 £'000**
Amounts owed to related undertakings	28	**-**	-	**-**	191
Capital Creditors and Retentions		**-**	186	**-**	-
Accruals and Deferred Income		**35**	37	**35**	37
Total Other Creditors		**35**	223	**35**	228

NOTES TO THE FINANCIAL STATEMENTS

25. Provisions for liabilities and charges

Group and Association	2023 £'000	2022 £'000
Disrepair claims	333	101
Public liability insurance claims	60	35
At 31 March	**393**	136

Provisions have been made in respect of live claims made against the association as at the Statement of Financial Position date.

26. Non-equity Share Capital

Group and Association	2023 £	2022 £
Shares of £1 each fully paid and issued		
At start of the year	22	20
Shares issued in the year	1	4
Cancelled during the year	(2)	(2)
At 31 March	21	22

The Association's shares are not transferable or redeemable. Payments of dividends or other benefits are forbidden by the Association's rules and by the Housing Association Acts.

27. Transactions with related parties

The Association maintains a register of interests of Board Members.

Group and Association	2023 £'000	2022 £'000
The Association made payments to:		
Remuneration paid to other related parties in the year		
Cobalt Board members	60	59
Cobalt Committee members	15	14
	75	73

NOTES TO THE FINANCIAL STATEMENTS

28. Group Undertakings

The consolidated financial statements incorporate the financial statements of Cobalt Housing Limited (the Ultimate parent entity) and Altview Living Limited.

The amounts charged between related undertakings

Amounts charged to Altview Living Limited from Cobalt Housing Limited	**Notes**	**2023 £'000**	2022 £'000
Historic development works and services		**-**	6,071
Development services	2	**20**	61
Interest payable	9	**16**	3
		36	6,135

Charges from Cobalt Housing are based on cost. These transactions have been netted off on consolidation and not included within the Group statements.

Amounts charged to Cobalt Housing Limited by Altview Living Limited	**Notes**	**2023 £'000**	2022 £'000
Development works and services		**628**	7,323
		628	7,323

The Charges from Altview Living Limited in 2022-23 were at cost plus a 3.25% uplift.

The amounts owed between related undertakings within the Statement of Financial Position

Amounts owed from Altview Living Limited	**Notes**	**2023 £'000**	2022 £'000
Debtors Falling Due Within One Year	18	**2**	20
Short Term Investments: Intercompany loan	19	**-**	1,115
		2	1,135
Amounts owed to Altview Living Limited			
Creditors Falling Due Within One Year	20	**(114)**	(205)
Creditors Falling Due After More Than One Year	24	**-**	(191)
		(114)	(396)
Net amounts owed from/(to) Altview Living Limited as at 31 March		**(112)**	739

29. Housing Stock

	At 1 April 2022	Additions	Disposals	Completions /Other	At 31 March 2023
UNITS OWNED					
Social Housing					
General Needs (Social rent)	5,460	-	(60)	(2)	**5,398**
General Needs (Affordable rent)	348	50	(1)	-	**397**
Shared ownership	2	-	-	-	**2**
Total Social Housing Homes Owned	5,810	50	(61)	(2)	**5,797**
Non-Social Housing					
Market rent owned	9	-	-	-	**9**
Total Homes owned	5,819	50	(61)	(2)	**5,806**
OTHER UNITS MANAGED					
Freehold interest where leaseholder owns 100%	3	-	-	-	**3**
Total Homes Managed	5,822	50	(61)	(2)	**5,809**
UNITS TAKEN OUT OF THE RENT DEBIT					
Awaiting demolition	6	2	-	2	**10**
Total units	5,828	52	(61)	-	**5,819**
The number of properties under development at the year-end were:					
Affordable Rents	50	50	-	(50)	**50**
Shared ownership	-	10	-	-	**10**
Rent to Buy	-	28	-	-	**28**
Total housing under development	50	88	-	(50)	**88**

NOTES TO THE FINANCIAL STATEMENTS

30. Reconciliation of Surplus to Net Cash Inflow from Operating Activities

	Notes	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Surplus/ (Deficit) for the year (Statement of Comprehensive Income)		**9,643**	10,008	**9,662**	9,896
Adjustments for non-cash items:					
Depreciation of Housing Properties	13	**5,413**	5,590	**5,413**	5,590
Depreciation of Other Fixed Assets	14	**86**	70	**86**	70
Amortisation of Intangible Assets		**32**	60	**32**	60
Impairment of tangible fixed assets	16	**15**	-	**15**	-
Preserved Right to Buy & Right to Acquire disposal adjustments		**805**	724	**805**	724
Gain/(loss) on disposal of tangible fixed assets		**-**	-	**1**	-
Pension Adjustments –remeasurement, interest & contributions		**(419)**	(366)	**(419)**	(366)
(Increase)/ Decrease in stock	17	**(39)**	-	**(39)**	-
(Increase) / Decrease in trade and other debtors		**1,281**	(1,621)	**71**	(410)
Increase / (Decrease) in trade and other creditors		**(822)**	1,408	**(825)**	1,405
Increase / (Decrease) in in provisions	25	**257**	(345)	**257**	(345)
Adjustments for investing or financing activities:					
Amortisation of deferred Government Grant	21	**(475)**	(473)	**(475)**	(473)
Unrealised gain on revaluation of investment properties	15	**(42)**	(68)	**(42)**	(68)
Interest receivable	9	**(995)**	(38)	**(1,011)**	(41)
Interest payable	10	**709**	649	**709**	649
Other financing amounts	11	**33**	68	**33**	68
Net Cash Inflow from Operating Activities		**15,482**	15,666	**14,273**	16,759

31. Analysis of Changes in Net Debt

Group and Association	Notes	At 1 April 2022 £'000	Cash Flows £'000	Non-cash Changes £'000	At 31 March 2023 £'000
Cash and cash equivalents		32,346	12,419	-	**44,765**
Debt Due within one year		-	-	-	**-**
Debt Due after more than one year	22	(25,000)	-	-	**(25,000)**
Net (debt) / cash		7,346	12,419	-	**19,765**

NOTES TO THE FINANCIAL STATEMENTS

32. Operating Leases

The Association leases an industrial unit for its in-house maintenance team. Payments are accounted for in the month in which they fall due. At 31 March 2023, the Association had total commitments under these leases of:

Group and Association	**Land and Buildings £'000**	**2023 £'000**	2022 £'000
Leases expiring:			
Within one year	18	**18**	18
In the second to fifth years	35	**35**	53
In more than five years	-	**-**	-
	53	**53**	71

33. Capital Commitments

Group and Association	**2023 £'000**	2022 £'000
Capital expenditure contracted for but not provided for in the financial statements	**13,358**	2,433
Capital expenditure authorised by the Board of Management but not yet contracted for	**8,551**	3,515
	21,909	5,948

The Association expects these commitments to be contracted within the next year and financed with:

Social Housing Grant	**999**	361
Operating cash flows and existing cash and equivalent balances	**20,910**	5,587
	21,909	5,948

NOTES TO THE FINANCIAL STATEMENTS

34. Pension obligations

Group and Association

Local Government Pension Scheme administered by Merseyside Pension Fund

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Wirral Borough Council. Cobalt's participation in the LGPS fund was terminated on 31 October 2021. There was a deficit of approximately £943,300 on the termination assumptions, which was paid by the employer in 2021/22 and included in the employer's contributions in that year.

Social Housing Pension Scheme

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

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company 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. It is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus

The accounting policy in relation to SHPS is set out on page 45.

NOTES TO THE FINANCIAL STATEMENTS

34. Pension obligations (continued)

Scheme membership

	2023	2022		
	Social Housing Pension Scheme	Merseyside Pension Fund	Social Housing Pension Scheme	Total
Actives	**21**	-	22	22
Deferred	**38**	19	38	57
Pensioners	**10**	17	9	26
Spouses/dependents	**-**	2	-	2
Total	**69**	38	69	107

The Social Housing Pension Scheme membership data is as at 30 September 2022. SHPS is closed to all members in terms of further service accrual and actives refers to members who retain a link to their current salary for defined benefit pension purposes.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the funds by qualified independent actuaries.

The most recent full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020 (Social Housing Pension Scheme). The fair value of the schemes' assets at 31st March 2023, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

Assumptions	2023 Social Housing Pension Scheme	2022 Social Housing Pension Scheme
Duration profile used to determine assumptions:		
CPI Inflation	**2.81%**	3.12%
Rate of discount on scheme	**4.83%**	2.77%
Rate of salary increase	**3.81%**	4.12%
Rate of increase of pensions in payment	**3.16%**	3.42%
Proportion married at retirement	**75%**	75%
Allowance for cash commutation	**75% of maximum allowance**	75% of maximum allowance

Principal Actuarial Assumptions (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2023	2022
	Social Housing Pension Scheme	Social Housing Pension Scheme
Life expectancy male non-pensioner	**22.2**	22.4
Life expectancy female non-pensioner	**24.9**	25.2
Life expectancy male pensioner	**21.0**	21.1
Life expectancy female pensioner	**23.4**	23.7

NOTES TO THE FINANCIAL STATEMENTS

34. Pension obligations (continued)

Amounts recognised in the Statement of Comprehensive Income

	2023		2022	
	Social Housing Pension Scheme	**Merseyside Pension Fund**	**Social Housing Pension Scheme**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Operating costs				
Current service cost	**-**	100	-	100
Effect of settlement	**-**	811	-	811
Administration expenses	**8**	1	7	8
Within operating costs	**8**	912	7	919
Other financing amounts				
Interest on Plan Assets	**(336)**	(163)	(234)	(397)
Interest on Pension Liabilities	**369**	153	312	465
Within other financing costs (note 11)	**33**	(10)	78	68

Amount recognised in Other Comprehensive Income	2023		2022	
	Social Housing Pension Scheme	**Merseyside Pension Fund**	**Social Housing Pension Scheme**	**Total**
	£'000	£'000	£'000	£'000
Experience gains (losses) on plan assets	**(6,215)**	399	1,303	1,702
Experience gains (losses) on plan liabilities	**1,720**	2	(703)	(701)
Effects of changes in the assumptions underlying the present value of the defined benefit obligation	**4,261**	(903)	1,469	566
Total Actuarial (loss)/gain recognised in Other Comprehensive Income	**(234)**	(502)	2,069	1,567

NOTES TO THE FINANCIAL STATEMENTS

34. Pension obligations (continued)

Movement in (deficit)/surplus during year	**2023** **Social Housing Pension Scheme £'000**	**2022** **Merseyside Pension Fund £'000**	**Social Housing Pension Scheme £'000**	**Total £'000**
Surplus/ (Deficit) in scheme at beginning of the year	**(1,405)**	380	(3,650)	(3,270)
Movement in year:				
Current service cost	**-**	(100)	-	(100)
Effect of settlement	**-**	(811)	-	(811)
Administration expenses	**(8)**	(1)	(7)	(8)
Contributions (Employer)	**427**	1,024	261	1,285
Interest on Plan Assets	**336**	163	234	397
Interest on Pension Liabilities	**(369)**	(153)	(312)	(465)
Experience gains (losses) on plan assets	**(6,215)**	399	1,303	1,702
Effects of changes in the assumptions underlying the present value of the defined benefit obligation	**4,261**	(903)	1,469	566
Experience gains (losses) on plan liabilities	**1,720**	2	(703)	(701)
Closing Scheme surplus / (deficit)	**(1,253)**	-	(1,405)	(1,405)

	2023 **Social Housing Pension Scheme**	**2022** **Merseyside Pension Fund**	**Social Housing Pension Scheme**	**Total**
Fair value of assets	**6,193**	-	12,181	12,181
Present Value of liabilities	**(7,446)**	-	(13,586)	(13,586)
Scheme Surplus / (Deficit)	**(1,253)**	-	(1,405)	(1,405)

NOTES TO THE FINANCIAL STATEMENTS

34. Pension obligations (continued)

Reconciliation of assets	**2023**	**2022**		
	Social Housing Pension Scheme £'000	**Merseyside Pension Fund £'000**	**Social Housing Pension Scheme £'000**	**Total £'000**
Assets at beginning of period	**12,181**	12,205	10,475	22,680
Employer contributions	**427**	1,024	261	1,285
Employee contributions	**-**	17	-	17
Benefits paid	**(536)**	(100)	(92)	(192)
Administration expenses	**-**	(1)	-	(1)
Interest on plan assets	**336**	163	234	397
Assets out/(under) performance	**(6,215)**	399	1,303	1,702
Settlements	**-**	(13,707)	-	(13,707)
Assets at end of period	**6,193**	-	12,181	12,181

Reconciliation of liabilities	**2023**	**2022**		
	Social Housing Pension Scheme £'000	**Merseyside Pension Fund £'000**	**Social Housing Pension Scheme £'000**	**Total £'000**
Liabilities at start of period	**13,586**	11,825	14,125	25,950
Service cost	**-**	100	-	100
Employee contributions	**-**	17	-	17
Expenses	**8**	-	7	7
Benefits paid	**(536)**	(100)	(92)	(192)
Interest cost	**369**	153	312	465
Experience losses/(gains) on plan liabilities	**(1,720)**	(2)	703	701
Remeasurements	**(4,261)**	903	(1,469)	(566)
Settlements	**-**	(12,896)	-	(12,896)
Liabilities at end of period	**7,446**	-	13,586	13,586

NOTES TO THE FINANCIAL STATEMENTS

34. Pension obligations (continued)

The market value of the assets of the scheme at 31 March were:

Social Housing Pension Scheme **Market value by underlying Investment Funds**	**2023** **£'000**	**2022** £'000
Growth Assets Portfolio	**2,842**	7,216
Liability Driven Investment (LDI) Portfolio	**2,852**	3,399
Matching Plus Portfolio	**471**	1,580
Net Current Assets	**16**	34
Currency hedging	**12**	(48)
Total	**6,193**	12,181

35. Post Balance Sheet Events

There were no significant post Balance Sheet events requiring adjustment to, or disclosure in, the financial statements.

The Financial Conduct Authority: 29516R
Regulator of Social Housing: L4361

Cobalt Housing