Cottsway Housing Association Limited

Annual report and financial statements
Year ended 31 March 2023

FCA registration number: 30651R
Regulator of Social Housing number: L4312

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Group and association information

Board
Alice Cummings (Vice Chair)
Pedro Dalton (from 14 March 2023)
Jeremy Fletcher (from 01 August 2022)
Alix Green
Andrew Hall (Chair)
Les Henderson (from 01 August 2022)
Lizzie Hieron
Emma Kenny
Sue Lakin
Richard Reynolds

Executive directors

Acting Chief Executive	Richard Reynolds (to 02 August 2022)
Chief Executive	Richard Reynolds (from 02 August 2022)
Operations Director	Sue Lakin (to 01 November 2022)
Deputy Chief Executive	Sue Lakin (from 01 November 2022)
Interim Resources Director	Stephen Leonard (to 13 February 2023)
Resources Director	Pedro Dalton (from 13 February 2023)
Director of Development and Partnerships	Colin Bloodworth (from 01 November 2022)

Company Secretary
Nicola Avian (to 31 May 2023)
Richard Reynolds (from 1 June 2023)

Principal Solicitor:
Trowers & Hamlins LLP
3 Bunhill Row
London EC1Y 8YZ

Clearing Banker
NatWest Bank plc
Oxford Commercial Office
Willow Court, Minns Business Park
7 West Way
Oxford OX2 0JB

External Auditor
KPMG LLP
One Snowhill
Snowhill
Queensway
Birmingham
B4 6GH

Internal Auditor
RSM Risk Assurance Services LLP
Chelmsford, Essex
CM1 1LN

Chair's Statement

A year of economic uncertainty with sustainable performance

The last year has seen a very unsettled economic world with rising inflation, exceptional energy costs and rising interest rates, which have significantly impacted our customers, staff and all stakeholders.

We have continued to deliver all our services and have maintained our focus supporting our customers wherever possible to help them mitigate the impact of economic pressures.

We have continued to invest in communities, while working in partnership with others wherever possible to bring added value, and we are supporting customers and the wider community at this time of greater need by providing space for both Citizens Advice West Oxfordshire and the local Foodbank at our offices.

Cottsway produced a stable financial performance generating a net surplus of £4.0m for the year. This has been achieved despite being impacted by increasing costs particularly on repairs materials. During the year we continued to invest in existing homes whilst delivering 211 new homes, which was ahead of our target of 181 in 2022/23.

We have during the year undergone a Regulatory in-depth assessment and I am very pleased that we retained our coveted G1/V1 rating.

Despite the economic uncertainty due to the financial strength of Cottsway we developed a new Corporate Plan outlining our ambitions for the next five years.
Key targets to achieve by March 2028 within this are:

- To get 80% of standard transactions digital whilst supporting those who struggle to engage in this way
- Focus on energy efficiency and ensure 95% of our properties are EPC C.
- Invest £63m in maintaining existing homes
- Deliver 833 new homes
- Ensure Social Housing Operating Margin to be greater than 41.80% every year

To support our New Corporate Plan, we have reviewed our Governance Structure and have launched a new Customer Committee to help ensure we continue to focus on our customers and the new legislation that is forthcoming.

None of what we have achieved and plan to achieve would be possible without the skill and dedication of our staff and I would like to thank them all for the contribution to the ongoing success of Cottsway.

Andrew Hall

Chair Cottsway Housing Association

Strategic Report of the Board

Principal activity
The principal activity of Cottsway is providing general affordable housing for rent and shared ownership.

The principal accounting policies are shown on pages 37-44.

Purpose
With input from customers, staff and key stakeholders, our Board reassessed Cottsway's purpose during 2022/23 to better describe our aims. Our new purpose is:

"Together we are turning houses into homes, growing and building stronger communities and making a positive difference to people's lives".

The group will consider all growth opportunities on a value for money basis, ensuring economies of scale and effectiveness of our service operations in the area.

The aim is to provide homes across a wide range of tenures to meet the needs of those unable to access secure, affordable accommodation through private rent or buying a property. This requires developing a range of social, affordable, and sub-market rental homes.

The group will build accommodation for shared ownership and will explore partnerships with other organisations to meet the needs of local key workers and other groups who are priced out of home ownership in its operating area.

The core mission is to provide homes. This will not diversify into providing support services for residents who may need these to live independently in the group's properties. The group will work in partnership with service providers to explore the potential to provide specialist accommodation for specific groups of people when needed. The group will also ensure its staff can link its residents to local services and, through partnerships, will aim to ensure that local services are provided by others to meet the needs of residents.

Review of financial performance

Highlights from the group's three-year income and expenditure accounts and balance sheets are summarised below:

	2023 (£'000)	2022 (£'000)	*2021 (£'000)*
Income and Expenditure account			
Total turnover	**39,460**	36,584	*36,999*
Income from lettings	**32,986**	30,513	*29,144*
Operating surplus	**14,663**	14,948	*16,004*
Interest payable	**10,994**	9,735	*9,851*
Surplus for the year	**3,992**	5,218	*5,873*
Total expenditure on repairs	**11,521**	9,088	*6,044*
Capitalised major repairs	**4,445**	3,377	*2,541*
Total employee cost	**7,721**	7,163	*6,972*
Housing depreciation	**5,996**	5,591	*5,368*
Average monthly no. of employees	**153**	145	*142*
Balance Sheet (£'000)			
Housing properties	**412,283**	384,324	*363,445*
Other fixed assets	**4,105**	4,698	*5,247*
Other Investments	**30**	30	*30*
Fixed assets	**416,418**	389,052	*368,722*
Net current assets (liabilities)	**1,051**	1,743	*(12,371)*
Total assets less current liabilities	**417,469**	390,795	*356,351*
Loans (due after more than one year)	**255,540**	235,628	*206,212*
Pensions liability	**214**	675	*4,526*
Other long-term liabilities	**10,297**	7,540	*7,176*
Reserves : revaluation	**61,205**	62,368	*63,467*
: revenue	**89,897**	84,281	*74,616*
: restricted	**315**	303	*354*
: total	**151,417**	146,952	*138,437*
Accommodation figures	**Number**	Number	*Number*
Social housing owned	**5,386**	5,189	*5,075*

Operating Margin

The group delivered an operating surplus of £14.7m (2022: £15.0m) representing a 2.0% decrease on the previous year. The key features were:

- Overall turnover increased by £2.9m. £2.5m of this related to the delivery of new rented units together with the rent increase. Sales from shared ownership properties increased by £0.4m.

- Operating costs increased by £2.7m reflecting inflation pressure on the cost base.
- Surpluses from the sale of shared ownership properties were £0.4m higher than the previous year.
- The surplus generated from disposals decreased by £0.4m. This relates to the disposal of properties and land and staircasing of shared ownership properties.

Investment in existing and new homes

During the year we invested £4.4m in capitalised major repairs to our existing homes. The group completed 211 new homes at a cost of £34.5m; 173 homes for rent and 38 for low-cost home ownership. As at 31 March 2023 just 1 completed low-cost home ownership properties was unsold.

At the end of 31 March 2023 70 (2022: 55) properties were held for disposal or redevelopment in the near future.

Treasury management

The group's treasury management is designed to ensure that there is sufficient liquidity to meet committed requirements for at least the next 18 months. It also manages and mitigates the impact from adverse movements in interest rates while minimising borrowing costs. The value for money of borrowing new funds is assessed against both the social and financial returns from new investment, and the efficiency of using assets as loan security. The Board makes investment and other decisions in line with requirements and conditions set out in the loan agreements. The Board would not make a decision that would place at risk our compliance with financial covenants contained in those agreements.

At the year-end the group had finance available, which is sufficient to support all contractually committed development.

The weighted average cost of capital for the group as at 31 March 2023 was 4.5% (2022: 4.5%). As at 31 March 2023, of the £254.7 million of drawn debt (2022: £234.7 million), £5.0 million was at a variable rate linked to SONIA (2022: £10.0 million) and £249.7 million was at fixed rates of varying lengths and at rates of between 2.97% and 7.18% (2022: £224.7 million). These loans have maturity dates ranging from 2026 to 2070.

The group had sufficient security pledged to support drawn and undrawn facilities. As at 31 March 2023, Cottsway had £471.2 million (2022: £443.9 million) of assets valued at a combination of EUV-SH (existing use value – social housing) and MV-STT (market value subject to tenancies) pledged to its lenders. In addition to the assets allocated to lenders, a further £93.5 million (2022: £122.1 million) was in charge but not allocated to a specific lender.

As at 31 March 2023, the group cash balance was £10.1 million (2022: £5.2 million). In addition, there were undrawn available Group facilities of £65.8 million of which £60.0 million was immediately available.

The group operates a prudent counterparty risk policy in relation to funds on deposit with limits set in terms of total value and percentage of overall deposits.

Cottsway has a mixture of financial and non-financial covenants which the Board monitors quarterly. Cottsway remained compliant against all covenants in the year.

The group borrows, invests and transacts in sterling and does not have any currency risk.

Future performance

The Board is committed to improving performance over the longer term by delivering value from all our resources and assets. This continual improvement, in conjunction with maintaining a prudent approach to risk management, will enable Cottsway to continue to invest in new and existing homes, whilst continually improving the quality and range of services that the group provides.

The focus of the business remains the delivery of services while ensuring value for money. The Group’s Corporate Plan sets targets that will be the base position we aim to achieve whilst always looking at solutions that will enhance delivery of services and homes. The Corporate Plan focus on three key areas and outlines our future plans.

People

People are central to our success whether they are customers, staff, or stakeholders - without their support and satisfaction we will not succeed. Providing efficient and effective routes for our customers to interact with us will help underpin delivery of services in a constantly changing world. Our aim is to continue our digital journey and to make more services and information available for our customers, and to enable our staff to work as flexibly and effectively as possible.

Homes

The properties we build and maintain are key to the well-being of our customers and their families. Energy efficiency and safety are at the forefront of our plans to ensure we support our customers as much as possible in this difficult economic climate. We will continue to work with our local authority partners to ensure we deliver the right properties to meet the needs of their areas.

Business Strength

Making sure we are financially strong and delivering value for money is critical to us being able to serve our customers and maintain our homes properly. To ensure this happens we will set ourselves targets to support long-term growth, alongside delivery of efficient and effective day-to-day operations.

Operating and financial review including value for money report 2022/23

Our approach

Our aim is to achieve our purpose by managing and maintaining our existing homes well and making a surplus every year to create the capacity to build new ones. We do this by making our business as efficient and customer focused as possible, whilst using our substantial assets to raise finance to help house people. We are clear that the better value for money we can achieve from everything we do, the more we can do to help those in need.

We compare ourselves to peer organisations in the sector for benchmarking purposes, utilising information from Housemark, a leading data and insight provider for the UK housing sector (sector scorecard).

Our value for money approach has been reviewed by the board and we continue to regularly review and scrutinise our strategy. Our assessment includes the Regulator's Value for Money (VFM) metrics that form part of the Value for Money Standard, and these are included in our measures of how we perform as a business. Our VFM targets for 2023/24 are shown below.

Our assessment of our performance also includes the recently introduced Tenant Satisfaction Measures (TSMs). We are required by the Regulator to capture TSM performance from 01 April 2023 although many of the measures were already captured in our ongoing engagement with our stakeholders. As peer benchmark data emerges, we will assess our performance against our peers and our previous experience where relevant. As benchmark data is not yet available the Board has set the initial target of being at or above the sector median for all TSM metrics.

Those TSMs marked [1] are collected from the tenant perception survey that is presented as a percentage of the respondents who report positively divided by the total number of respondents. Those TSMs marked [2] are generated from management information.

Rather than separately present the external measures adopted, we have assessed our performance against the three key areas outlined in our Corporate Plan using these measures:

People

People	Cottsway Peer group			2024 target	2023 target	2023 actual	2022 actual
	Upper	Median	Lower				
TSM metric[1] - Overall satisfaction	n/a	n/a	n/a	79%*	n/a	84%	n/a
TSM metric - Satisfaction that the landlord listens to tenant views and acts upon them	n/a	n/a	n/a	Sector median or above*	n/a	75%	n/a
TSM metric[1] - Satisfaction that the landlord keeps tenants informed about things that matter to them	n/a	n/a	n/a	Sector median or above*	n/a	81%	n/a
TSM metric[1] - Agreement that the landlord treats tenants fairly and with respect	n/a	n/a	n/a	Sector median or above*	n/a	84%	n/a
TSM metric[1] - Satisfaction with the landlord's approach to handling of complaints	n/a	n/a	n/a	Sector median or above*	n/a	53%	n/a
TSM metric[1] - Satisfaction with the landlord's approach to handling anti-social behaviour	n/a	n/a	n/a	Sector median or above*	n/a	68%	n/a

TSM metric[2] - Complaints relative to size of landlord	n/a	n/a	n/a	Sector median or above*	n/a	15	n/a
TSM metric[2] - Complaints responded to within Handling Code timescales	n/a	n/a	n/a	Sector median or above*	n/a	97.2%	n/a
TSM metric[2] - Anti-social behaviour relative to the size of the landlord	n/a	n/a	n/a	Sector median or above*	n/a	61	n/a
Overall net promotor score	38.5	36	31	36	36	31	36

* target is based on the 2021/22 benchmark median score

Overall net promotor score

We achieved 31 against a target of 36, this was primarily impacted by Q4 results which were down on the rest of the year and consistent with similar drops in satisfaction overall. We saw an increase in reports of damp and mould during this time and an increase in heating and hot water failures, all were responded to, and action taken; we believe external factors have also impacted on our customer general feeling.

Homes

Homes	Cottsway Peer group			2024 target	2023 target	2023 actual	2022 actual
	Upper	Median	Lower				
TSM metric[1] - Satisfaction that the landlord keeps communal areas clean and well-maintained	n/a	n/a	n/a	Sector median or above*	n/a	66%	n/a
TSM metric[1] - Satisfaction that the home is safe	n/a	n/a	n/a	Sector median or above*	n/a	85%	92%
TSM metric[2] - Gas safety checks	n/a	n/a	n/a	100%	100%	100%	n/a
TSM metric[2] - Fire safety checks	n/a	n/a	n/a	100%	100%	100%	n/a
TSM metric[2] - Asbestos safety checks	n/a	n/a	n/a	100%	100%	100%	n/a
TSM metric[2] - Water safety checks	n/a	n/a	n/a	100%	100%	100%	n/a
TSM metric[2] - Lift safety checks	n/a	n/a	n/a	100%	100%	100%	n/a
TSM metric[2] - Satisfaction with repairs	n/a	n/a	n/a	Sector median or above*	n/a	84%	79%
TSM metric[1] - Satisfaction with time taken to complete last repair	n/a	n/a	n/a	Sector median or above*	n/a	80%	n/a

TSM metric[2] - Non-emergency repairs completed within target timescale	n/a	n/a	n/a	Sector median or above*	n/a	n/a	n/a
TSM metric[2] - Emergency repairs completed within target timescale	n/a	n/a	n/a	Sector median or above*	n/a	n/a	n/a
TSM metric[1] - Satisfaction that the home is well-maintained	n/a	n/a	n/a	Sector median or above*	n/a	83%	n/a
TSM metric[2] - Homes that do not meet the Decent Homes Standard	n/a	n/a	n/a	Sector median or above*	n/a	0.29%	0.04%
New homes developed - handovers	165	89	44	147	181	211	130
VFM metric - New supply delivered (social housing units)	2.4	1.8	0.9	2.71%	3.49%	3.96%	2.53%
Sector scorecard - Ratio of responsive repairs to planned maintenance spend	40%	50%	70%	28.5%	35.5%	45.3%	51.3%
Sector scorecard - Occupancy	99.8	99.7	99.6	99.0%	99.0%	99.3%	98.5%

Gas safety checks (%)

100% of homes that required gas safety checks had been completed against the Board target of 100%. The target for 2023/24 remains 100%.

Fire safety checks (%)

100% of homes that required fire risk assessments had been completed against the Board target of 100%. The target for 2023/24 remains 100%.

Asbestos safety checks (%)

100% of homes that required asbestos management surveys or re-inspections had been completed against the Board target of 100%. The target for 2023/24 remains 100%.

Water safety checks (%)

100% of homes that required legionella risk assessments had been completed against the Board target of 100%. The target for 2023/24 remains 100%.

Lift safety checks (%)

100% of homes that required communal passenger lift safety checks had been completed against the Board target of 100%. The target for 2023/24 remains 100%.

Satisfaction with repairs (%)

We performed well against the target for 2023, achieving 84% against a target of 80%.

Homes that do not meet the Decent Homes Standard (%)

At the end of March 2023 there were 14 homes classified as non-decent due to a particular component coming to the end of its lifecycle, the component itself is operational and functional and replacement scheduled for the coming year. If a component fails or is a health and safety risk at any point, this will be addressed, regardless of the age of that component or if the customer has declined to have to work carried out in the first instance.

New homes developed - handovers (#)

We exceeded our target due to acquiring a new scheme at West Witney during the year.

New supply delivered (social housing units) (%)

We exceeded our target due to acquiring a new scheme at West Witney during the year.

Ratio of responsive repairs to planned maintenance spend (%)

We achieved a 45.3% ratio against a 35.5% target, the reason for the higher than target ratio was due to us proactively moving some of our inhouse workforce onto responsive repairs to ensure we had no back log repairs ahead of launching our new customer portal.

Occupancy (%)

We performed well against the target for 2023, achieving 99.3% against a target of 99%.

Business Strength

Business Strength	Cottsway Peer group			2024 target	2023 target	2023 actual	2022 actual
	Upper	Median	Lower				
VFM metric - Operating margin overall excluding gains/loss on disposal of fixed assets (%)	28.3%	23.4%	19.8%	41.4%	38.6%	34.1%	36.4%
VFM metric - Operating margin (social housing lettings only)	29.8%	25.1%	21.7%	38.7%	38.2%	34.9%	37.5%
VFM metric - EBITDA MRI interest cover (%)	188.3%	148.6%	103.7%	124.7%	145.9%	136.8%	146.7%
VFM metric - Reinvestment (%)	8.2%	6.8%	4.5%	9.03%	8.26%	8.51%	7.17%
VFM metric - Gearing (%)	40.3%	55.7%	61.9%	54.2%	62.7%	59.3%	59.7%
VFM metric - Return on capital employed (%)	4.3%	3.6%	2.7%	3.65%	3.65%	3.52%	3.83%

VFM metric - Headline social housing cost per home (£)	3745	4316	4778	4413	3487	3543	3027
Sector scorecard - Overhead costs as a percentage of turnover (%)	12.0%	13.3%	15.3%	11.5%	12.0%	11.5%	10.3%
Sector scorecard - Rent collected as a percentage of rent due (%)	97.6%	97.1%	95.3%	100.0%	100.0%	102.6%	101.3%
Cost of standard repairs versus external benchmark (%)	n/a	n/a	n/a	Not yet set	95.0%	101%**	94%
Management costs vs. rental income (%)	n/a	n/a	n/a	23.0%	n/a	n/a	n/a

* all 2024 targets against the VFM metrics are based on the 2023/24 business plan that was approved by the Board in May 2023.
**Benchmark costs were not adjusted to incorporate the high rates of inflation

Operating margin overall excluding gains/loss on disposal of fixed assets (%)

2023 operating margin as calculated using the Regulator for Social Housing (RSH) methodology was 4.5% below the 2023 target. The 2023 target was set before external factors that resulted in higher inflation within the wider macroeconomic environment. Despite this, the table above shows that Cottsway was significantly above the upper quartile of our peer group.

Operating margin (social housing lettings only) (%)

Operating margin on social housing lettings only was 3.3% below target and the same macroeconomic factors that influenced the shortfall are applicable here. Despite this, the table above shows that Cottsway was significantly above the upper quartile of our peer group.

EBITDA MRI interest cover (%)

EBITDA MRI interest cover as calculated under the RSH methodology was 9.10% below target at 136.8%. This was again caused by the wider macroeconomic environment with higher inflation.

Reinvestment (%)

Reinvestment was marginally (0.2%) above the 2023 target. This reflects the higher costs of materials which has increased costs but resulted in a greater investment in existing homes.

Gearing (%)

Gearing as calculated under the RSH methodology was 3.40% below target which is a positive variance. Investment in new homes was below the 2022 business plan forecast due to planning delays and an uncertain land market which resulted in less drawn debt and therefore lower gearing at the year end.

Return on capital employed (%)

Return on capital employed was slightly below target as performance was impacted by higher inflation.

Headline social housing cost per home (£)

2023 performance was marginally higher than the 2023 target where the impact of inflation was partly offset by an increase in new homes delivery.

Rent collected as a percentage of rent due (%)

Our rent collection was ahead of target and also 2021/22 sector performance. This was partly supported by an increase in voids whereas as standard we attempt to get a rent payment in advance of letting.

Overhead costs as a percentage of turnover (%)

Overhead costs were ahead of target despite inflationary increases as out turnover was higher than planned due to increased shared ownership sales and also the repairs turnover of our property services department increasing.

Cost of standard repairs versus ARK benchmark (£)

The historic benchmarks costs do not include the high inflation rises; we are in the process of getting updated benchmarks which will use to set future targets.

Management costs vs. rental income (%)

This is a new measure being introduced to support the delivery of our corporate plan.

Environmental Social and Governance (ESG) report 2022/23

We have begun to develop our Environmental Social and Governance metrics to help with a road map to support the Government's carbon objectives along with potentially finding new funding solutions. We expect to adopt and implement an external measure of our ESG performance in the coming year and will report these to our internal stakeholders to allow them to assess our progress against suitable measures.

The table below outlines measures and the results from 2022/23. We will be developing formal targets for the measures during the next year.

Measure	**Result 2022/23**
EPC ratings of existing homes	EPC A-B 32.1% EPC C-G 67.9%
EPC ratings of new homes handed over during the year	EPC B 100%
Is the housing provider registered with the regulator?	Yes

Most recent viability and governance assessment	G1/V1 Reaffirmed June 2023
What code of governance is followed?	NHF code of Governance 2020
Is the housing provider not for profit	Yes
Demographics of Board	50% Female 50% Male
Is there a maximum tenure for a Board member?	NEDs are appointed for 2 terms of up to 3 years
What %age of the Board are Non-Executive	71%
Number of board members on the Audit Committee with recent and relevant financial experience	1 out of 2 committee members
Has a succession plan been provided to the board in the last 12 months?	Yes
For how many years has the housing provider's current external audit partner been responsible for auditing the accounts	2 years, Mark Dawson, KPMG
When was the last independently run, board-effectiveness review?	March 2022
Are the roles of the chair of the board and CEO held by two different people?	Yes
How does the housing provider handle conflicts of interest at the board?	Approved declaration of interests Policy in place
Does the housing provider pay the Real Living Wage?	Yes
What is the gender pay gap?	-6.44%

Governance

The Board is committed to the highest standards of corporate governance. This is the whole system of governance, leadership and management of the business that leads to successful delivery of the group's purpose and strategic objectives. This includes the role of the Board in fulfilling the co-regulation responsibility set out in the Regulatory Framework published by the Regulator of Social Housing.

Cottsway follows best practice regarding corporate governance. The group complies with the principal recommendations of the National Housing Federation's Code of Governance 2020 and has adopted a range of policies and procedures to help achieve these. The Board evaluated compliance as at 31 March 2023 and did not identify any potential areas of material non-compliance.

Committees

Cottsway receives feedback directly from customers through structured independent surveys and other methods. Our standing scrutiny panel also provides reports on key aspects of service delivery and operational performance directly to the Board, the members being customers who are drawn from across all areas of our operation.

The Board is ultimately responsible for governance however it is supported in this by sub-committees. These committees are supplemented by short-life 'task and finish' groups that are established as and when required to focus on specific emerging issues.

Following on from the Board Effectiveness Review in 2022, a task and finish group was set up to consider how to achieve the additional scrutiny required by the Board over customer service levels in the draft new Consumer Standard from April 2023, potentially through a Customer Committee. Furthermore, task and finish group considered some rationalization of the current structure of Committees including whether the Remuneration Committee (RemCo) responsibilities could move to the Treasury and Finance Committee.

This work was concluded in March 2023 and an updated committee structure approved by the Board. Membership of the committees is based on the Board skills matrix. A split of the governance responsibilities between the Board and Committees is shown below.

Board

Core responsibilities

The Board's core responsibilities are as follows.

- Performance and compliance
- Approval of strategies and policies
- Governance arrangements
- Selection and remuneration
- Financial management & borrowing
- Audit, risk & controls
- Contracts & disposals
- Customer services
- Asset management including repairs & maintenance
- Sustainability and Economic, Social and Governance (ESG) matters
- Communications
- Equality, Diversity and Inclusion (EDI)
- Approval of strategies and policies

The Board also maintain a schedule of significant matters, specifically reserved for the Board's decision, which will not be delegated.

Audit and Risk Committee

Purpose

The overall role and purpose of the Audit and Risk Committee is to oversee risk management and be responsible to the Board for the overall audit operation within the group.

Main responsibilities

The main responsibilities of the Audit and Risk Committee shall be as follows:

- Financial reporting and external audit activity
- Internal controls, risk and assurance management systems
- Internal audit

- Health and safety
- Probity
- Pension risk (additional responsibility from March 2023)

Customer Committee

Purpose

The overall role and purpose of the Customer Committee is to provide the Board with assurance that we are meeting our obligations under the consumer regulation. This will include monitoring of the Tenant Satisfaction Measures (TSM's), Landlord Safety Compliance, Customer Satisfaction and Complaints.

Main responsibilities

The main responsibilities of the Customer Committee shall be as follows:

Performance monitoring and reporting against TSMs
Customer feed and complaints handling
Customer engagement and involvement
Co-regulation

Investment Committee

Purpose

The purpose of the Investment Committee is to account of the Board's approved strategies, policies and customer aspirations. The Investment Committee will oversee and be responsible to the Board for the overall monitoring and review of future investment decisions within the group.

Main responsibilities

The main responsibilities of the Investment Committee shall be as follows:

- Development scheme approval including review of investment, partnership or joint venture opportunities
- Stock acquisition opportunities
- Other
- Monitoring the group's investment strategy
- Asset management
- Decarbonisation approach
- Investment strategy
- Environmental Social and Governance (additional responsibility from March 2023)

Treasury and Finance Committee

Purpose

The purpose of the Treasury and Finance Committee is to:

- Review and recommend financial assumptions, business plans, targets and budgets;
- Review and recommend the Treasury Management Strategy options to the Board;

- Monitor the organisation's finances and treasury and loan positions and to recommend to the Board for approval treasury and borrowing activity on behalf of the group; and
- Review and recommend remuneration activity on behalf of the group.

Main responsibilities

The main responsibilities of the Treasury and Finance Committee shall be as follows:

- Financial management and reporting
- Treasury management
- Value for money
- Regulatory compliance
- Remuneration (additional responsibility from March 2023)

Board Members

Membership of the Board is skills-based, with competencies being assessed against the group's strategic objectives. Under its rules the Board can have up to a total of 10 members in addition to co-optees.

There are currently 10 members on the Board and membership is comprised of seven Non-Executive and three Executive Directors. Cottsway will be undertaking recruitment in the next 12 months to support its succession plan. All Board members, including the Chair, are appraised every year. The term of office of all members, excluding Executives, is now fixed at two consecutive terms of up to three years each with possible extension of one year on a skills basis.

The following members served during the year: -

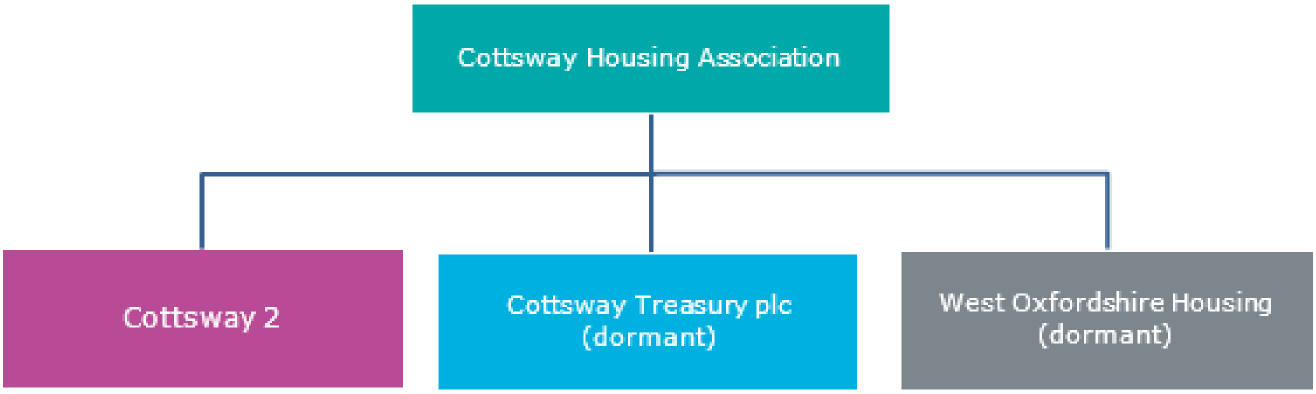
Membership	Group Board	Audit & Risk Committee	Treasury and Finance Committee
Alice Cummings	Vice Chair	Chair	
Pedro Dalton (from 14 March 2023)	✓		
Jeremy Fletcher (from 01 August 2022)	✓		✓
Alix Green	✓		✓
Andrew Hall	Chair		
Les Henderson (from 01 August 2022)	✓	✓	
Lizzie Hieron	✓	✓	
Emma Kenny	✓	✓	Chair

Sue Lakin	✓		
Richard Reynolds	✓		

The Customer Committee held its first meeting in June 2023.

Group structure

Cottsway has a very simple structure outlined below:



Internal controls assurance statement

In order to succeed as a business, Cottsway needs to take risks, and understanding and controlling risk is essential. Effective and efficient risk governance and oversight provide the Board with assurance that the group's activities will not be adversely impacted by risks that could have been foreseen. This in turn reduces the uncertainty of achieving the group's corporate objectives.

Risk framework

The Board keeps the risk appetite of the group under review and the Risk Framework is reviewed by the Board annually to ensure that it continues to be relevant to the group's current and planned activities.

Risk management

The first activity in the risk management process is to identify relevant operational risks. Risk identification sets out to identify the organisation's exposure to uncertainty. This requires detailed knowledge of the organisation, the sector in which it operates, the legal, social, political, and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives.

Once a risk has been identified need to be understood and prioritised. This involves assessing risks against likelihood (the probability of a particular risk occurring) and the impact (the estimated effect on one or more objectives of a particular threat occurring).

Risks are assessed using likelihood / impact matrix to determine the inherent risk:

Likelihood

Impact	1	2	3	4	5
	Rare	**Unlikely**	**Possible**	**Likely**	**Almost Certain**
5 Major	15	19	22	24	25
4 Significant	10	14	18	21	23
3 Moderate	6	9	13	17	20
2 Minor	3	5	8	12	16
1 Negligible	1	2	4	7	11

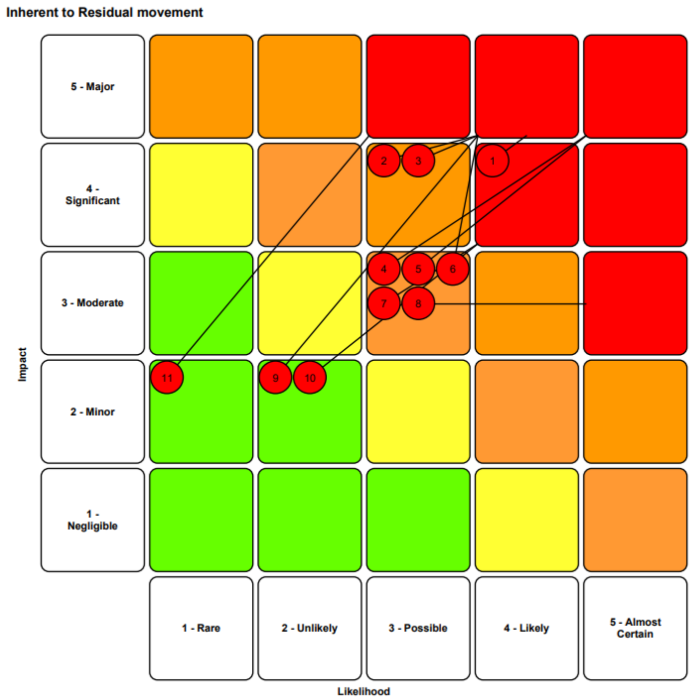
Cottsway has adopted the Three Lines of Defence combined assurance model for risk management and control. In the Three Lines of Defence model, the first level of assurance comes from the team that performs the day-to-day activity; the various control, compliance and oversight functions established by Management are the second line of defence; and assurance provided from outside the organisation is the third. Each of these three lines plays a distinct role within Cottsway's governance framework.

Taking into account the likely efficacy of the control mechanisms, the residual likelihood, impact, and overall score for each risk should be assessed. This is the residual risk.

While the residual risk rating is forward looking, in that it looks at the position once control measures are in place, you need to consider and be realistic about the likelihood of the controls being successfully implemented, in sufficient time and having the intended mitigating effect. If their success is uncertain, you need to reflect that in the rating.

Cottsway has identified 27 key risks which, if they were to crystalise, would impact on the ability to deliver the objectives of the Corporate Plan. These risks include seven legal and regulatory compliance risks, which are areas where the Board is particularly risk averse.

The inherent risk to residual risk movement of the 11 major risks (risks with scores ≤ 20) is illustrated below:



Risk Review

Based on the Inherent risk score, risk owners and managers are required to review their risks at the following intervals. This is monitored by the Audit and Risk Committee.

Risk Scores	Overall Risk Rating	Review Period
20 – 25	A	Monthly
15 – 19	B	Quarterly
11 – 14	C	Every 3 – 6 Months
7 – 10	D	Every 6 – 9 Months
1 – 6	E	Every 12 Months

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 has 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 group and the association and of the income and expenditure of the group and the association 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 group and 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 group or 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 2019. 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.

Risk management

The principal risks and uncertainties and how they are mitigated are outlined on page 20.
Risks are scored on a matrix of impact and probability, with reporting escalating increasingly critical risks through the management structure and through to the Board. Strategic risks are compiled with reference to operational risk registers, but also with an independent scrutiny and risk identification approach from the Executive and Board. The Chief Executive is the Chief Risk Officer. Risks are reported to the Audit and Risk Committee and to the Board.

Internal controls

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating, and managing the significant risks faced by the group is ongoing and has been in place throughout the period commencing 1 April 2022 up to the date of approval of the Board report and financial statements.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authorities for committees, together with standing orders and financial regulations;
- Board oversight of subsidiary company activities;
- Clearly defined management responsibilities for identifying, evaluating and controlling significant risks, based on a comprehensive corporate risk map which is reviewed regularly;
- A clear strategic planning process, based on consultation with stakeholders and supported by a 30-year business plan with detailed financial budgets and forecasts;
- Formal recruitment, training and appraisal/development policies for all staff and Board members;
- Established authorisation and appraisal procedures for all significant new initiatives and commitments, which consider any material risk and control implications;
- Clear treasury management and procedures, subject to external and Board review annually;
- An independent internal audit function which reports regularly to members on control issues;
- Regular reporting to the Board on key strategic and performance objectives, targets and outcomes; and
- Board-approved whistle-blowing and anti-fraud policies, to support a shared commitment within the group to working strictly within this control framework, executed to the highest standards of integrity.

A fraud register is maintained, and a report is given at each meeting of the Audit and Risk Committee on any instances of detected fraud. There were no such instances during the period under review resulting in material financial loss to the association. The association has an appointed Money Laundering Reporting Officer as part of compliance with money laundering legislation.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can delegate, and has delegated, authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives reports and minutes following each meeting of the Audit and Risk Committee.

The Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the association and its subsidiaries, and the annual report of the internal auditor, and has reported its findings to the Board.

In conclusion, The Board has reviewed the effectiveness of the system of internal control and is satisfied that there is sufficient evidence to confirm that robust systems of internal control existed and operated throughout the year, and that those systems were aligned to an ongoing process for management of the significant risks facing the organisation.

Employee involvement

We recognise that the strength of the group lies in the quality and commitment of its employees, all of whom work towards ensuring we meet our objectives and commitments to customers in an efficient and effective manner. Employees participate actively in the development of the group's objectives, both strategic and operational, through the Corporate Leadership Team, team meetings, staff away days, regular briefing sessions and the group consultative body, Staff Matters.

The group is committed to ensuring the continued development of all employees. To help achieve this, we have in place a comprehensive appraisal procedure, as well as a detailed induction programme for all new members of staff. This is supported through regular one-to-one meetings for all staff and a group-wide learning and development plan.

We operate an apprenticeship scheme across the business which we have struggled to fill during the pandemic, but we are engaging with the local community, schools and colleges to offer work experience opportunities.

Equality, Diversity and Inclusion

The group is fully committed to promoting the benefits of equality, diversity and social inclusion/cohesion and ensuring this principle underpins our work. This is overseen by our Equality and Diversity group, which provides a point of focus for driving forward and promoting this important aspect of our work.

Modern Slavery

In accordance with the Modern Slavery Act 2015, Cottsway has published a Modern Slavery Statement. It sets out the steps taken by the Cottsway group during the year ending 31 March 2023 to prevent modern slavery and human trafficking in its business and supply chain. It has been approved by the Board of the Cottsway group.

Going concern

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the group and association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2023 by the Board.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the group and association budgets for 2023/24 and the group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the group and association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- The property market – In our base plan we have assumed a six-month lag in shared ownership sales and reviewed the impact if sales were delayed by up to 24 months. Also the level of assumed property asset disposals are not significant to the viability of the group.
- Property repair costs – The plans included the costs of catching up on the planned maintenance programme.
- Development costs – we have modelled the impact of delays and accelerations to the development programme to ensure there is enough liquidity to manage the impacts. The level of committed expenditure is shown in note 27.
- Rent and service charge receivable – Given the cost-of-living crisis we anticipate a challenging time ahead in terms of our customers' ability to pay their rent. Within our standard assumptions we have doubled the bad debt provision on properties let on an affordable basis. We have also looked at the impact on the plan is all of these rates doubled.
- Property voids – The standard void rate has been assumed but the impact of this doubling has also been reviewed.
- Liquidity – As at 31 March 2023, the group cash balance was £10.1m. In addition, there are undrawn available group facilities of £65.8m of which £60m is immediately available. The contracted for commitments of £77.5m will be funded from group facilities together with operating cash surpluses.
- Impact on the supply chain – We have not suffered any significant disruptions to our key supply chains in the last year and do not foresee any in the future. There may be some delay to the delivery of new homes however from a cash perspective any loss in rental would be offset by reduced development expenditure.
- As the vast majority of our debt is at fixed rates including future funding we have not made any adjustment to interest costs.

The Board believe the group and association have sufficient funding in place and expect the group and association to be in compliance with their debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the group and association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Statement of compliance

In preparing this strategic report, the Board has followed the principles set out in the 2018 Statement of Recommended Practice (SORP): Accounting for registered social housing providers.

The Board is pleased to report that the association complies in full with the requirements of the NHF 2020 Code of Governance.

In preparing this report, a review of group governance procedures has been undertaken and the Board is satisfied that Cottsway Housing association is compliant with the Governance and Financial Viability Standard as set out by the Regulator of Social Housing.

Disclosure of information to auditors

All current Board members have taken all the steps they ought to have taken to ensure that they are aware of any information needed by the group and association's Auditor for its audit, and to establish that the auditors are aware of that information. The Board members are not aware of any relevant audit information of which the auditors are not aware.

By order of the Board
Andrew Hall
Chair
25 July 2023

Independent auditor's report to Cottsway Housing Association

Opinion

We have audited the financial statements of Cottsway Housing Association ("the Association") for the year ended 31 March 2023 which comprise the Consolidated and Association Statement of Comprehensive Income, the group and Association Statement of Movement in Reserves, the group and Association Statement of Financial Position, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the Association as at 31 March 2023 and of the income and expenditure of the group and the Association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.
- have been properly prepared in accordance with 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 are described below. We have fulfilled our ethical responsibilities under and are independent of the group and the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the Association or to cease their operations, and as they have concluded that the group and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's and the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- we have not identified and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's and the Association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the audit and risk committee and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, and the Association's channel for whistleblowing, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit and risk committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the group's fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls, in particular the risk that group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is fraud risk related to revenue recognition because we do not consider there to be financial incentives or pressures that increase the risk of fraudulent revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation of some of the group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations.
- Assessing whether the judgements made in the accounting estimates are indicative of potential bias including assessing the assumptions used in pension valuations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), and taxation legislation, pensions legislation and specific disclosures required by housing legislation, and we assessed the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: employment law health and safety, recognising the nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing 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, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Association's Board is responsible for the other information, which comprises the Chair's Statement, the Strategic Report of the Board and the Value for Money Summary. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 23 the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association 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 it 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 for our audit work, for this report, or for the opinions we have formed.

Mark Dawson

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snowhill

Queensway

Birmingham

B4 6GH

2 August 2023

Consolidated statement of comprehensive income

	Note	2023 £'000	2022 £'000
Turnover	3	39,460	36,584
Operating Expenditure	3	(25,992)	(23,273)
Surplus on disposal of property, plant and equipment	7	1,236	1,637
Operating Surplus	3,6	**14,704**	**14,948**
Interest receivable	8	282	5
Interest payable and financing costs	9	(10,994)	(9,735)
Surplus on ordinary activities before taxation		**3,992**	**5,218**
Tax on surplus on ordinary activities	12	-	-
Surplus for the year		**3,992**	**5,218**
Actuarial surplus in respect of pension schemes		439	3,901
Total comprehensive income for the year		**4,431**	**9,119**

The financial statements were approved by the Board on 25 July 2023.

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements.



Andrew Hall
Chair

Richard Reynolds
Company Secretary

Alice Cummings
Vice Chair

Association statement of comprehensive income

	Note	2023 £'000	2022 £'000
Turnover	3	39,043	36,181
Operating expenditure	3	(25,898)	(23,193)
Surplus on disposal of property, plant and equipment	7	1,208	1,637
Operating Surplus	3,6	**14,353**	**14,625**
Interest receivable	8	282	5
Interest and financing costs	9	(10,795)	(9,535)
Surplus on ordinary activities before taxation		**3,840**	**5,095**
Tax on surplus on ordinary activities	12	-	-
Surplus for the year		**3,840**	**5,095**
Actuarial surplus in respect of pension schemes		439	3,901
Total comprehensive income for the year		**4,279**	**8,996**

The financial statements were approved by the Board on 25 July 2023.
The association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

Andrew Hall	Richard Reynolds	Alice Cummings
Chair	Company Secretary	Vice Chair

Statement of financial position

	Note	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Fixed assets					
Tangible fixed assets – Housing	13	412,283	404,378	384,324	376,531
Tangible fixed assets - Other	14	4,105	4,105	4,698	4,698
Investment in Subsidiaries	15	30	43	30	43
		416,418	**408,526**	**389,052**	**381,272**
Current assets					
Properties held for sale	16	1,126	1,126	1,149	1,149
Trade and other debtors	17	1,446	1,450	1,879	1,875
Cash and cash equivalents		10,135	8,982	5,192	4,253
Inventory		179	179	179	179
		12,886	**11,737**	**8,399**	**7,458**
Creditors					
Amounts due within one year	18	(11,835)	(11,635)	(6,656)	(6,596)
Net current (liabilities)/ assets		**1,051**	**102**	**1,743**	**862**
Total assets less current liabilities		**417,469**	**408,628**	**390,795**	**382,134**
Creditors Amounts Falling Due after one year	19/20/21	(265,549)	(257,866)	(242,870)	(235,212)
Provisions for liabilities					
Pension provision	24	(214)	(214)	(675)	(675)
Other provision	22	(289)	(289)	(298)	(298)
Total net assets		**151,417**	**150,259**	**146,952**	**145,947**
Reserves					
Income and expenditure reserve		89,897	88,739	84,281	83,276
Revaluation reserve		61,205	61,205	62,368	62,368
Restricted reserve		315	315	303	303
Total reserves		**151,417**	**150,259**	**146,952**	**145,947**

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 25 July 2023.

Andrew Hall	Richard Reynolds	Alice Cummings
Chair	Company Secretary	Vice Chair

Consolidated statement of cash flows

	2023	2022
	£'000	£'000
Surplus on Operating Activities	**14,704**	**14,948**
Surplus on the disposal of properties	(1,236)	(1,637)
Depreciation of housing properties and early write off	6,093	5,696
Depreciation of other fixed assets	751	763
Pensions operating charge	(22)	53
Adjustment for non-cash items	(3,441)	(241)
Working capital movements		
Properties for sale	23	857
Debtors	441	(1,099)
Inventory	-	-
Creditors	7,798	(1,338)
Provisions	(17)	228
Net cash generated from operating activities	**25,094**	**18,230**
Cash flow from investing activities		
Purchase of housing properties	(34,457)	(26,432)
Proceeds from sales of housing properties	2,472	2,868
Social housing grant – received	3,064	609
(Purchase)/Sale of other fixed assets	128	(214)
Interest received	282	5
	(28,511)	**(23,164)**
Cash flow from financing activities		
Interest paid (including other finance costs)	(11,599)	(10,853)
New secured loans	25,000	37,000
Repayment of borrowings	(5,041)	(27,082)
Withdrawal from deposits		
	8,360	**(935)**
Net Change in cash and cash equivalents	**4,943**	**(5,869)**
Cash and cash equivalents at beginning of the year	5,192	11,061
Cash and cash equivalents at end of the year	**10,135**	**5,192**

Consolidated statement of movement in reserves

Group

	I&E Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance as at 1 April 2022	**84,281**	**303**	**62,368**	**146,952**
Surplus/deficit for the year	3,992		-	**3,992**
Other Comprehensive Income for the year	439	-	-	**439**
Transfer from Revaluation reserve to Income and Expenditure Reserves	1,163	-	(1,163)	**-**
Increase in reserves	22	12	-	**34**
Balance at 31 March 2023	**89,897**	**315**	**61,205**	**151,417**

Association

	I&E Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance as at 1 April 2022	**83,276**	**303**	**62,368**	**145,947**
Surplus/deficit for the year	3,840	-	-	**3,840**
Other Comprehensive Income for the year	439	-	-	**439**
Transfer from Revaluation reserve to Income and Expenditure reserve	1,163	-	(1,163)	**-**
Increase in reserves	21	12	-	**33**
Balance at 31 March 2023	**88,739**	**315**	**61,205**	**150,259**

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Legal Status

The association is a Co-operative and Community Benefit Society and a registered housing provider. It currently has three subsidiaries, two of which are dormant. Cottsway 2 is consolidated within this set of accounts.

The financial statements are presented in thousands of pounds Sterling (£'000).

The individual accounts of the association have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - categories of financial instruments
  - items of income, expenses, gains or losses relating to financial instruments, and exposure to and management of financial risks
  - the requirement to disclose transactions and balances with related parties which form part of the group

2. Accounting Policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. Cottsway Housing is a public benefit entity.

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of twelve months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the group and association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2023 by the Board.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the group and association budgets for 2023/24 and the group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the group and association have adequate resources to continue in business for the foreseeable future.

In order to reach this conclusion, the Board have considered:

- The property market – In our base business plan we have assumed a six-month lag in shared ownership sales and reviewed the impact if sales were delayed by up to 24 months. Also the level of assumed property asset disposals are not significant to the viability of the group.
- Property repair costs – The business plans included the impact of rising costs and investment to bring all homes to EPC 'C' by 2030 and future investment to decarbonise the portfolio
- Development costs – We have modelled the impact of delays and accelerations to the development programme to ensure there is enough liquidity to manage the impacts. The level of committed expenditure is shown in note 27.
- Rent and service charge receivable – Given the cost-of-living crisis we anticipate a challenging time ahead in terms of our customers' ability to pay their rent. Within our standard assumptions we have doubled the bad debt provision on properties let on an affordable basis. We have also looked at the impact on the plan is all of these rates doubled.
- Management costs – We have also considered the impact of unbudgeted management costs if additional resources are required to we meet external stakeholder reporting requirements about our performance
- Property voids – The standard void rate has been assumed but the impact of this doubling has also been reviewed.
- Liquidity – As at 31 March 2023, the group cash balance was £10.1m. In addition, there are undrawn available group facilities of £65.8m of which £60m is immediately available. The contracted for commitments of £77.5m will be funded from group facilities together with operating cash surpluses.
- Impact on the supply chain – We have not suffered any significant disruptions to our key supply chains in the last year and do not foresee any in the future. There may be some delay to the delivery of new homes however from a cash perspective any loss in rental would be offset by reduced development expenditure.
- As the vast majority of our debt is at fixed rates including future funding, we have not made any adjustment to interest costs.

The Board believe the group and association have sufficient funding in place and expect the group and association to be in compliance with their debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the group and association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Capitalisation of property development costs
Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. For each scheme the capitalisation cost includes acquisition, build costs and associated fees with delivering the scheme, plus directly attributable costs and an apportionment of non-direct staff resources and interest attributed to the cost of the scheme in line with average borrowing as specified in Note 9. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

Significant estimates
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected use of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the use of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation of Housing Properties at 31 March 2023 was £44.4m.

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on several critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 24). The net liability of the Local Government Pension Scheme and Social Housing Pension scheme combined at 31 March 2023 was £214,000.

Basis of consolidation

The group’s accounts consolidate the accounts of the association and its subsidiary, Cottsway 2.

Turnover

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year and amortisation of capital grants received.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of other properties is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Turnover also includes income from feed in tariff and renewable heat incentive. Income is accounted for on an accruals basis and represents the feed in tariff and renewable heat generated over the accounting period.

Amortisation of Grant

Social Housing Grant received for building new homes is amortised once the grant conditions have been met with this amount included as part of turnover.

Taxation

Any charge for taxation is based on surpluses arising on those activities which are liable to tax.

Value added tax (VAT)

The group charges VAT on some of its income and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by group bodies and not recoverable from HM Revenue & Customs. The balance of VAT payable or recoverable at the period end is included as a current liability or asset.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development, if it represents either:
Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
Interest on borrowings of the association, after deduction of interest on SHG in advance, to the extent that they can be deemed to be financing the development programme.
Other interest payable is charged to the income and expenditure account in the period.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Pensions

The association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Oxfordshire County Council Pension Fund (OCCPF) and one defined contribution scheme, also managed by SHPS. The OCCPF fund has been closed to further accrual as at 31 March 2017.

The SHPS Defined Benefit Scheme has provided the appropriate information to be able to comply with FRS102 and this has been incorporated into this year’s statements, based on an actuarial valuation.

For the OCCPF, scheme assets are measured at fair values. Schemes are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

Housing Properties

Housing properties are principally those available for rent.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment. A full year depreciation charge is made in the year of acquisition.

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to first tranche sales. The first tranche proportion is classed as a current asset and the related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Social Housing Grant (SHG)

Government grants received on housing properties from 1 April 2014 are recognised in income over the useful life of housing property structure and, where applicable, its individual components excluding land under the accruals model. The table below details the allocation and amortisation period for grant allocated to each component.

Component	Percentage	Years
Structure	80%	125
Roofs	4%	60
Heating	4%	30
Boiler	1%	15
Windows	2%	30
Electrical	2%	30
Bathrooms	1%	30
Kitchens	1%	20
External Doors	1%	25

Lifts	1%	10
PV Cells	1%	25
Green Heating	1%	15
Cloakrooms	1%	30

In accordance with the deemed cost transition provisions of FRS 102, the government grant received before 31 March 2014 has been accounted for using the performance model and taken to the income and expenditure reserve.

Grant due from Homes England or received in advance is included as a current asset or liability. Grant received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

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

Creditors falling due after more than one year.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the group is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and charges depreciation, to write down the cost of each component to its estimated residual value. This is on a straight-line basis, over its estimated economic useful life.

Freehold land is not depreciated. Structure is depreciated according to the age of the property as set out in the table below. The group depreciates the other major components of its housing properties based on the following estimated economic useful lives, or the age of the structure if lower:

Structure	**Years**
Non-traditional	25
Pre-1960	75
1961-1980	100

Post-1980	125
Other components	
Roofs	60
Heating	30
Boiler	15
Windows	30
Electrical	30
Bathrooms	30
Kitchens	20
Lifts	20
External Doors	25
PV Cells	25
Green heating	15
Cloakrooms	30

Impairment

Properties that are depreciated over a period of 50 years or more are subject to impairment reviews where an impairment event has occurred. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.
Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write-down is charged to operating surplus.

Other fixed assets

Other tangible fixed assets are stated at cost, less accumulated depreciation.
Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

Freehold property	2.5%
Office furniture and equipment	At various rates from 10-20%
Computer equipment	33 1/3 %
Digitalisation Programme	20%
Vehicles	25%

Bad and doubtful debts

The group provides against rent arrears of current and former tenants and other miscellaneous debts to the extent that they are considered to be irrecoverable.

Inventory

Stock held is valued at the lower of cost or net realisable value.

Operating lease rentals

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Sales under Right to Buy legislation

Surpluses or deficits arising from the disposal of properties under Right to Buy legislation are disclosed on the face of the income and expenditure account. The surpluses or deficits disclosed are net of any sums payable to West Oxfordshire District Council under the terms of a claw back agreement ending on 31 March 2031.

Reserves

The group establishes restricted reserves for specific purposes where their use is subject to external factors and designated reserves where reserves are earmarked for a specific purpose by the Board. Further details are provided in note 32.

Revaluation Reserve

The difference on transition between the fair value of social housing properties and historical cost carrying value is credited to the revaluation reserve using the deemed cost transition provision rule.

3. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

Group – continuing activities

Year ended 31 March 2023	**Note**	**Turnover £'000**	**Operating Costs £'000**	**Operating Surplus £'000**
Social Housing lettings	4	32,986	21,643	11,343
Other social housing activities				
First tranche shared ownership sales		4,950	3,661	1,289
Other		1,525	688	837
		6,475	4,349	2,126
Surplus from the disposal from Properties				1,236
		39,460	**25,992**	**14,704**

Year ended 31 March 2022	**Note**	**Turnover £'000**	**Operating Costs £'000**	**Operating Surplus £'000**
Social Housing lettings	4	30,513	19,063	11,450
Other social housing activities				
First tranche shared ownership sales		4,549	3,618	931
Other		1,522	592	930
		6,071	4,210	1,861
Surplus from the disposal from Properties				1,637
		36,584	**23,273**	**14,948**

Association – continuing activities

Year ended 31 March 2023	**Note**	**Turnover £'000**	**Operating Costs £'000**	**Operating Surplus £'000**
Social Housing lettings	4	32,570	21,551	11,019
Other social housing activities				
First tranche shared ownership sales		4,950	3,661	1,289
Other		1,523	686	837
Sales made to group undertakings		-	-	-
		6,473	4,347	2,126
Surplus from the disposal from Properties				1,208
		39,043	**25,898**	**14,353**

3. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus (continued)

Year ended 31 March 2022	Note	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Social Housing lettings	4	30,110	18,984	11,126
Other social housing activities				
First tranche shared ownership sales		4,549	3,618	931
Other		1,522	591	931
Sales made to group undertakings		-	-	-
		6,071	4,209	1,862
Surplus from the disposal from Properties				1,637
		36,181	**23,193**	**14,625**

4. Particulars of income and expenditure from social housing lettings

Group

	General Needs Housing £'000	Shared Ownership £'000	2023 Total £'000	2022 Total £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	30,378	1,769	**32,147**	29,618
Service charge income	595	168	**763**	868
Amortised Government Grants	76	-	**76**	27
Turnover from social housing lettings	**31,049**	**1,937**	**32,986**	**30,513**
Expenditure on social housing lettings				
Management	5,835	364	**6,199**	5,333
Service charge costs	1,050	296	**1,346**	1,272
Routine maintenance	3,594	-	**3,594**	3,080
Planned maintenance	2,561	-	**2,561**	1,913
Major repairs expenditure	921	-	**921**	718
Bad debts	178	-	**178**	287
Depreciation of housing properties	5,996	-	**5,996**	5,591
Other Costs	847	-	**847**	869
Operating costs on social housing lettings	**20,982**	**660**	**21,642**	**19,063**
Operating surplus on social housing lettings	**10,067**	**1,277**	**11,344**	**11,450**
Void losses	474	-	474	303

4. Particulars of income and expenditure from social housing lettings (continued)

Association

	General Needs Housing	Shared Ownership	2023 Total	2022 Total
	£'000	£'000	£'000	£'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	30,060	1,681	**31,741**	29,221
Service charge income	589	164	**753**	862
Amortised Government Grants	76	-	**76**	27
Turnover from social housing lettings	**30,725**	**1,845**	**32,570**	**30,110**
Expenditure on social housing lettings				
Management	5,835	350	**6,185**	5,323
Service charge costs	1,049	292	**1,341**	1,268
Routine maintenance	3,582	-	**3,582**	3,072
Planned maintenance	2,557	-	**2,557**	1,910
Major repairs expenditure	919	-	**919**	718
Bad debts	178	-	**178**	288
Depreciation of housing properties	5,942	-	**5,942**	5,536
Other Costs	847	-	**847**	869
Operating costs on social housing lettings	**20,909**	**642**	**21,551**	**18,984**
Operating surplus on social housing lettings	**9,816**	**1,201**	**11,019**	**11,126**
Void losses	468	-	468	302

5. Accommodation in Management and Development

	Group 2023 No. of Properties	Association 2023 No. of Properties	Group 2022 No. of Properties	Association 2022 No. of Properties
Social Housing				
- Social Rent	3,917	3,917	3,878	3,878
- Affordable Rent	977	945	853	821
Low Cost Home Ownership	487	471	453	437
Other Properties	5	5	5	5
Total owned	5,386	5,338	5,189	5,141
Accommodation managed for others	-	48	-	48
Total managed	**5,386**	**5,386**	**5,189**	**5,189**
Accommodation in development at the year end	272	257	279	279

6. Operating Surplus

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
This is arrived at after charging:				
Depreciation of housing properties	6,093	6,038	5,591	5,641
Depreciation of other tangible fixed assets	751	751	763	763
Operating lease rentals	204	204	185	185
Other fixed assets	-	-	-	-
Auditor's remuneration:				
- for audit services	75	64	54	44
- for non-audit services:				
• tax compliance	-	-	4	4

7. Surplus on Sale of Fixed Assets – Housing Properties

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Property Sales				
Receipts from Property Sales	3,521	3,455	3,290	3,290
Cost of Properties Sold	(966)	(966)	(306)	(306)
Claw Back Payment to WODC on Right to Buy Sales	(1,236)	(1,198)	(1,183)	(1,183)
Sundry costs of sale	(82)	(83)	(116)	(116)
	1,237	1,208	1,685	1,685
Capital Grant Recycled	-	-	(48)	(48)
Surplus on disposal of property, plant and equipment	**1,237**	**1,208**	**1,637**	**1,637**

8. Interest Receivable and Other Income

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Interest receivable and similar income	282	282	5	5
	282	**282**	**5**	**5**

9. Interest Payable and Financing Costs

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Loans and bank overdrafts	11,230	11,031	10,475	10,275
Other Financing Costs	373	373	284	284
Interest on Pension Fund liability	19	19	91	91
	11,622	**11,423**	**10,850**	**10,650**
Interest payable capitalised on housing properties under construction	(628)	(628)	(1,115)	(1,115)
	10,994	**10,795**	**9,735**	**9,535**

A rate of 4.5% (2022: 4.5%) has been used in calculating the amount of interest capitalised.

10. Employees

Total Employee costs for the year for the group and association including Executive Directors:

	2023 No.	2022 No.
Average monthly number of employees expressed in full time equivalents:		
Administration	33	32
Development	8	9
Housing, support and care	55	52
Cottsway Repairs	57	52
	153	**145**

Full time equivalent staff numbers are calculated by converting the actual number of hours contracted to a normal working week, being 37 hours for office staff and 42 hours for staff in Cottsway Repairs.

Employee Costs	**Office**	**Cottsway Repairs**	**2023**	**Office**	**Cottsway Repairs**	**2022**
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	4,316	2,158	6,474	4,112	1,894	6,006
Social security costs	495	231	726	456	194	650
Pension costs (note 24)	352	169	521	349	158	507
	5,163	**2,558**	**7,721**	**4,917**	**2,246**	**7,163**

10. Employees (continued)

The full-time equivalent number of staff including Executive Directors who received emoluments:

	2023 No.	2022 No.
£60,001 to £70,000	7	4
£70,001 to £80,000	2	1
£80,001 to £90,000	1	1
£90,001 to £100,000	1	2
£100,001 to £110,000	2	2
£110,001 to £120,000	-	-
£120,001 to £130,000	1	-
£130,001 to £140,000	-	2
£140.001 to £150,000	1	-
£150,001 to £160,000	-	-
£160,001 to £170,000	-	-
£170,001 to £180,000	-	1
£180,001 to £190,000	1	-

11. Board Members and Executive Directors

Group and Association

The total emoluments and fees received by the Executive Team and Board Members were £519,137 (2022: £492,682). The Executive Team received total emoluments and fees of £468,137 (2022: £446,394). The emoluments of the highest paid director in the year were as follows:

	2023 £'000	2022 £'000
Remuneration	165	159
Pension Contributions – in respect of services as director	15	15
	180	**174**

The Chief Executive and Directors are normal members of Social Housing Pension Scheme. Non-executive Board Members were paid as follows:

Board Member	2023 £'000	2022 £'000
Andrew Hall	16	15
Alice Cummings	8	7
Emma Kenny	7	7
Quinton Quayle	-	7
Alix Green	6	5
Lizzie Hieron	6	5
Les Henderson	4	-
Jeremy Fletcher	4	-
Total	**51**	**46**

12. Tax on surplus on ordinary activities

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Current tax				
UK corporation tax on surplus for the year	-	-	-	-
	-	-	-	-
Current tax reconciliation				
Surplus on ordinary activities before tax	**3,992**	**3,840**	**5,218**	**5,095**
Theoretical tax at UK corporation tax rate 19% (2020 19%)	758	730	991	968
Tax Provision	-	-	-	-
Charitable activities not liable to tax	(758)	(730)	(961)	(968)
Current tax charge	**-**	**-**	**-**	**-**

Due to the uncertainty around the tax treatment for feed in tariff income, we made a provision of £289,000 in 2023. (2022 £289,000)

13. Fixed Assets - Housing Properties

Group

	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2022	361,241	23,094	37,231	1,738	423,304
Additions	-	23,049	-	6,963	30,012
Works to existing properties	4,445	-	-	-	4,445
Interest capitalised	-	462	-	166	628
Units completed	34,869	(34,869)	4,426	(4,426)	-
Disposals/Transfers	(1,165)		(511)		(1,676)
At 31 March 2023	399,390	11,736	41,146	4,441	456,713
Depreciation and Impairment					
At 1 April 2022	(38,980)	-	-	-	(38,980)
Depreciation charge in year	(5,996)	-	-	-	(5,996)
Depreciation Released on disposal	546	-	-	-	546
At 31 March 2023	(44,430)	-	-	-	(44,430)
Net book value					
At 31 March 2023	**354,959**	**11,736**	**41,148**	**4,440**	**412,283**
At 31 March 2022	322,261	23,094	37,231	1,738	384,324

13. Fixed Assets - Housing Properties (continued)

Association

	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2022	**355,189**	**23,046**	**35,398**	**1,738**	**415,371**
Additions	-	22,846	-	6,963	29,809
Works to existing properties	4,445	-	-		4,445
Interest capitalised	-	462	-	166	628
Units completed	34,869	(34,869)	4,426	(4,426)	-
Disposals/Transfers	(1,165)	-	(473)	-	(1,638)
At 31 March 2023	**393,338**	**11,485**	**39,351**	**4,441**	**448,615**
Depreciation and Impairment					
At 1 April 2022	**(38,840)**	**-**	**-**	**-**	**(38,840)**
Depreciation charge in year	(5,942)	-	-	-	(5,942)
Depreciation Released on disposal	545	-	-	-	545
At 31 March 2023	**(44,237)**	**-**	**-**	**-**	**(44,237)**
Net book value					
At 31 March 2023	**349,101**	**11,485**	**39,353**	**4,440**	**404,378**
At 31 March 2022	316,349	23,046	35,398	1,738	376,531

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Expenditure on works to existing properties				
Components capitalised	4,445	4,445	3,377	3,377
Amounts charged to the income and expenditure account	7,076	7,058	5,711	5,699
	11,521	**11,503**	**9,088**	**9,076**

13. Fixed Assets - Housing Properties (continued)

Social housing assistance

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Total accumulated social housing grant				
Total accumulated capital and revenue SHG received or receivable	38,423	38,423	35,581	35,581

The above figures include £28.3m in grant received before 1 April 2014 that has been recognised in revenue reserves. This would become repayable if a property was disposed of where a grant had been received.

Housing properties at book value

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Freehold land and buildings	412,283	404,379	384,324	376,531
Long leasehold land and buildings	-	-	-	-
Short leasehold land and buildings	-	-	-	-
	412,283	**404,379**	**384,324**	**376,531**

In accordance with the requirements of the Financial Reporting Standard FRS102, impairment is assessed on the basis of cash generating units (CGU). A CGU is considered to be a group of properties in the same area or scheme; properties in each parish district are considered a group for impairment purposes. No triggers for impairment were identified for the year ended 31 March 2023.

14. Tangible fixed assets (Group and Association)

	Freehold offices	Computers, office equipment & vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 April 2022	4,721	3,742	8,463
Additions	51	-	51
Disposals	-	(178)	(178)
At 31 March 2023	4,772	3,564	8,336
Depreciation			
At 1 April 2022	(2,065)	(1,700)	(3,765)
Charged in period	(149)	(601)	(750)
On disposals		284	284
At 31 March 2023	(2,214)	(2,017)	(4,231)
Net book value			
At 31 March 2023	**2,558**	**1,547**	**4,105**
At 31 March 2022	2,656	2,042	4,698

15. Investments in subsidiaries

Cottsway has 3 subsidiary companies included within the group.

Investments in Subsidiaries	Investment £'000's	Registered Office	Status
Cottsway 2	-	Cottsway House, Heynes Place, Avenue Two, Witney OX28 4YG	Active
Cottsway Treasury Group Plc	13	Cottsway House, Heynes Place, Avenue Two, Witney OX28 4YG	Dormant
West Oxfordshire Housing Limited	-	Cottsway House, Heynes Place, Avenue Two, Witney OX28 4YG	Dormant

Cottsway also has a shareholding of £30,000 in MORhomes that has been established by housing associations as a borrowing vehicle (2022: £30,000).

16. Properties for sale

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Completed Properties for Sale	220	220	523	523
Properties under Construction	906	906	626	626
	1,126	**1,126**	**1,149**	**1,149**

17. Debtors and Inventory

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Debtors				
Rent and service charges receivable	1,619	1,607	1,633	1,619
Less: Provision for bad and doubtful debts	(979)	(971)	(987)	(980)
	640	636	646	639
Due from group undertakings	-	-	-	-
Other debtors	-	-	-	-
Prepayments and accrued income	806	814	1,233	1,236
	1,446	1,450	1,879	1,875
Due after more than one year	-	-	-	-
	1,446	**1,450**	**1,879**	**1,875**

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Inventory	**179**	**179**	**179**	**179**

The inventory value represents building materials held in respect of our in-house repairs and maintenance service.

18. Creditors: amounts falling due within one year

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Trade creditors	1,103	1,103	1,753	1,753
Rent and service charges received in advance	473	468	375	371
Due to group undertakings	-	49	-	43
Other creditors	555	469	258	258
Debt	157	-	83	-
RTB claw back payment	966	966	306	306
Accruals and deferred income	8,581	8,580	3,881	3,865
	11,835	**11,635**	**6,656**	**6,596**

19. Creditors: amounts falling due after more than one year

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Basic Financial Instruments	254,571	247,000	234,656	226,998
Loan Amortisation	970	970	972	972
SHG Deferred Income	9,896	9,896	7,130	7,130
Recycled Capital Grant Fund	112	-	112	112
At 31 March	**265,549**	**257,866**	**242,870**	**235,212**

20. Deferred Capital Grant

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Social Housing Grant				
At 1 April	7,130	7,130	6,823	6,823
Grants Received in Year	2,842	2,842	334	334
Released to Income in Year	(76)	(76)	(27)	(27)
At 31 March	**9,896**	**9,896**	**7,130**	**7,130**

21. Recycled capital grant fund

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Social Housing				
At 1 April	**112**	**112**	**64**	**64**
Grants recycled	-	(112)	48	48
Interest accrued	-	-	-	-
Withdrawals	-	-	-	-
At 31 March	**112**	**-**	**112**	**112**
Amount of grant due for repayment	-	-	-	-

22. Other Provisions

Due to the uncertainty around the tax treatment for feed in tariff income, we have made a provision of £289,000. (2022: £298,000).

23. Debt analysis

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Debt is repayable as follows:				
Within one year or on demand	86	-	83	-
Between one and two years	88	-	86	-
Between two and five years	13,778	13,500	9,771	9,500
After five years	240,704	233,500	224,799	217,498
	254,656	**247,000**	**234,739**	**226,998**

At 31 March 2023 the group had available undrawn loan facilities of £65.8m (2022 £82m). The security value of properties secured against these loans was £470.6m.

24. Pensions (Group and Association)

The net surplus shown within the balance sheet as at the year-end were:

	2023 £'000	2022 £'000
LGPS	-	495
SHPS	214	180
	214	**675**

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the FRS102 discount rate, have increased significantly, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore both gross DBOs and assets have fallen.

Oxfordshire County Council Pension Fund (OCC LGPS)

The fund actuary has updated the methodology for CPI assumption to make allowance for the expected inflation observed over the period from October 2022 to March 2023. This has increased the CPI rate from 2.90% to 3.00% as compared with previous year and increased the defined benefit obligations by £297k.

The Actuarial Funding valuation for Oxfordshire County Council Pension Fund, with an effective valuation date of 31 March 2022, have been completed and signed within the accounting period. The valuations have generally shown significant improvements in funding positions since the 31 March 2019 valuations. No contributions are required from Cottsways Housing Association.

Fund actuary has implicitly allowed for membership data as at 31 March 2022, in current year's accounting calculations. No amounts or loadings have been included in the Technical Provisions or Fund assets for scheme funding purposes for expenses, defined contribution balances, data or benefit uncertainty in line with accounting requirements.

Assumptions

The principal assumptions used by the actuaries in updating the latest valuation of the Fund for FRS102 purposes were:

	2023 % p.a.	2022 % p.a.
Salary increases	3.00	3.20
Pension increases	3.00	3.20
Discount rate	4.75	2.70

Mortality Assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2023 are based on the S3 SAPS table. The assumed life expectations from age 45 are:

Life Expectancy from Age 65 (years)	2023 No. of years	2022 No. of years
Current Pensioners – Males	22.2	22.2
Current Pensioners – Females	24.5	24.5
Future Pensioners – Males	22.9	23.1
Future Pensioners – Females	26.0	26.1

The fund actuary has updated the mortality assumptions as at year end to reflect the potential effects of COVID 19 by adding 10 % weighting of 2021 (and 2020) data.

Amounts recognised in surplus or deficit

	2023 £'000	2022 £'000
Net Interest cost	14	81
Amounts included in finance costs	**14**	**81**

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2023 £'000	2022 £'000
Opening scheme liabilities	25,829	27,594
Interest cost	689	547
Re-measurements	(7,095)	(1,814)
Benefits paid including unfunded benefits	(624)	(498)
Closing scheme liabilities	**18,799**	**25,829**

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

	2023 £'000	2022 £'000
Opening fair value of plan assets	25,334	23,417
Interest income	675	463
Return/(loss) on plan assets (in excess of interest income)	(1,603)	1,952
Other Actuarial gains/(losses)	(130)	-
Contributions by employer	1	-
Benefits paid including unfunded benefits	(624)	(498)
Closing fair value of plan assets	**23,653**	**25,334**
(Surplus)/Deficit	(4,854)	495
Cap on recognition relating to IAS 19 Employee Benefits	4,854	-
OCC LGPS scheme liabilities	-	495

24. Pensions (Group and Association) (continued)

Fund assets and expected rates of return

The approximate split of assets for the Fund as a whole at 31 March 2023 is shown below (only a proportion of these assets are allocated to Cottsway):

	2023 % p.a.	**2022 % p.a.**
Asset split		
Equities	73	73
Property	9	8
Bonds	16	17
Cash	2	2
	100	**100**

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure scheme liabilities are set out below:

Change in assumptions at 31 March 2023	Approximate % increase to employer's liability	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	292
0.1% increase in the Salary Increase Rate	0%	-
1 year increase in member life expectancy	4%	752
0.1% increase in the Pension Increase Rate	2%	297

We have also made the following assumption:

- An allowance is included for future retirees to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 50% of the maximum tax-free cash for post-April 2008.

The Oxfordshire County Council Pension Fund was closed to further accrual on 31 March 2017, but Cottsway are remaining as an ongoing employer. Cottsway are not required to pay any deficit contributions to the fund from 1 April 2017 until they are next reviewed. Contributions by Cottsway relate to age related payments of past employees.

Social Housing Pension Scheme (SHPS)

During FY2021-22, We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before the end of 2024. We understand that this process is still ongoing at 31 March 2023 and no conclusions have yet been reached.

24. Pensions (Group and Association) (continued)

Assumptions

The principal assumptions used by the actuaries in updating the latest valuation of the Fund for FRS102 purposes were:

	2023	2022
Discount Rate	4.84	2.79
Inflation (RPI)	3.17	3.51
Inflation (CPI)	2.79	3.16
Salary Growth	3.79	4.16
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Mortality Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. The assumed life expectations from age 65 are:

Life Expectancy from Age 65 (years)	**2023** No. of years	**2022** No. of years
Retiring today – Males	21.0	21.1
Retiring today – Females	23.4	23.7
Retiring in 20 years – Males	22.2	22.4
Retiring in 20 years – Females	24.9	25.2

Amounts recognised in surplus or deficit

	2023 £'000	2022 £'000
Net Interest cost	5	7
Amounts included in finance costs	**5**	**7**

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2023 £'000	2022 £'000
Opening scheme liabilities per accounts	1,575	1,548
Current service cost	2	-
Interest cost	44	37
Changes in financial assumptions	(554)	(128)
Change in demographic assumptions	(2)	(23)
Experience (Gain)/Loss	88	150
Benefits paid including unfunded benefits	(9)	(9)
Closing scheme liabilities	**1,144**	**1,575**

24. Pensions (Group and Association) (continued)

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

	2023 £'000	2022 £'000
Initial recognition plan assets at fair value	1,395	1,199
Interest income	39	27
Return/(loss) on plan assets (in excess of interest income)	(537)	135
Other Actuarial Gains	-	-
Administration Expenses	-	-
Contributions by employer	42	43
Contributions by Scheme Participants	-	-
Benefits paid including unfunded benefits	(9)	(9)
Closing fair value of plan assets	**930**	**1,395**
SHPS DB scheme liabilities	(214)	(180)

At 31 March 2023 there were 154 (2022:151) members in the DC scheme. Contributions to the DC scheme are between 2% and 10% for employees. An employers' contribution of between 4% and 10% is paid by Cottsway in respect of all members.

Total employer contributions during the year were £520,628 (2022: £506,567).

25. Share capital (Group and Association)

	2023 £	2022 £
As at 1 April	**5**	**6**
Shares issued	1	-
Shares cancelled	-	(1)
As at 31 March	**6**	**5**

26. Contingent assets/liabilities

The group and association had no contingent assets or liabilities as at 31 March 2023 (2022: £nil).

27. Capital commitments

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Capital expenditure				
Expenditure contracted for but not provided in the accounts	77,532	73,570	42,120	38,083
Expenditure authorised by the Board, but not contracted for	14,249	14,249	16,459	16,459
	91,781	**87,819**	**58,579**	**54,542**

The contracted-for commitments will be funded from the loan facility referred to in note 23 together with operating cash surpluses.

28. Leasing commitments (Group and Association)

The future minimum lease payments of leases are as set out below. Leases relate to vehicles and IT equipment.

	2023	**2022**
	£'000	**£'000**
Operating leases		
Within one year	239	202
Between two to five years	488	247
As at 31 March	**727**	**449**

29. Related parties

Cottsway Housing Association is providing management and repair services to Cottsway 2. In addition, Cottsway has two other dormant subsidiaries Cottsway group Treasury plc and West Oxfordshire Housing Limited.

30. Financial assets and liabilities (Group and Association)

The Board policy on financial instruments is explained in the Board Report as are references to financial risks. The only financial instruments the group holds are basic and the liabilities for these are included at amortised cost.

	Group 2023 £'000	**Association 2023 £'000**	**Group 2022 £'000**	**Association 2022 £'000**
Basic financial instruments				
Financial assets that are debt instruments held at amortised cost	-	-	-	-
Financial liabilities held at amortised cost	(255,540)	(247,970)	(235,711)	(227,972)

Borrowing facilities (Group and Association)

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2023	**2022**
	£'000	**£'000**
Expiring in more than two years	50,000	82,000

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

	2023 £'000	2022 £'000
(Decrease)/Increase in cash	4,943	(5,869)
Cash movement in debt finance	(19,959)	(9,918)
Movement in net debt in year	**(15,016)**	**(15,787)**
Loan issue costs	(78)	169
Movement in amortised cost of financial instruments	79	332
Other	42	(84)
Total change in net debt	**(14,973)**	**(15,286)**
Net debt 1 April	(230,603)	(215,233)
Net debt 31 March	**(245,576)**	**(230,603)**

Analysis of net debt:

	31 March 2022	Cash Flow	Non-Cash & Other Movement	31 March 2023
Group	£'000	£'000	£'000's	£'000
Cash at bank and in hand	5,192	4,943	-	10,135
Loans	(235,796)	(19,959)	44	(255,711)
Changes in Net Debt	**(230,604)**	**(15,016)**	**44**	**(245,576)**

32. Restricted Reserve

Group

	2023 £'000	2022 £'000
At 1 April	**303**	**353**
Additions to Reserve	12	80
Applications of Reserve	-	(130)
At 31 March	**315**	**303**

Association

	2023 £'000	2022 £'000
At 1 April	**303**	**353**
Additions to Reserve	12	80
Applications of Reserve	-	(130)
At 31 March	**315**	**303**

The reserve holds receipts for properties sold that were transferred from West Oxfordshire District Council (WODC) in 2001. Under the terms of the transfer agreement 50% of the receipt is payable to WODC. They have agreed to 100% of the receipt being retained for all non-right to buy sales on the condition that the money received is reinvested in new properties in West Oxfordshire.

The reserve will be allocated to schemes on a case-by-case basis in agreement with WODC.

33. Group Structure

Cottsway Housing Association Limited is the ultimate parent Private Registered Provider (PRP) of the group and it is required by statute to produce consolidated accounts.