gentoo

Great homes
Strong communities
Inspired people
for Sunderland

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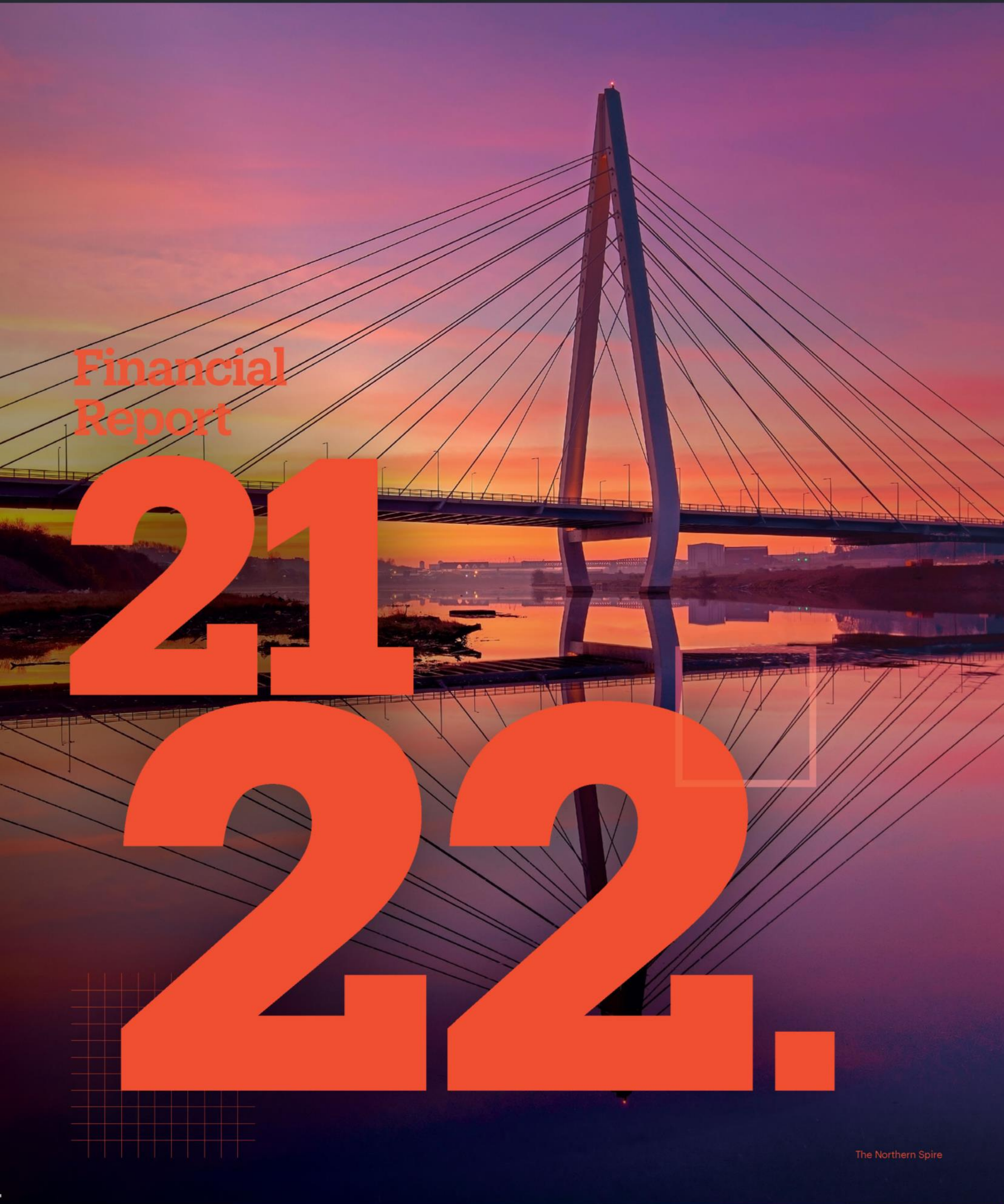

The Northern Spire

Gentoo Group Limited

Annual report and financial statements for the year ended 31 March 2022

Co-operative and Community Benefit Societies Act 2014 Registered number: 7302
Regulator of Social Housing (RSH) Registered Number: L4313

Contents

Board Members, Executive Directors and Advisors

Board

Emily Cox, MBE (Chair)
Keith Loraine, OBE (Chair) (resigned 28 September 2022)
Alison Fellows
Brenda Naisby
Carol Long
Chris Watson
Claire Long
David Murtagh
Debra Waller (resigned 19 May 2021)
Dianne Sharp (resigned 23 February 2022)
Hannah Pollard (appointed 1 October 2022)
James Prestwich (appointed 28 September 2022)
Karen Noble (appointed 1 July 2021 and resigned 9 May 2022)
Kehri Ellis (appointed 1 April 2021)
Philip Tye (resigned 17 June 2022)
Patricia Smith (appointed 18 July 2022)

Executive Directors

Nigel Wilson (Chief Executive Officer)
Louise Bassett (Executive Director of Corporate Services)
Peter Lenehan (Executive Director of Finance)
Diane Carney (Executive Director of Property) – appointed 1 August 2021 and resigned 17 February 2022
Susan Thompson (Executive Director of Housing) – appointed 1 August 2021

Independent Auditor

Grant Thornton UK LLP
No. 1 Whitehall Riverside
Whitehall Road
Leeds
West Yorkshire
LS1 4BN

Principal Bankers

National Westminster Bank plc
Sunderland City Branch
52 Fawcett Street
Sunderland
SR1 1SB

Registered Office

Emperor House
2 Emperor Way
Doxford International Business Park
Sunderland
SR3 3XR

Strategic report

About Gentoo

Principal activities
Our principal activities are the provision of social and affordable homes to those on low incomes who have a housing need, and the wider regeneration of our communities. We also deliver new build housing development for both sale and rent.

Group structure
Gentoo Group Limited is a charitable Community Benefit Society registered with the Financial Conduct Authority (FCA) and a not-for-profit Private Registered Provider (PRP) regulated by the Regulator of Social Housing (RSH). The Group has exempt charitable status and is treated as charitable by HM Revenue and Customs (reference number EW41411) and is also a Public Benefit Entity.

Corporate Strategy
Our vision is one of Great Homes, Strong Communities and Inspired People, for Sunderland.

Our vision is underpinned by our values which are:
- Do the right thing
- Make a difference
- Work together
- Keep learning
- Give all you've got

In September 2020 the Group Board approved the Group's Five-Year Corporate Strategy to 2025, built around five strategic aims and our "5 P's".

Place: We believe that everyone deserves to live in a good quality, safe and secure home they can afford, in a community they can be proud of. Our aim is:
- *to provide homes and services that enable our customers and communities to succeed.*

People: We believe that by putting people at the heart of all that we do we can build great homes and create strong communities. Our aim is:
- *to invest in people and communities to help realise opportunities and release potential.*

Perform: We believe that in order to achieve our goals, we must operate as a compliant, efficient and effective social housing provider. Our aim is:
- *to be well governed and financially resilient, operating efficiently and responsibly, and investing wisely to fulfil our social purpose.*

Partner: We believe that by working with others we can achieve far more than we can on our own, for the good of our tenants, communities and city. Our aim is:
- *to work with others to influence and generate sustainable change.*

Pride: We believe that Sunderland is an outstanding city. It is our heart, our homeland, and somewhere we will always be proud to shout about and give something back to.
- *to harness the collective passion and energy of our people to support the city.*

To successfully deliver our Corporate Strategy we operate around the following organisational principles and behaviours:

- Tenants and customers are at the heart of business decision making.
- Ensure we are a socially responsible business.
- Value for money in all our services.
- Make a positive difference every day.
- Create, innovate and inspire.
- Work together collaboratively.
- Positively embrace diversity.

Strategic report (continued)

Operating review

The year to 31 March 2022 presented a range of challenges for the Group, some anticipated and planned for, others being largely unforeseeable at the start of the year.

The Group's core purpose of putting tenants at the heart of the organisation is reflected in its five-year 2020-25 Corporate Strategy. The year to 31 March 2022 saw the satisfactory execution of year two of the Strategy, with significant progress made in the delivery of major repairs and affordable development strategies as the Group seeks to improve tenants' existing homes and increase the supply of new affordable homes. The Group's size and purpose makes it one of the anchor institutions of the City of Sunderland. The Group will continue its work with all partners, in particular Sunderland City Council, whose City Plan to create a vibrant, dynamic, and healthy city complements the Group's own vision.

Alongside this progress were a number of challenges faced by the Group, the social housing sector and the UK and global economy in general. High inflation, supply chain issues which have impacted labour and materials availability, and the growing cost of living crisis faced by tenants have challenged delivery of the Group's objectives. In addition, Storm Arwen in November 2021, followed by a series of further extreme weather events, caused significant damage to the Group's communities and created repairs backlogs that continue to be addressed.

In the wake of such challenges the Group has continued to focus on its core operational priorities. Income management, cash collection and strong landlord compliance performance have held up well during the year and will continue to be key priorities in 2022/23.

The year to 31 March 2022 was a successful year for delivery of the Group's major repairs programme. £37.4m was invested in existing stock via this programme, including ongoing catch-up investment on component replacements. Prompt procurement and effective contractor management allowed the Group to mitigate supply chain challenges and even accelerate some elements of the 2022/23 programme. The Group's Corporate Strategy will continue to prioritise the long-term investment needed in tenants' homes.

The Group's affordable development programme, though impacted by supply chain and planning challenges during the year, completed the first schemes of the Group's five-year programme, bringing much needed high quality, energy efficient new supply to the City of Sunderland. An additional pipeline of schemes is in place to further consolidate the Group's delivery of affordable family homes in the coming years.

The Group's housebuilding subsidiary, Gentoo Homes Limited, performed well given the supply chain challenges it faced throughout the year. 5-star housebuilder status was retained and demand for the Company's product is reflected in record reservation levels. Good progress was made in further establishing the developments from which a strong pipeline of sales and profit will be delivered in the coming years to support delivery of the Group's social purpose.

Good tenant engagement is a key commitment and the Group's approach to tenant engagement is aligned with the "The Charter for Social Housing Residents Social Housing White Paper". The Group is in the process of transforming its offer to tenants, using technology to improve engagement at all levels. Significant progress was made during the year in progressing the Group's energy efficiency and low carbon objectives. Building safety continues to be an overriding priority, with the Group well positioned to meet the requirements of the Building and Fire Safety Acts.

In terms of future developments, 2022/23 will be characterised by the Group continuing to support its tenants through the ongoing challenges of the cost of living crisis, using the skills of the Group's established financial support teams. Continued investment in tenants' homes, improvements in the Group's repairs and maintenance services and further enhancements in tenant engagement, including tenant satisfaction measures, are particular priorities. Modernising the Group's funding arrangements and further developing its energy efficiency strategy will also be priorities for a successful year.

The Group understands its role as a social purpose organisation. Its commitment to playing a full and active role as an anchor institution of the City of Sunderland is core to how this is demonstrated, alongside its excellent teams of dedicated colleagues who daily serve the communities of Sunderland.

Strategic report (continued)

Financial review

Financial performance

Detailed financial results for the year are highlighted in the Consolidated Statement of Comprehensive Income on page 34 and the supporting notes to the financial statements on pages 42 to 81. The table below summarises these results:

	2021/22	**2020/21**
	£m	**£m**
Turnover	168.7	165.6
Cost of sales and operating expenditure	(143.9)	(141.4)
Other operating income	0.3	0.3
Surplus on disposal of tangible assets	1.8	0.5
Operating surplus	**26.9**	**25.0**
Net interest charges	(20.1)	(20.7)
Revaluation of fixed asset investments	(1.4)	(0.9)
Fair value adjustment for investment property	(1.0)	0.8
Fair value adjustment	0.1	0.2
Taxation	(0.2)	(0.1)
Surplus for the year	**4.3**	**4.3**

Turnover has increased during the year by £3.1m. This is predominantly due to an increase in income from social housing lettings £4.0m and a reduction in income from properties developed for outright sale £0.8m.

Cost of sales and operating expenditure has increased by £2.5m. The key elements of this increase are a provision for repair costs due to damage to properties from Storm Arwen of £1.2m (2021: £nil), a reduction in house sales of £1.3m and increases in defined benefit pension costs of £2.3m. This increase is due to the increased pension service cost of £13.0m (2021: £10.7m) which was primarily driven by an increase in the underlying CPI assumption.

Increased surplus on Right to Buy and Right to Acquire disposals of £1.8m (2021: £0.7m) have positively impacted upon current year operating surplus. Overall surplus is negatively impacted by the revaluation of fixed asset investments £1.4m (2021: £0.9m). This revaluation reflects the market performance of security required to be held for the Group’s T.H.F.C debt. Security arrangements have been reviewed during the year and future volatility has been removed by holding cash rather than market security. See note 13 for further details. The core business has continued to perform well throughout the pandemic, with good income collection and operational performance.

Strategic report (continued)

Financial review (continued)

Financial position

The detailed Consolidated Statement of Financial Position is on page 36. The table below summarises the year-end financial position:

	2021/22	2020/21
	£m	£m
Net book value of tangible assets – housing properties	1,044.1	1,028.4
Other tangible fixed assets and investments	26.1	59.5
Debtors due after one year	28.5	3.5
Net current assets	38.2	29.3
Total assets less current liabilities	**1,136.9**	**1,120.7**
Creditors due after one year	(526.9)	(518.9)
Pension asset / (liability)	-	(3.3)
Net assets	**610.0**	**598.5**
Revaluation reserve	144.1	155.1
Revenue reserve	207.8	178.2
Other reserve	258.1	265.2
	610.0	**598.5**

Housing property assets have increased by £15.7m. This reflects the Group's priority of enhancing existing properties and developing new properties with £48.1m invested during the year. This investment in housing properties is offset by depreciation of £28.4m and disposals of £4.6m.

The pension asset of £37.1m has been restricted to £nil (2021: liability £3.3m), see note 24, as the recoverability of this asset would require a right to reduce employer contributions or to request a refund from the fund. Neither of these options are considered to be available. This restriction does not impact the Group's underlying operating performance or financial position as financial covenants continue to be met.

Capital structure and treasury activity

As at 31 March 2022 the Group's total borrowing facilities, excluding transaction fees, were £588.1m (2021: £590.8m). Of this, £502.4m (2021: £495.9m) was drawn with the balance of £85.7m (2021: £94.9m) undrawn and available to fund the Group's activities. This consists of revolving credit facilities of £76.9m (2121: £89.9m), an overdraft of £5m (2021: £5m) and Homes England Building Fund £3.8m (2021: £nil), see note 20 for further details. These facilities are secured by specific charges on the social housing assets of the Group and land to be developed.

The Group's Treasury Management Policy objective is to ensure the Group has access to sufficient liquidity to meet all liabilities as they fall due. The Policy seeks to maintain a balance between variable rate and fixed rate debt. Embedded fixed rate loans help manage the Group's exposure to adverse future interest rate fluctuations. The proportion of fixed rate debt at 31 March 2022 was 67% (2021: 68%).

The Group's lending arrangements require compliance with a range of financial and non-financial covenants. Performance against key loan covenants is reported to Board on a quarterly basis. Recent reports confirm ongoing compliance by the Group with these covenants.

The Group had cash and cash equivalents of £13.9m (2021: £0.1m) and an unutilised overdraft of £5m (2021: £5m) at 31 March 2022. The increase in cash represents the fact that there has been an amendment to the Group policy to hold a minimum cash balance of £10m.

The Group had available liquidity at 31 March 2022 of £95.8m (2021: £95.0m), consisting of revolving credit facilities of £76.9m (2021: £89.9m) and cash balances and overdraft of £18.9m (2021: £5.1m).

Strategic report (continued)

Financial review (continued)

Financial risk management

The Treasury Management Policy reflects good practice and is approved by Board. The Policy addresses key financial risks, including credit, liquidity and interest rate risks.

Credit risk
We limit the amount invested with individual counterparties to ensure that the credit risk on investments is spread over a large number of institutions. All institutions must meet high credit criteria and are approved by the Executive Director of Finance. The Policy includes a list of approved investment instruments.

Liquidity risk
We have sufficient committed loan facilities in place to deliver the first two years of our business plan. These facilities are held with a range of high calibre lenders with the duration of loans structured to minimise any re-financing risk. Sufficient capacity exists to access additional borrowing to meet the requirements of the Group's Business Plan.

Interest rate risk
We borrow at both fixed and variable interest rates. Prudent assumptions are used when considering our mix of fixed and variable debt. Our fixed rate debt includes fixed rate loans embedded within our loan agreements. These basic embedded fixed rate loans are not subject to cash calls required by stand-alone swaps. Our debt requirements are reviewed at least annually, following the approval of the Business Plan.

Cash
The Group's policy is to hold a minimum cash balance of £10m ensuring that loan facilities are in place to fund future requirements. Short term cash balances are placed on short term deposits at competitive rates. During the year the Group generated cash of £65.3m (2021: £68.2m) from operating activities. Net cash of £36.3m (2021: £31.8m) was invested in the year with net cash from financing activities of £15.1m (2021: £67.4m) in the year.

Strategic report (continued)

Strategic performance and value for money

Our strategic aims, as set out on page 3, are:

- To provide homes and services that enable our customers and communities to succeed (**Place**).
- To invest in people and communities to help realise opportunities and release potential (**People**).
- To be well governed and financially resilient, operating efficiently and responsibly, and investing wisely to fulfil our social purpose (**Perform**).
- To work with others to influence and generate sustainable change (**Partner**).
- To harness the collective passion and energy of our people to support the city (**Pride**).

Our approach to value for money

The Group's approach to value for money (VfM) aims to optimise the use of our assets and resources to inspire people and build and maintain great homes in strong communities. This approach reflects our understanding of the balance to be struck between economy, efficiency and effectiveness. Our approach to VfM is not a narrowly financial one, with the creation and measurement of social value also a key part of our activities. Understanding how our costs and performance compares to others via benchmarking is important and helps to shape our approach and priorities.

Our established VfM priorities, linked to our strategic aims, are as follows:

<u>Place</u>: *provide homes and services that enable our customers and communities to succeed.*
- VfM Priority: Ensuring our services to our tenants represent and deliver VfM.
- VfM Priority: Optimising the performance of our housing assets.

<u>People</u>: *invest in people and communities to help realise opportunities and release potential.*
- VfM Priority: Ensuring the performance of our people ensures individual and organisational effectiveness.

<u>Perform</u>: *be well governed and financially resilient, operating efficiently and responsibly, and investing wisely to fulfil our social purpose.*
- VfM Priority: Ensuring that financial resources and capacity are maximised to deliver the Group's mission and objectives.

<u>Partner</u>: *work with others to influence and generate sustainable change.*
- VfM Priority: Unlocking capacity and value by working in partnership with others.

VfM metrics

Gentoo's past activities included diversification from its core housing association business into a range of commercial ventures, an approach that encountered limited success and one which continues to shape the Group's current financial and operating position. This is manifested in some of the Group's VfM measures. For example, ongoing catch-up investment in existing stock impacts upon the Group's operating efficiency metrics just as a small, but growing, affordable homes programme means the Group's reinvestment levels are currently lower than its peers. The Group remains confident that the direction of travel for its key VfM metrics remains positive and will improve as the new five-year Corporate Strategy is delivered.

The tables below report the Group's performance against a suite of VfM measures defined by the Regulator of Social Housing. These measures are benchmarked against England housing associations (both LSVT and traditional) with more than 12,000 units, which we consider offers meaningful comparison with the Group's performance (Source: 2020/21 Vantage).

Operating surplus was significantly adversely impacted by the increased pension service cost of £13.0m (2021: £10.7m) which was £3.8m higher than the figure included in the target calculations. This increase was primarily due to increases in the underlying CPI assumption. This has negatively impacted several of the VfM metrics presented below.

Strategic report (continued)

Strategic performance and value for money (continued)

VfM metrics (continued)

Metric	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Operating margin (social housing lettings)	17.6%	**19.6%**	**17.9%**	19.8%
2021 sector median	27.7%			
Operating margin (overall)	14.6%	**17.4%**	**14.7%**	18.3%
2021 sector median	23.4%			

Operating margin shows the profitability and efficiency of an organisation before deduction of items such as interest costs.

2022's operating margin (social housing lettings) is higher than prior year despite £1.2m increased costs for Storm Arwen property repairs primarily due to increased rental income and receipts from Right to Buy and Right to Acquire disposals. The actual is lower than target however due to pension service costs being £3.8m higher than cash contributions included in the target. This increased service cost is primarily due to increases in the underlying CPI assumption. The actual margin achieved is therefore above the prior year but below the target. The margin is forecast to improve further, to 19.8%, in 2023 due to increased rents and a controlled cost base.

The Group's operating margins continue, in general, to be lower than its peer group. This continues to reflect the legacy impact of the Group's previous strategy of diversification from its core housing association business and the Group's relatively high levels of lower-margin non-social housing activities. Overall operating margin in 2022, although slightly improved from prior year, is below target. This is due to the impact of decreased sales activity from non-social housing activities, namely the Group's housebuilding arm, Gentoo Homes, in addition to the year-end pension adjustments as discussed above. 2023 margins are expected to improve, thanks to the anticipated reduction in the impact of legacy costs from, for example, the Group's former construction subsidiary, and the impact of operational reviews that took place in 2021/22.

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Headline social housing cost per unit	£3,265	**£3,553**	**£3,750**	£3,726
2021 sector median	£3,202			

The headline social housing cost per unit (SHCPU) includes management costs, routine maintenance costs, planned maintenance costs, capitalised repairs costs, charges for support services and other social housing costs. These costs are then divided by the number of units owned or managed.

SHCPU is above 2022's target and 2021's actual position primarily due to an increase in repairs costs due to Storm Arwen and pension costs. 2023's target, compared to 2022's actual performance, reflects a stable cost base and investment plan.

Strategic report (continued)

Strategic performance and value for money (continued)

VfM metrics (continued)

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
EBITDA MRI interest cover (EBITDA-MRI IC)	149.1%	**139.1%**	**107.1%**	135.8%
2021 sector median	229.9%			

EBITDA MRI is an abbreviation for earnings before interest, tax, depreciation, amortisation, with major repairs included. It is a key indicator of liquidity and investment capacity, measuring the extent to which the Group's cash surplus exceeds its interest costs.

EBITDA-MRI IC was particularly squeezed in 2022 due to very high levels of catch-up investment expenditure in existing stock, primarily due to contractor delays in the prior year, provision for repair costs due to damage to properties from Storm Arwen and increased pension costs. Improvement of underlying EBITDA-MRI IC remains a priority, although the pace of improvement will continue to be impacted by ongoing catch-up investment in existing stock, including an extensive double-glazing replacement programme to over 7,000 properties over the next two years.

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
New supply delivered (social)	0.1%	**0.6%**	**0.4%**	0.4%
2021 sector median	1.2%			
New supply delivered (non-social)	0.5%	**0.6%**	**0.5%**	0.7%

The new supply metrics show the number of new social and non-social housing units acquired or developed during the year as a percentage of total social and non-social housing units owned at the year end.

New supply delivered (social) has improved from prior year but is behind target due to delays in delivery of the Group's 900+ unit five-year affordable homes programme. Although not manifested in 2022 completion rates compared to target, the programme is progressing well when compared to prior year with a number of schemes completing in 2021/22. The Group will continue to explore how to increase in the long term its delivery of affordable homes while continuing to prioritise the needs of its existing stock.

New supply delivered (non-social) reflects the Group's housebuilding arm, Gentoo Homes. The rate of sales achieved of 154 is considered to be successful given the challenges of building and selling homes during the current economic climate alongside the pandemic. The 2023 target of 210 units is representative of a record order book for 2022/23 with 60% of sales already being at contract stage. The profits obtained from Gentoo Homes are used to support the Group's core business and increase the delivery of affordable homes.

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Reinvestment	3.5%	**6.3%**	**4.7%**	5.2%
2021 sector median	8.4%			

The reinvestment metric shows investment in properties (existing stock and new supply) as a percentage of the value of total properties owned.

The Group's historic and actual reinvestment levels are lower than the peer group due primarily to relatively low investment in our development of new affordable homes. This is being rectified with the building, from a low base, of a new affordable development team whose work is now coming to fruition with completed units from multiple sites. 2021/22's actual reinvestment levels, of £32m of capital expenditure on existing stock and £16m on the affordable homes programme, was higher than prior year but lower than budget due to the delays in the affordable homes programme. The 2023 target reflects £26m investment in new properties and £30m in enhancements to existing homes.

Strategic report (continued)

Strategic performance and value for money (continued)

VfM metrics (continued)

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Gearing	48.2%	**47.9%**	**46.8%**	47.5%
2021 sector median	37.1%			
The gearing metric measures how much debt an organisation holds as a percentage of its assets, demonstrating the degree of its reliance on debt finance. Gearing levels are high compared to our peers in part due to the Group's historic diversification and commercial acquisitions. The Group's more recent gearing trend is a positive one with debt levels a marginally lower proportion of the statement of financial position assets.				

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Return on capital employed	2.2%	**2.8%**	**2.3%**	3.0%
Sector median	4.3%			
Return on capital employed compares operating surplus to total assets less current liabilities and is a measure of how efficiently an organisation's resources are invested. Actual 2021/22 ROCE is broadly in line with prior year. The year-end pension adjustment as discussed in the operating margin metric has impacted the actual to target comparison. Delivery of the projected increase in operating surplus for 2023 will see an improvement in this measure.				

As well as the above metrics, the Group measures its performance against its strategic aims using a range of additional performance indicators.

Place: *provide homes and services that enable our customers and communities to succeed.*

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Improve the Group's existing housing stock by delivering the 5 Year Investment Plan, ensuring we shape environments that meet local priorities.				
Tenants' satisfaction with property maintenance	94.0%	**94.0%**	**94.0%**	95.0%
Investment programme delivery (£'000)	29,990	**35,760**	**37,435**	38,565
Develop and deliver the Group's programme for the provision of affordable homes.				
Number of homes acquired or built for affordable rent (cumulative)	22	**189**	**121**	85
Continue to deliver the Group's landlord compliance objectives and meet all requirements of the wider health and safety agenda.				
Gas % LGSR's compliance	99.98%	**100.0%**	**99.97%**	100.0%
Domestic water hygiene risk assessments	98.5%	**100.0%**	**97.28%**	100.0%
Homes sales achieved against target	150	**186**	**154**	210
Deliver the Gentoo Homes Business Plan.				
Homes profit generated	£2.2m	**£2.4m**	**£1.7m**	£3.9m
Homes NHBC star builder status	5*	**5***	**5***	5*

Despite the challenges posed to operational delivery by the pandemic and Storm Arwen, tenant satisfaction with property maintenance has continued to be strong throughout the year, reflecting the Group's approach of continuing to maintain normal service levels as far as possible throughout the year.

Strategic report (continued)

Strategic performance and value for money (continued)

VfM metrics (continued)

Place: *provide homes and services that enable our customers and communities to succeed (continued).*

Gentoo is embracing transparency and tenant engagement as promoted and mandated by the Regulator of Social Housing through the introduction of the tenant satisfaction measures. The Group have appointed IFF Research as a market research consultant to help facilitate the perception and transactional surveys. Tenant satisfaction measures arrangements are underway with a soft launch campaign completing in September 2022 and a pilot commenced in October 2022. IFF Research will provide a reporting portal for Gentoo to be able to review the results from the surveys, this will also include management meetings to highlight learning outcomes, trends and recommendations to enable Gentoo to follow up on the recommendations raised. The Group will work towards acting on the results of the surveys to better understand the full tenant experience and to provide an appropriate channel for listening to tenant views. Gentoo has a dedicated data analysis team that will work with IFF Research in ensuring that the results of both surveys are communicated effectively and to all key stakeholders for improved collaboration and better decision making. Tenant satisfaction measures reporting will be done quarterly and reported to the Executive Directorate, Senior Leadership Teams and subsequently the Group Board. The Group are on target to start collecting data as of 1 April 2023 ready to report on the first set of results in October 2024.

Delivery of the Group's investment programme has been strong being ahead of target and prior year with this trend continuing into 2022/23.

Affordable homes completions in the year were impacted by planning and contractual issues in addition to a delay in the start of the 21/22 Empty Homes Programme. Due to these pressures management assessed the desired scale of the programme in the medium term and concluded that the 1,208 unit five-year programme included in the 2021 Business Plan should be significantly reduced as a key mitigation for the range of economic challenges currently faced by the Group. The 2022 Business Plan includes a minimum programme of 732 Affordable Homes completions over the next five years.

The Group continued to prioritise and deliver on its landlord compliance responsibilities through the many challenges of the pandemic and Storm Arwen. Gas % LGSR's compliance was slightly behind target which related to 8 properties with an overdue LGSR. All eight properties were newly let properties which had not yet received a relet appointment, i.e. a visit from a gas engineer to uncap the gas supply and complete a LGSR, due to access issues. The gas remained capped at all eight properties. The targeted number of domestic water hygiene risk assessments was not reached. A significant number of water hygiene risk assessments in domestic properties are completed during planned heating replacements. There has been a reduction in the number of planned heating replacements, and the planned water hygiene risk assessments were also not completed. This was due to a strategic change to the Group's heating renewals. The Group has paused the proactive heating renewal programme until the Government issues further guidance on the future of low carbon heat. The newly appointed Group Water Hygiene Manager is now reviewing the Group's arrangements for water hygiene in domestic and non-domestic properties.

2022 sales and profits for Gentoo Homes were behind target but remained strong given the challenges of building and selling homes during the current economic climate. The 2023 target is representative of a record order book for 2022/23 with 60% of sales already being at contract stage. The profits obtained from Gentoo Homes are used to support the Group's core business and increase the delivery of affordable homes. 154 actual sales and a profit of £1.7m have been achieved, allowing the Group to increase its financial capacity to deliver its social purpose. Gentoo Homes has also retained the maximum 5-star status with the NHBC builder Star Rating Scheme. With starts successfully commenced on a number of sites Gentoo Homes aims to deliver strong results to the Group in 2023 as its quality product prospers in the currently strong housing market.

Strategic report (continued)

Strategic performance and value for money (continued)

People: *invest in people and communities to help realise opportunities and release potential.*

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Further embed a culture of ownership and accountability among our colleagues.				
Average number of working days lost due to sickness	8.3	**6.0**	**10.2**	7.5
Continue to work to deliver the transformation to a One Gentoo culture.				
Investors in people status	Gold	Platinum	**Gold**	Gold
Have a workforce totally committed to the values and the work we do.				
Colleague turnover % (voluntary)	7.2%	**10.0%**	**12.1%**	10%

Understanding and managing the impact of COVID-19 on our tenants and colleagues has remained the overriding people-related objective of 2021/22. The wellbeing of our colleagues has also been a top priority with continued Safe Systems of Work ensuring continuity of all services as far as possible. Working days lost to sickness are higher than target due to a disproportionate number of people on long term sick with mental health conditions. The Group's policy has recently been refreshed and this will be a focus of 2023 working with individuals and their managers. Voluntary turnover is higher than target but still within a normal range. This will be monitored through the exit process.

Perform: *Be well governed and financially resilient, operating efficiently and responsibly, and investing wisely to fulfil our social purpose.*

	Actual 2021	**Target 2022**	**Actual 2022**	Target 2023
Deliver the Group's strategic and operational value for money objectives.				
Rent collected as % of rent due	100.9%	**100.0%**	**99.9%**	100.0%
Current tenant arrears as a % of rent debt	3.1%	**2.9%**	**2.9%**	2.73%
Rent loss (void loss) as % of rent due	1.8%	**1.2%**	**1.5%**	1.3%
Void turnaround days	66.3	**44**	**70.1**	60
Continue to improve our digital offer to our tenants and communities.				
My gentoo # tenants	6,349	**6,000**	**7,621**	8,000
Self-appointing repairs % of repairs	16.2%	**20.0%**	**9.3%**	10.0%

Income collection and arrears management has been strong despite the challenges posed by COVID-19 and has contributed to the Group's healthy liquidity position. We continue to support our tenants on new Universal Credit claims.

Rent loss from voids is 0.3% above target due to ongoing project groups reviewing different aspects of the voids process and changes in teams in addition to COVID-19 isolations impacting performance. Demand for the majority of the Group's housing properties remains strong.

Void turnaround time for standard voids of 70.1 days was behind target and prior year primarily due to a number of long-term voids being re-let during the year. A cross-functional voids group was established to review processes to gain the required improvements in void relet performance by ensuring resource is shared and processes are streamlined.

The Group has made good progress in advancing its digital offer to tenants with self-appointing repairs being available since the second quarter of the prior year. The actual results were behind target due to system provider issues. These were resolved in June 2022 and the initial target for 2023 of 20% was revised down to 10%.

Strategic report (continued)

Strategic performance and value for money (continued)

Partner: *work with others to influence and generate sustainable change*

Working in partnership is key to the successful delivery of the Group's Corporate Strategy and it continues to work with a range of partners at a local, national and regional level.

We are always striving to strengthen existing partnerships and develop new collaborations that will help us to further deliver against our strategy.

Partnership working is an enabler for the Group, a means of furthering our objectives as well as those of like-minded organisations.

We are well represented on a range of strategic, operational, national and local partnerships, with the information below providing a flavour of the range of our activities.

Sunderland City Council (SCC)
SCC is Gentoo's main strategic partner. Gentoo and SCC work closely together on a number of key agendas to maximise value and outcomes for the City of Sunderland and support delivery of SCC's City Plan. Our partnership spans grounds maintenance, estate services, new build development opportunities, community safety, safeguarding, environmental sustainability and digital improvements. Gentoo has also relocated two local offices to space within the new City Hall.

Homes for the North
Gentoo continues to play a key role in this influencing body which is an alliance of housing associations seeking to ensure fair distribution of funding to build more new homes across the North. The Group's Chief Executive Officer held the position of Chair of this body for several years and represented it at a number of events and roundtables including giving evidence to the Housing, Communities and Local Government Select Committee on the future of the planning system.

Domestic Abuse Housing Alliance (DAHA)
Gentoo is a founding partner, and ongoing supporter, of DAHA whose mission is to improve the housing sector's response to domestic abuse through the introduction and adoption of an established set of standards and an accreditation process. The work of DAHA has become even more crucial following the introduction of the Domestic Abuse Act 2021.

Sunderland AFC (SAFC) / Foundation of Light Partnership (FoL)
The Group works in partnership with SAFC and FoL. The purpose of the partnership is to harness the influence and the reach of the two organisations, to maximise engagement with Gentoo tenants. We also work with the FoL to deliver the Group's annual staff conference event.

Sunderland AFC Women
Sunderland AFC Women's Team was brought back into the ownership of the SAFC Limited, under the club's new ownership. The purpose was to support the growth and popularity of the game amongst females, and to ensure equal opportunities are being provided to females in the city. In 2021, Gentoo Homes became the main sponsor of Sunderland AFC Women's Team, with their logo featuring on the front of the women's shirt.

Positive Footprints (PF)
This partnership project was launched in 2020 just as COVID-19 disrupted the world. Despite limited access to schools the project still delivered on key outcomes for schoolchildren during the pandemic. PF seeks to provide opportunities for children to discover their potential, explore the world of work, build resilience and develop employability skills. This past year, following the pandemic, we have seen the programme being brought to life in the way that it should – inspiring young people to develop and raise their career aspirations. 20 schools are engaged with the programme with more than 500 pupils benefiting from it.

Strategic report (continued)

Strategic performance and value for money (continued)

Partner: *work with others to influence and generate sustainable change (continued)*

Tyne and Wear Fire and Rescue Service (TWFRS)
The safety of our tenants is at the heart of everything we do. Our partnership with TWFRS reassures our tenants and residents, especially those living in high-rise buildings, that we are working to keep them safe in the event of any incidents.

Alongside a range of work to improve the safety of high-rise tower blocks, including removal of gas supplies, we also work with TWFRS to facilitate training exercises in high rise tower blocks across the city. By giving TWFRS access to our high-rise and community buildings, they are able to practise vital evacuation procedures and prepare for any potential critical situations.

Housing Employability Network North East (HENNE)
HENNE is an ambitious and innovative partnership that offers a region-wide approach to employability, aiming to break down employment barriers and maximise opportunities for residents and local communities. The collaboration is a partnership between Gentoo Group and other housing associations in the region. By collaborating in this way, the housing providers will engage with employers, supply chain contractors and training providers to directly share opportunities and maximise social value impact for the benefit of the region as a whole.

Southwick Altogether Raising Aspirations (SARA)
SARA is a partnership between Gentoo, police, local authority and health communities. The partnership aims to enhance engagement with the area’s residents and make its services more flexible, responsive, and people-centred, so that residents and their families are supported to overcome multiple disadvantage and challenges in accessing and navigating support. It has had a positive impact on the local community and has been so successful, the model is being replicated in other areas of Sunderland.

Hetton Aspirations Linking Opportunities (HALO)
HALO is a multi-agency partnership being delivered in the Hetton area of the city, similar to the one set up as part of the SARA project in Southwick. It builds on the work achieved in Southwick and is aiming to rejuvenate the area while also supporting tenants and residents who live there. The project involves a range of partners including Gentoo, Northumbria Police, SCC, Together for Children, TWFRS, and Sunderland Altogether Better. The partners work under the same roof in Hetton to support some of the most vulnerable people in the community and to tackle anti-social behaviour in the area.

Community partnerships
Gentoo is involved in a range of local partnerships with the aim of supporting and empowering individuals and communities in Sunderland to grow and prosper and deliver positive sustainable outcomes. Examples include Wise Steps employability programme, Empower Sunderland Community Fund, Sunderland College, Sunderland Armed Forces Partnership, and the Sunderland Foodbank.

Corporate charities
Gentoo works with two dedicated corporate charities every year, which are voted for by its colleagues. Due to the COVID-19 pandemic and restrictions that prevented normal fundraising activities, the Group decided to extend its partnerships with Action on Dementia Sunderland and St Benedict’s Hospice for a second year. During 2021, Gentoo colleagues raised £22,000 for its two charities. In December 2021, its colleagues voted to support Action on Dementia Sunderland and Sunderland Mind as its two corporate charities for 2022.

North East Tenants’ Voice (NETV)
NETV has been created to work with other tenant voice groups in the region to provide a forum for the unique views of the North East to be collected and shared. It provides a platform to lobby and influence policy at regional and national level, as well as a vehicle for tenants in the North East to share ideas and best practice working collectively on issues that impact upon them.

Strategic report (continued)

Strategic performance and value for money (continued)

Partner: *work with others to influence and generate sustainable change (continued)*

Sunderland ATB Community Mental Health Transformation Group
This is a city partnership group involving health commissioners, health service providers, city council teams and third sector organisations including Gentoo have come together to look at the way community mental health services are delivered in the city, how they are funded and how the services should be delivered in future.

Social Prescribing Mobilisation Task Force
This group works with a range of partners to help patients to improve their health, wellbeing and social welfare by connecting them to community services, for example, signposting people who have been diagnosed with dementia to local dementia support groups. We will continue to review the effectiveness of our partnership activities and build on our track record of success for the good of our tenants, communities and the city. The Coalfields Social Prescribing team now share the Skyline office with Gentoo staff.

Strategic report (continued)

Strategic performance and value for money (continued)

Pride: *harness the collective passion and energy of our people to support the city*

Gentoo has transformed the way it engages with its tenants and leaseholders. We have sought to be proactive in how we encourage tenants to talk to us and give us feedback, and in how Gentoo listens, learns and puts right issues for our tenants.

The Gentoo Tenant Voice Team has driven forward this change for the Group, and the impact of it is evident through the level of feedback we have received from tenants this year.

The number of complaints we received in 2021/22 has increased from 49 to 569.

This is a significant increase, however it is viewed as a positive. We are extremely pleased with the level of feedback we have received from tenants. We have used much of this feedback to put right issues and to drive improvements in our services for tenants.

There have been noticeable increases in the percentage of tenants who feel that Gentoo listens to them, up from 84% to 91%, and we want to continue this improvement.

We have also seen a 10% improvement in the number of repairs we have got right first time for tenants, rising from 88% to 98% in 2021/22.

Last year we refreshed our tenant engagement forums and replaced our community engagement forums with tenant and community voice meetings, with the chairs of these groups now all Gentoo tenants, ensuring the Group Board hears from our tenants and residents in a structured way. The COVID-19 pandemic slowed down progress of returning fully to face-to-face meetings, however, the Group still managed to hold its schedule of meetings.

This year we will be focusing on driving face-to-face engagement in our communities and neighbourhoods to encourage further feedback from tenants and leaseholders.

We pride ourselves in the social value we deliver for our communities and set out the range of our social value-delivering activities in our annual Social Value Report.

Some highlights of activities during the year are as follows:

- We have delivered services and projects for tenants with a social value of almost £6m. This includes:
    - £1.1m of additional income generated for our tenants via the work of our dedicated Money Matters Team.
    - Given out almost £8k in emergency funding to tenants in financial crisis.
    - Generated more than £154k in social value through the work carried out by our partner principal contractors in Sunderland.
    - Generated £1.4 million in social value via our specialist safety and support services teams, covering victim support, positive engagement, and our young persons' service.
    - Received almost 3,000 support referrals for tenants to our Safety and Support service.
    - Funded the delivery of the Positive Footprints career aspirations programme in 20 primary schools across Sunderland, with up to 1,500 children benefitting.
    - Awarded more than £14k to 31 voluntary and community groups in Sunderland through our Aspire Grant Programme.

Strategic report (continued)

Streamlined Energy and Carbon Reporting (SECR)

There are qualifying conditions that require organisations to report their carbon emissions and energy usage. The Group is not required by legislation to include this information in its annual report. Without the intention of being the equivalent of legislatively compliant, the Group does elect to include some relevant disclosures below, given the increasing importance of the carbon reduction agenda. The methodology used to produce the Group's carbon footprint is in line with the Greenhouse Gas Protocol and follows an operational control approach to identifying what is included within the footprint.

Gentoo's carbon footprint 1 April 2021 – 31 March 2022

The Group emitted 3,544 tCO2e (tonnes of carbon dioxide equivalent) for 2021/22 across scope 1 and 2 (2021: 3,553 tCO2e). This includes Gentoo Homes' emissions. Adding Scope 3 business travel brings the total to 3,887 tCO2e (2021: 3,769 tCO2e).

An intensity ratio is used to determine the carbon emissions relative to a single common business metric and allows the Group's carbon footprint to be compared over time or with similar organisations.

For scope 1 and 2 emissions, this can be presented as 3,544 tCO2e (2021: 3,553 tCO2e) with an intensity ratio of 3.62 tCO2e per total full-time equivalent employee (2021: 3.27 tCO2e) and 20.97 tCO2e per million £ turnover (2021: 21.43 tCO2e).

When scope 3 emissions are included this can be presented as 3,887 tCO2e (2021: 3,769 tCO2e) with an intensity ratio of 3.97 tCO2e per total full-time equivalent employee and 23 tCO2e per million £ turnover.

For 1 April 2021 to 31 March 2022 the number of full-time equivalent employees was 978 and turnover was £169m.

Low carbon initiatives

The Group has a number of carbon efficiency initiatives in place, including renewable energy, in the form of solar photo voltaics (PVs) at offices. These PVs provided an equivalent of 53,677 kwhs of energy towards the total demand of the Group's use during this period (representing 0.75% of electricity consumed). This prevented emissions of 11.4 tCO2e had all the energy demands been met by the National Grid.

During the period the Group used a green tariff for all electricity supplied from the National Grid. This equated to 8,125,319 kwh supplied from renewable energy sources.

Electric vehicles are available for colleagues to use as pool vehicles. There were 19,295 business miles travelled in electric vehicles during this period across the whole of the Group, with zero emissions. If these miles had been covered in an average car of unknown fuel type, an estimated additional 4.27 tCO2e would have been emitted.

In line with the Group's corporate priorities to tackle climate change, we have agreed to trial an electric vehicle salary sacrifice scheme. The scheme will assist our staff to install a home charging point and lease an electric vehicle at their expense in the most tax efficient manner. It is our aim that the adoption of this scheme will help to deliver a reduction in the carbon emissions of our grey fleet.

Environmental, Social and Governance (ESG)

The Group has carried out an initial self-assessment against the criteria set out in the Sustainability Reporting Standard for social housing and will be further developing its ESG credentials to support its funding objectives and Corporate Strategy, culminating in the production in 2022 of the Group's first formal ESG Report.

Strategic report (continued)

Risk management

Risk and Audit Committee

The Risk and Audit Committee acts on behalf of the Board to ensure appropriate controls are in place to safeguard assets and manage the attendant risks. The Committee is also responsible for monitoring and reviewing a number of areas including the consistency of accounting policies, the integrity of financial statements, the adequacy of internal controls as regards financial operations and compliance, the proper management of risks and the selection of the external auditors.

Risk management

Gentoo is committed to ensuring that the management of risk underpins all business activities and that robust risk management procedures are in place throughout the organisation.

The approach used to define Gentoo's risk appetite, safeguard the interests of our stakeholders, employees and general environment is laid down in Gentoo's risk management and assurance framework. The framework has the full support of Gentoo Executive Team and is approved annually by the Board.

The risk management and assurance framework includes the integration of risk into the business planning and stress testing processes and a review of the external environment in which Gentoo operates, including the sector risk profile published by the RSH.

Gentoo's established risk management processes facilitate the identification, monitoring and reporting of key risks and the implementation of mitigating actions.

Risk governance

The Risk and Audit Committee oversees the risk management and assurance framework on behalf of the Board and makes recommendations to the Board where necessary. The Committee receives regular information regarding Gentoo's risk profile, key corporate risks, controls and improvement plans.

Risk owners take responsibility for the identification and management of risk, supported by Gentoo's risk and outsourced internal audit functions which provide assurance over the internal control framework within Gentoo using a risk-based approach to its audit planning process.

Group risk management processes include, but are not limited to:

- A Risk and Audit Committee with delegated authority from the Board for oversight of risk and internal control processes
- An established 'Three lines of defence' risk and assurance governance model
- A risk appetite statement
- Risk data specifically linked to strategic aims
- Collaboration with key stakeholders
- Established stress testing and valuation of cumulative risk exposures
- Risk updates to the Board and Risk and Audit Committee

The Board, Risk and Audit Committee and senior management have agreed and continually review and monitor a set of strategic/key risks which may prevent the Group from meeting its objectives. The Board and Executive Team reviews the appetite for risk on an annual basis. Risks are identified, evaluated, monitored and reported in line with the Group's Risk Management and Assurance Framework. Risk reporting include scoring, controls and future mitigations.

Strategic report (continued)

Risk management (continued)

During the year the Board has focused on actively managing its key risks in relation to the impact of the COVID-19 pandemic, extreme weather events, and the cost of living crisis. This included oversight of the Group's Business Continuity arrangements, COVID Recovery Plan, Emergency Planning, Business Plan and Stress Testing and associated Mitigations. The health and safety of tenants and colleagues and delivery of key frontline services in compliance with Government guidelines has remained a priority throughout, with extensive Safe Systems of Work being implemented across all Group operations. The Group continues to monitor changes in legislation to ensure tenant safety, health and safety of employees and the financial viability of the business. The Repairs and Maintenance programme was heavily impacted by the recent storms in the Northeast of England, creating huge volumes of work with additional costs incurred due to major roofing works required on Gentoo stock. The cost of living crisis in the UK increases the risk of Gentoo tenant arrears influenced by the change in Universal Credit criteria, increased inflation, and increased household energy costs. COVID-19 guidance has since been relaxed but the Group continues to track, report, and offer guidance on safe systems of work to members of staff.

Principal risks and uncertainties:

Risk Rating

- ■ Very High
- ■ High
- ■ Medium
- ■ Low
- ■ Very Low

Relevance to our Strategic Aims

- ● Provide homes and services that enable our customers and communities to succeed
- ● Invest in people and communities to help realise opportunities and release potential
- ● Be well governed and financially resilient, operating efficiently and responsibly, and investing wisely to fulfil our social purpose
- ● Work with others to influence and generate sustainable change
- ● Harness the collective passion and energy of our people to support the city

Risk	Mitigation
■ **Health and Safety:** Failure to focus and comply with all relevant legislation could result in accident, injury or death to staff or third parties leading to regulatory intervention. COVID-19 has presented new health and safety risks and challenges in relation to infection control. ●●●●●	▪ Health & Safety Management Systems ▪ Training Matrices ▪ Risk Assessment and Safe Systems of Work ▪ Performance Monitoring ▪ Performance Measuring ▪ Annual Health and Safety Strategy / Plan
■ **Non-compliance with the Economic Standards and Consumer Standards**: Failure to demonstrate compliance with the Economic and Consumer Standards may result in regulatory intervention, brand damage and loss of stakeholder confidence. Impact of Storm damage to tenant properties on the Group's repairs and maintenance and Landlord compliance programmes. ●●●●●	Governance, Risk, and Internal Control Framework is in place to reflect the requirements of the Regulatory Standards. Evidence based Board certification of compliance. ▪ Annual evidence-based Compliance Self-Assessment ▪ NHF Code of Governance and NHF Code of Conduct ▪ Gentoo Governance Framework (Group Rules, Standing Orders) ▪ Company Secretary Oversight ▪ Probity Policies ▪ Corporate Strategy - 5Ps (Submission of Financial Forecast Return (FFR).) ▪ Risk & Assurance Framework ▪ Assets and Liability Register ▪ Stress testing, triggers, and mitigation arrangements in place with Board oversight ▪ Monthly Finance Report ▪ VfM Monitoring and Reporting ▪ Rent & Service Charge Policy and Board Approval

Strategic report (continued)

Risk management (continued)

Risk	Mitigation
■ **Management override of controls:** Potential deliberate mismanagement and/or fraud resulting in financial losses, regulatory intervention, and brand damage. ●●●	Probity and governance arrangements in place which include Code of Conduct, Whistleblowing Policy and Procedures, Anti-fraud, Bribery and Corruption Policy and Procedures, Standing Orders Delegation Scheme and Financial Regulations. ▪ Segregation of duties ▪ Executive approval ▪ Policies (Payment & Benefits; Approvals; Whistleblowing, Anti-Fraud, Bribery and Corruption Policy and Procedure, Gifts & Hospitality Policy) ▪ People Committee ▪ Audits (internal & External) ▪ Change Form
■ **Stock condition and data:** Poor stock condition and/or accuracy of data may result in regulatory non-compliance, impact the health and safety of tenants and lead to adverse publicity. ●●●	Programme of in-house stock condition surveys and validation of data which feeds into the Group's Investment Plan. Progress against the Investment Plan is monitored by the Board. ▪ Orchard Asset Pro (MRI) ▪ 5 Year Programme of Stock Condition Surveys ▪ Asset Management Strategy & Delivery Plan ▪ Routine & Planned Maintenance of Stock ▪ Independent validation on the investment programme data
■ **Housing market sales exposure**: Profit margins, sales demand, property supply and finance arrangements could all be impacted upon by any housing market volatility or downturn. Impact of lockdown restrictions on house moves and the housing market. ●●●●	Reviewed and updated stress testing and site-specific mitigation plans to understand the impact of changes in the economic and operating environment. Each new housing development is appraised, and developments are phased wherever possible. ▪ Gentoo Homes and Developments Business Plan approved by Group ▪ Group Funding Thresholds (£45m Upper Limit / £42m tigger point) ▪ Stress testing of business plan ▪ Scheme Selection & Due Diligence Process ▪ Restricted Build Programme Based on Sales Rate ▪ Finance & Sales Reporting Schedule ▪ Core KPIs Monitoring Market Risk & Mitigation Plans
■ **Reputation and brand damage:** Gentoo recognises that any incident that reduces trust amongst stakeholder groups has the potential to create reputational or brand damage. ●●	Tenant Voice Team and Engagement framework, regular tenant communications, reputation metrics, social network, and media coverage monitoring. Crisis Communications Protocol. ▪ Clear Roles & Responsibilities ▪ Reputational Risk Register ▪ VUELIO – media monitoring system ▪ Daily Social Medial Report ▪ Crisis Communications Protocol

Strategic report (continued)

Risk management (continued)

Risk	Mitigation
Contractor performance: Ineffective monitoring arrangements could lead to under/non-performance, poor product delivery, customer complaints, additional project costs and H&S non-compliance and potentially resulting in fines, penalties and/or sanctions. Impact of COVID-19, Brexit and inflationary increases on contractor and materials availability and capacity.	Supply chain risk management to focus monitoring and continuity arrangements in place. Close monitoring of supply chain and effective contract/sub-contractor management procedures and processes. Non-conformance reporting and agreed sanctions and evolving work on supplier segmentation to target improved supplier management. ▪ Procurement Systems ▪ Procurement Desktop Review ▪ New Supplier Form ▪ Contract Thresholds ▪ Credit Checks ▪ CHAPS ▪ Contracts Register ▪ Suppler Qualifications
Income maximisation/Welfare Reform: Failure to actively manage and support tenants into Universal Credit. Impact of COVID-19, cost of living increase, energy price increase in relation to house moves and moratorium on taking legal action for arrears on income levels.	Close monitoring of income collection and support arrangements for customers. Stress testing to understand the impact of the roll out and mitigations required. Effective and regular tenant communications. The Group has increased its Welfare Fund to further assist tenants during this difficult time.
Short notice changes to government policy or direction (including Brexit): This uncertainty affects financial and housing market confidence and long-term stability within the sector.	Horizon scanning to identify any potential changes in policy and the operating environment and stress testing to understand the impact of change and mitigations required. Changes to the legislative and regulatory environment are continually monitored to enable the Group to make informed strategic decisions. Stress testing of additional costs relating to decarbonisation. Improved supplier risk management, including early engagement with contractors and suppliers to minimise business disruption.
Cyber-crime and Information Security Unable to recover quickly from a serious loss event or denial of ICT systems. This could have a major impact on business and customer service resulting in potential loss of corporate data, intellectual property or customer details and non-compliance with financial or contractual obligations.	Staff awareness and education programmes. Network and data security controls framework. Members of regional and national anti-fraud networks.
Cost control and efficiencies including inflationary pressures Key risks include poor VfM and failing to understand the absolute and comparative cost of services. This is in addition to the risk of differential inflation rates potentially increasing costs unexpectedly, pressure on the deliverability of business plans and the cost of lending increasing.	Business planning and stress testing are considered to be the key controls in this area.

Strategic report (continued)

Risk management (continued)

Emerging risks

Emerging risks are monitored through the Sector Risk Profile, Risk Workshops for the Executive Team and Boards and Key Risk Review reports to Boards and Committees. A Strategic Risk Deep Dive workshop was held with the Risk and Audit Committee (RAC) and was included on the September 2022 Group Board agenda. Deep Dive workshops are held annually in order to engage the Boards and Committees in identification, evaluation, analysis and monitoring of risks. Risk management updates are reported to the following Boards and Committees:

- Each meeting of the Risk and Audit Committee.
- Quarterly at meetings of the Group Board.
- Quarterly at meetings of the Gentoo Homes Board.
- Quarterly at meetings of the Development Committee.

Risk management reports present significant, emerging and material risks to Boards and Committees. Risk descriptions including cause, event and consequences are recorded in the risk registers with mitigations outlined against each risk. Risk Actions or Treatment plans are logged for tracking and collaboration from Risk Owners and Risk Managers across the Group.

Corporate governance

Group Board (“the Board”)

Under the Society’s rules the Board is comprised of one resident Board Member, two council Board Members, and up to nine independent Board Members (maximum of 12 Board Members in total). The Board and members of the Executive Team are shown on page 2 and details of their remuneration are provided on pages 56 and 57 of these Financial Statements. Board Members are drawn from a wide range of backgrounds bringing together commercial, professional and local experience, and the Board meets a minimum of six times a year. During the year there have been two new Board appointments, to ensure there are the required skills on the Board. A system of Non-Executive Board Member appraisal is in place, led by the Board Chair and facilitated by an external adviser. Processes are also in place to review the performance of the Chair.

In November 2020 the RSH re-graded Gentoo to the highest compliant governance rating of G1 following the completion of an in-depth assessment. This grade was confirmed by the RSH in December 2021, following a stability check.

The Board is ultimately responsible for the overall control and direction of Gentoo and its subsidiaries, including the monitoring of its performance and the deployment of resources. The Board ensures that Gentoo operates effectively, within the terms of its internal governance and upholds Gentoo’s vision and values.

The essential functions of, and significant matters reserved for, the Board are formally recorded in Gentoo’s Standing Orders, Scheme of Delegation and Financial Regulations and reflect the requirements of the National Housing Federation’s Code of Governance 2020. These essential functions include, but are not limited to, the development of Gentoo’s strategy, vision and values, changes to Gentoo’s corporate structure, changes to Gentoo’s management and control structure and any changes to the Society’s status. The Board delegates other matters to its subsidiary boards, committees and executive which are recorded in the respective terms of reference and Gentoo’s Scheme of Delegation.

The RSH governance and financial viability standard requires all registered providers to adopt and comply with an appropriate code of governance (‘Code’) and certify compliance with its chosen Code together with certification of compliance with the RSH Governance and Financial Viability Standard. Gentoo adopted the National Housing Federation’s Code of Governance 2020 on 27 January 2021 and the Board complied with the principles and requirements as set out in the Code. The self-assessment was reviewed by Group Board at the Board meeting on 26 May 2022. It was noted that the Group’s Rules and Standing Orders state that a Member's tenure shall not exceed nine consecutive annual general meetings (unless in exceptional circumstances), the Standing Orders are in line with this, and reflect the six years (but up to nine in exceptional circumstances) as outlined in the Code. Philip Tye was approved by the Board for an

Strategic report (continued)

Corporate Governance (continued)

Group Board ("the Board") (continued)

additional year (making a term of seven years), to ensure continuity from a Local Authority Perspective. David Murtagh has been approved, at the July 2022 Group Board meeting, for an additional year (making seven in total), for continuity and to assist with the induction of the new Chair of RAC.

During the year the Board has focused on the post COVID-19 recovery and managing the risks stemming from both the pandemic and the geo-political global economic uncertainties. The Board completed a review, at its strategy away days, facilitated by an external advisor, to review its risks, stress testing and mitigations. The Board has maintained its oversight of the Group's Affordable Homes Programme and the delivery of new units for rent. The Board has continued to review tenant engagement and how the Board 'hears' the tenant voice, to ensure that tenants' needs and aspirations are at the heart of the Board's decision making.

This was the first year of compliance with the NHF Code of Governance 2020. Additional Board reporting included equality, diversity and inclusion (EDI), culture and ESG reporting. During 2021/22 EDI was a key focus for People Committee. Board has a Board Diversity Policy and has taken clear, specific action to rectify imbalances, for example, Davies Report Commitment and Housing Diversity Network (HDN) Programme. Corporate Strategy KPIs, Board Diversity targets and objectives are agreed by the Board, following a recommendation from the People Committee. An EDI update has been added to the Schedule of Business.

Policies are reviewed and approved by Group Board, People Committee, RAC and the Executive Team as appropriate. The Board approved the Corporate Strategy in September 2020. Board Schedule of Business had a review of Corporate Strategy on it, for the first time in September 2021. The Board and People Committee discussed culture. The Board has a Statement of Preferred Board Composition, which was last approved by the Board in January 2021. The document outlines that it should be reviewed every two years. The Group Board has a skills matrix approved by the Board. The Board has a Board Diversity Policy which is taken account of in succession planning discussions. There is a resident Board Member, for which requirements of the position are set out in the Group's Rules and the Group's Standing Orders. The Group has Tenant and Community Voice Groups for each of the areas as well as a Young Persons Tenant and Community Voice Group, there is also a Tenant Scrutiny Group. These groups feed into the Board and videos are circulated to Board Members, with updates.

The Board is supported by People Committee, the Risk and Audit Committee, Development Committee and the Gentoo Executive Team.

The **People Committee** is chaired by a Member of the Board, who is not the Group Chair, with four other Board Members. The Committee is required to meet at least once a year, however it met four times during this financial year. Minutes of each meeting and a verbal update from the Chair of the Committee is provided at each Board meeting. The Committee oversees board and committee appointments, re-appointments, remuneration, board succession planning, board appraisals, executive appointments, terms of employment and remuneration, making recommendations to the Board where appropriate.

During the year, the Committee has, amongst other things, reviewed Board succession planning arrangements, overseen Board Member recruitment and the re-appointment of Board Members, reviewed and discussed Board Member remuneration, learning and development, approved Executive remuneration and appointments, reviewed the performance of the Group Chief Executive Officer, and reviewed the Group's People Strategy. The Committee agreed that a main focus of its work during 2021/22 should be on EDI and mental health, and these areas have been discussed in-depth, alongside organisational culture.

Strategic report (continued)

Corporate Governance (continued)

Group board ("the Board") (continued)

A Board Diversity Policy is in place that recognises and embraces the benefits of having a diverse board. A truly diverse board will include, and utilise, differences in the skills, regional and industry experience, background, race, gender and other personal qualities expected of Non-Executive Board Members. Such differences are considered in determining the optimum composition of the Board and, where possible, should be balanced appropriately. All board appointments are made on merit, in the context of the skills, experience and diversity of thought the Board as a whole requires to be effective. The Board recognises that diversity in respect to skills, knowledge and experience was reflected in terms of its composition. The Board had a commitment to meet requirements of the Lord Davies Report, that 33% of the Board should be female and this has been exceeded with the membership as of 31 March 2022 being 63% female. The Board also meets the requirements of the Parker Review (for FTSE 250 companies), in having a member from a minority ethnic group by 2024. The Board training programme to develop a pool of potential new Board Members and assist with succession planning supported by the HDN continues.

The **Risk and Audit Committee** is chaired by a Member of the Board, who is not the Chair of the Board and is comprised of three other Board Members and one independent Committee Member, who is a risk specialist. In addition, there is also an unremunerated co-opted Member of the Committee. The Committee is required to meet at least four times a year and it met six times during the year. The Committee oversees financial reporting and provides independent scrutiny, challenge and assurance over the risk and internal control framework on behalf of the Board. The Committee has provided oversight and scrutiny of the performance of Group's Landlord Compliance programme. The Committee has reviewed Gentoo's risk management framework and risk appetite statement and monitored compliance with Group's probity and whistleblowing arrangements.

The Committee has reviewed and monitored Gentoo's key risks and mitigation plans, particularly those risks impacted by COVID-19 and the current economic uncertainty, approved the strategic and operational audit plan, monitored the outcome of individual audits and the implementation of audit recommendations. It has reviewed Gentoo's arrangements and monitoring reports in relation to the detection and prevention of fraud, bribery, anti-money laundering and whistleblowing. Gentoo's Annual Report and Financial Statements have also been reviewed by the Committee. During the year, the Committee has continued to oversee the outsourced internal audit function and external auditors. The Committee has worked with the internal auditors to ensure the Group has a focussed and risk-based audit plan and met with both the head of the internal audit function and external auditors, without the executive present.

The Board has established the **Development Committee** to support the Board in its oversight of the delivery of Gentoo's Affordable Homes Programme. The Committee is chaired by the Group Chair, with three other Board Members and one independent Committee Member, who is a development specialist. The Committee is required to meet at least four times a year and during 2021/22 it met six times. The remit of the Committee is to approve and monitor the Affordable Homes Plan and the associated risks, approve contracts, acquisitions, planning and Homes England funding and are included within its delegated authority. During the year, the Committee has, amongst other things, monitored the development and delivery progress of schemes monitored the financial performance and key risks of the Affordable Homes Programme and reviewed the Affordable Homes Programme element of the Group's Business Plan. The Committee has also overseen the development of the Group's new house types, which incorporate low carbon measures.

Strategic report (continued)

Corporate Governance (continued)

Board and Committee membership details and meeting attendance

Name	Group Board	Risk and Audit Committee	People Committee	Development Committee
	8 Meetings	6 Meetings	4 Meetings	6 Meetings
Alison Fellows	7 (8)	-	-	5 (6)
Brenda Naisby	8 (8)	-	4 (4)	-
Carol Long	7 (8)	6 (6)	-	-
Chris Watson	7 (8)	-	4 (4)	-
Claire Long	7 (8)	6 (6)	-	-
David Murtagh	7 (8)	6 (6)	-	-
Emily Cox, MBE	8 (8)	-	4 (4)	6 (6)
Karen Noble	6 (7)	4 (4)	-	-
Kehri Ellis	7 (8)	-	-	2 (3)
Keith Loraine, OBE (Chair)	8 (8)	-	-	6 (6)
Philip Tye	7 (8)	-	3 (4)	-
Alan Gallagher*	-	3 (3)	-	-
David Langley**	-	3 (3)	-	-
Ged Walsh***	-	-	-	6 (6)

The following Board Members resigned during the year:

Debra Waller	0 (1)	0 (1)	-	-
Dianne Sharp	6 (6)	-	3 (4)	-
Susan Johnson*	-	3 (3)	-	-

* Being an independent Risk and Audit Committee Member
** Being an unremunerated co-opted Risk and Audit Committee Member
*** Being an independent Development Committee Member

The following Board Members resigned after 31 March 2022:

Keith Loraine, OBE (Chair)
Karen Noble
Philip Tye

Strategic report (continued)

Effectiveness of internal controls

A key responsibility of the Board is to review, assess and confirm the adequacy and effectiveness of Gentoo's risk management and internal controls systems. The Board has delegated part of this responsibility to the Risk and Audit Committee. The role and work of the Risk and Audit Committee is described in the earlier paragraphs of this statement.

The Board's annual Schedule of Business, reporting arrangements and the work of the Risk and Audit Committee are designed to ensure that the significant areas of risk are reported on and considered during the course of the year. In addition to determining the risk appetite, the Board specifically reviews its key corporate risks.

The Board receives its assurance on an annual basis on the overall adequacy and effectiveness of Gentoo's risk management, governance and internal control systems through the ongoing work of the Risk and Audit Committee and the annual report of the Head of Internal Audit in line with the requirements of Gentoo's Code of Governance. The Head of Internal Audit has concluded that *"The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance internal control to ensure that it remains adequate and effective".*

Review of the Group's external auditor

Following an Official Journal of the European Union (OJEU) tender process, Grant Thornton UK LLP were appointed as the Group's external auditor for the March 2021 year end for a period of three years with the option to extend for two further one year periods.

The Risk and Audit Committee consider the performance of the external auditor on at least an annual basis as per their Terms of Reference and Schedule of Business.

Going concern

After making enquiries, Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period until 31 March 2024. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements. Board approves annually the Group Business Plan and its output which are submitted annually to the Regulator in the form of a Financial Forecast Return (FFR). Board is satisfied that covenant compliance is maintained throughout the life of the plan on the basis that the financial plan has been stress tested to withstand significant composite risks materialising without breaching lender covenants confirming the future viability of the Group. See note 1.2 for further detail.

Political contributions

The Association made £nil (2021: £nil) political donations and incurred £nil (2021: £nil) political expenditure during the year.

Statement of Compliance with the RSH Governance and Viability Standard

The Board confirms that Gentoo Group Limited has complied with the requirements of the Governance and Viability Standard applicable for the year from 1 April 2021 having received a G1 compliant governance rating from the RSH in November 2020 following an in-depth Assessment, with the grades being confirmed by a stability check in December 2021.

Strategic report (continued)

Disclosure of information to auditor

The Board Members who held office at the date of approval of this Strategic Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board Member has taken all of the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor

In accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014, the appointment of an auditor of the Association will be announced at the forthcoming AGM.

By order of the Board:

Emily Cox, MBE	**David Murtagh**	**Simon Walker**
Board Member	Board Member	Secretary
14 October 2022	14 October 2022	14 October 2022

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

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, 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 adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have 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.

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

The Board confirms that:

- so far as each Board member is aware, there is no relevant audit information of which the Group and Association's auditor is unaware; and
- the Board have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Group and Association's auditor is aware of that information.

Independent auditor's report to the members of Gentoo Group Limited

Opinion

We have audited the financial statements of Gentoo Group Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2022, which comprise the consolidated and association statements of comprehensive income, the consolidated and association statement of financial position, the consolidated and association statement of changes in reserves, and the consolidated statement of cash flows 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 Group's and parent Association's affairs as at 31 March 2022 and of the Group's and parent Society's income and expenditure for the year then ended;

- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and parent Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or parent Society to cease to continue as a going concern.

In our evaluation of the Board's conclusions, we considered the inherent risks associated with the Group's and parent Society's business model including effects arising from macro-economic uncertainties such as Brexit and COVID-19, we assessed and challenged the reasonableness of estimates made by the Board and the related disclosures and analysed how those risks might affect the Board's financial resources or ability to continue operations over the going concern period.

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

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.

The responsibilities of the Board with respect to going concern are described in the 'Responsibilities of board for the financial statements' section of this report.

Independent auditor’s report to the members of Gentoo Group Limited (continued)

Other information
The Board is responsible for the other information. The other information comprises the information included in the Strategic 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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:

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 29, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Independent auditor's report to the members of Gentoo Group Limited (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Association, and the sector in which it operates. We determined that the following laws and regulations were most significant; financial reporting legislation (Housing SORP 2018, United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, the Accounting Direction for Private Registered Providers of Social Housing 2022, the Housing and Regeneration Act 2008, and the Co-operative and Community Benefit Societies Act 2014), the NHF Code of Governance 2015, Health and Safety at work and building regulations including the Fire Safety Act 2021. The engagement team remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We understood how the Association is complying with these legal and regulatory frameworks by making inquiries of management, internal audit, and those charged with governance. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit and Risk Committee, and through our legal and professional expenses review.
- To assess the potential risks of material misstatement, including how a fraud might occur, we obtained an understanding of:
  - The Association and Group's operations, including the nature of its sources of income, expected financial statement disclosures and risks that may result in risk of material misstatement; and
  - The Association and Group's control environment including the adequacy of procedures for authorisation of transactions.
- Audit procedures performed by the engagement team included:
  - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
  - Challenging assumptions and judgements made by management in its significant accounting estimates;
  - Identifying and testing related party transactions; and
  - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error. The risk of not detecting a material misstatement fur to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud, or non-compliance with laws and regulations throughout the audit.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the sector in which the Association operates in and their practical experience through training and participation with audit engagements of a similar nature. All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of companies of a similar size and complexity, appropriate to their role within the team.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Association and Group's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

Independent auditor's report to the members of Gentoo Group Limited (continued)

- the applicable statutory provisions.
- the rules and interpretative guidance issued by the Financial Conduct Authority.
- the Association and Group's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the Association's and Group's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
14 October 2022

Consolidated statement of comprehensive income

for the year ended 31 March 2022

	Note	2022	2021
		£'000	£'000
Turnover	2a	**168,684**	165,649
Cost of sales	2a	**(31,570)**	(32,797)
Gross profit		**137,114**	132,852
Operating expenditure	2a	**(112,357)**	(108,618)
Other operating income	2a	**256**	331
Surplus on disposal of tangible fixed assets	5	**1,782**	483
Operating surplus		**26,795**	25,048
Interest receivable and similar income	7	**1,033**	1,498
Interest payable and similar charges	8	**(21,107)**	(22,203)
Fair value adjustment for investment property	12	**(958)**	786
Surplus on disposal of investment properties		**-**	6
Revaluation of fixed asset investments	13	**(1,357)**	(936)
Fair value adjustment	19	**103**	222
Surplus before taxation		**4,509**	4,421
Taxation	9	**(179)**	(88)
Surplus for the financial year		**4,330**	4,333
Other comprehensive income			
Actuarial gain / (loss) in respect of pension scheme	24	**44,130**	(3,100)
(Restriction) / release of pension asset	24	**(37,050)**	460
Total comprehensive income for the year		**11,410**	1,693

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

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

Emily Cox, MBE	**David Murtagh**	**Simon Walker**
Board Member	Board Member	Secretary
14 October 2022	14 October 2022	14 October 2022

Association statement of comprehensive income

for the year ended 31 March 2022

	Note	2022	2021
		£'000	£'000
Turnover	2a	**131,262**	127,662
Cost of sales	2a	**-**	(206)
Gross profit		**131,262**	127,456
Operating expenditure	2a	**(109,690)**	(106,796)
Surplus on disposal of tangible fixed assets	5	**1,782**	483
Operating surplus		**23,354**	21,143
Interest receivable and similar income	7	**2,346**	2,793
Interest payable and similar charges	8	**(21,035)**	(22,111)
Gift aid receivable		**1,730**	2,232
Fair value adjustment for investment property	12	**(958)**	786
Surplus on disposal of investment properties		**-**	6
Revaluation of fixed asset investments	13	**(1,357)**	(936)
Surplus before taxation		**4,080**	3,913
Taxation	9	**(179)**	(88)
Surplus for the financial year		**3,901**	3,825
Other comprehensive income			
Actuarial gain / (loss) in respect of pension scheme	24	**44,130**	(3,100)
(Restriction) / release of pension asset	24	**(37,050)**	460
Total comprehensive income for the year		**10,981**	1,185

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

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

Emily Cox, MBE	**David Murtagh**	**Simon Walker**
Board Member	Board Member	Secretary
14 October 2022	14 October 2022	14 October 2022

Consolidated statement of financial position

at 31 March 2022

	Note	2022	2021
		£'000	£'000
Fixed assets			
Tangible fixed assets			
Tangible fixed assets – housing properties	10	**1,044,105**	1,028,544
Tangible fixed assets – other	11	**17,660**	17,588
		1,061,765	1,046,132
Investments and non-current debtors			
Investment properties	12	**8,087**	9,045
Other investments	13	**30**	32,417
HomeBuy loans receivable	15	**358**	423
Debtors: amounts falling due after more than one year	19	**28,494**	3,465
		36,969	45,350
		1,098,734	1,091,482
Current assets			
Stock	16	**59,379**	51,736
Debtors	17	**10,661**	12,768
Cash and cash equivalents		**13,931**	137
		83,971	64,641
Creditors: amounts falling due within one year	18	**(45,812)**	(35,376)
Net current assets		**38,159**	29,265
Total assets less current liabilities		**1,136,893**	1,120,747
Creditors: amounts falling due after more than one year	20	**(526,935)**	(518,929)
Pension liability	24	**-**	(3,270)
Net assets		**609,958**	598,548
Capital and reserves			
Called up share capital	30	**-**	-
Revaluation reserve		**144,103**	155,092
Revenue reserve		**207,824**	178,258
Other reserve		**258,031**	265,198
		609,958	598,548

The accompanying notes form part of these financial statements.

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

Emily Cox, MBE	**David Murtagh**	**Simon Walker**
Board Member	Board Member	Secretary
14 October 2022	14 October 2022	14 October 2022

Registered number: 7302

Association statement of financial position

at 31 March 2022

	Note	2022	2021
		£'000	£'000
Fixed assets			
Tangible fixed assets			
Tangible fixed assets – housing properties	10	**1,049,762**	1,034,309
Tangible fixed assets – other	11	**17,771**	17,691
		1,067,533	1,052,000
Investments and non-current debtors			
Investment properties	12	**8,087**	9,045
Other investments	13	**30**	32,417
Investments in subsidiaries	14	**250**	350
HomeBuy loans receivable	15	**358**	423
Debtors: amounts falling due after more than one year	19	**55,208**	27,371
		63,933	69,606
		1,131,466	1,121,606
Current assets			
Stock	16	**11,213**	10,688
Debtors	17	**20,623**	22,335
Cash and cash equivalents		**12,581**	-
		44,417	33,023
Creditors: amounts falling due within one year	18	**(39,559)**	(28,748)
Net current assets		**4,858**	4,275
Total assets less current liabilities		**1,136,324**	1,125,881
Creditors: amounts falling due after more than one year	20	**(521,661)**	(518,929)
Pension liability	24	**-**	(3,270)
Net assets		**614,663**	603,682
Capital and reserves			
Called up share capital	30	**-**	-
Revaluation reserve		**127,796**	138,785
Revenue reserve		**228,837**	199,700
Other reserve		**258,030**	265,197
		614,663	603,682

The accompanying notes form part of these financial statements.

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

Emily Cox, MBE	**David Murtagh**	**Simon Walker**
Board Member	Board Member	Secretary
14 October 2022	14 October 2022	14 October 2022

Registered number: 7302

Consolidated statement of changes in reserves

	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 1 April 2020	156,144	168,346	272,365	596,855
Total comprehensive income for the year				
Surplus	-	4,333	-	4,333
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(693)	693	-	-
Transfer in respect of realised losses on disposal of revalued properties	(359)	359	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	(3,100)	-	(3,100)
Reversal of non-recognition of pension asset adjustment	-	460	-	460
Balance at 31 March 2021	155,092	178,258	265,198	598,548
Balance at 1 April 2021	155,092	178,258	265,198	598,548
Total comprehensive income for the year				
Surplus	-	4,330	-	4,330
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(603)	603	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,512)	1,512	-	-
Transfer in respect of DSR release (note 13)	(8,874)	8,874	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial loss in respect of pension scheme	-	44,130	-	44,130
Restriction of pension asset	-	(37,050)	-	(37,050)
Balance at 31 March 2022	**144,103**	**207,824**	**258,031**	**609,958**

The accompanying notes form part of these financial statements.

Association statement of changes in reserves

	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 1 April 2020	139,837	190,296	272,364	602,497
Total comprehensive income for the year				
Surplus	-	3,825	-	3,825
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(693)	693	-	-
Transfer in respect of realised losses on disposal of revalued properties	(359)	359	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	(3,100)	-	(3,100)
Reversal of non-recognition of pension asset adjustment	-	460	-	460
Balance at 31 March 2021	138,785	199,700	265,197	603,682
Balance at 1 April 2021	138,785	199,700	265,197	603,682
Total comprehensive income for the year				
Surplus	-	3,901	-	3,901
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(603)	603	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,512)	1,512	-	-
Transfer in respect of DSR release (note 13)	(8,874)	8,874	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial loss in respect of pension scheme	-	44,130	-	44,130
Restriction of pension asset	-	(37,050)	-	(37,050)
Balance at 31 March 2022	**127,796**	**228,837**	**258,030**	**614,663**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Surplus for the year	**4,330**	4,333
Adjustments for non-cash items:		
Depreciation	**30,003**	29,464
Amortisation of deferred government grant	**(165)**	(134)
Impairment of other tangible fixed assets	**109**	-
Reversal of impairment loss on stock – properties under construction	**-**	(1,178)
Impairment loss on stock – land held for development	**-**	1,447
Revaluation of fixed asset investments	**1,357**	936
Change in value of investment property	**958**	(786)
Fair value adjustment	**(103)**	(222)
Interest receivable and similar income	**(1,033)**	(1,498)
Interest payable and similar charges	**21,107**	22,203
Surplus on disposal of tangible fixed assets	**(1,782)**	(483)
Surplus on disposal of investment properties	**-**	(6)
Taxation	**179**	88
	50,630	49,831
Proceeds from sale of tangible fixed assets - housing properties	**6,757**	3,286
(Increase)/decrease in trade and other debtors	**(4,789)**	6,902
(Increase)/decrease in stock	**(4,853)**	2,886
Increase in trade and other creditors	**9,524**	497
Increase in provisions and employee benefits	**3,840**	670
	10,479	14,241
Tax paid	**(100)**	(200)
Net cash flows from operating activities	**65,339**	68,205
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets – other	**867**	5
Proceeds from sale of investment properties	**-**	6
Acquisition of tangible fixed assets - housing properties	**(823)**	(366)
Acquisition of tangible fixed assets – other	**(2,348)**	(2,889)
Capital expenditure on existing properties	**(32,416)**	(21,754)
Development of social housing properties	**(14,260)**	(12,358)
Interest received	**2,036**	1,384
Proceeds from receipt of Government grants	**6,132**	4,192
Proceeds from sale of Debt Service Reserve	**7,976**	-
Deposit into Debt Service Reserve	**(3,500)**	-
Net cash from investing activities	**(36,336)**	(31,780)

Consolidated statement of cash flows (continued)

for the year ended 31 March 2022

	2022	2021
	£'000	£'000
Cash flows from financing activities		
Proceeds from loans	**16,692**	49,500
Interest paid	**(21,652)**	(24,034)
Repayment of borrowings	**(10,181)**	(92,830)
Net cash from financing activities	**(15,141)**	(67,364)
Net increase / (decrease) in cash and cash equivalents	**13,862**	(30,939)
Cash and cash equivalents at 1 April	**69**	31,008
Cash and cash equivalents at 31 March	**13,931**	69

Cash and cash equivalents are made up in the following way;

	Group	Group
	2022	2021
	£'000	£'000
Cash at bank and in hand	**13,931**	137
Bank overdraft (note 18)	**-**	(68)
Cash and cash equivalents per cash flow statement	**13,931**	69

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2022

1. Accounting policies

Legal status
Gentoo Group Limited (the "Association") is a Community Benefit Society registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a private registered provider of social housing. The Association has charitable status with HM Revenue & Customs, reference number EW41411. The Association is also a Public Benefit Entity.

Basis of accounting
These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for private Registered Providers of Social Housing 2022 (early adopted from 1 April 2021). The presentation currency of these financial statements is sterling. All amounts (excluding note 30) in the financial statements have been rounded to the nearest £1,000.

In these financial statements, the Association is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosure:

- Statement of cash flows and related notes.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Investment properties (note 12)
- Other investments (note 13)
- Home Purchase Plans (note 19)

1.2. Going concern

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

Management have prepared detailed forecasts for the period ended 31 March 2024 (the going concern period) to demonstrate that the Group has sufficient resources to meet all liabilities as they fall due. In addition, the Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2022 by the Board. As well as considering the impact of a number of scenarios on the business plan, the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Group and Association budgets for 2022/23 and the Group's medium term financial position as detailed in the 30-year business plan is of the opinion that the Group and Association have adequate resources to continue to meet their liabilities until 31 March 2024. In reaching this conclusion, the Board has considered the following factors:

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1 Accounting policies (continued)

1.2. Going concern (continued)

- Rent and service charge receivables – budget and business plan scenarios have considered arrears and bad debts increasing to allow for customer difficulties in making payments and for potential future restrictions in rent increases;
- The Group's ability to withstand other adverse scenarios such as higher interest rates, inflation and increases in the number of void properties.

The available cash and unutilised loan facilities at 31 March 2022 of £99.6m are considered sufficient to cover the potential sensitivity scenarios.

The Board believes the Group and Association have sufficient funding in place and have calculated covenant compliance throughout the going concern period which confirms the Group is forecast to be in compliance with debt covenants, even in severe but plausible downside scenarios. Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for the period to 31 March 2024, being the going concern period, and therefore have prepared the financial statements on a going concern basis.

1.3. Basis of consolidation

The consolidated statement of comprehensive income and statement of financial position consolidate the results and financial position of the Association and its subsidiary undertakings. Details of the subsidiary undertakings are included in Note 14 to the financial statements. Intra-group turnover, surpluses and balances are eliminated fully on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

1.4. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out in note 29.

1.5 Basic financial instruments

Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Bad and doubtful debts
Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they may be irrecoverable.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Where a public benefit entity concessionary loan has been granted, such as HomeBuy, see 1.20, the Group has opted to apply the accounting treatment set out in paragraphs PBE34.90 to PBE34.97 of FRS 102.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1 Accounting policies (continued)

1.5 Basic financial instruments (continued)

Investments in subsidiaries
Investments in subsidiaries are carried at cost less impairment.

Other investments
Other fixed asset investments are stated at fair value. Holding market valued assets is not judged to be an activity linked to the principal rental activity of the Group. Movements in fair value are therefore recorded in the statement of comprehensive income below operating surplus.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. HBF deposit accounts are held as cash with a joint mandate with Homes England. Withdrawals from these accounts requires permission from Homes England.

1.6 Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)
The Genie Home Purchase Plan (HPP) is a 'non-basic financial instrument' under FRS 102 due to the potential link to upward House Price Index (HPI). The Genie HPP is initially recognised on the statement of financial position at the value the customer has committed to purchase the property. Subsequent to initial recognition, Genie HPP's are measured at fair value with changes recognised in profit or loss. The fair value is equal to the share retained by the Company in the property which is subject to a HPP valued at the original sales price. This equates to the minimum cashflows to be received under the HPP contractual arrangement discounted over the estimated term. The fair value is stated net of deferred revenue as this is not considered realised until the related loan is repaid.

1.7 Tangible fixed assets

Housing properties held for letting
Housing properties are principally properties available for rent and are stated at historical cost less accumulated depreciation and accumulated impairment losses. Additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties. Depreciation is charged to the statement of comprehensive income to write down the value of housing properties on a straight-line basis over the following useful economic lives:

Housing property components: depreciation life

	Years		**Years**		**Years**
Bathrooms	25	Kitchens	20	PV panels	25
Boilers	10	Lifts	30	Roof	60
Doors	30	New build structure	100	Structure	80
Electrical installations	30	PV invertors	8	Windows	30
Heating installations	15				

No depreciation is charged for land. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Shared ownership
The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sales proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1 Accounting policies (continued)

1.7 Tangible fixed assets (continued)

No depreciation is charged for shared ownership properties where the occupier is responsible for the maintenance of the property.

Garages held for letting
Garages held for letting are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write down the value of garages on a straight-line basis over their expected useful economic life of 50 years.

Works to existing properties
Expenditure on housing properties that refurbishes or replaces an identified housing property component is capitalised. Major works to housing properties are capitalised where they increase the net rental stream or the life of the property. All other maintenance costs are charged to the statement of comprehensive income in the year they are incurred.

Disposal of housing properties
Property sales and any surplus thereon are recognised when the transaction has legally completed. Any foreseeable deficit on any proposed property sale is recognised in the statement of comprehensive income as soon as the decision is made to dispose of the property.

The Group sells its properties under the statutory regulations of 'Preserved Right to Buy' and 'Right to Acquire'. Surplus or deficit on sale of these properties are presented before operating surplus or deficit.

Housing properties under construction
Housing properties under construction are stated at cost and are not depreciated.

Capitalisation of interest
Interest on loans financing the development programme is capitalised up to the date of practical completion of the scheme. Interest costs are included at rates based on the Group's weighted average cost of borrowings. Where a loan is not specifically drawn down to fund a development, no interest is capitalised.

Revaluation reserve
Housing properties were stated at valuation using existing use value for social housing until conversion to FRS 102 when the deemed cost option was taken. The revaluation reserve comprises the cumulative revaluation position as at the date of conversion. The reserve is adjusted annually for transfers to the revenue reserve in respect of depreciation and disposals of housing properties formerly held at valuation.

Other tangible fixed assets
Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset plus any costs incurred in bringing the asset to its working condition for its intended use.

Depreciation is calculated to write down the cost of tangible fixed assets on a straight-line basis over their estimated useful economic lives as follows:

	Years		Years
Furniture, fixtures and fittings	5 - 20	Office equipment	3 - 10
IT equipment	3 - 7	Plant and machinery	3 - 15
Land and buildings	50	Vehicles	3 - 5

Notes to the financial statements (continued)

for the year ended 31 March 2022

1 Accounting policies (continued)

1.8 Government grants

Government grants are included within accruals and deferred income in the statement of financial position and credited to the statement of comprehensive income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Social Housing Grant
Social Housing Grant (SHG) is initially recognised at fair value as a liability, specifically as deferred government grant income and released through the statement of comprehensive income as turnover over the life of the structure of housing properties in accordance with the accruals method applicable to registered providers of social housing accounting for housing properties at cost.

For items where on transition to FRS 102, an election has been taken to treat fair value as deemed cost, the performance method for accounting for grant has been applied as the fair value application as deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

On disposal, SHG associated with those properties is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

1.9 Recycling of capital grant fund (RCGF)

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the provision of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

1.10 Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

1.11 Investment properties

Investment properties are properties which are held either to earn commercial rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition,
(a) investment properties whose fair value can be measured reliably are held at fair value. Any gains or losses arising from changes in the fair value are recognised in surplus or deficit in the period that they arise; and
(b) no depreciation is provided in respect of investment properties applying the fair value model.

Fair value of investment properties is determined annually by management using market data or where this is not available by using discounted cash flow analysis. Movements in fair value are therefore recorded in the statement of comprehensive income below operating surplus.

Rental income from investment property is accounted for when it is receivable or when conditions associated with the income have been met.

Notes to the financial statements (continued)
for the year ended 31 March 2022

1 Accounting policies (continued)

1.12 Stock

Properties for sale
Completed properties for outright sale and properties under construction are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises materials, direct labour and direct development overheads.

Raw materials and consumables
Stock is stated at the lower of cost and estimated selling price less costs to complete and sell.

Land
Investments in land without the benefit of planning consent, either through the purchase of land or non-refundable deposits paid on land purchase contracts subject to planning consent, are included initially at cost. Regular reviews are carried out for impairment in the values of these investments and provision made to reflect any irrecoverable element. The impairment reviews consider the existing use value of the land and assess the likelihood of achieving planning consent and the value thereof.

1.13 Impairment excluding stock, investment properties and deferred tax assets

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment property, stock and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. For assets carried at a depreciated historical cost basis the impairment loss is recognised in the statement of comprehensive income immediately. For assets that are carried at cost less accumulated depreciation, an impairment loss is first set off against any revaluation surplus relating to the same assets in reserves and the balance of the loss is then treated as an expense in the statement of comprehensive income.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

1.13 Impairment excluding stock, investment properties and deferred tax assets (continued)

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

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

1.14 Employee benefits

Defined benefit plans
The Group participates in the Tyne and Wear Local Government Pension Fund (the 'Fund') which is a defined benefit scheme.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Association's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Association determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability / (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Association's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Association recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the statement of comprehensive income.

Re-measurement of the net defined benefit liability / (asset) is recognised in other comprehensive income in the period in which it occurs. A pension asset is only recognised if there is a right to a refund from the Fund or the ability to reduce contributions.

Termination benefits
Termination benefits are recognised as an expense when the Association is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Association has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Defined contribution plan
The Group participates in one defined contribution scheme.

A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

1.15 Turnover

Turnover is recognised when it is receivable or when conditions associated with the income have been met. It comprises:

- Rental income from tenants and leaseholders in the year, net of rent losses from voids;
- Service charge income from tenants, leaseholders and private rental customers;
- Sale of residential property which may include part exchange sales. The purchase and subsequent sale of part exchange properties is an activity which is undertaken in order to facilitate the sale of a new property. The profit/(loss) from the sale of part exchange properties is recognised within cost of sales being a cost of revenue derived from a subsidiary's principal activities;
- Receipts from the sale of the first tranche of shared ownership properties; and
- Income from other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year.
- For the Association only, gift aid receipts from wholly owned subsidiaries. This is recognised at the point that a Companies Act s288 written resolution has been approved by the Board.

1.16 Expenses

Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in surplus or deficit over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable
Other interest receivable and similar income include interest receivable on funds invested.
Interest payable and similar charges include interest payable and finance charges on finance leases.
Interest income and interest payable are recognised in surplus or deficit as they accrue, using the effective interest method.

1.17 Taxation
Tax on the surplus or deficit for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Notes to the financial statements (continued)
for the year ended 31 March 2022

1. Accounting policies (continued)

1.17 Taxation (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses.

1.18 Service charge sinking funds

Service charge sinking funds are recognised as creditors. Part of the service charge is retained in a sinking fund for major repairs. Interest is added annually to the fund.

1.19 Value added tax (VAT)

The Association is included in a group VAT registration which also includes Gentoo Services Limited. Gentoo Homes Limited and Gentoo Developments Limited both have separate VAT registrations. Gentoo Genie Limited is not VAT registered.

A large proportion of the Group’s income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the statement of comprehensive income.

1.20 HomeBuy and other equity loans

The Group operated two loan schemes by lending a percentage of the cost to home purchasers. The schemes are now closed to new participants.

HomeBuy Direct Scheme
This is a low-cost home ownership Government initiative. The Group and the Government provided assistance through an equal equity loan contribution to the purchaser, secured against the property. The loan is repaid as a result of a relevant event or on the 25th anniversary of the date of the loan agreement. The loan is interest free for the first five years. At the beginning of year six, interest becomes payable on the outstanding balance. The loans are reviewed annually for impairment. Redemption proceeds are allocated equally between the Group and the Government with any surplus or loss being recognised through the statement of comprehensive income.

Gentoo Homebuyer Loan Scheme
This is a low-cost home ownership Group initiative. The Group provided assistance through a fixed loan contribution to the purchaser, secured against the property. The loan is repaid as a result of a relevant event or at the end of the 10th year of the date of the loan agreement. The loan is interest free for the first five years. At the beginning of year six, interest becomes payable on the outstanding balance. The loans are reviewed annually for impairment. Any loss on redemption is recognised through the statement of comprehensive income.

1.21 Other reserves

Other reserves represent the transfer of assets and liabilities from the Group’s former housing subsidiaries during the 31 March 2008 year end. These are released to revenue reserves over 50 years being the average expected useful economic lives of the assets.

Notes to the financial statements (continued)
for the year ended 31 March 2022

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit)

Group

2022

	Turnover	Cost of sales	Operating expenditure	Other operating income	Surplus on disposal	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 2b)	**125,961**	**-**	**(103,414)**	**-**	**-**	**22,547**
Other social housing activities:						
Charge for support services	**293**	**-**	**(1,246)**	**-**	**-**	**(953)**
Other social housing activities	**293**	**-**	**(1,246)**	**-**	**-**	**(953)**
Activities other than social housing activities:						
Properties developed for outright sale	**37,897**	**(31,527)**	**(2,755)**	**-**	**-**	**3,615**
Other	**4,533**	**(43)**	**(4,942)**	**256**	**-**	**(196)**
Non-social housing activities	**42,430**	**(31,570)**	**(7,697)**	**256**	**-**	**3,419**
Surplus on disposal of tangible assets	**-**	**-**	**-**	**-**	**1,782**	**1,782**
Total	**168,684**	**(31,570)**	**(112,357)**	**256**	**1,782**	**26,795**

Group

2021

	Turnover	Cost of sales	Operating expenditure	Other operating income	Surplus on disposal	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 2b)	121,945	-	(100,442)	-	-	21,503
Other social housing activities:						
Charge for support services	326	-	(1,301)	-	-	(975)
First tranche low cost home ownership sales	42	(42)	-	-	-	-
Other social housing activities	368	(42)	(1,301)	-	-	(975)
Activities other than social housing activities:						
Properties developed for outright sale	38,660	(32,701)	(3,134)	-	-	2,825
Other	4,676	(54)	(3,741)	331	-	1,212
Non-social housing activities	43,336	(32,755)	(6,875)	331	-	4,037
Surplus on disposal of tangible assets	-	-	-	-	483	483
Total	165,649	(32,797)	(108,618)	331	483	25,048

Notes to the financial statements (continued)
for the year ended 31 March 2022

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit) (continued)

Association					**2022**
	Turnover	**Cost of sales**	**Operating expenditure**	**Surplus on disposal**	**Operating surplus / (deficit)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (note 2b)	**125,961**	**-**	**(103,461)**	**-**	**22,500**
Other social housing activities:					
Charges for support services	**292**	**-**	**(1,246)**	**-**	**(954)**
Other social housing activities	**292**	**-**	**(1,246)**	**-**	**(954)**
Activities other than social housing activities:					
Other	**5,009**	**-**	**(4,983)**	**-**	**26**
Non-social housing activities	**5,009**	**-**	**(4,983)**	**-**	**26**
Surplus on disposal of tangible assets	**-**	**-**	**-**	**1,782**	**1,782**
Total	**131,262**	**-**	**(109,690)**	**1,782**	**23,354**

Association					**2021**
	Turnover	**Cost of sales**	**Operating expenditure**	**Surplus on disposal**	**Operating surplus / (deficit)**
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 2b)	121,945	-	(100,570)	-	21,375
Other social housing activities:					
Charges for support services	317	-	(1,301)	-	(984)
First tranche low cost home ownership sales	42	(42)	-	-	-
Other social housing activities	359	(42)	(1,301)	-	(984)
Activities other than social housing activities:					
Properties developed for outright sale	245	(164)	(49)	-	32
Other	5,113	-	(4,876)	-	237
Non-social housing activities	5,358	(164)	(4,925)	-	269
Surplus on disposal of tangible assets	-	-	-	483	483
Total	127,662	(206)	(106,796)	483	21,143

Notes to the financial statements (continued)

for the year ended 31 March 2022

2b. Particulars of turnover and expenditure from social housing lettings

Group				**2022**	**2021**
	General needs housing	**Supported Housing and housing for older people**	**Shared ownership**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Income					
Rent receivable net of identifiable service charges	**122,114**	**1,087**	**223**	**123,424**	119,725
Service charge income	**1,991**	**381**	**-**	**2,372**	2,086
Net rents receivable	**124,105**	**1,468**	**223**	**125,796**	121,811
Amortised Government grants	**165**	**-**	**-**	**165**	134
Turnover from social housing lettings	**124,270**	**1,468**	**223**	**125,961**	121,945
Operating expenditure					
Management	**(20,692)**	**(341)**	**-**	**(21,033)**	(22,333)
Service charge costs	**(2,972)**	**(486)**	**-**	**(3,458)**	(3,058)
Routine maintenance	**(34,590)**	**-**	**-**	**(34,590)**	(27,499)
Planned maintenance	**(8,388)**	**-**	**-**	**(8,388)**	(7,451)
Major repairs expenditure	**(4,986)**	**-**	**-**	**(4,986)**	(8,230)
Bad debts	**(338)**	**-**	**-**	**(338)**	(1,097)
Lease costs	**(1,787)**	**-**	**-**	**(1,787)**	(1,819)
Depreciation of housing properties	**(28,398)**	**-**	**-**	**(28,398)**	(28,130)
Impairment of housing properties	**(109)**	**-**	**-**	**(109)**	-
Other costs (redundancy)	**(327)**	**-**	**-**	**(327)**	(825)
Operating expenditure on social housing lettings	**(102,587)**	**(827)**	**-**	**(103,414)**	(100,442)
Operating surplus on social housing lettings	**21,683**	**641**	**223**	**22,547**	21,503
Rent losses from voids (being rental income lost as a result of a property not being let)	**(1,770)**	**(44)**	**-**	**(1,814)**	(2,165)

Notes to the financial statements (continued)

for the year ended 31 March 2022

2b. Particulars of turnover and expenditure from social housing lettings (continued)

Association				**2022**	2021
	General needs housing	**Supported Housing and housing for older people**	**Shared ownership**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
Income					
Rent receivable net of identifiable service charges	**122,114**	**1,087**	**223**	**123,424**	119,725
Service charge income	**1,991**	**381**	**-**	**2,372**	2,086
Net rents receivable	**124,105**	**1,468**	**223**	**125,796**	121,811
Amortised Government grants	**165**	**-**	**-**	**165**	134
Turnover from social housing lettings	**124,270**	**1,468**	**223**	**125,961**	121,945
Operating expenditure					
Management	**(21,314)**	**(379)**	**-**	**(21,693)**	(23,020)
Service charge costs	**(2,972)**	**(486)**	**-**	**(3,458)**	(3,058)
Routine maintenance	**(33,869)**	**-**	**-**	**(33,869)**	(26,928)
Planned maintenance	**(8,388)**	**-**	**-**	**(8,388)**	(7,356)
Major repairs expenditure	**(4,986)**	**-**	**-**	**(4,986)**	(8,230)
Bad debts	**(338)**	**-**	**-**	**(338)**	(1,097)
Lease costs	**(1,787)**	**-**	**-**	**(1,787)**	(1,819)
Depreciation of housing properties	**(28,506)**	**-**	**-**	**(28,506)**	(28,237)
Impairment of housing properties	**(109)**	**-**	**-**	**(109)**	-
Other costs (redundancy)	**(327)**	**-**	**-**	**(327)**	(825)
Operating expenditure on social housing lettings	**(102,596)**	**(865)**	**-**	**(103,461)**	(100,570)
Operating surplus on social housing lettings	**21,674**	**603**	**223**	**22,500**	21,375
Rent losses from voids (being rental income lost as a result of a property not being let)	**(1,770)**	**(44)**	**-**	**(1,814)**	(2,165)

Notes to the financial statements (continued)

for the year ended 31 March 2022

3. Employees

The average number of persons (expressed as full-time equivalents) employed during the year, analysed by category, was as follows:

	Group 2022 No.	**Association 2022 No.**	Group 2021 No.	Association 2021 No.
Central enabling services	**163**	**163**	152	152
Selling homes	**64**	**-**	65	-
Operations	**751**	**751**	805	805
	978	**914**	1,022	957

The aggregate payroll costs of these persons were as follows:

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Wages and salaries	**31,657**	**28,836**	32,400	29,646
Social security costs	**3,101**	**2,791**	3,199	2,894
Defined benefit plan	**13,190**	**12,366**	10,700	9,988
Defined contribution plan	**381**	**282**	176	133
	48,329	**44,275**	46,475	42,661
Redundancy costs*	**404**	**367**	1,116	901
	48,733	**44,642**	47,591	43,562

* Includes compensatory pay, redundancy pay and payment in lieu of notice.

Salary banding for all employees whose total remuneration, including pension exceeds £60,000 (including Executive Directors) per annum is as follows:

	Group 2022 No.	**Association 2022 No.**	Group 2021 No.	Association 2021 No.
£60,001 - £70,000	**42**	**35**	51	39
£70,001 - £80,000	**19**	**16**	17	11
£80,001 - £90,000	**17**	**12**	12	10
£90,001 - £100,000	**5**	**4**	6	6
£100,001 - £110,000	**3**	**3**	3	3
£110,001 - £120,000	**1**	**1**	1	1
£120,001 - £130,000	**2**	**1**	5	4
£140,001 - £150,000	**1**	**1**	-	-
£150,001 - £160,000	**1**	**1**	1	1
£160,001 - £170,000	**1**	**1**	1	1
£180,001 - £190,000	**-**	**-**	1	1
£190,001 - £200,000	**1**	**1**	-	-
£240,001 - £250,000	**1**	**1**	1	1

Notes to the financial statements (continued)

for the year ended 31 March 2022

4. Directors' and key management personnel remuneration

	2022	2021
	£'000	£'000
Non-Executive Directors' remuneration	**137**	132
Executive Directors' and key management personnel remuneration (page 57)	**641**	578
Association contributions to group wide defined benefit plan	**136**	103
Association contributions to defined contribution plan	**14**	14
Compensation for loss of office *	**29**	112
	957	939

*2022: Compensatory pay for one Executive Director. 2021: Compensatory pay, redundancy pay and payment in lieu of notice for two Executive Directors.

Retirement benefits are accruing to three (2021: two) of the above senior staff under a defined benefit scheme and one (2021: one) of the above senior staff under a defined contribution scheme. The aggregate remuneration (excluding pension contributions) of the highest paid director was £229,055 (2021: £227,046).

The Group made £13,743 (2021: £13,623) in pension contributions for the Chief Executive.

		2022	2021
		Remuneration	Remuneration
Board Member	**Board role**	**£'000**	£'000
Alison Fellows	Non-Executive Director	**10**	10
Brenda Naisby	Non-Executive Director	**10**	3
Brian Spears	Non-Executive Director	**-**	9
Carol Long	Non-Executive Director	**10**	10
Christopher Watson	Non-Executive Director	**10**	10
Claire Long	Non-Executive Director	**10**	9
David Murtagh	Non-Executive Director	**15**	14
Debra Waller	Non-Executive Director	**1**	7
Dianne Sharp	Non-Executive Director	**9**	9
Emily Cox, MBE	Non-Executive Director	**12**	10
Karen Noble	Non-Executive Director	**7**	-
Kehri Ellis	Non-Executive Director	**10**	-
Keith Loraine, OBE	Chair	**23**	23
Leslie Herbert	Non-Executive Director	**-**	6
Michael Essl	Non-Executive Director	**-**	2
Philip Tye	Non-Executive Director	**10**	10
Total		**137**	132

The independent RAC Member, Susan Johnson, received £4,200 (2021: £7,000) in remuneration. The independent Development Committee Member, Gerard Walsh, received £5,000 (2021: £1,000) in remuneration.

The Board reviews remuneration every three years and this is done with the advice of an external consultant and includes benchmarking and comparator information and also reviews the requirements of the NHF Code. The three-year cycle fell within 2021/22 and the external consultant's report was taken to the People Committee in January 2022 and they made a recommendation for approval at the January 2022 Group Board meeting, where it was duly approved. The review recommended no changes to the remuneration. The next full remuneration review will be carried out in three with a 'light touch' annual review each year.

Notes to the financial statements (continued)
for the year ended 31 March 2022

4. Directors' and key management personnel remuneration (continued)

Salary banding for directors and key management personnel whose total remuneration, including pensions, exceeds £60,000 per annum is as follows:

		2022			2021
		No.			No.
£100,001 - £110,000	**Susan Thompson**	**1**	£100,001 - £110,000		-
£110,001 - £120,000	**Diane Carney**	**1**	£110,001 - £120,000		-
£150,001 - £160,000		**-**	£150,001 - £160,000	Michelle Meldrum	1
£160,001 - £170,000	**Louise Bassett**	**1**	£160,001 - £170,000	Louise Bassett	1
£180,001 - £190,000		**-**	£180,001 - £190,000	Peter Lenehan	1
£190,001 - £200,000	**Peter Lenehan**	**1**	£190,001 - £200,000		-
£240,001 - £250,000	**Nigel Wilson**	**1**	£240,001 - £250,000	Nigel Wilson	1

5. Surplus on disposal of tangible fixed assets

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Proceeds from sales	**7,624**	**7,624**	3,291	3,291
Cost of sales	**(213)**	**(213)**	-	-
Net book value of assets sold	**(5,251)**	**(5,251)**	(2,609)	(2,609)
	2,160	**2,160**	682	682
Transfer to recycled capital grant fund	**(378)**	**(378)**	(199)	(199)
	1,782	**1,782**	483	483

Notes to the financial statements (continued)

for the year ended 31 March 2022

6. Expenses and auditor's remuneration

	Group 2022 £'000	Association 2022 £'000	Group 2021 £'000	Association 2021 £'000
Included in surplus are the following:				
Depreciation:				
Housing properties	**28,398**	**28,506**	28,130	28,237
Other tangible fixed assets	**1,605**	**1,597**	1,334	1,327
Impairment loss on housing properties	**109**	**109**	-	-
Reversal of impairment loss on stock – properties under construction	**-**	**-**	(1,178)	-
Impairment loss on stock – land held for development	**-**	**-**	1,447	1,447
Change in value of investment property	**958**	**958**	(786)	(786)
Fair value adjustment	**(103)**	**-**	(222)	-
Redundancy costs	**404**	**367**	1,116	901
Auditor's remuneration:				
Audit of these financial statements	**89**	**89**	68	68
Amounts receivable by the Association's auditor and its associates in the respect of:				
Audit of financial statements of subsidiaries of the Association	**21**	**-**	21	-
Audit-related assurance services	**40**	**40**	43	43

7. Interest receivable and similar income

	Group 2022 £'000	Association 2022 £'000	Group 2021 £'000	Association 2021 £'000
Interest receivable and similar income	**1,003**	**1,003**	1,378	1,378
Interest receivable from Group undertakings	**-**	**1,313**	-	1,295
	1,003	**2,316**	1,378	2,673
Net interest income on net defined benefit plan (liabilities)/assets	**30**	**30**	120	120
	1,033	**2,346**	1,498	2,793

Notes to the financial statements (continued)

for the year ended 31 March 2022

8. Interest payable and similar charges

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Interest on loans repayable	**21,056**	**20,984**	21,796	21,704
Bank fees and similar charges	**618**	**618**	540	540
Capitalised interest*	**(567)**	**(567)**	(133)	(133)
Interest payable and similar charges	**21,107**	**21,035**	22,203	22,111

***** Capitalisation rate of 4.19% (2021: 4.19%).

9. Taxation

Total tax charge recognised in the statement of comprehensive income, other comprehensive income and equity

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Total current tax	**179**	**179**	88	88

Reconciliation of effective tax rate

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Surplus for the year	**4,509**	**4,080**	4,420	3,913
Tax at standard rate of 19% (2021: 19%)	**1,580**	**1,498**	840	743
Expenses not deductible	**4**	**-**	93	120
Charitable tax exemptions	**(1,280)**	**(1,255)**	(673)	(673)
Gift aid	**(107)**	**-**	-	-
Deferred tax not recognised	**17**	**4**	(70)	-
Effects of group and other reliefs	**-**	**(67)**	(102)	(102)
Losses	**(29)**	**-**		
Tax rate changes	**(6)**	**(1)**	-	-
Total tax charge included in profit or loss	**179**	**179**	88	88

In total, the Group has an unrecognised deferred tax asset of £1.2m and Association £1.2m (2021: Group £1.0m and Association £0.9m).

In the March 2021 Budget, the UK Government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. This will increase the future current tax charge accordingly.

Notes to the financial statements (continued)

for the year ended 31 March 2022

10. Tangible fixed assets – housing properties

Group	Housing properties held for letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
Cost					
Reported at 1 April 2021	1,251,851	8,694	13,802	1,645	1,275,992
Additions	130	-	15,535	-	15,665
Enhancements	32,416	-	-	-	32,416
Interest capitalised	-	-	567	-	567
Schemes completed	19,939	-	(19,939)	-	-
Disposals	(7,145)	(248)	-	(18)	(7,411)
At 31 March 2022	**1,297,191**	**8,446**	**9,965**	**1,627**	**1,317,229**
Depreciation					
Reported at 1 April 2021	246,879	147	-	422	247,448
Depreciation charge for the year	28,371	-	-	27	28,398
Disposals	(2,824)	(5)	-	(2)	(2,831)
Impairment	101	-	-	8	109
At 31 March 2022	**272,527**	**142**	**-**	**455**	**273,124**
Net book value					
At 31 March 2022	**1,024,664**	**8,304**	**9,965**	**1,172**	**1,044,105**
At 31 March 2021	1,004,972	8,547	13,802	1,223	1,028,544

Security
£873.1m (26,875 units) of completed properties net book value is held as security against debt (note 21).

Borrowing costs
The amount of borrowing costs capitalised to tangible fixed assets – housing properties during the period was £567,000 (2021: £133,000) with a capitalisation rate of 4.19% (2021: 4.19%).

Social housing assistance
The amount of social housing grant received or receivable during the current year was £5.079m (2021: £2.335m) and is held in deferred income. See note 23 for the cumulative grant position.

Deemed cost
On transition to FRS 102 in 2015/16 the Group took the option to hold revalued assets at deemed cost. The closing historic cost net book value of these assets is £687,898,000 (2021: £715,254,000).

Impairment
An impairment assessment is only required where any impairment indicators are identified. No general impairment indicators, which would require a full impairment assessment of all housing properties, have been identified. However, a provision of £0.1m has been made for specific circumstances, being garages and properties identified for demolition.

Notes to the financial statements (continued)
for the year ended 31 March 2022

10. Tangible fixed assets – housing properties (continued)

Expenditure to works on existing properties:

	2022	2021
	£'000	£'000
Amounts capitalised – enhancements	**32,416**	21,754
Amounts charged to statement of comprehensive income (note 2b)	**4,986**	8,230
	37,402	29,984

Notes to the financial statements (continued)
for the year ended 31 March 2022

10. Tangible fixed assets – housing properties (continued)

Association	**Housing properties held for letting £'000**	**Shared ownership £'000**	**Housing properties under construction £'000**	**Garages held for letting £'000**	**Total £'000**
Cost					
Reported at 1 April 2021	1,257,364	9,435	13,802	1,495	1,282,096
Additions	130	-	15,535	-	15,665
Enhancements	32,416	-	-	-	32,416
Interest capitalised	-	-	567	-	567
Schemes completed	19,939	-	(19,939)	-	-
Disposals	(7,145)	(248)	-	(18)	(7,411)
At 31 March 2022	**1,302,704**	**9,187**	**9,965**	**1,477**	**1,323,333**
Depreciation					
Reported at 1 April 2021	247,367	149	-	271	247,787
Depreciation charge for the year	28,479	-	-	27	28,506
Disposals	(2,824)	(5)	-	(2)	(2,831)
Impairment	101	-	-	8	109
At 31 March 2022	**273,123**	**144**	**-**	**304**	**273,571**
Net book value					
At 31 March 2022	**1,029,581**	**9,043**	**9,965**	**1,173**	**1,049,762**
At 31 March 2021	1,009,997	9,286	13,802	1,224	1,034,309

Security
£873.1m (26,875 units) of completed properties net book value is held as security against debt (note 21).

Borrowing costs
The amount of borrowing costs capitalised to tangible fixed assets – housing properties during the period was £567,000 (2021: £133,000) with a capitalisation rate of 4.19% (2021: 4.19%).

Social housing assistance
The amount of social housing grant received, or receivable was £5.079m (2021: £2.335m) and is held in deferred income. See note 23 for the cumulative grant position.

Deemed cost
On transition to FRS 102 in 2015/16 the Group took the option to hold revalued assets at deemed cost. The closing historic cost net book value of these assets is £687,898,000 (2021: £715,254,000).

Impairment
An impairment assessment is only required where any impairment indicators are identified. No general impairment indicators, which would require a full impairment assessment of all housing properties, have been identified. However, a provision of £0.1m has been made for specific circumstances, being garages and properties identified for demolition.

Notes to the financial statements (continued)
for the year ended 31 March 2022

10. Tangible fixed assets – housing properties (continued)

Expenditure to works on existing properties:

	2022	2021
	£'000	£'000
Amounts capitalised – enhancements	32,416	21,754
Amounts charged to statement of comprehensive income (note 2b)	4,986	8,230
	37,402	29,984

Notes to the financial statements (continued)

for the year ended 31 March 2022

11. Tangible fixed assets – other

Group	**Land and buildings**	**Furniture, fixtures and fittings**	**Vehicles and equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2021	20,760	2,113	6,977	29,850
Additions	-	366	1,982	2,348
Disposals	(1,304)	-	-	(1,304)
At 31 March 2022	**19,456**	**2,479**	**8,959**	**30,894**
Depreciation and impairment				
At 1 April 2021	8,657	783	2,822	12,262
Depreciation charge for the year	326	228	1,051	1,605
Disposals	(633)	-	-	(633)
At 31 March 2022	**8,350**	**1,011**	**3,873**	**13,234**
Net book value				
At 31 March 2022	**11,106**	**1,468**	**5,086**	**17,660**
At 31 March 2021	12,103	1,330	4,155	17,588

The net book value of land and buildings comprises:

	2022	2021
	£'000	£'000
Freehold	**10,463**	10,788
Long leasehold	**643**	1,315
	11,106	12,103

Notes to the financial statements (continued)

for the year ended 31 March 2022

11. Tangible fixed assets – other (continued)

Association	**Land and buildings £'000**	**Furniture, fixtures and fittings £'000**	**Vehicles and Equipment £'000**	**Total £'000**
Cost				
At 1 April 2021	20,911	2,145	6,658	29,714
Additions	-	366	1,982	2,348
Disposals	(1,304)	-	-	(1,304)
At 31 March 2022	**19,607**	**2,511**	**8,640**	**30,758**
Depreciation and impairment				
At 1 April 2021	8,732	784	2,507	12,023
Depreciation charged for the year	332	228	1,037	1,597
Disposals	(633)	-	-	(633)
At 31 March 2022	**8,431**	**1,012**	**3,544**	**12,987**
Net book value				
At 31 March 2022	**11,176**	**1,499**	**5,096**	**17,771**
At 31 March 2021	12,179	1,361	4,151	17,691

The net book value of land and buildings comprises:

	2022 £'000	2021 £'000
Freehold	**10,533**	10,864
Long leasehold	**643**	1,315
	11,176	12,179

Notes to the financial statements (continued)
for the year ended 31 March 2022

12. Investment properties - Group and Association

	Freehold
	£'000
At 1 April 2021	**9,045**
Fair value adjustment for investment property	**(958)**
At 31 March 2022	**8,087**

In accordance with FRS 102, investment properties are held at fair value and are not depreciated.

2022: Management have reviewed the fair value of the investment properties as at 31 March 2022 and as a result of this, a fair value decrease of £958k was required. The review, which is supported by market evidence, is prepared by considering potential divestment values and the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment properties is accounted for as described in the turnover accounting policy. The Directors consider the remaining carrying value of investment properties to be an appropriate fair value.

2021: £9m of investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable, and assumed net effective rent yields, from the properties and where relevant, associated costs. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income. As a result of these valuations, a fair value increase of £786k has been applied.

13. Other investments - Group and Association

	2022	2021
	£'000	£'000
Debt Service Reserve (DSR) (see below)	**-**	32,387
Other investments	**30**	30
	30	32,417

At 31 March 2021, the investment assets (DSR) were additional security for the £212.8m loan from The Housing Finance Corporation (T.H.F.C.).

The corporate bonds that comprised the majority of the DSR were all sold during the year. Prior to their disposal these bonds were revalued annually. Prior to FRS 102 the revaluation movements were booked to other comprehensive income and a revaluation reserve. The value which accumulated in revaluation reserves was £8.874m. The £8.874m which was accounted for in revaluation reserves should have crystalised and been transferred into revenue reserves on conversion to FRS 102. This transfer between reserves has now been transacted. The required DSR is now a fixed cash amount of £26.6m and will remain at this level until the T.H.F.C. loan is fully repaid. This is presented in debtors, cash held in secured accounts, see note 19.

DSR movements:

	Market value
	£'000
At 1 April 2021	32,387
Addition	3,500
Revaluation	(1,357)
Transfer to current cash	(7,976)
Transfer to cash held in secured accounts (note 19)	(26,554)
At 31 March 2022	**-**

Notes to the financial statements (continued)

for the year ended 31 March 2022

14. Investment in subsidiaries

Association	**Investment in subsidiaries 2022 £'000**	Investment in subsidiaries 2021 £'000
Cost and net book value		
At 31 March	**250**	350

The Association has the following investments in subsidiaries:

Subsidiary undertakings	**Aggregate of capital and reserves**	**Profit/(loss) for year**	**Country of incorporation**	**Registered number**	**Class and percentage of shares held**
Non-registered providers	**£'000**	**£'000**			
Gentoo Homes Limited	977	1,730	England	04739226	Ordinary – 100%
Gentoo Developments Limited	13	(26)	England	06192887	Ordinary – 100%
Gentoo Genie Limited	423	328	England	07083129	Ordinary – 100%
Genie Homeplan Limited*	-	-	England	07103094	Ordinary – 100%
Gentoo Services Limited*	-	-	England	12521655	Ordinary – 100%
Cottier Grange Estates Management Company Limited**	-	-	England	11375748	Ordinary – 100%
Meadow View (Houghton Le Spring) Residents Management Company Limited**	-	-	England	12358797	Ordinary – 100%

*Dormant subsidiaries
** Subsidiaries of Gentoo Homes Limited

The subsidiaries' registered office is Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.

Intra-group trading is undertaken at arm's length and is predominantly tender or market driven. During the year intra-group transactions with non-regulated group subsidiaries were**:**

	Sales to 2022 £'000	**Purchases from 2022 £'000**	Sales to 2021 £'000	Purchases from 2021 £'000
Gentoo Homes Limited				
Group management charges	**657**	**-**	661	-
Gentoo renewal plan	**-**	**172**	-	676
Group interest charges	**1,212**	**-**	1,141	-
Developments interest charges	**4**	**-**	46	-
	1,873	**172**	1,848	676
Gentoo Developments Limited				
Gentoo Homes interest charges	**-**	**4**	-	46
	-	**4**	-	46
Gentoo Genie Limited – interest charge	**101**	**-**	154	-
	1,974	**176**	2,002	722

Notes to the financial statements (continued)
for the year ended 31 March 2022

15. HomeBuy loans receivable - Group and Association

	Total
	£'000
Loans advanced to borrowers at 1 April 2021	**423**
Repaid during the year	**(65)**
Loans advanced to borrowers at 31 March 2022	**358**

16. Stock

	Group	**Association**	Group	Association
	2022	**2022**	2021	2021
	£'000	**£'000**	£'000	£'000
Properties under construction	**45,682**	**-**	38,586	-
Completed properties	**2,481**	**-**	1,594	-
Properties held for resale	**2**	**-**	868	-
Land held for development	**10,521**	**10,521**	10,088	10,088
Raw materials and consumables	**693**	**692**	600	600
	59,379	**11,213**	51,736	10,688

There are a number of developments that have funding agreed from Homes England's Home Building Fund (note 20). This funding will be secured by way of a first charge against the land to be developed, and is applicable to the following sites:

Churchfields, Sunderland   Sweetbriar Park, Darlington

17. Debtors

	Group	**Association**	Group	Association
	2022	**2022**	2021	2021
	£'000	**£'000**	£'000	£'000
Rents and service charges receivable	**6,243**	**6,243**	7,162	7,162
Less: provision for bad and doubtful debts	**(3,552)**	**(3,552)**	(4,347)	(4,347)
Net rent and service charge debtors	**2,691**	**2,691**	2,815	2,815
Trade debtors	**1,287**	**1,219**	625	552
Less: provision for bad debts and doubtful debts	**(2)**	**1**	(127)	(127)
Amounts owed by group undertakings	**-**	**9,430**	-	10,497
Other debtors	**1,986**	**3,565**	2,985	2,928
Cash held in secured accounts	**-**	**-**	5	-
Prepayments and accrued income	**4,699**	**3,717**	6,465	5,670
	10,661	**20,623**	12,768	22,335

Transactions with subsidiaries are undertaken at arm's length (see notes 14, 18 and 19).

The amounts owed by group undertakings is with the Association's subsidiaries Gentoo Homes Limited £9,424k and Gentoo Genie Limited £6k.

Notes to the financial statements (continued)

for the year ended 31 March 2022

18. Creditors: amounts falling due within one year

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Bank overdraft	**-**	**-**	68	12
Commercial debt (note 21)	**13,262**	**13,262**	9,592	9,592
Trade creditors	**2,802**	**1,971**	3,418	2,770
Rent and service charges received in advance	**3,633**	**3,633**	3,552	3,552
Taxation and social security	**880**	**879**	798	796
Other creditors	**5,105**	**4,524**	6,343	4,618
Amounts owed to group undertakings	**-**	**433**	-	-
Deferred capital grant (note 23)	**191**	**191**	133	133
Accruals and deferred income	**19,939**	**14,666**	11,472	7,275
	45,812	**39,559**	35,376	28,748

The amounts owed to group undertakings is with the Association's subsidiary Gentoo Homes Limited.

Accruals and deferred income includes a provision of £1.2m relating to repair works required to housing properties as a result of damage caused by Storm Arwen.

Leaseholders' funds

As at 31 March 2022 the Group and Association held funds on behalf of leaseholders in respect of schemes under management of £2.6m (2021: £2.2m). These are included in other creditors within creditors: amounts falling due within one year.

Notes to the financial statements (continued)

for the year ended 31 March 2022

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

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Other debtors	**-**	**-**	700	700
Cash held in secured accounts	**26,554**	**26,554**	-	-
Amounts owed by group undertakings	**-**	**28,465**	-	26,459
Genie Home Purchase Plans (HPP)	**2,463**	**305**	3,498	328
Deferred income	**(523)**	**(116)**	(733)	(116)
	28,494	**55,208**	3,465	27,371

The HPP arrangements are valued at fair value. Management have reviewed the fair value of the HPP arrangements as at 31 March 2022 and, as a result of this, a Group fair value increase of £103k (2021: £222k) was required. Deferred income relates to the difference between the cost of the property to the Group and the value it has been purchased by the customer. Deferred income is released to the statement of comprehensive income upon the Group no longer having a share in the property. Whilst some of the above balance may crystallise in under one year, it is not possible to reliably quantify, therefore, these amounts have been included in debtors due after more than one year.

The loans with the subsidiaries carry the same terms and conditions as the loan agreement between the parent company and the Group's funders and includes the interest charge which will fluctuate in accordance with changes in SONIA. The imputed interest on the loans reflects a commercial interest rate. Gentoo Group has taken the practical expedient allowed under Section 11.20C of FRS 102 in respect of interest rate benchmark reform. This is on the basis that the change to the interest rate is a direct consequent of interest rate benchmark reform, and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change.

The amounts owed by group undertakings is with the Association's subsidiaries, Gentoo Homes Limited £27m and Gentoo Genie Limited £1.5m.

Cash held in secured accounts represents the additional security required for the £212.8m loan from T.H.F.C. To meet security requirements the £26.6m needs to be held in a secured account until the debt is repaid. This cash cannot be drawn for use in the business until this point.

Notes to the financial statements (continued)

for the year ended 31 March 2022

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

	Group 2022 £'000	**Association 2022 £'000**	Group 2021 £'000	Association 2021 £'000
Commercial debt (note 21)	**484,227**	**484,227**	486,730	486,730
Other debt (note 21)	**5,274**	**-**	-	-
Deferred capital grant (note 23)	**24,747**	**24,747**	19,942	19,942
Other creditors	**12,110**	**12,110**	12,110	12,110
Recycled capital grant fund (note 22)	**577**	**577**	147	147
	526,935	**521,661**	518,929	518,929

The commercial debt is secured by way of a fixed charge on the housing properties of the Group. Interest is charged to the subsidiary companies based on the amounts that are on-lent during the year.

In March 2021 a funding facility was agreed with Homes England which provides funding of £9.1m relating to two schemes via the Home Building Fund. The security for this facility was put in place during the year and £5.3m of funding was drawn at 31 March 2022. Loan repayments are variable dependent upon actual sales performance however the ultimate repayment date is March 2024.

Notes to the financial statements (continued)

for the year ended 31 March 2022

21. Debt analysis

Borrowings

	Group 2022 £'000	Association 2022 £'000	Group 2021 £'000	Association 2021 £'000
Due within one year				
Bank overdraft	**-**	**-**	68	12
Bank loans	**13,432**	**13,432**	9,762	9,762
Issue costs	**(170)**	**(170)**	(170)	(170)
	13,262	**13,262**	9,660	9,604
Due after more than one year				
Bank loans	**485,437**	**485,437**	488,110	488,110
Other loans	**5,274**	**-**	-	-
Issue costs	**(1,210)**	**(1,210)**	(1,380)	(1,380)
	489,501	**484,227**	486,730	486,730
Total borrowings	**502,763**	**497,489**	496,390	496,334

Security

The commercial loans are secured by way of a fixed charge on the housing properties of the Association.

Terms of repayment and interest rates

Bank loans are repaid by both annual instalments and bullet repayments. The final instalments fall to be repaid in the period from 2032 to 2042. The group borrows at both fixed and variable interest rates with fixed rates of interest ranging from 1.175% to 6.38%. The groups fixed rate debt includes fixed rate loans embedded within our loan agreements. These basic embedded fixed rate loans are not subject to cash calls required by stand-alone swaps.

At 31 March 2022 the Group had undrawn borrowing facilities of £85.7m (2021: £94.9m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group 2022 £'000	Association 2022 £'000	Group 2021 £'000	Association 2021 £'000
Within one year or on demand	**13,262**	**13,262**	9,660	9,604
One year or more but less than two years	**19,532**	**14,258**	13,282	13,282
Two years or more but less than five years	**79,228**	**79,228**	45,562	45,562
Five years or more	**390,741**	**390,741**	427,886	427,886
	502,763	**497,489**	496,390	496,334

Notes to the financial statements (continued)
for the year ended 31 March 2022

22. Recycled Capital Grant Fund - Group and Association

	£'000
At 1 April 2021	**147**
Grants recycled (note 23)	**52**
Grants recycled from reserves	**378**
Balance at 31 March 2022	**577**

There are no amounts (2021: £nil) three years old or older where repayment may be required.

23. Social Housing Grant – Group and Association

	2022	2021
Cost	**£'000**	£'000
At 1 April	**20,695**	18,285
Received during the year	**5,079**	2,335
Transferred from RCGF	**-**	94
Recycled on disposal	**(52)**	(19)
At 31 March	**25,722**	20,695
Amortisation		
At 1 April	**620**	486
Released in the year	**165**	134
Released on disposal	**(1)**	-
At 31 March	**784**	620
At 31 March	**24,938**	20,075

	2022	2021
	£'000	£'000
Amounts to be released within one year	**191**	133
Amounts to be released in more than one year	**24,747**	19,942
	24,938	20,075

Notes to the financial statements (continued)

for the year ended 31 March 2022

24. Employee benefits

Pension Schemes – Group and Association

The disclosures below relate to the Tyne and Wear Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme. The Group participates in the Fund which provides defined benefits, based on members' career average pensionable salary. The last full actuarial valuation was performed on 31 March 2019.

Net pension asset / (liability)	2022 £'000	2021 £'000
Defined benefit obligation	**(349,370)**	(363,130)
Plan assets	**386,420**	359,860
Restriction for asset ceiling*	**(37,050)**	-
Net pension	**-**	(3,270)

Movements in present value of defined benefit obligation	2022 £'000	2021 £'000
At 1 April	**363,130**	292,970
Current service cost	**12,990**	10,700
Past service cost	**200**	-
Interest expense	**7,550**	6,670
Contributions by members	**1,800**	1,990
Actuarial (gain) / loss on scheme liabilities	**(27,130)**	58,700
Benefits paid	**(9,170)**	(7,980)
Curtailment cost	**-**	80
At 31 March	**349,370**	363,130

Movements in fair value of plan assets	2022 £'000	2021 £'000
At 1 April	**359,860**	293,430
Interest income	**7,580**	6,790
Remeasurement: return on plan assets less interest income	**17,000**	55,600
Contributions by employer	**9,350**	10,030
Contributions by members	**1,800**	1,990
Benefits paid	**(9,170)**	(7,980)
At 31 March	**386,420**	359,860

Expense recognised in the statement of comprehensive income	2022 £'000	2021 £'000
Current service cost	**(12,990)**	(10,700)
Past service cost	**(200)**	-
Net interest on net defined benefit liability	**30**	120
Curtailment cost	**-**	(80)
Total expense recognised in the statement of comprehensive income	**(13,160)**	(10,660)

* The asset has been restricted to comply with FRS 102 paragraph 28. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. These criteria were not considered to be met, specifically as the scheme is in a funding deficit, a reduction in future contributions is not available and contributions are not based on the FRS 102 valuation. An asset was therefore not recognised.

Notes to the financial statements (continued)
for the year ended 31 March 2022

24. Employee benefits (continued)

	2022	2021
	£'000	£'000
Actuarial gain / (loss) in respect of pension asset	**44,130**	(3,100)
Adjustment in respect of asset ceiling	**(37,050)**	460
Total amount recognised in other comprehensive income	**7,080**	(2,640)

The fair value of the plan assets were allocated as follows:

	2022	**2022**	2021	2021
	Fair value	**Fair value**	Fair value	Fair value
	£'000	**%**	£'000	%
Equities	**220,250**	**57.0**	199,720	55.5
Government bonds	**7,730**	**2.0**	7,920	2.2
Corporate bonds	**72,650**	**18.8**	71,250	19.8
Property	**32,460**	**8.4**	28,430	7.9
Cash	**6,960**	**1.8**	14,390	4.0
Other	**46,370**	**12.0**	38,150	10.6
	386,420	**100**	359,860	100

The principal actuarial assumptions (expressed as weighted averages) at the year- end were as follows:

	2022	2021
	%	%
Discount rate	**2.8**	2.1
Future salary increases	**4.4**	3.1
CPI inflation	**2.9**	2.6
Pension increases	**2.9**	2.6
Pension accounts revaluation rate	**2.9**	2.6
	£'000	£'000
Actual return on plan assets	**24,580**	62,390

The mortality assumptions at the year-end were as follows:

	2022	2021
Current Pensioner aged 65		
Male	**21.8**	21.9
Female	**25.0**	25.1
Future retiree upon reaching 65		
Male	**23.5**	23.6
Female	**26.7**	26.9

The assumptions relating to longevity underlying the pension liabilities in the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for the number of years stated above.

Notes to the financial statements (continued)

for the year ended 31 March 2022

24. Employee benefits (continued)

Sensitivity analysis

The following table provides an indication of the sensitivity to changes in assumptions. The impact on the statement of comprehensive income tends to be hard to predict.

	Change	**Change in present value of total obligation £'000**	**Change**	**Change in present value of total obligation £'000**
Adjustment to discount rate	+0.1% p.a.	(8,380)	-0.1% p.a.	8,730
Adjustment to salary increase rate	+0.1% p.a.	1,400	-0.1% p.a.	(1,400)
Adjustment to pension increase rate	+0.1% p.a.	7,340	-0.1% p.a.	(6,990)
Adjustment to mortality age rate assumption	-1 year	11,880	+1 year	(11,530)

25. Capital commitments – Group and Association

	2022	2021
	£'000	£'000
Expenditure contracted for but not provided for in the financial statements	**128,382**	58,794
Expenditure authorised by Board but not contracted	**154,556**	278,376
	282,938	337,170

The commitments will be funded through Grant £2m (2021: £38.3m), social housing property Right to Buy and Right to Acquire sales £6.7m (2021: £6.0m), existing facilities £89.8m (2021: £95.0m) and cash generated from operations and new facilities £184.4m (2021: £197.9m).

26. Contingent liabilities

Grant

The Group receives a grant from Homes England which is used to fund the acquisition and development of housing properties and their components. Under transition to FRS 102 revalued housing properties were held at deemed cost. For these properties grant is recognised under the performance model and £48.9m (2021: £49.3m) of such grant has been credited to reserves. The Group has a future obligation to recycle or repay such grant once these properties are disposed of. As at 31 March 2022 the timing of any future disposal is uncertain.

Notes to the financial statements (continued)

for the year ended 31 March 2022

27. Other financial commitments

Non-cancellable operating lease rentals (primarily relating to operational fleet vehicles) are payable as follows:

Group	2022	2021
	£'000	£'000
Less than one year	**1,780**	1,835
Between one and five years	**3,520**	5,236
More than five years	**-**	76
	5,300	7,147

During the year £1,868k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2021: £1,854k).

Association	2022	2021
	£'000	£'000
Less than one year	**1,700**	1,753
Between one and five years	**3,179**	4,918
More than five years	**-**	4
	4,879	6,675

During the year £1,787k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2021: £1,833k).

28. Related parties

Identity of related parties with which the Association has transacted

The Board as at 31 March 2022 includes one Member who is an elected member of the Sunderland City Council ('Local Authority' (LA)). The Association and Group undertake transactions with the LA on an arm's length basis in the normal course of business.

	2022	2021
Transactions with the LA during the year were:	**£'000**	£'000
Sales to the LA	**42**	189
Purchases from the LA	**1,128**	954

	Receivables outstanding	**Creditors and accruals outstanding**	Receivables outstanding	Creditors and accruals outstanding
	2022	**2022**	2021	2021
	£'000	**£'000**	£'000	£'000
Local Authority	**160**	**116**	20	44

The Board also includes one Member who is a tenant of the Association. In addition, a Board Member's close family member is a tenant of the Association. The rent and service charges for the year in respect of these tenancies totalled £5,016. The terms of the tenancy arrangements held by these individuals are consistent with those offered to other tenants of the Association and at the end of the year no amount was due to the Association in respect of these tenancies.

Notes to the financial statements (continued)

for the year ended 31 March 2022

29. Accounting estimates and judgements

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

Estimates uncertainty

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment, changes to the Decent Homes Standard and changes to circumstances which may require more frequent replacement of key components. Accumulated depreciation of housing properties as at 31 March 2022 was £273.1m. The carrying amount of the housing properties was £1,044.1m at the year ended 31 March 2022.

Defined benefit obligation (DBO)

Other judgement areas particularly in respect of financial and actuarial assumptions are based on best estimates derived from the Group's policies and practices which have been applied consistently across all pension schemes operated by the Group where appropriate, and confirmed with actuaries where these are beyond management expertise, e.g. mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 24). The net unrecognised defined benefit pension asset at 31 March 2022 was £37.1m.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may

Fair value measurement (continued)

vary from the actual prices. Fair value measurements were applied to investment properties and HPP arrangements in the year. Refer to notes 12, 19 and 32 for more details.

Property components and lives

Management review annually the assigned lives of assets and individual components. These decisions are made based on historic knowledge of the Group's assets and benchmarking against similar organisations. See note 1.7 for more details.

Recoverable amount of rental and other debtors

Rental and other debtors are categorised into debt types based on value bandings. Each banding is reviewed and assigned a recoverability percentage based upon management's knowledge of the recovery in that category. This is used to determine the expected recoverability and therefore value of rental and other debtors to recognise in the financial statements. The values recognised are disclosed in note 17.

Valuation of work in progress and land held for development

Stock is carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ considerable judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required. For both financial years, a full review of stock and land held for development has been performed. Estimated selling prices and costs have been reviewed on a site by site/phase by phase basis and have been amended based on local management and the Board's assessment of current market conditions. For the year ended 31 March 2022 an impairment charge of £nil (2021: £1.4m land) and, in 2021, the reversal of the prior year impairment of £1.2m, has resulted from the review.

Notes to the financial statements (continued)

for the year ended 31 March 2022

29. Accounting estimates and judgements (continued)

Gross profit recognition

Gross profit for completed house sales is recognised based on the latest whole site/phase gross margin which is an output of the site/phase valuation. These valuations, which are updated at frequent intervals throughout the life of the site/phase, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions.

Judgements

Property classifications

The categorisation of property assets as investment properties or fixed assets is a matter of judgement and is based on the intended use of the property. Where the property is used for social benefit it is categorised as a fixed asset. Only property which is intended to be used for commercial return or capital appreciation is categorised as an investment property. See note 12 for further details.

Impairment assessment

Indicators of impairment are considered annually and where an indicator exists, an impairment assessment is performed. This assessment applies management judgement in whether the indicator of impairment is applicable, and the key indicator of impairment has been identified. For the year ended 31 March 2022 an impairment charge of £0.1m (2021: £nil) resulted from this review.

Defined Benefit Obligation

The net unrecognised defined benefit pension asset at 31 March 2022 was £37.1m. The asset has been restricted to comply with FRS 102 paragraph 28. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. These criteria were not considered to be met, specifically as the scheme is in a funding deficit, a reduction in future contributions is not available and contributions are not based on the FRS 102 valuation. An asset was therefore not recognised.

30. Share capital – Group and Association

	2022	2021
	£	£
Ordinary shares at £1 each at 1 April	**11**	10
Issued during the year	**2**	4
Surrendered during the year	**(2)**	(3)
At 31 March	**11**	11

The share capital is represented by 1 share held by each Member of the Association. Shareholders have a right to attend and vote at general meetings. Shareholders have no rights to a distribution on a winding up and have no rights to dividends.

Notes to the financial statements (continued)
for the year ended 31 March 2022

31. Analysis of changes in net debt - Group

	At 1 April 2021	**Cashflows**	**Other non-cash movements**	**At 31 March 2022**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	137	13,794	-	13,931
Bank overdraft	(68)	68	-	-
	69	**13,862**	**-**	**13,931**
Bank loans due within one year	(9,592)	9,592	(13,262)	(13,262)
Bank loans due in greater than one year	(486,730)	(16,033)	13,262	(489,501)
	(496,253)	**7,421**	**-**	**(488,832)**

32. Financial Instruments – non basic

	2022	2021
	£'000	£'000
Financial assets measured at fair value through surplus and deficit	**1,848**	2,666

The above non-basic financial instruments relate to the HPP arrangements of Gentoo Genie, one of the Group's subsidiaries. Details of the relevant accounting policies and treatment are included in notes 1.6 and 19.

The key risk associated with the above would be considered to be recovery of the amounts due. This is mitigated by the following:

- The customer contract fixes the settlement balance as being no lower than the original property sales price therefore providing protection against downwards HPI.
- The risk of customer default is reduced through a Board approved arrears policy and the legal contract in place which allows the Company to seek possession should the customer default.

33. Subsequent events

Since the year end the Group has continued to progress its treasury strategy, namely exploring increasing its loan facilities to support the long-term funding of the Group Business Plan. In addition to increasing the facility the Group is considering a wider restructure of the Group's funding arrangements. Whilst this refinancing work is progressing well, it is not possible at this stage to estimate its financial effect.

Notes to the financial statements (continued)

for the year ended 31 March 2022

34. Housing stock – Group and Association

	Group and Association at 2021	**Units developed or acquired**	**Units sold or demolished**	**Other movements**	**Group and Association at 2022**
Social housing: owned and managed					
General needs social rent	26,791	-	(111)	1	26,681
Intermediate rent	70	-	(1)	(41)	28
Affordable rent	1,426	121	(9)	38	1,576
Shared ownership	169	-	(5)	-	164
Houses for older people	191	-	-	-	191
Houses for older people – affordable rent	42	-	-	-	42
Supported housing	6	-	-	-	6
Supported housing – affordable rent	2	-	-	(1)	1
Total social housing: owned and managed	**28,697**	**121**	**(126)**	**(3)**	**28,689**
Social housing: managed not owned					
General housing social rent	5	-	-	-	5
Supported housing	12	-	-	-	12
Leasehold schemes – freehold retained	717	3	(5)	(4)	711
Total social housing: managed not owned	**734**	**3**	**(5)**	**(4)**	**728**
Social housing: owned not managed					
General housing social rent	16	-	-	-	16
Affordable rent	-	-	-	1	1
Supported housing	141	-	-	1	142
Total social housing: owned not managed	**157**	**-**	**-**	**2**	**159**
Total social housing stock	**29,588**	**124**	**(131)**	**(5)**	**29,576**
Non-social housing: owned and managed					
Rented owned	63	-	-	(63)	-
Non-social housing: owned not managed					
Rented owned	-	-	-	63	63
Non-social housing: managed not owned					
Leasehold schemes – freehold retained	215	-	-	(200)	15
Non-social housing: not managed not owned					
Leasehold schemes – freehold retained	-	-	-	200	200
Total non-social housing stock	**278**	**-**	**-**	**-**	**278**
Total housing stock	**29,866**	**124**	**(131)**	**(5)**	**29,854**