



WIRRAL
Methodist
HOUSING
ASSOCIATION

**WIRRAL METHODIST HOUSING
ASSOCIATION LIMITED**

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2023

Registered Number: 16740R

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

31 March 2023

| Contents | Page |
|-----------------------------------|-------------|
| Information | 1 |
| Board Report | 2 |
| Independent Audit Report | 12 |
| Statement of Comprehensive Income | 16 |
| Statement of Changes in Reserves | 17 |
| Statement of Change in Net Debt | 17 |
| Statement of Financial Position | 18 |
| Statement of Cash flows | 19 |
| Notes to the Financial Statements | 20 |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

INFORMATION

31 March 2023

Board members: B McPaul
C Fouracre (Chair of Tenants and Communications Committee)
T Sault (Chair of Governance and Internal Control Committee)
M Thorne
D Smith
C Page
M Cornall
C Sparrow
K Scott
S Simmons* (Secretary)
J Morgan

At the AGM Dr I Cubbin & N Schorah retired, C Sparrow, K Scott, S Simmons, J Morgan– were ratified as new members. C Fouracre, T Sault & B McPaul were re-elected for 3 years. M Thorne retired March 2023

* Tenant Board member - terms and conditions of tenancy are consistent with all other tenants.

Executive Management Team: Paul Carhart (Chief Executive)
Tim Pinder (Director of Operations)
Pam Cairns (Head of Finance)
Judith Kerwick (Head of Governance & Excellence)

Registered office: 42 Hamilton Street
Birkenhead
CH41 5AE

Registered number: Regulator of Social Housing - L0848
Registered Society under the Co-operative & Community Benefit Act 2014 - 16740R

External Auditors: Mitchell Charlesworth (Audit) Limited
Accountants
3rd Floor
5 Temple Square
Temple Street
Liverpool
L2 5RH

Internal Auditors: TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers: Barclays Bank plc
182-184 Grange Road
Birkenhead
CH41 6EA

Solicitors: Brabners
Horton House
Exchange Flags
Liverpool
L2 3YL

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT

For the year ended 31 March 2023

The mission of Wirral Methodist Housing Association is to work in the community to provide homes and services that improve the quality of life.

The values of the Association are as follows:

Customer Focus: Everything we do puts the customer at the heart of the business. This includes our tenants and residents and also each other as internal customers. We make sure that our customers' needs are met and wherever possible exceeded.

Committed: Going the extra mile to make something happen and making sure a task is completed to the highest possible standard.

Community: Being able to see the bigger picture is important when looking at our community impact. Making the right connections, developing relationships with people from a wide range of cultures and backgrounds and promoting equal opportunities to improve the areas where we work and our customer's lives.

Technologically aware: Embrace technology to enhance and deliver the services that we offer. We will seek new ways to deliver services that are efficient and allow easy access to customers.

Efficient: Deliver value for money to increase efficiencies whilst maintaining quality and thinking outside the box to plan and prepare work.

Dynamic and Adaptable: The services we provide aren't static and we are prepared to change and adapt to keep up, we constantly seek to deliver excellence and new challenges. We will fit in with new ways of doing things, challenge ourselves, think about and organise our continuous development.

Team Player: Team Wirral Methodist, working together efficiently and effectively helping each other to create a more inclusive workplace to achieve continuous improvement.

Plan and Organise: These are skills to make sure we achieve deadlines, prioritise work to achieve customer outcomes.

Wirral Methodist Housing Association owns, manages and develops homes and provides services for social housing tenants. It has a total of 892 (2022: 898) housing properties split over the following categories:

| | 2022/23 | 2021/22 |
|-----------------------------|---------|---------|
| General Needs Housing units | 636 | 642 |
| Supported Housing units | 239 | 239 |
| Shared Ownership Properties | 17 | 17 |
| Total | 892 | 898 |

These property figures do not include 7 properties that are leased and leased on. These are recorded as managed by us for others in our statistical data return further to advice received from the Regulators of Social Housing.

5 leased units were handed back to their owner within the year, we also had a Right to Acquire complete.

The Association is a registered society under the Co-operative and Community Benefit Societies Act 2014 (previously the Industrial & Provident Society).

During the year the turnover was £5,598k (2022: £5,337k) and consisted of total Social Housing lettings £5,114k (2022: £4,871k), and Non-Social Housing Lettings £88k (2022: £70k). The surplus for the year was £757k (2022: £912k), this increases the Revenue Reserves of the Association. The change in pension accounting resulted in a total comprehensive expenditure of £7k, (2022: £107k income).

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

During the year the Association has seen the impact of post COVID-19 inflation and interest rate rises, particularly on the reporting and completion of repairs and the collection of rents. The rent arrears have decreased from £292k to £219k.

Capital expenditure in the year included £2,927k on properties, £247k on components and £214k on Candle Factory drainage pump works. There were no additions to stock this year. During the year we had a kitchen and bathroom replacement programme in place, which was not fully completed at the year end. We have also replaced boilers as and when required. The details of the number and cost of component replacements are as follows:

| Type | Amount (£'000) | Numbers Replaced |
|-----------------|----------------|------------------|
| Bathrooms | 48 | 14 |
| Kitchens | 89 | 23 |
| Boilers | 49 | 24 |
| Central Heating | 4 | 2 |
| Doors | 3 | 1 |
| Windows | 2 | 2 |
| Roofs | - | - |

*we have also accrued for another £52k to complete the kitchen & bathroom programme

The Financial Statements for 2022/23 have been prepared under Financial Reporting Standard 102.

The Statement of Financial Position shows that at 31 March 2023 the net current assets were £115k. There were 2 loan drawdowns taken in 2022/23, of £500,000 on the Revolving Credit Facility & £1,000,000 on the Warrington loan.

The Association is keen to continue developing to meet our objective in finding solutions for those whose housing needs have not been adequately met and to assist the Government in the delivery of additional Social Housing to meet the identified national "crisis". Our development programme is progressing with the following schemes due to complete in the summer of 2023, consisting of 15 general needs 1 bed flats on New Chester Road, 10 units at Withens Lane (Old Manor Club) - 6 1 bed bungalows, 2 2 bed houses, 2 3 bed houses. The 8 general needs flats within our office conversion project are due on site autumn 2023. We have loan funding of £2m available with Warrington Borough Council, and an additional £2m available on the Revolving Credit Facility.

Value for money

The Association aims to use its resources as efficiently, effectively and economically as possible in pursuit of the delivery of the objectives set out in the Business Plan. The approach to Value for Money by the Association is summarised below:

Tenants and their homes: Listening to tenants' requests and survey feedback to customise services for specific needs.

Financial strength: Is about "profit for a purpose" releasing resources to allow the organisation to do more and our capacity to support investment into new and existing homes.

Providing more new homes: Maximise our income and minimise our costs to use the money we have left to provide new homes, improve existing homes.

People and our work: Promoting Value for Money throughout the organisation cascading good practice and success to all our staff and regularly reviewing our performance and reporting widely across the organisation.

Partnerships: Seeking benefits and opportunities for our tenants with existing and new partnerships.

The Regulator of Social Housing has now set out new metrics to be calculated and outlined its expectations for Registered Providers in the Value for Money Standard 2018.

The Board set some clear objectives to improve the Board & Management teams focus in 22/23 on achieving Value for Money:

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

I. Do the right things to add value

- Understand our Tenants priorities and be clear about resources used to demonstrate how we are meeting them.
- Review our structure to ensure we can deliver our Objectives
- Adopt a value focused culture across the association

II. Do we do things right?

- Address the gaps in our data (including stock data), intelligence, and feedback to help inform decisions.
- Undertake a deeper dive to understand associated costs and performance and compare with others
- Continue to invest in ICT

III. Governing, managing and measuring VfM

- Capturing data, both number and narratives through engagement with Tenants
- Use 'mission' to set a small number of clear VfM measures we can regularly report and monitor

Maintain our Objectives to increase our understanding of VfM measures with Tenants staff and other stakeholders

Provider of Excellence Services

We will enable access to services utilising digital channels, and tenants to be able to self-serve – we are continuing to improve My Home and are investigating into the addition of additional features such as self-serve direct debit payment set-up.

We will improve communications with tenants for all services areas – we have completed several neighbourhood walkabouts which have been used to capture tenants opinions and invited tenants along to the Lauries Centre for a 'Cuppa and a Chat'. This was an opportunity for us to listen to tenants, encourage them to have their say, raise the issues that matter to them the most and meet some staff and board members. We got some excellent feedback that will help us develop our service further to ensure we are giving our tenants the best experience we can.

We will engage with tenants/customers/residents to improve our service – we invited tenants along to our AGM and hosted some interactive activities which enabled us to capture tenants' opinions on what matters most to them about the service that we offer. A Tenants Advisory Group has been set-up this year, and they have provided feedback on our web service, including features that they would like adding/improving – we have begun work on this and reported progress on our website and in the Tenants Magazine 'The Buzz'

Procure repairs and maintenance contractor – we have spent 2022/23 mobilising HMS to provide our day-to-day and void repairs service. We also introduced the schedule of rates, which in the long term should enable us to provide more accurate budgeting and financial planning.

Financially Strong and Compliant

Comply with current and any new regulation and legislation to meet the Regulators Standards we have provided regular updates on performance against Health & Safety compliance targets, along with regular performance reporting to our committees. The Association submitted its annual regulatory Statistical Data Return. We have recruited an additional Board member and implemented effective succession planning. There is a Board training plan in place, we have reviewed the Scheme of Delegation, and reported on the annual review of the Regulatory Codes and standards.

Deliver a strong financial business plan, with regular updates to our Brixx business plan and stress testing - we tendered our insurance contract in 22/23 in order to ensure that we are still gaining Value for Money. Due to the Governments amendment to the rent increase policy, and the increase in interest rates we withdrew our request for further funding, and are now focussing on the funding of our planned maintenance and our environmental commitment. We are now taking a deeper dive to understand our costs and income, and the long term impact on the business plan on changes in inflation and interest rates.

Implementation and improvements recommendations of the Governance review - we made a decision to voluntarily adopt the NHF code of Governance in July 2021. A self-assessment has been completed against the Code, we have not been fully compliant throughout this year due to succession planning, which led to us having 13 members in place to allow for handover. Our Rules are currently not consistent with the Code as they state a composition of 5

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

and 15 members and the Code of Governance states a Board composition of between 5 and 12 members. A resolution will be presented at our AGM in order to align the WMHA Code to the NHF Code of Governance. Our current board membership is 11.

An Excellent Association

We will use technology to enhance communication and agile working – The association has employed specific skills to utilise data for information gathering and we have use the data we hold to maximum beneficial impact on services. We have collected data from complaints and other forms of feedback and analyse, learn from and report quarterly to Board and Tenants Committee as well as at an employee's performance panel. And identify learning from complaints.

We will enhance the skills of our employees – we have continued our membership of the Housing Quality Network which offers training programmes for Housing Associations these sessions are available for all staff. We are also a member of Community Housing North West which enables us to link in to webinars and training offered by Acuity. We have implemented Citation a HR & training on-line system to improve all staffs skills, that is CPD accredited. A review of the staffing structure was completed which saw some additions and changes in roles including Compliance Manager and Rent/Service & Procurement Manager – this will strengthen the organisation.

We will continue our offer of wellbeing initiatives for our employees – we have continued to offer our Employee Assistance Programme and have enhanced this with the, and Medicash membership.

We will continue to embed Equality Diversity and Inclusion – this is now included as a consideration on all committee reports within the business, and in our recruitment process.

Building Thriving Communities

Investing in our viable Homes – we have spent £195k on the replacement of components. We have funded Type 3 Fire Risk Assessments works on our communal dwellings which provides enhanced fire security beyond our usual Type 1 assessments – this led to enhancements in the fire protection within our buildings.

We are introducing a more rigorous approach to investment, with a business case required for each investment decision which considers alternative delivery models and requires the Board to make trade-offs based on cost and quality considerations. Evidence considering the whole life costing and cost in use for residents when planning investments in new and existing properties. Proactively manages the return on assets, with robust links between corporate- level data (such as the gearing ratio) and individual property-related data used to inform invest/disinvest decisions for individual properties .Improve operating and net surplus in the year to plough back into providing new homes

To assist with this we are increasing the amount and use of data in key decision making by collating information on stock condition, value, net present value, investment needs, maintenance costs, and costs in- use for tenants, local demographics and demand (churn, void rate) to aid VfM use of our investment program funds. The use of this data helps to build a picture of the performance of the stock (at location and individual property levels) and report to Board.

Developing more homes to meet a range of needs – we are about to complete on the construction of New Chester Road, this is 15 1 bed flats. The need for these types of properties had been highlighted by the council through analysis of their waiting list. The office project is awaiting completion on the purchase, this will provide more modern office facilities and 8 units of accommodation. Withens Lane is onsite and due for completion late summer, this will deliver 6 1bed bungalows, 2 2bed houses, 2 3bed houses. The bungalows will be level access to assist tenants with mobility problems.

Working with our partners and investing in our communities – 2022/23 has been spent building and improving our relationship with Wirral Borough Council and getting involved in their Local Plan talks. We are also working in partnership with Alpha Living, Homes England, CHANW group and the Liverpool City Region group.

Delivering on Tenants Charter and Together with Tenants –2022/23 has been spent delivering our complaints action plan, updating our Complaints Policy to ensure that we adopt a consistent approach to how we handle complaints and that our process is in line with the Ombudsman. We have also established a Tenant Advisory Group who have reviewed Tenants feedback and identified areas for improvement for, this has ensured we listen and take account of our tenant's opinions and what matters to them most. We use the information gained from this group to influence the direction of the organisation. We are now working together to identify learning from complaints.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

Be Environmentally Sustainable

Develop a strategic approach to the decarbonisation of our assets – we are currently forging relationships to enable better access to the Social Housing Decarbonisation Fund and the Building Safety fund to source funding to retrofit our older stock.

Support tenants with information about energy efficiency/fuel poverty – we continue to signpost tenants on a regular basis to organisations who can assist tenants in these areas. All of our kitchen and bathroom replacements included the provision on LED lighting to assist tenants with their energy bills. When completing the 49 boiler replacements this year we have also power flushed the system and ensure that TRV's are fitted to all radiators so that the boiler operates efficiently.

Introduce contractual practices, utilise opportunities to reduce the use of unsustainable materials and waste – the contract for the replacement of kitchen and bathrooms includes the provision of LED lighting to reduce

Reduce office waste and energy consumption – we have continued to utilise ICT video conferencing to minimise journeys and still enable collaborative working, and continued to save paper, and ink by utilising digital communications.

The Value for Money figures for 2022/23 have been calculated utilising the Management Accounts for Quarter 4 and 2021/22 details have been supplied as a year on year comparator. The Association is a member of the benchmarking club for Community Housing Associations (North West) and the median of the group for 2022/23 has been included.

| Indicator | WMHA 2022/23 | WMHA 2021/22 | Community Housing Associations NW Median 2022/23 |
|--|-----------------|-----------------|---|
| Reinvestment % | 8.25% | 2.21% | 8.00% |
| New Supply Delivered (Social Housing Units) | 0% | 0% | 0.25% |
| New Supply Delivered (Non-Social Housing Units) | 0% | 0% | 0.00% |
| Gearing % | 22.25% | 18.97% | 15.65% |
| EBITDA MRI Interest Cover | 195.02% | 452.70% | 190.01% |
| Headline Social Housing Cost per Unit | £5,328.63 | £4,395.88 | £4,702.72 |
| Operating Margin (Social Housing Lettings only)% | 6.82% | 31.70% | 17.78% |
| Operating Margin (overall)% | 17.50% | 30.20% | 17.50% |
| Return on Capital Employed | 5.19% | 8.36% | 3.08% |

The table above shows the following with regards to the Association's performance:

- WMHA's performance has remained static at 0% as we have not complete any development this year, and concentrated on replacing components. The CHANW member HA's only achieved a median of 0.25%, this was due to the fact that developments are behind due to Covid, and that they too are lacking funding.
- Loans, cash and housing property costs are rising which is why there has only been a slight increase in gearing from 18.97% to 22.25%. Although WMHA's Gearing is above the median of the CHANW group 15.65%, the highest gearing recorded for the group is 31.60%.
- Interest costs have increased at a slightly higher rate than earnings, this has led to a reduction in our EBITDA MRI (Earnings before interest, tax, depreciation, amortisation less capitalised major repairs) to 195.02%. This shows the amount of headroom in meeting interest payments.
- The headline social housing cost per unit reflects increased labour and material costs. Routine maintenance has gone from costing £622 to £825 per unit. Planned maintenance costs increased as works returned to their post Covid cycle, and we picked up the cyclical painting programme. There was a rise in management costs due to disrepair claims settlements, Board remuneration, salaries (staff changes and additional post) and training.
- WMHA's Operating Margin's overall has decreased, and is median of the peer group, this is the result of turnover increasing at a rate of 4.85% and costs increasing at a rate of 27.98 %.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

- WMHA's Operating Margin for Social Housing Lettings have reduced from 31.70% to 6.82%, which is below the CHANW median, it has been difficult this year to keep control of spend as the costs of labour and materials rose due to increased inflation and interest costs, however this does illustrate a need to ensure that we are getting Value for money on our contracts.
- Return on Capital Employed has decreased from 8.36% in 2021/22 to 5.19% in 2022/23, this is however significantly higher than the median of 3.69%, which shows that we are utilising our assets better than our peers.

The Association also measures its own performance through regular reports to the sub-committees. Including:

Budget Monitoring and Covenants Compliance - Quarterly reports to Governance and Internal Control Committee.

Developments - Reports on progress on capital schemes and on proposed new developments to Board.

Housing Management - Key performance indicators on re-let performance, void loss and tenant arrears reported to Tenants sub-committee.

The emphasis for the Association will be on the delivery of the objectives set out in the Business Plan. Further performance indicators, relevant for the Association, with targets for 2023/24 are as follows:-

| Key Performance Indicators | WMHA 2022/23 | WMHA 2021/22 | Target 2022/23 | Target 2023/24 |
|--|--------------|--------------|-------------------|----------------|
| % of Rent Lost through dwellings being vacant - General Needs only | 1.02% | 1.20% | 1.10% | 1.10% |
| Average re-let times (calendar days - General Needs only) | 14 days | 47 days | 25 days | 22 days |
| Rent Arrears net of HB (General Needs only) | % | 3.17 % | Replaced as below | |
| Current Rent Arrears | 3.92% | 4.24 % | 4.2% | 4.20% |
| % of Emergency Repairs completed within target time | 96% | 98 % | 100% | 97% |
| % of Reactive Repairs completed within target time | 98% | 92.65 % | 97% | 99% |
| % of dwellings with a valid gas safety certificate | 100% | 100 % | 100% | 100% |

- Rent Loss through dwellings being vacant has reduced due to the reduced turnaround time of voids, this is due to the successful collaboration between the Assets and Housing teams.
- Average re-let times have reduced as a result of post Covid, the target set for 22/23 of 25 days allowed for continuation of delays in supplies.
- Rent Arrears Net of HB has not yet been reported as this is more complex to produce.
- Emergency Repairs completed within target has reduced to 96%, this is partial due to the introduction of HMS and some teething issues, but also due to an increase in job numbers as part of the post Covid return.
- Reactive Repairs completed within target is above our target for 2022/23 of 97% at 98%.

Social and Environmental Impact

We want to build homes and create communities, one of our corporate objectives is to create thriving communities and this is what we aim to continue to do. We aim to be responsive to the wide range of housing need and flexible in ensuring

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

we make the best use of our homes, letting them as quickly as possible. After a probationary period of 12 months, we offer periodic assured tenancies providing security of tenure.

The safety of our tenants is our number one priority, and we take our regulatory obligations, compliance and management of associated risk seriously. The four key areas are Decent Homes, gas safety checks, fixed wiring (electrical) tests and fire risk assessments. For gas safety we have clear and specific duties under these regulations. We use accredited contractors to undertake maintenance, repairs and servicing. We had 100% of homes with an in date accredited gas safety as at 31 March 2023. We have invested in having an external review of this area and used the finding to ensure robust monitoring and delivery of compliance, which is reported to Board using a compliance scorecard.

At 31 March 2023, 99% have a valid Electrical Installation Condition Report and 100.0% had a valid Fire Risk Assessment.

The management of complaints has been improved using the ombudsman code and the assessment against the code was reported to Tenants and Communications for approval and published on the website. In 2022/23 100% of complaints were responded to within the Complaint Handling code timescales, and we had 0.1% complaints relative to the size of the organisation.

We are committed to continually improving our resident engagement approach, we have introduced My Home do enable tenants to communicate with us digitally. We have completed a series of neighbourhood walkabouts, and also a 'Coffee and Chat session' to listen to our tenants' opinions.

In our day to day landlord activities we provide significant support to our residents. This includes neighbourhood services; tackling anti-social behaviour, financial inclusion and sensitive handling of rent arrears situations. We have a dedicated arrears officer who assists with welfare benefits advice. We signpost tenants to our social supermarket who offers value for money products.

We offer supported accommodation to tenants who require additional services in their home.

We have a development programme currently running which will create 25 new homes during this year, we have continued to support tenants to live in their homes with adaptations. All our tenants deserve to live in good quality, safe and suitable homes.

The Association believes that employees deserve fair pay and have therefore implemented real living wage for all of its directly employed staff and is currently collaborating with contractors to support them in also making this change.

We value our employees and their wellbeing is important to the organisation. This is why we continue to offer an Employee Assistance Package - which offers services such as counselling, mediation etc. Staff also now have access to medical support via Medicash.

Environmental

We have begun to plan for the improvements required to our properties in order to attain EPC C Ratings on all our properties by 2030. We have ensured that all EPC ratings have been updated on our system and we currently have EPC ratings grade C and above on c 60% of our properties. Average Environmental (CO2) Impact Rating is 66 Average Energy Efficiency Rating is 69. - for both of these measures EPC C carries a rating of 69-80, B is 81-91, A is 92-100.

We currently have approx. 450 solar panels installed across 18 schemes, and our Office, these were installed in 2015 and provided £23k of income in 22/23.

In 2022/23 we had a Stock Condition report completed by an independent valuer in order to start us on the journey of data collation and validation. Environmental Impact Assessments and an Environmental Strategy will be the next stage in this journey to Net Zero Carbon, when the data validation is complete. This project to collate stock data will continue throughout 23/24 as part of the Data Integrity project.

We have improved our waste management by working towards paperless - we have introduced electronic signing for our tenancy agreements, and contractor invoices are emailed into the office as opposed to printed and posted. In terms of waste paper from the office - 95% of the paper that we send to shredding is recycled into toilet paper. LED lighting is currently installed in head office, and is being introduced within the kitchen and bathroom replacement programme.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

Going concern

WMHA's business activities, its current financial position and factors likely to affect its future development are set out within this report. The Association has in place a Treasury Management strategy which provides adequate resources to finance committed reinvestment and development programme, along with day to day operations. We also have a long term business plan that shows that the Association can service its debt facilities whilst continuing to comply with lenders' covenants. As at 31 March 2023 WMHA had available cash balances of £2.5m and a further £4m of secured but undrawn loan facilities that could be drawn at short notice. Warrington BC loan drawdown expires in July 2025.

The Board's assessment of going concern involves a number of subjective judgements including, but not limited to increased rent arrears, delayed rent collections, increased voids, and reduction in property prices. In making their assessment the Board have also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity.

A wide-ranging multivariate stress test has been run on the business plan including the normal suite of scenarios that are tested regularly. The multivariate stress test includes the impact of sensitivities on the association's cash flow requirements, as well as covenant compliance. This stress testing found that the business plan is robust and does not affect WMHA's ability to meet its obligations.

The Association has not suffered significant negative financial impact as a result of COVID-19 to date. As part of the going concern assessment and conclusion, the continuing effects of COVID-19 and post Brexit transition have been considered in the stress tests carried out. These will continue to be closely monitored throughout 2022/23 due to the changing financial landscape specifically in terms of interest rates and the potential impact on rents and costs. If costs stabilise and interest rates reduce then WMHA will be in a stronger position to go out for funding and increase its development programme. Another mitigation would be to seek a high rate of grant funding for our energy efficiency works, this coupled with a change in our interest cover covenant to EBITDA only would strengthen our position and enable WMHA to continue to develop. This stress testing found that the business plan is robust in terms of maintaining our current operational position, and that with the adoption of some of the mitigations identified coupled with a downward turn in interest rates and inflation, the plan will be strengthened enough to enable us to meet the future demands of the business and give us the ability to fund a small development programme.

On this basis, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable twelve months after the date on which this report and financial statements are signed. The Board have considered the foreseeable future for their going concern assessment to cover the period to 31 March 2024.

On this basis, the Board continues to adopt going concern basis in the financial statements.

Statement of Board responsibilities in respect of the Report and the financial statements

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records 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 Social Housing in England 2022. It has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

Internal controls assurance

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls that are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with Turnbull principles. Risk reporting includes Cyber security, for which we have mitigation strategies in place including monthly penetration testing, regular software updates, we have installed a new Firewall and office wi-fi hubs in 2022/23.

The Association uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable or payable. The Board receives regular reports on these figures in order to manage the Association's requirements.

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

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks.

There is a formal and ongoing process of management review in each area of the Association's activities. The Board and Senior Management Team regularly consider and receive reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of services.

Environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and new investment projects. The Board works closely with the Senior Management Team to ensure controls are robust and appropriate. In place is a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced quarterly and forecasts for the remainder of the financial year. These are reviewed in detail by the Executive Management Team and are considered and approved by the Board on a quarterly basis. The Board also regularly reviews performance to assess progress towards the achievement of key business objectives, targets and outcomes.

Internal Audit Assurance

The internal control framework and the risk management process are subject to regular review by Internal Auditors who advise the Executive Management Team and report to Governance and Internal Control Committee. We promote a risk-aware culture and expect reporting to consider and present risks alongside proposals. Our risk management methodology are contained within a Board approved Risk Management Policy and Framework. The Governance and Internal Control Committee scrutinises all risk at each meeting and risks are reported to the Board Business meeting as part of Board Assurance reporting.

Governance

The Association complies with the principles of the NHF Code of Governance 2020, and has completed an assessment against this code which it has voluntarily adopted this year. New Board members were replace retiring members and meet the identified skills shortages which included internal audit, asset management and compliance experience. The new Board Members have become established within the Board and a new Board and Committee Membership has been agreed

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

BOARD REPORT [Continued]

For the year ended 31 March 2023

Our Board champions continue to collaborate with us on issues such as for Environmental Impact, VFM, Repairs and Supported housing to provide support within their areas of responsibility, assisting with determining the broad goals and the scope of projects.

Board members are required to complete an annual declaration of interests and inform if there are any changes to their interests during the year in line with the Code of Conduct. At Board meetings members raise any potential conflicts of interest for the business being discussed, the member will be asked not to contribute/vote on the decision or be asked to leave the room while the business is discussed.

The Association has set a maximum continuous length of service for Board Members at nine years and considers that this and its arrangement for Board Members appraisal as set out in its "Membership and Governance Policy" (available on request) are sufficient given the voluntary nature of the Board to discharge the Code's intentions. The Association has established a Governance and Internal Controls Sub Committee that addresses the expectations of the Regulator of Social Housing in respect of internal control assurance, which includes assessments that demonstrate compliance with the Governance and Financial Viability Standard of their Regulatory Framework.

Statement of Disclosure of Information to Auditors

In so far as the Executive Managers are aware:

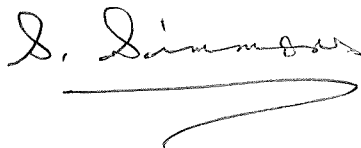
- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Statement of Compliance

The Board confirm that this report has been prepared in accordance with the principles set out in Paragraph 4.7 of the 2018 Updated SORP for Registered Social Housing Providers.

Approved by the Board on 18th July 2023 and signed on its behalf by:

S Simmons
Secretary



Mitchell Charlesworth (Audit) Limited

Accountants

5 Temple Square Temple Street Liverpool L2 5RH

Independent Auditors' Report to the Members of

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Wirral Methodist Housing Association Limited (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Mitchell Charlesworth (Audit) Limited

Accountants

5 Temple Square Temple Street Liverpool L2 5RH

Independent Auditors' Report to the Members of

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the Association has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the Association's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Board of Management

As explained more fully in the Board of Management's responsibilities statement set out on page 5, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Mitchell Charlesworth (Audit) Limited

Accountants

5 Temple Square Temple Street Liverpool L2 5RH

Independent Auditors' Report to the Members of

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

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

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- the Association's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- the results of our enquiries of management and members of the Board of Management of their own identification of and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Association's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
 - the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

(i) The presentation of the Association's Statement of Financial Activities, (ii) the Association's accounting policy for revenue recognition (iii) the overstatement of other costs (iv) the valuation of the defined benefit pension scheme. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the association operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Co-operative and Community Benefit Societies Act 2014 and the Statement of Recommended Practice for registered social housing providers issued by the joint SORP making body.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the association's ability to operate or to avoid a material penalty.

Mitchell Charlesworth (Audit) Limited

Accountants

5 Temple Square Temple Street Liverpool L2 5RH

Independent Auditors' Report to the Members of

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

Audit response to risks identified

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations described above as having a direct effect on the financial statements;
- enquiring of management and members of the Board concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with relevant authorities where matters identified were significant;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

Mitchell Charlesworth (Audit) Limited

MITCHELL CHARLESWORTH (AUDIT) LIMITED
Statutory Auditor

18 July 2023

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|--|-------|----------------|----------------|
| Turnover | 2 | 5,598 | 5,337 |
| Less: Operating costs | 2 | <u>(4,841)</u> | <u>(3,781)</u> |
| Operating surplus | 5 | 757 | 1,556 |
| Gain on disposal of housing properties, land, plant and equipment | 20 | 17 | 10 |
| Interest receivable and other income | | 30 | 1 |
| Interest payable and similar charges | 4 | (693) | (627) |
| Pension net interest expense | 16 | (19) | (22) |
| Pension expense | 16 | (6) | (6) |
| Pension current service cost | 16 | <u>-</u> | <u>-</u> |
| Surplus for the year | | 86 | 912 |
| Pension - total actuarial gains & losses - loss | 16 | <u>(93)</u> | <u>195</u> |
| Total comprehensive income for the year | | <u>(7)</u> | <u>1,107</u> |

The Association's turnover and operating surplus all relate to continuing operations.

The notes detailing items in the financial statements are included on pages 19 to 34.

All recognised gains and losses are included in this statement.

The financial statements on pages 15 to 34 were approved by the Board on 18th July 2023 and were signed on its behalf by:



Chair



Board Member



Secretary

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2023

| | Income and Expenditure Reserve £000 |
|--|--|
| Balance at 1 April 2022 | 18,726 |
| Deficit from statement of comprehensive income | (7) |
| Transfer from statement of Shared Owner Reserve to statement of comprehensive income | <u>12</u> |
| Balance at 31 March 2023 | <u><u>18,731</u></u> |

STATEMENT OF CHANGES IN NET DEBT

| | 2023 £'000 | 2022 £'000 |
|--|-------------------------------|-------------------------------|
| Net debt 1 April 2022 | (12,982) | (14,074) |
| Increase/(decrease) in cash | <u>(1,195)</u> | <u>1,706</u> |
| Decrease/(Increase) in debt | <u>(900)</u> | <u>(614)</u> |
| Change in net debt due to cash flow | <u>(2,095)</u> | <u>1,092</u> |
| Net debt 31 March 2023 | <u><u>(11,267)</u></u> | <u><u>(12,982)</u></u> |


WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

| Fixed assets | Notes | 2023 | 2022 |
|---|-------|-----------------|-----------------|
| | | £'000 | £'000 |
| Tangible fixed assets | | | |
| Properties held for letting: | | | |
| - housing properties at cost | 8 | 65,284 | 62,226 |
| - depreciation | 8 | (14,660) | (13,888) |
| Other tangible fixed assets | 9 | <u>103</u> | <u>107</u> |
| | | <u>50,727</u> | <u>48,445</u> |
| Current assets | | | |
| Trade and other debtors | 10 | 559 | 611 |
| Stock | | 5 | 5 |
| Cash at bank and in hand | | <u>2,566</u> | <u>3,751</u> |
| | | <u>3,130</u> | <u>4,367</u> |
| Creditors: Amounts falling due within one year | 11 | <u>(3,014)</u> | <u>(1,742)</u> |
| Net current assets | | 116 | 2,625 |
| Total assets less current liabilities | | 50,843 | 51,070 |
| Creditors: Amounts falling due after more than one year | 12 | (31,543) | (31,748) |
| Provisions for liability | | | |
| Pension liability | 16 | <u>(569)</u> | <u>(596)</u> |
| | | <u>(32,112)</u> | <u>(32,344)</u> |
| Total net Assets | | 18,731 | 18,726 |
| Reserves | | | |
| Non equity share capital | 13 | - | - |
| Income and expenditure reserve | 22 | <u>18,731</u> | <u>18,726</u> |
| | | <u>18,731</u> | <u>18,726</u> |

The financial statements on pages 15 to 34 were approved by the Board on 18th July 2023 and were signed on its behalf by:



 Chair



 Board Member



 Secretary

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

STATEMENT OF CASHFLOWS

For the year ended 31 March 2023

| Cashflow from operating activities: | Notes | 2023 | | 2022 | |
|---|-------|---------|----------------|---------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Deficit for year | | | | | 1,107 |
| Adjustments for non-cash items: | | | (7) | | |
| Depreciation of tangible fixed assets | | 1,051 | | 1,015 | |
| Gain on disposal of components | | (7) | | 58 | |
| Decrease in trade and other debtors | | 265 | | (72) | |
| Increase in trade and other creditors | | (58) | | 147 | |
| Decrease in cosy/help loans | | | | (8) | |
| Increase of stock | | | | (1) | |
| Increase in reserves | | 11 | | 10 | |
| Pension costs less contributions payable | | - | | - | |
| Increase/decrease in pension liability | | (27) | | (310) | |
| Interest payable | | 712 | | 649 | |
| Grant written off on disposal | | (52) | | | |
| Government grants utilised in the year | | (396) | | (397) | |
| Carrying amount of tangible fixed assets disposals | | 3 | | - | |
| | | | <u>1,503</u> | | <u>1,091</u> |
| Net cash generated from operating activities | | | 1,496 | | 2,198 |
| Cashflow from investing activities: | | | | | |
| Purchase of tangible fixed assets - properties | | (3,428) | | (1,249) | |
| Purchase of tangible fixed assets - other | | (37) | | (25) | |
| Receipts from sale of fixed assets | | 119 | | - | |
| | | | <u>(3,346)</u> | | <u>(1,274)</u> |
| Cashflow from financing activities: | | | | | |
| Interest paid | | (712) | | (649) | |
| Grant received | | 466 | | 467 | |
| New secured loans | | 1,500 | | 1,500 | |
| Repayments of borrowings | | (600) | | (536) | |
| | | | <u>654</u> | | <u>782</u> |
| Net change in cash and cash equivalents | | | (1,196) | | 1,706 |
| Cash and cash equivalents at beginning of year | | | 3,751 | | 2,045 |
| Cash and cash equivalents at end of year | | | 2,555 | | 3,751 |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. Principal accounting policies

The accounts have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UKGAAP), the Statement of Recommended Practice: 'Housing SORP 2018 Update: Statement of Recommended Practice for Social Housing Providers'.

Basis of accounting

The financial statements comply with the Co-operative and Communities Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The accounts are prepared on the historical cost basis of accounting and are presented in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements to 31 March 2023 have been prepared in compliance with FRS102.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Association's financial statements:

Going concern

The financial statements have been prepared on a going concern basis, which assumes an ability to continue operating for the foreseeable future. The Association undertakes an annual review of its financial position and its ability to meet its financial obligations. At the time of approving the financial statements the Board have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Board continue to adopt the going concern basis of accounting in preparing the financial statements.

Amortisation of provisions & liabilities

Premiums received on bonds are amortised to the revenue account over the life of the bond issue on a straight line basis.

Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the most appropriate cost headings, based upon an internal assessment by the Association.

Statement of Cash flows

Under the requirements of FRS102 the Association has prepared a cash flow statement on the basis of continuing operations.

Housing properties

Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and development costs directly bringing properties into use. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Direct costs relating to development activities are capitalised.

Impairment

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

Improvements to properties

Expenditure on improvements to existing properties, which result in an increase in the net rental stream over the life of the property, are deemed to enhance the economic benefits of the asset and are capitalised. An increase to the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs or a significant increase in the useable life of the property.

Turnover

Turnover represents rents and amounts invoiced in respect of the provision of services and amortised government grants.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. Principal accounting policies [Continued]

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives. Following the adoption of component accounting different lives have been assigned to each component: The depreciation rates are as follows:

| | To 2022/23 | From 2023/24 |
|-------------------------------------|----------------|--|
| Housing properties - Structure | 50 - 100 years | 50 – 100 years(dependent on age of property at purchase) |
| Roofs | 70 years | 70 years |
| Windows | 30 years | 30 years |
| Doors | 30 years | 30 years |
| Central Heating | 30 years | 40 years |
| Boilers | 15 years | 15 years |
| Kitchens | 17.5 years | 20 years |
| Bathrooms | 25 years | 30 years |
| Premises and leasehold improvements | 5 - 35 years | 5- 35 years (dependent on lease) |
| Fixtures and fittings | 3 - 5 years | 3-5 years |
| Computer equipment and software | 3 years | 3 years |

Designated reserve

This reserve relates to a welfare fund for tenants. Expenditure is charged to this fund in exceptional circumstances, at the discretion of the Head of Housing, based on tenant need.

Shared ownership reserve

This reserve relates to contributions made by way of a service charge in excess of the costs incurred by the Association. These funds have been restricted to cover future major repairs works on the shared ownership schemes and are increased by RPI each year.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets on the company after deducting all of its liabilities.

Interest and finance costs

All interest is charged to the Income and Expenditure account in the year in which it is incurred.

Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

Pension costs

The Association participates in the Social Housing Pension Scheme (SHPS). The scheme is a defined contribution scheme. The defined benefit pension scheme was closed in 2019, and the assets of the scheme are held separately from those of the Association in an independently administered fund.

The Association also makes contributions to a Standard Life pension scheme for one employee.

The disclosures in the accounts follow the requirements of FRS102. Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association's financial statements. Defined contributions are expensed in the year in which they relate to via the SOCI.

Social Housing (SHG) and other grants

SHG and similar capital grants are amortised over the life of the structure and credited to income. Unamortised SHG is shown as deferred income. SHG may be recycled or repaid under certain circumstances, primarily following sale of a property but will normally be restricted to net proceeds of sale. Grants for revenue expenditure are credited to the income and expenditure account as they become receivable.

Where SHG is recycled, the SHG is credited to a recycled capital grant fund which appears as a creditor until spent.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. Principal accounting policies [Continued]

Supporting people

Supporting people income and expenditure are recognised within the period to which they relate. Supporting people income ended this year.

Value Added Tax

Wirral Methodist Housing Association is VAT registered but a large proportion of its income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is shown inclusive of VAT as VAT recovered is a minimal amount. Input tax recovered is deducted from operating costs.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Association after deducting all of its liabilities.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at transaction value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and basic interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102 are initially recognised at transaction value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. Turnover and operating costs

| | 2023 | | | 2022 |
|---|-------------------|-----------------------------|-------------------------------|--------------|
| | Turnover £'000 | Operating costs £'000 | Operating Surplus £'000 | £'000 |
| Income and expenditure from lettings | | | | |
| General Needs Housing | 3,063 | (2,841) | 222 | 736 |
| Supported Housing | 1,626 | (1,452) | 174 | 352 |
| Temp Social Housing | 214 | (275) | (61) | (23) |
| Shared Ownership | 107 | (101) | 6 | 43 |
| Social housing lettings | <u>5,010</u> | <u>(4,669)</u> | <u>341</u> | <u>1,108</u> |
| Other social housing activities | | | | |
| Supporting People | 26 | (7) | 19 | 20 |
| Women and Vulnerable People | 78 | (93) | (15) | (2) |
| | <u>104</u> | <u>(100)</u> | <u>4</u> | <u>18</u> |
| Total social housing lettings | <u>5,114</u> | <u>(4,769)</u> | <u>345</u> | <u>1,126</u> |
| Non social housing lettings | | | | |
| Commercial | 88 | (72) | 16 | 31 |
| Energy loans | 0 | 0 | 0 | 2 |
| Total non social housing lettings | <u>88</u> | <u>(72)</u> | <u>16</u> | <u>33</u> |
| Government grant amortised | <u>396</u> | <u>0</u> | <u>396</u> | <u>397</u> |
| Total turnover and operating costs | <u>5,598</u> | <u>(4,841)</u> | <u>757</u> | <u>1,556</u> |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. Turnover and operating costs [Continued]

| | 2022 | | | 2021 £'000 |
|---|-------------------|-----------------------------|-------------------------------|---------------|
| | Turnover £'000 | Operating costs £'000 | Operating Surplus £'000 | |
| Income and expenditure from lettings | | | | |
| General Needs Housing | 2,945 | (2,209) | 736 | 897 |
| Supported Housing | 1,508 | (1,156) | 352 | 506 |
| Temp Social Housing | 222 | (245) | (23) | 75 |
| Shared Ownership | 110 | (67) | 43 | 22 |
| | <u>4,785</u> | <u>(3,677)</u> | <u>1,108</u> | <u>1,500</u> |
| Social housing lettings | | | | |
| Other social housing activities | | | | |
| Supporting People | 26 | (6) | 20 | 20 |
| Women and Vulnerable People | 59 | (61) | (2) | 23 |
| | <u>85</u> | <u>(67)</u> | <u>18</u> | <u>43</u> |
| Total social housing lettings | <u>4,870</u> | <u>(3,744)</u> | <u>1,126</u> | <u>1,543</u> |
| Non social housing lettings | | | | |
| Commercial | 68 | (37) | 31 | 45 |
| Energy loans | 2 | - | 2 | 2 |
| | <u>70</u> | <u>(37)</u> | <u>33</u> | <u>47</u> |
| Total non social housing lettings | | | | |
| Government grant amortised | <u>397</u> | <u>-</u> | <u>397</u> | <u>332</u> |
| Total turnover and operating costs | <u>5,337</u> | <u>(3,781)</u> | <u>1,556</u> | <u>1,922</u> |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Operating surplus/(deficit) on social housing lettings

| | 2023 | | | | | 2022 Total £'000 |
|----------------------------------|--------------------------------------|-------------------------------|---|------------------------------|----------------|------------------------|
| | General Needs Housing £'000 | Supported Housing £'000 | Temporary Social Housing £'000 | Shared Ownership £'000 | Total £'000 | |
| Income from lettings | | | | | | |
| Net rents receivable | 3,010 | 1,290 | 262 | 49 | 4,611 | 4,389 |
| Net service income | 63 | 335 | 11 | 58 | 467 | 432 |
| Gross rental income | 3,073 | 1,625 | 273 | 107 | 5,078 | 4,821 |
| Lease charges | (10) | 0 | (59) | 0 | (69) | (35) |
| Net rental income | 3,063 | 1,625 | 214 | 107 | 5,009 | 4,786 |
| Other income | 0 | 1 | 0 | 0 | 1 | - |
| Government grant amortised | 268 | 84 | 37 | 7 | 396 | 397 |
| Net turnover | 3,331 | 1,710 | 251 | 114 | 5,406 | 5,183 |
| Management | (885) | (460) | 67 | (31) | (1,443) | (1,181) |
| Service costs | (341) | (564) | (87) | (42) | (1,034) | (695) |
| Routine maintenance | (863) | (96) | (51) | (19) | (1,029) | (713) |
| Planned maintenance | (70) | (49) | (2) | (1) | (122) | (38) |
| Major repairs | (2) | (15) | 0 | 0 | (17) | (4) |
| Bad debts | (9) | (5) | (1) | (0) | (15) | (10) |
| Depreciation - properties | (698) | (248) | (67) | (7) | (1,020) | (979) |
| Gain on disposal - components | 28 | (15) | (0) | (1) | 12 | (58) |
| Operating costs | (2,840) | (1,452) | (275) | (101) | (4,668) | (3,678) |
| Operating surplus | 491 | 258 | (24) | 13 | 738 | 1,505 |
| Voids | (23) | (22) | (4) | 0 | (49) | (77) |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

| | | |
|--|-------------------|-------------------|
| 4. Interest payable and similar charges | 2023 | 2022 |
| | £'000 | £'000 |
| Interest on bank loans | 640 | 587 |
| Other financing costs | 53 | 40 |
| | <u>693</u> | <u>627</u> |
| | <u><u>693</u></u> | <u><u>627</u></u> |
| 5. Surplus on operating activities | 2023 | 2022 |
| | £'000 | £'000 |
| Surplus on operating activities for the year is stated after charging: | | |
| Depreciation on properties | 1,021 | 979 |
| Depreciation on other tangible fixed assets and short life properties | 32 | 36 |
| Amortisation of loan premium | (23) | (23) |
| Auditors' remuneration: | | |
| External audit - audit services | 6 | 6 |
| Internal audit - audit services | 8 | 7 |
| Surplus on disposal of properties | (22) | (8) |
| Gain on disposal of components | (12) | 58 |
| | <u>930</u> | <u>942</u> |
| | <u><u>930</u></u> | <u><u>942</u></u> |
| 6. Staff costs | 2023 | 2022 |
| | £'000 | £'000 |
| Staff costs: | | |
| Wages and salaries | 796 | 676 |
| Social security costs | 80 | 66 |
| Other pension costs | 54 | 200 |
| | <u>930</u> | <u>942</u> |
| | <u><u>930</u></u> | <u><u>942</u></u> |
| Pension costs include £45,330 paid into a SHPS defined contribution scheme, and £9,859 (2022 £4,320) paid into a Standard Life defined contribution scheme | | |
| Average number of persons (including the Senior Management Team) employed during the year expressed as full time equivalents: | FTE | FTE |
| | 2023 | 2022 |
| Office staff | 14 | 11 |
| Scheme Managers | 2 | 2 |
| Cleaners | 1 | 1 |
| | <u>17</u> | <u>14</u> |
| | <u><u>17</u></u> | <u><u>14</u></u> |

The basis of full time equivalent numbers has been calculated based upon weeks employed and hours worked.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. Staff costs [Continued]

| | 2023 £'000 | 2022 £'000 |
|--|-------------------|-------------------|
| The remuneration of the Executive Management was: | | |
| Emoluments | 191 | 277 |
| | <u> </u> | <u> </u> |
| The emoluments paid to the highest paid director disclosed above: (excluding pension contributions) | | |
| Chief Executive | 93 | 91 |
| | <u> </u> | <u> </u> |

The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms apply. There are no additional pension arrangements.

The Board Members are remunerated at a total cost for 2022/23 of £39,250. Expenses totalling £Nil (2022: £Nil) were paid in the year.

7. Taxation

The Association has charitable status for tax purposes and is therefore exempt from United Kingdom corporation tax.

8. Tangible fixed assets - housing properties

| | Assets under Construction £'000 | Short life & Leasehold £'000 | Shared Ownership £'000 | Freehold £'000 | Total Housing Properties £'000 |
|-------------------------|---------------------------------------|------------------------------------|------------------------------|-------------------|--------------------------------------|
| Cost | | | | | |
| At 1 April 2022 | 870 | 1,929 | 1,121 | 58,306 | 62,226 |
| Additions | 2,927 | | | | 2,927 |
| Additions - components | | 4 | 5 | 238 | 247 |
| Disposals | (2) | (81) | (1) | (127) | (211) |
| Disposals - components | | | (1) | (118) | (119) |
| Completed in year | | | | 214 | 214 |
| At 31 March 2023 | <u>3,795</u> | <u>1,852</u> | <u>1,124</u> | <u>58,513</u> | <u>65,284</u> |
| Depreciation | | | | | |
| At 1 April 2022 | - | (888) | (145) | (12,855) | (13,888) |
| Disposals | - | 80 | | 38 | 118 |
| Disposals - components | - | | | 90 | 90 |
| Charges for period | - | (70) | (8) | (902) | (980) |
| At 31 March 2023 | <u>-</u> | <u>(878)</u> | <u>(153)</u> | <u>(13,629)</u> | <u>(14,660)</u> |
| Net Book Values | | | | | |
| At 31 March 2023 | <u>3,795</u> | <u>974</u> | <u>971</u> | <u>44,884</u> | <u>50,624</u> |
| At 31 March 2022 | 870 | 1,041 | 976 | 45,451 | 48,338 |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. Tangible fixed assets - housing properties [Continued]

Additions to housing properties include £26k (2022: £4k) of capitalised development overheads. Additions – components include £52k of accruals in relation to the kitchen and bathroom programme for works not yet completed.

Housing properties are reviewed for impairment annually. The value of land included in housing properties not depreciated amounts to £10,009,348 (2022: £10,027,000). All the housing properties are freehold.

Housing properties are reviewed for impairment on an annual basis.

| | 2023 | 2022 |
|---|------------|------------|
| Housing properties units comprise: | | |
| General Needs Housing | 636 | 642 |
| Supported Housing | 239 | 239 |
| Shared Ownership | 17 | 17 |
| | <u>892</u> | <u>898</u> |
| | 2023 | 2022 |
| Freeholds | 840 | 841 |
| Leaseholds | 52 | 57 |
| | <u>892</u> | <u>898</u> |

No interest has been capitalised for 2022/23 (2019/20: £Nil).

| 9. Tangible fixed assets - other | Furniture & Equipment £'000 | Office Premises £'000 | I T £'000 | Total £'000 |
|----------------------------------|-----------------------------------|-----------------------------|--------------|----------------|
| Cost | | | | |
| At 1 April 2022 | 237 | 401 | 146 | 784 |
| Additions | 34 | 9 | 3 | 46 |
| Disposals | | (20) | | (20) |
| At 31 March 2023 | <u>271</u> | <u>390</u> | <u>149</u> | <u>810</u> |
| Depreciation | | | | |
| At 1 April 2022 | (203) | (331) | (143) | (677) |
| Charge for year | (15) | (9) | (7) | (31) |
| Disposals | | 1 | | 1 |
| At 31 March 2023 | <u>(218)</u> | <u>(339)</u> | <u>(150)</u> | <u>(707)</u> |
| Net book value | | | | |
| At 31 March 2023 | <u>53</u> | <u>51</u> | <u>(1)</u> | <u>103</u> |
| At 31 March 2022 | <u>34</u> | <u>70</u> | <u>3</u> | <u>107</u> |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

| 10. Debtors | 2023 £'000 | 2022 £'000 |
|--------------------------------|---------------|---------------|
| Rental debtors | 220 | 293 |
| Less: Provisions for bad debts | (87) | (84) |
| | <u>133</u> | <u>209</u> |
| Other debtors | 52 | 79 |
| Less: Provisions for bad debts | (23) | (24) |
| Prepayments | 397 | 347 |
| | <u>559</u> | <u>611</u> |

No disclosure has been made of the net present value of rent arrears subject to repayment plans as the amount is considered to be insignificant.

Other provisions are due to an employment matter, and 7 properties that require a high volume of works to remain lettable.

| 11. Creditors: Amounts falling due within one year | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Trade creditors | 86 | 93 |
| Accruals | 619 | 476 |
| Other taxation and social security | 43 | 26 |
| Prepaid rent | 90 | 87 |
| Housing loans | 1,739 | 580 |
| Recycled Capital Grant Fund - Note 15 | 32 | 75 |
| Unamortised Government Grants | 396 | 396 |
| Energy loans | 9 | 9 |
| | <u>3,014</u> | <u>1,742</u> |

| 12. Creditors: Amounts falling due after one year | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Housing loans | 13,822 | 12,922 |
| Recycled Capital Grant Fund - note 15 | 54 | 25 |
| Housing loans, current portion | (1,739) | (580) |
| | <u>12,137</u> | <u>12,367</u> |
| Unamortised Government grants | 19,406 | 19,381 |
| | <u>31,543</u> | <u>31,748</u> |

The housing loans are secured by specific charges on the Association's housing property and are repayable at rates of interest between 1.30% to 10.10%. The Effective interest rate across our loan portfolio is 4.63%. Amounts due in instalments are as follows:

| | 2023 £'000 | 2022 £'000 |
|----------------------------|---------------|---------------|
| In one year or less | 1,739 | 580 |
| Between one and two years | 346 | 1,695 |
| Between two and five years | 2,915 | 2,332 |
| In more than five years | 8,822 | 8,315 |
| | <u>13,822</u> | <u>12,922</u> |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. Creditors: Amounts falling due after one year [Continued]

Unamortised government grants

The amount of unamortised Government grants at the year-end relate to Social Housing Grant which is amortised in accordance with the stated accounting policy:

| | 2023 £'000 | 2022 £'000 |
|------------------------------------|-----------------|-----------------|
| Balance at 1 April 2022 | (19,777) | (19,709) |
| Grant received in the year | (473) | (467) |
| Grant written off – disposals | 52 | 3 |
| Released to income in the year | 396 | 396 |
| | <u>(19,802)</u> | <u>(19,777)</u> |
| Balance at 31 March 2023 | <u>(19,802)</u> | <u>(19,777)</u> |
| Amount due to be released < 1 year | 373 | 396 |
| Amount due to be released > 1 year | 19,429 | 19,381 |
| | <u>19,429</u> | <u>19,381</u> |

13. Share capital

| | 2023 £ | 2022 £ |
|--------------------------|-----------|-----------|
| At 1 April 2022 | 45 | 45 |
| Shares issued in year | 4 | 1 |
| Shares cancelled in year | (1) | (1) |
| | <u>48</u> | <u>45</u> |
| At 31 March 2023 | <u>48</u> | <u>45</u> |

The shares do not have rights to any dividends, nor to a distribution in a winding-up, and they are not redeemable. Each share carries one vote in a general meeting of the Association.

14. Social Housing Grant - housing properties

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Total Accumulated SHG received at the balance sheet date | 28,086 | 27,674 |
| | <u>28,086</u> | <u>27,674</u> |
| Held as unamortised capital grant | 19,792 | 19,777 |
| Recognised as income in statement of comprehensive income | 8,294 | 7,897 |
| | <u>28,086</u> | <u>27,674</u> |
| | <u>28,086</u> | <u>27,674</u> |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

| 15. Recycled Capital Grant Fund | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Balance at 1 April 2022 | 100 | 100 |
| Grants recycled | 52 | - |
| Notional interest | 1 | - |
| RCGF utilised - properties | (67) | - |
| RCGF utilised - adaptations | - | - |
| | <hr/> | <hr/> |
| Balance at 31 March 2023 | 86 | 100 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Amounts due to be utilised less than 1 year old | 32 | 75 |
| Amounts due to be utilised more than 1 year old | 54 | 25 |
| | <hr/> | <hr/> |
| | 86 | 100 |
| | <hr/> <hr/> | <hr/> <hr/> |

£8k of RCGF has been carried forward for more than 3 years, we have therefore submitted a rollover business case to Homes England, however there is the possibility that they may not allow us to carry this over any further. Also, we are waiting for Homes England authorisation on the recycling of the grant on 8 Pemberton Rd of £52k

£67k was used for Withens Lane to subsidise the scheme as there was a rise in costs.

| | £'000 |
|---------|-------------|
| 2022/23 | 53 |
| 2020/21 | 25 |
| 2018/19 | 8 |
| | <hr/> |
| | 86 |
| | <hr/> <hr/> |

16. Pension Scheme

The Association has operated the final salary with a 1/60th accrual rate for active members as at 1 April 2007. For new entrants from 1 April 2007 the Association has operated the career average re-valued earnings (CARE) with a 1/60th accrual rate. The Association added the option of a defined contribution pension from May 2015. This scheme was utilised for auto-enrolment in 2016/17.

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2022. This valuation revealed a deficit of £1.709m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. Pension Scheme [Continued]

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

| FAIR VALUE OF PLAN ASSETS, PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, AND DEFINED BENEFIT ASSET (LIABILITY) | 31 March 2023 (£'000s) | 31 March 2022 (£'000s) |
|--|---------------------------|--|
| Fair value of plan assets | 2,527 | 3,736 |
| Present value of defined benefit obligation | 3,089 | 4,329 |
| Surplus/(deficit) in plan | (562) | (593) |
| Unrecognised surplus | - | - |
| Defined benefit asset/(liability) to be recognised | (562) | (593) |
| RECONCILIATION OF THE IMPACT OF THE ASSET CEILING | | Period from 31 March 2022 to 31 March 2023 (£'000s) |
| Impact of asset ceiling at start of period | | - |
| Effect of the asset ceiling included in net interest cost | | - |
| Actuarial losses/(gains) on asset ceiling | | - |
| Impact of asset ceiling at end of period | | - |
| RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION | | Period from 31 March 2022 to 31 March 2023 (£'000s) |
| Defined benefit obligation at start of period | | 4,329 |
| Current service cost | | - |
| Expenses | | 4 |
| Interest expense | | 119 |
| Member contributions | | - |
| Actuarial losses/(gains) due to Scheme experience | | - |
| Actuarial losses/(gains) due to changes in demographic assumptions | | (8) |
| Actuarial losses/(gains) due to changes in financial assumptions | | (1,210) |
| Benefits paid and expenses | | (145) |
| Liabilities acquired in a business combination | | - |
| Liabilities extinguished on settlements | | - |
| Losses/(gains) on curtailments | | - |
| Losses/(gains) due to benefit changes | | - |
| Exchange rate changes | | - |
| Defined benefit obligation at end of period | | 3,089 |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. Pension Scheme [Continued]

| RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS | Period from 31 March 2022 to 31 March 2023 (£'000s) |
|--|--|
| Fair value of plan assets at start of period | 3,736 |
| Interest income | 104 |
| Experience on plan assets (excluding amounts included in interest income) - gain/(loss) | (1,311) |
| Employer contributions | 143 |
| Member contributions | - |
| Benefits paid and expenses | (145) |
| Assets acquired in a business combination | - |
| Assets distributed on settlements | - |
| Exchange rate changes | - |
| Fair value of plan assets at end of period | 2,527 |
| <p>The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was (£1,207,000).</p> | |
| DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOI) | Period from 31 March 2022 to 31 March 2023 (£'000s) |
| Current service cost | - |
| Expenses | 4 |
| Net interest expense | 15 |
| Losses/(gains) on business combinations | - |
| Losses/(gains) on settlement | - |
| Losses/(gains) on curtailments | - |
| Losses/(gains) due to benefit changes | - |
| Defined benefit costs recognised in statement of comprehensive income (SOI) | 19 |
| DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI) | Period from 31 March 2022 to 31 March 2023 (£'000s) |
| Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss) | (1,311) |
| Experience gains and losses arising on the plan liabilities - gain/(loss) | - |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss) | 8 |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss) | 1,210 |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain/(loss) | (93) |
| Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain/(loss) | - |
| Total amount recognised in other comprehensive income - gain/(loss) | (93) |

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. Pension Scheme [Continued]

| ASSETS | 31 March 2023 (£'000s) | 31 March 2022 (£'000s) |
|--------------------------------|---------------------------|---------------------------|
| Absolute Return | 27 | 150 |
| Alternative Risk Premia | 5 | 123 |
| Corporate Bond Fund | - | 249 |
| Credit Opportunities | - | 13 |
| Credit Relative Value | 95 | 124 |
| Distressed Opportunities | 77 | 134 |
| Emerging Markets Debt | 14 | 109 |
| Currency Hedging | 5 | (15) |
| Global Equity | 47 | 717 |
| High Yield | 9 | 32 |
| Indexed Linked All Stock Gilts | - | - |
| Infrastructure | 289 | 266 |
| Insurance-Linked Securities | 64 | 87 |
| Liability Driven Investment | 1,164 | 1,043 |
| Cash | 18 | 13 |
| Liquid Credit | - | - |
| Long Lease Property | 76 | 96 |
| Net current assets | 6 | 10 |
| Opportunistic Liquid Credit | 108 | 126 |
| Over 15 Year Gilts | - | - |
| Private debt | 112 | 96 |
| Property | 109 | 101 |
| Risk sharing | 186 | 123 |
| Secured income | 116 | 139 |
| Total assets | 2,527 | 3,736 |

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

| 17. Capital commitments | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Capital expenditure contracted for but not provided for in the financial statements | 333 | 1,514 |

There are contracts for New Chester Road, Withens Lane which total £2,029 & £1,793 respectively these are in development, and are due for completion in the coming year, with £3,489 payments already made.

There is also a contract for the kitchen & bathroom programme which has overrun, but this has been accrued for.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. Related party disclosures

Board Members, all of whom own one share, control the Association. The Tenant Board Member who joined the Board last year has normal tenancy terms. We also have an employee who resides in one of our properties but has normal tenancy terms. The transactions are not disclosed as there is only one tenant board member and one employee, amounts cannot be aggregated. There have been no further related party transactions that are considered material.

19. Contingent liabilities

There is a contingent liability of £2,760,000 in respect of the employer debt on the Social Housing Pension Scheme. This is the amount that would have been payable if the Association had withdrawn from the Social Housing Pension Scheme as at 30 September 2021. Further details are included at Note 16.

We are awaiting the outcome of the Scheme's Court case, this could see Social Housing Pension Scheme having to rectify employee's pension which could give rise to an estimated additional £180k Pension liability.

20. Surplus on disposal of housing properties, land, plant and equipment

| | 2023 £'000 | 2022 £'000 |
|-----------------------------|---------------|---------------|
| Net cost of properties sold | 127 | - |
| Sale proceeds | 143 | 19 |
| Cost of sales | (15) | (2) |
| Net proceeds | 128 | 17 |
| Surplus on disposals | 22 | (48) |

This is the funds made on the Right to Acquire 8 Pemberton Road, and the sale of the garage at 109A Church Rd. We have also handed 5 leased properties back to their owners, with associated costs of £36k in dilapidation works.

WIRRAL METHODIST HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

| | | |
|----------------------------------|--------------|--------------|
| 21. Financial instruments | 2023 | 2022 |
| | £'000 | £'000 |

The Association has the following financial instruments:

Financial assets that are debt instruments measured at amortised cost:

| | | |
|--|--------------|--------------|
| Cash at bank and in hand | 2,566 | 3,751 |
| Money Market Investments | - | - |
| Rental debtors (Note 10) | 220 | 293 |
| Trade debtors and accrued income (Note 10) | <u>449</u> | <u>426</u> |
| | <u>3,235</u> | <u>4,470</u> |

Financial liabilities measured at amortised cost:

| | | |
|---|---------------|---------------|
| Loans | | |
| Rents paid in advance (Note 11) | 90 | 87 |
| Trade creditors and accruals (Note 11) | 475 | 329 |
| Unamortised Government Grants (Note 12) | <u>19,802</u> | <u>19,777</u> |
| | <u>20,367</u> | <u>20,193</u> |

22. Income & expenditure reserve

| | Shared Owners Reserve £'000 | Welfare Fund £'000 | Donation £'000 |
|------------------------------|--------------------------------------|--------------------------|-------------------|
| Balance 1 April 2022 | 168 | 5 | 11 |
| Transfers to | 20 | - | - |
| Transfers from | <u>(8)</u> | <u>-</u> | <u>-</u> |
| Balance 31 March 2023 | <u>180</u> | <u>5</u> | <u>11</u> |