arhag
HOUSING ASSOCIATION

ANNUAL REPORT & FINANCIAL STATEMENTS

2021/2022

CONTENTS

KEY MANAGEMENT PERSONNEL, COMPANY SECRETARY, REGISTERED OFFICE AND PRINCIPAL ADVISERS

Board of Management:

Qadeer Kiani OBE
Chair

Bulbul Ali*
Board / Operations Committee

David Maitland*
Board / Audit & Risk Committee

Abdul Basith
Board / Operations Committee

Pat Davies
Board / Audit & Risk Committee

Boe Williams
Board / Operations Committee

Amarjit Bains
Board / Operations Committee
Appointed: September 2021

Keith Best
Board / Audit & Risk Committee
Appointed: September 2021

Helen Gribble
Board / Operations Committee
Appointed: September 2021

Diana Hamilton
Board / Audit & Risk Committee
Appointed: September 2021

Mark Gomar
Vice-Chair / Audit & Risk Committee
Resigned: September 2021

Wayne Farah
Board / Operations Committee
Resigned: April 2021

*Denotes Committee Chair

Senior Management Team

Chris Harris
Chief Executive Officer
Appointed: June 2021

Andrew Shaw
Director of Finance & Resources

Tina Bull
Head of Housing

Shabana Yousaf
Director of Property,
Building Safety & Compliance
Appointed: May 2022

Jai Dosanjh
Interim Chief Executive Officer
Resigned: June 2021

Eileen Russell
Asset Management Consultant
Resigned: April 2022

Company Secretary and Registered Address

Chris Harris
Appointed: July 2021

Jai Dosanjh
Resigned: June 2021

Registered Office:
The People's Place, 80-92 High Street,
London E15 2NE

Principal Advisors

Statutory Auditor
CLA Evelyn Partners Limited
45 Gresham Street
London EC2V 7BG

Internal Auditor
Beever and Struthers
15 Bunhill Row
London EC1Y 8LP

Banker
National Westminster Bank PLC
Highbury & Islington Branch
218 Upper Street
London N1 1SA

CHAIR'S STATEMENT

Much of 2021/22 seemed more like a normal year with the spectre of the pandemic starting to fade to a distant memory. However, the pandemic has created a new norm with hybrid working becoming more common and widespread not only in the housing sector but across most white-collar business in the country. The year also ended with the Russia and Ukraine conflict resulting in a Refugee crisis in Europe.

"Internally Arhag enjoyed one of its most stable years because of key senior management and Board appointments."

The external environment during the year remained extremely unstable not only because of the war in Ukraine but because of the cost-of-living crisis, high energy prices and the ever-increasing rise in inflation which threatens to bring the UK economy into recession during 2022. However, internally Arhag enjoyed one of its most stable years because of key senior management and Board appointments.

Financial stability, the addition of 21 new units through an innovative partnering agreement with a local developer, strong safety compliance and improved performance on re-letting empty homes along with the re-establishment of relationships with our hub and external partners were some of the key highlights during the year. However, as always there is scope for improvement, especially on the delivery of our repairs service which remains one of the key priorities for the association.

Appointment of new repairs and gas contractors, completion of the stock condition survey, formulation of the communication and asset management strategies, supporting our residents to cope with the cost-of-living crisis and beating the drum for Migrants and Refugees will be the challenges facing Arhag in the next year. However, with the organisation now in a more stable state than it has been for many years, not to mention in rude financial health, Arhag is more than able to meet and exceed these challenges next year and beyond.

After nine years, I shall be stepping down as the Chair of Arhag at the AGM in September. During my tenure, and with the support of some great people, we have faced the many challenges posed and have together totally transformed Arhag into an organisation which is the envy of others.

Our successes include:

- Growing our stockholding by just over 60%
- Creating a Hub partnership for migrants and refugees at The People's Place
- Exponentially increasing Arhag's public relations and external profile
- Being awarded six national awards for services including best Black & Minority Ethnic (BME) organisation two years in succession
- Receiving the award of a successful consortium bid (six organisations) for £1m of Government funding from the Tampon Tax Fund
- Becoming one of the founder members of the very successful London BME Chairs/CEO Forum - which is a key partner on both the 2025 Leadership Programme and the Development Consortium with London and Quadrant Housing Association

I genuinely feel proud, privileged and honoured to have served the association for such a long time.

I am confident that with the very talented Senior Management Team along with the extremely experienced and passionate Board at the helm, my successor will be able to take the organisation to even greater heights.

I would formally like to place on record my thanks to the wider Arhag family and all those who have supported me over the past nine years and wish the association all the best in the next stage of its journey.

Qadeer Kiani OBE
Arhag Board Chair

CHIEF EXECUTIVE OFFICER'S STATEMENT

I joined Arhag in June 2021 and was privileged to be given the opportunity to lead a local BME Housing Association that has a clear and firm focus on working with migrants and refugees.

The importance of this focus has never been so prevalent given the events we have all witnessed over the last year around the world. My first week included the handover of 21 homes that we now manage on a 10-year lease, the recruitment process for four new Board members and an office where staff were still working remotely.

There is much to be proud of at Arhag. The heritage of the organisation alongside our work with our hub partners, based out of our office in Stratford and beyond, is key to our mission and vision.

As we finally come out of the pandemic, the challenges for us at Arhag and the Housing Sector are clear. Service standards and increased resident expectations around value for money and service excellence sit alongside rightfully increased scrutiny and responsibility for our homes to be properly maintained, enhanced to set standards, and plans made to meet net carbon zero and Energy Performance Certificate rating C and above.

We have been working hard to improve our service offer through an improvement programme (Building our Foundation) whilst we have replaced our website, sought a long-term repairs partner and carried out a full stock condition survey to mention a few key activities. We have a journey of improvement and continued focus on the resident experience to maintain and progress into 2022/23.

Our staff and our residents are central to our being, and we have worked with both groups to improve standards, our service offer and support to those entering and living in our communities. Our Resident Scrutiny Panel has been active throughout the year and involved in the recruitment of our new Chair for Arhag.

I would like to thank Qadeer, our outgoing Chair, for his nine-year tenure. He has overseen many positive changes within Arhag. He has been key to ensuring Arhag has developed its offer and homes, whilst remaining financially stable. Qadeer has been really supportive in my first year at Arhag and I am grateful for his support and guidance over that time.

The Arhag team are looking forward to delivering more improvements for our Residents, strengthening our migrant and refugee offer and creating new opportunities for us and our partners to work together.

We value our partnerships with sector groups such as BME London/National Landlords, National Housing Federation and local community groups and leaders. Closer, collaborative initiatives between us, can benefit all that we do.

An exciting year ahead!

Chris Harris
Chief Executive Officer

STRATEGIC REPORT OF THE BOARD

1. ABOUT ARHAG

PRINCIPAL ACTIVITIES

Arhag – African Refugee Housing Action Group – was founded in 1979 as a campaigning organisation for the better treatment of Migrants and Refugees. The aim was to provide a stable, decent, and affordable home which would act as the platform for residents to improve their lives, support their families and make a positive contribution to their communities.

In 1989 Arhag was formally registered with the Housing Corporation and spent the next just over 30 years working to become a good Housing Association. We now manage and own 911 homes across 14 London Boroughs and one borough outside Greater London. Most of our tenants are nominated by the Councils in the local authorities where we work.

Our principal activity is still to manage, maintain, build, and grow our social housing accommodation stock for both renting and home ownership, but in November 2016 we decided that, whilst a stable and decent home was a good platform, the other needs of Migrants and Refugees were not being met.

One such unmet need was health where we noticed that for various reasons many Migrants and Refugees ("M&R") – particularly those who are undocumented – became Isolated from the health service and often do not receive the service they need. Therefore, we decided to set ourselves up as a "go to" organisation and work in collaboration with partner agencies which provide a range of non-housing services as well as training and support for women suffering gender-based violence. As part of our commitment and passion for the "go to" agenda, in early July 2019 we moved into the People's Place in Stratford, which is now our head office and where we are joined by our M&R partner agencies.

"Our principal activity is still to manage, maintain, build and grow our social housing accommodation stock for both renting and home ownership."

ARHAG'S VISION, MISSION & VALUES

Our social purpose is enshrined in our vision, defines our mission, and informs our values.

Vision:

To ensure every migrant and refugee in London has a good home, is empowered to safeguard their individual rights, have their voice heard and make a full contribution to their community.

Mission:

To provide the best housing services to our customers while developing the potential of migrants and refugees in London.

Values

To further our vision and mission we have adopted five corporate values that underpin our aims and objectives:

- Trust
- Respect
- Accountability
- Customer care
- Innovation

Partnerships

Migrant & Refugee services

As a social landlord, we are not capable of providing all of the services required by migrants and refugees arriving or recently settled in the UK. We, therefore, see the creation of partnerships and the mutually beneficial signposting of customers between partners as the key to tackling social exclusion, growth, innovation, modernisation, cost effectiveness and delivery of customer orientated services.

Development

Our partnership approach was extended to growth in our core social landlord service when, in June 2021, we entered into a ten-year lease with a private property developer to manage and maintain 21 section 106 units in Stratford – with potentially another 100 in the pipeline. The lease-based approach to development enables Arhag to reduce our exposure to development risk yet enables Arhag to achieve a good return over the life of the leasing agreement. This is yet another example of our commitment and ability to grasp partnership opportunities to tackle housing shortages and enhance our income streams.

Employment

Through partnering with the Government's Kickstart programme, targeted at 16–24-year-olds, Arhag has been active in helping to introduce 2 young people to employment opportunities during the year and we are delighted that we were able to offer further opportunities to one of them after the scheme had concluded for them.

Social Landlord Groups

Since joining as CEO in June 2021, Chris Harris has been positively involved in re-building Arhag's active participation with other social housing landlord groups including:

- g320 – the group of smaller housing associations for London
- BME National – a collective of over 45 Black and Minority Ethnic (BME) housing associations working in some of the most disadvantaged parts of the country
- BME London Landlords (BMELL) – a collaboration of BME landlords in London to optimise the members' collective impact and to improve and advocate for better services provided to residents and the wider BME communities.
- National Housing Federation (NHF)

Following Arhag's more active participation with BMELL, we were delighted to host the organisation's Planning Day at The People's Place in June 2022.

ARHAG'S BUSINESS MODEL

Arhag is a London-based social landlord, with our business centre located in Stratford, East London.

Our core housing business is providing low-cost homes and related services to people in housing need. We are predominantly a general needs and intermediate rent landlord but we also provide a number of supported housing units and properties occupied by shared owners and leaseholders.

We provide supported accommodation and related services to migrants and refugees. We strive to be a good landlord to all our tenants, helping those most in need for housing. We provide and enable opportunities for migrants and refugees in London.

Within our operating area our properties are quite widely spread but geographically we have a much stronger presence in boroughs north of the River Thames than we do south with over half of our stock in just three boroughs, Newham, Tower Hamlets and Haringey.

	General Needs & Intermediate Rented	Supported Housing	Shared Owners & Leaseholders	Total	%
London Boroughs (North of the Thames)					
Newham	220	13	10	243	27%
Tower Hamlets	118	10	3	131	14%
Haringey	92			92	10%
Hammersmith & Fulham	63			63	7%
Enfield	56		6	62	7%
Camden	59			59	7%
Westminster	49			49	5%
Barnet	46			46	5%
Islington	40			40	4%
Kensington & Chelsea	30		1	31	4%
Brent	21			21	2%
London Boroughs (South of the Thames)					
Southwark	36		1	37	4%
Lambeth	12			12	1%
Lewisham	8			8	1%
Outside London					
Hertsmere	17			17	2%
Totals	**867**	**23**	**21**	**911**	**100%**

THE MIGRANT & REFUGEE (M&R) HUB

Arhag's business centre is The People's Place, close to the Olympic Stadium in Stratford, East London. The offices serve as a migrant & refugee (M&R) hub for bringing together the partner organisations in one location.

The M&R Hub was intended as a high priority in our business development plan going forward, providing as it does, not only Arhag's administrative business centre but also our agile space on the ground floor is a potential amenity for other groups serving and supporting the local community in and around Newham.

The M&R Hub was fitted out to a high specification, allowing Arhag and our fellow partners to move in and start work immediately. Having opened in the summer of 2019 the Hub had operated for less than a year before the Covid-19 pandemic resulted in governmental advice that all bar essential travel should cease, and staff should work from home where possible.

Daily occupation levels have varied significantly since then but a noticeable shift upwards in usage has been evident in the last few months. As this return to work materialises both we and our partners are reconsidering the way we work and the extent to which working from a corporate office is or is not a requirement going forward.

As part of our recognition of the shared M&R purpose and charitable objectives of our partner organisations, the income generated from the occupation of the space is discounted against market rates and ploughed back into reducing our administrative overheads, enabling us to fulfil better our core social purpose.

We are pleased that discussions with three of our partners are indicating that their requirements going forward are changing but that the net occupation of the available desk spaces in the building will be increasing and to date two other potential partners have emerged with a desire also to occupy desks at the Hub.

CHANGES IN BOARD MEMBERSHIP

On 23 September 2021 Arhag welcomed 4 new Board members to the organisation.

Amarjit Bains

Amarjit is the Programme Director for the homelessness support and prevention contracts across London. She is a senior leader with extensive experience of delivering strategy, operations and transformation in both the private and public sectors. She is well versed at collaborating across diverse and multiple stakeholders.

Amarjit has held leadership roles for more than a decade, managing central government contracts, leading teams in social housing and the private sector. She is a Board member at grassroots and mainstream organisations and an active member of Women in Social Housing (WISH).

Diana Hamilton

Diana has over 35 years' experience in Social Housing and Social Care, having been the Head of Housing in a local authority with responsibility for the housing stock and management of over 5,000 tenancies.

Diana was also Group Director of Operations in a large social care organisation with a budget of £30m and a staff group of 650 – leading the delivery of housing and social care services to people throughout England, Scotland and Northern Ireland.

Diana was the Chair of the Watford Domestic Violence forum as well as its Health and Safety Committee and holds a post-graduate qualification in Social Care Leadership.

Keith Best

Keith has been Chief Executive of complex organisations and a non-executive director of various bodies for over 30 years. He is currently adviser to the London Hotel Group, Executive Chair of WFM/IGP (international non-Governmental organisation), Chair of Wyndham Place Charlemagne Trust, Charity 2020 and Universal Peace Federation (UK) and Secretary to St James's Piccadilly, the Parliamentary Outreach Trust and European Movement.

Keith has made frequent media appearances on migration and other matters, is a Freeman of the City of London and a liveryman (Loriner).

Keith was formerly CEO of several national charities including Survivors UK, Freedom from Torture, IAS (Immigration Advisory Service), Prisoners Abroad; Vice Chair of the European Council on Refugees and Exiles; served on Foreign Secretary's Advisory Panel on Torture Prevention; was a practising barrister and Member of Parliament for the Anglesey/Ynys Môn constituency.

Helen Gribble

Helen is a Board-level Company Director with a track record of developing and implementing projects in support of strategic business goals. Her industry experience has included Travel & Hospitality, Rail Construction & Engineering, Financial Services, Not-for-profit, Retail and Professional Services within both the UK, Europe and Internationally.

With deep experience in HR and Organisational Development, in her current role Helen has responsibility for both the people and legal functions as well as opening new operating markets globally.

Helen has post-graduate qualifications in HR and general business. Helen also has an active interest in Refugee & Migrant issues including being a Board member of the CARAS (Community Action for Refugees and Asylum Seekers) charity Board for over five years.

WEBSITE AND INTRANET

Working in partnership with external consultants, we have made significant changes and improvements to our corporate website www.arhag.co.uk

Internally, we have introduced an Arhag intranet, GAPS (Green And Purple Star – in recognition of our logo), which is proving to be a great way of keeping staff informed of the latest news and upcoming events and gives them access to important information and documents.

RISK

Our main strategic business risks are reviewed at every Audit & Risk Committee (ARC) meeting and the Chair of ARC produces an annual report of the Committee's activities for consideration by the Board.

Risk	Impact	How We Manage Risk
Our customers' homes and our assets are not safe or compliant with legislative requirements	• Risk of injury to people • Disruption to service delivery • Poor customer service • Financial consequences • Criminal and/or civil prosecution • Regulatory consequences • Reputational damage	• Landlord compliance regime in place • Servicing and maintenance procedures • Standardised approach to fire regulation • Estate inspections include health and safety • Director of Property, Building Safety & Compliance in place to manage function • Data review and audit on system-held data • Independent compliance audits • Monthly reporting to Senior Management Team • Performance reporting to Operations Committee
We are subject to a successful cyber attack	• Service disruption • Data lost and/or corrupted • Fraudulent transactions lead to financial loss • Regulatory consequences • Data protection is compromised • Information Commissioner's Office fines/sanctions • Individual and/or class legal actions • Reputational damage	• Monitoring of network capacity and security infrastructure via external provider • Multifactor authentication pilot completed but further tests required • Vulnerability testing including penetration testing • Programme being rolled out for attaining Cyber Essentials certification • Restricted external access to corporate systems • Blocked legacy authentication • Mandatory annual cyber security training for all staff

Risk	Impact	How We Manage Risk
Our financial viability is not fully protected	• Unable to deliver services • Unable to deliver the commitments in the corporate plan – "go to" agenda • Regulatory consequences • Reputational damage • Reduced investment capacity • Reduced access to funding	• Long term financial plan (LTFP) in place • LTFP includes the approved Arhag annual budget and operational cashflows • Financial health indicators in place that monitor financial viability including financial covenant position • Stress testing regime implemented with Board • Financial health indicators discussed monthly by the Senior Management Team and on a quarterly basis by Audit and Risk Committee
Funding challenges	• Insufficient liquidity to meet our obligations • Unable to deliver services • Unable to deliver the corporate plan commitments • Regulatory consequences • Reputational damage • Reduced service & investment capacity	• Prudent liquidity policy that excludes capital receipts • Financial returns to the Regulator of Social Housing shared with Audit and Risk Committee and Board • Monthly monitoring by Senior Management Team • Lender relationship management led by Chief Executive Officer / Director of Finance & Resources.
We are not compliant with data protection legislation	• ICO fines / sanction • Individual and / or class legal actions • Regulatory consequences • Reputational damage	• Mandatory data protection training for all staff • Reports on staff completion of mandatory training • Robust data protection processes and procedures in place
Our business continuity plans are inadequate	• Disruption to service delivery • Poor customer service • Financial consequences • Criminal and/or civil prosecution • Regulatory consequences • Reputational damage	• Business continuity working practices in place to oversee arrangements • Local incident management teams are set up • Stress / scenario testing carried out annually • Core service information is backed up daily and replicated to the Cloud
Inability to attract/retain talented staff	• Poor customer service – increased customer dissatisfaction • Supporting and professional services are unable to support frontline delivery • Loss of corporate memory • High staff turnover impacts remaining staff negatively • Increased recruitment and reward costs	• New Senior Management Team in place providing consistency to staff • Building our Foundation – programme will identify and implement people-based improvements (People Strategy) • First People Strategy sessions held with over 50% staff attendance.

Risk	Impact	How We Manage Risk
Adverse media or social media attention compromises reputation and / or brand	• Damage to customer trust • Reputational damage • Loss of lender confidence • Credibility with stakeholders impacted • Increased regulatory scrutiny	• Proactive reputation management • Proactive stakeholder engagement • Regular proactive engagement with Regulator of Social Housing • Expert external advisors identified • Media and social media monitored by identified person
Poor budget management compromises our financial viability	• Unable to deliver services • Unable to deliver the commitments in the corporate plan • Regulatory consequences • Reputational damage • Reduced investment capacity • Reduced access to funding	• Senior Management Team engaged in budget setting process • Internal Auditors (Beever & Struthers) provide assurance on budget process • Budgets approved by Board • Monthly budget monitoring with Senior Management Team
Inflation, cost-of-living and / or political action on rents causes issues of affordability and will compromise our financial viability	• Unable to deliver services • Unable to deliver the commitments in the corporate plan • Regulatory consequences • Reputational damage • Reduced investment capacity • Reduced access to funding	• Scenario and stress testing of LTFP • Review Arhag operating model • Contracted services procured with agreed uplifts • Review service provider costs with particular emphasis on service chargeable costs • Support for customers most severely impacted
Inadequate management of a serious incident in our homes	• Negative customer impact • Service disruption • Financial loss • Reputational damage • Regulatory scrutiny and intervention	• Estate crisis management approach in place • Learning from previous incidents actively embedded in crisis management approach • Stakeholder communications and management plans in place • Monitoring by Operations Committee • Out of hours and escalation plans in place and updated regularly • Arrangements applied based on government advice and best practice both within and outside the sector
Service charges are inaccurate and/ or not compliant with legislation	• Poor customer service • Loss of income • Regulatory consequences	• Budget and LTFP service charge data aligned • Internal audit programme commenced October 2021 with rent and service charge setting

Risk	Impact	How We Manage Risk
Data is of poor quality or misinforms business decisions	• Inadequate corporate oversight • Regulatory noncompliance and sanction • Reputational damage • Disruption to service delivery • Poor customer service • Financial consequences	• Procurement completed for stock condition survey. Survey commenced on site 25 April 2022 • Compliance processes updated with new workbooks to validate data • Improvement programme – Building our Foundation covers Data improvement • Kickstart Data Officers (x2) have worked on Housing and Asset data. Upload due to further identify any issues. Work included – Cross matching data held on tenancy files and against data held in Castleton Housing System • 100% of all tenancies were reviewed • Asset – Inputting information on the Terrier (spreadsheet system for Asset Management) with the Administrator in Repairs working on closing historical works orders • Stock Condition Survey results will further inform us on key component data and building asset data that may be missing

FINANCIAL GOLDEN RULES AND RISK TRIGGERS

During the year the Board approved the introduction of financial 'golden rules' which underpin our approach to financial management.

Through our financial planning, we ensure that these rules are harmonised with our corporate plan and objectives so that, in effect, they comprise the building blocks of our financial strategy. This approach helps us to preserve financial resilience into the long term.

The golden rules have been set in the first instance against our financial loan covenants and a risk trigger has been introduced against each which, if breached or forecast to be breached, would trigger risk mitigations being agreed and deployed.

Against Earnings Before Interest, Tax, Depreciation & Amortisation Major Repairs Included (EBITDA MRI) Interest Cover the financial golden rule is that performance shall never put Arhag within 25% of the tightest loan covenant limit and a trigger point 45% worse than the limit.

Against Gearing the financial golden rule is that performance shall never put Arhag within 5% of the tightest loan covenant limit and a trigger point 10% worse than the limit.

We also look to hold available free cash of over £3.5m with a lower limit of £3.0m.

OUR ASSETS

Responsive and Void Repairs

As in the previous year, the Covid-19 pandemic provided a test to our contractors regarding their ability to respond to customer demand. For a time, the service only supported emergency and urgent repairs with day-to-day repairs not being undertaken. Notifications were given to tenants and updates were posted on the website.

As we emerged from lockdowns the service returned to a greater degree of normality.

Repairs Re-procurement

As part of our drive to improve our repairs service offer, we changed our maintenance contractor during the year and have recently undertaken a full repairs re-procurement exercise, utilising our participation in the South-East Consortium, which will bear fruit in 2022/23.

As part of improving the resident experience and response of the organisation, we have renewed our gas heating and hot water contract with K&T Heating Services including arranging for resident calls to be taken directly by K&T from 1 June 2022. This gives our residents direct access to the contractor and technical staff to deal with any service issues and book appointments.

Planned and Compliance Work

Arhag has continued to invest heavily during the year in its health & safety compliance with a concentration on fire, gas and electrical safety works.

Stock Condition Survey

It was clear from the start of the year that it would be essential to undertake an extensive survey of the condition of our stock of properties to validate the programmes of component replacement.

A major stock condition survey, covering all our units excluding those which had recently been surveyed or which potentially may be the subject of regeneration opportunities, was approved by the Board during the year and has been completed through the spring and summer of 2022.

This is a vital piece of work for Arhag and will provide the evidence we require to understand better the condition of our homes, the extent of the immediate requirement to invest in some of them and the programme of future investment we will need to plan for in the next revision of our long-term financial plan.

Upgrading our existing homes

As the outcomes of these surveys will drive our reinvestment priorities, we paused all but priority reinvestment work awaiting the results.

Additionally, we were also cognisant of the continuing impact of Covid-19, for which it was important that we did not put our teams, contractors or residents at risk. Consequently, we adjusted our expectations of the volumes of components to be replaced.

The resulting total expenditure during the year was focused on heating installations and amounted to £256k.

Component	**Properties**	**Value £'000**
Bathrooms	5	£19
Heating	58	£124
Kitchens	9	£45
Windows	15	£68
		£256

In addition to these replacements we have also installed a door entry system (£45k) for the safety and security of our residents at The Goodies, one of our estates in Poplar, and instigated a review of our lift installations, starting with Inverness Street in Camden.

£256K

The resulting total expenditure focused on heating installations during the year

£45K

The installation of a door entry system for the security of our residents at one of our estates

OUR PEOPLE

For organisations the size of Arhag, our people are our biggest asset, and we recognise that our reputation with customers depends on how well we communicate with and manage our relationships with our own employees.

"A well-motivated and highly skilled workforce with a 'can do' attitude"

A well-motivated and highly skilled workforce with a "can do" attitude will be the key to our ambition to be one of the best providers of social housing services in London.

During 2021/22, we have started the development of a people strategy which assesses our organisational culture, staff terms and conditions (including flexible working), training needs, staff communication strategy, Investors In People and use of IT to deliver 24/7 services to our residents.

Our people strategy is key to ensuring that Arhag is not only delivering effective customer-centric services, but that the organisation can embrace agile working, tackle inclusiveness and diversity across the organisation and for its Board and staff to be seen as even more visible and in touch with the communities we serve.

At the heart of our people strategy is the establishing of our operating culture and engagement plan by:

- Consulting with colleagues about flexible working arrangements;
- Reviewing our employment package, including the incremental pay and benefits system;
- Considering our pension arrangements;
- Delivering a programme to improve customer and colleague relationships to help us drive improvements in our customer service; and
- Developing a new Equality, Diversity & Inclusion strategy, and programme

"Arhag is always looking for ways to encourage the development of our staff"

Changes at Senior Management Team

Over the course of 2020/21 and 2021/22 Arhag has stabilised the Senior Management Team by moving away from Interim Directors and third-party consultants so that now the team is operating at its full complement with all posts filled on a permanent basis.

In June 2021 Chris Harris was appointed as Chief Executive Officer, replacing the outgoing Interim CEO and in May 2022 Shabana Yousaf was appointed as Director of Property, Building Safety and Compliance replacing Arhag's external Asset Management Consultant.

These two appointees join Tina Bull, Head of Housing, and Andrew Shaw, Director of Finance & Resources, in constituting the Senior Management Team of Arhag.

Development opportunity

Arhag is always looking for ways to encourage the development of our staff and in January 2022 we were delighted to announce that one of our team had been accepted onto a programme called 'Next Generation Leaders' which is run by the South-East Consortium (SEC) who have partnered with an independent training organisation to provide an Institute of Leadership & Management (ILM) certificated course within the housing sector.

Being able to do this is testament to the value that can be derived from membership of SEC and the principles of using partnerships to develop our organisation.

New ways of working

Throughout both this year and last, our staff colleagues adapted to working from home and the challenges this brought, from practicalities of space and equipment to home schooling and caring for others. We supported our colleagues by providing the equipment they needed to carry out their work effectively and in an environment that worked for them.

We encouraged more flexible working and continued to pay salaries in full during the various lockdowns and did not furlough any of our colleagues. To ensure no one lost out on time away from work we have allowed colleagues for the last two years to carry forward more holiday allowance into the new year.

In October 2021 we launched our 'the way we work' approach with staff, the first steps towards employing our values and behaviours. We now operate a more flexible working pattern which allows staff an improved work / life balance with a minimum of two 'contact' points with colleagues, residents or work-related third parties per week.

OUR GROWTH

During the year we acquired the lease on 21 units in Carpet Street on Sugar House Island, Stratford and will actively pursue further similar opportunities as and when they arise.

Discussions with the investor developer responsible for the redevelopment of Sugar House Island indicated that they are pleased with Arhag's management of the scheme and they are seeking a longer term relationship. Future phases on the development could yield up to a further 100 affordable units that we may be able to manage.

Discussions with Tower Hamlets and Transport for London are also underway jointly with another developer for the redevelopment and regeneration of a large site in the borough.

Arhag has the financial and operational capacity to grow, and we will continue to look for opportunities to concentrate our activities in our core areas of north and east London.

Key to this are the results of the stock condition survey and its impact on the financial capacity of the organisation to invest in new unit growth.

The majority of Arhag's growth over its recent history has been through the successful acquisition of properties owned by larger registered social landlords and we will continue to assess these opportunities as and when they arise.

We are reviewing our current business plan to refine our position on further developments. We have been looking at alternative routes to increasing our unit numbers, such as long-term lease agreements and joint ventures with other developers, to take advantage of Section 106 agreements in our geographical areas. Should good transfer opportunities arise we would certainly consider the proposals in the best interests of the association.

Alongside these plans Arhag would also be open to discussions with other providers about combining our operations to achieve growth and to develop our "go to" agenda.

Where appropriate to facilitate these plans, Arhag may make strategic disposals of properties to improve efficiencies and release operational resources so we can focus on our portfolio of accommodation for migrants and refugees in London. To this end we completed the sale of the final five units during the year to another Registered Provider. We have also handed back a further temporary social housing property to Newham Council.

OPERATIONAL PERFORMANCE

ARHAG Metrics	Target 2023	2022	2021	2020	2019
Resident satisfaction with responsive repairs	80%	67%	71%	60%	69%
Current tenant rent arrears	3%	4%	4%	6%	2%
Rent collection as % of rent due	100%	101%	100%	94%	100%
Void turnaround time (days)	13	13	16	18	11
Gas safety certificate	100%	100%	91%	100%	98%

Repairs

Although our residents' satisfaction with our repairs performance is below where we would want it to be, it is only a slight reduction on last year and remains an improvement over the previous year. This is despite the continuing impact of Covid-19 with its restrictions on access to our residents' property.

We will continue to monitor what we can do to ensure that improvements we make to the service translate into improved satisfaction with the service.

Rent Arrears and Collection

Our year end performance on current tenant rent arrears was 4.1% and our rent collection was 101%.

In October 2021 Arhag had its first eviction for 3 years following the changes in legislation on evictions during the Covid-19 pandemic. These changes had taken away an important, albeit 'last resort', tool in the armoury of managing tenant arrears.

Our rent arrears had been impacted by this and the challenge had been to continue to increase collection and reduce arrears, which had been an issue with several cases awaiting court dates due to the change in legislation and the extension of notice periods.

With a long-term issue of the courts managing the backlog of cases and bailiffs being available to execute warrants this continued to affect our rent arrears.

Voids

Our void performance is good, an improvement on the previous two years and we were also able to improve against our previous target of 22 days, bringing actual average turnaround time down to 13 days during a very challenging year in which we had a total of 24 new voids.

Our target for 2022/23 is now to maintain this turnaround time for re-letting empty homes.

Gas Safety

This year a considerable effort was put into achieving full compliance.

During the previous year, primarily because of Covid-19, we were not able to gain access to all our properties to complete all the gas servicing and testing and therefore obtain certificates of gas safety compliance. We consequently fell short of the 100% target in 2020/21, a performance we have reversed in 2021/22.

"Our year end performance on current tenant rent arrears was 4.1% and our rent collection was 101%."

2. FINANCIAL PERFORMANCE AND VIABILITY STATEMENT

FINANCIAL PERFORMANCE

£5,251K

Social housing operating costs

£1,089K

Increased surplus in 2021/2022

5 UNITS

have been sold in south London to a local registered provider in 2022

Surplus for the year

Arhag has delivered a 32% increase in its surplus for the year from £822k in 2021 to £1,089k despite a reduction in the contribution from the sale of fixed assets from £1,122k last year to £657k this year.

This improved performance has been achieved through increasing turnover by 3% and reducing operating costs and interest charges by 8%.

Despite the continued uncertainty through the past two years over the wider economic climate, as a consequence of Covid-19 and any lasting impact of Brexit, our improved financial performance has been essential in enabling us to look forward with confidence to continuing to deliver our social objectives.

The Board of Arhag is therefore delighted to report a good set of results for the year and a strong financial position.

Turnover

Social housing lettings turnover increased by 3% from £6,478k to £6,672k with the addition of 21 intermediate rent units in Newham at the end of June 2021 combined with the annual increase in social housing rents to offset the loss of income following the disposal of five units in south London this year and the full-year impact of the disposal of 10 units a year earlier.

Income from partners reduced slightly during the year as we worked with them to mitigate the impact of the Covid pandemic by reducing the service charges of the accommodation at The People's Place to reflect lower usage of the building.

Operating costs

Social housing operating costs have reduced by 8% from £5,705k to £5,251k.

The surplus generated by the sale of the units in April 2021 was used during the remainder of the year to boost our investment in Arhag's underlying health & safety compliance position concentrating on bringing properties transferred to us in previous years up to an acceptable standard and in continuing the original accelerated rate depreciation of the costs of moving to Stratford.

During this financial year our property, building safety and compliance team has continued to improve our health & safety compliance across our properties with continued and substantial investment in fire risk assessments, gas and electric testing and in making changes to the properties as necessary from the resulting reports.

Also this year, Arhag's Board reviewed the useful economic lives of the components of the Stratford office with a consequent reduction in the overall annual depreciation charge.

Arhag has maintained a prudent approach to the risk of resident debt not being fully recoverable. However, having increased the impairment in the carrying value of resident debt in 2021 we have not needed to increase it further this year.

Operating Margins

As a consequence of improving our underlying financial performance, Arhag has improved its operating margin on social housing lettings from 12% to 21% and our overall margin (including the surplus on disposal of assets) has improved from 12% to 16%.

Disposal of fixed assets

Arhag is not financially reliant on disposing of properties to support its business model, although it should be noted that the decision of the Board to focus operations more in north and east London rather than south of the river has resulted in disposals of 10 units in 2021 and a further 5 units in 2022 to a local registered provider.

With the social housing grant on the units transferring with the properties, these sales were able to deliver strong surpluses and contribute to greater geographical and operational efficiencies.

Net Interest

During 2020/21 Arhag removed £2.00m of loan facility with RBS/NatWest and this year we have repaid £1.25m with no additional refinancing being required.

As a consequence of the combination of this and the ending of a fixed interest rate on two of our loan tranches, our net financing costs during the year decreased.

The majority of our outstanding debt is held on fixed interest rates and this has mitigated the risk of rising Bank of England lending rates as experienced recently. Where our debt is variable there are minimum lending rates built into the loan agreements which have not yet been breached.

Debt and Liquidity

Arhag's loan facilities are held with four banks, against which we carry a cash reserve of £3.09m (2021: £2.55m).

At the end of the financial year, our net debt had reduced from £25.15m to £23.36m, of which £1.25m is repayable within one year and £1.14m the following year.

Our total liquidity as of 31 March 2022 of £3.09m (2021: £2.55m) comprises immediately available bank deposits and payments that have been made by residents to our 3rd party payment system provider and which is in transit to Arhag.

We have reviewed and updated our medium and long-term financial forecasts and shared these with our lenders to understand and identify our funding requirements.

VIABILITY STATEMENT

The Board assessed the viability of the association in May 2021 using a long-term financial forecast of the organisation's income & expenditure, capital investment, working capital management, the repayment profiles of existing debt and any refinancing required as a consequence.

The Board is, to the best of its knowledge, satisfied that covenant compliance is maintained throughout the course of the plan thus confirming the future viability of the association.

After making enquiries, the Board has reasonable expectation that the association has adequate resources to remain in operational existence for a period of at least 12 months from the date of approval of the financial statements.

The association has considerable financial resources together with long-term cash-generating assets. As a consequence, the Board is satisfied that the association is well placed to manage its business risks successfully. For this reason, it continues to adopt the going concern basis in preparing the association's financial statements.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the association to continue as a going concern have been identified by key management personnel after considering the relevant facts and circumstances.

"The Board has reasonable expectation that the association has adequate resources to remain in operational existence for a period of at least 12 months from the date of approval of the financial statements."

3. VALUE FOR MONEY STATEMENT

PERFORMANCE AGAINST REGULATORY METRICS

The VfM standard and Code of Practice sets out the requirements for registered providers to publish annual evidence in the financial statements to enable stakeholders to understand the provider's:

a) Performance against its own value for money targets and any metrics set out by the regulator

b) Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

The suite of VfM metrics set out by the regulator in a) above is restricted to data derived from the financial statements and regulatory returns such as the Financial Viability Assessment ("FVA"). All metrics are derived from data that is already in the public domain in providers' own financial statements and the Global Accounts dataset maintained centrally by the Regulator. The metrics include output measures alongside cost data, and measures of the efficiency with which both resources and our assets are utilised. This includes the degree of investment to existing stock as well as new supply.

Performance against Targets set last year

Arhag improved in 2021/22 against the targets set last year in six of the Regulator's nine VfM measures, was on target in both of the 'New supply delivered' measures and did not achieve target in its Reinvestment expenditure.

The table below shows our performance over the last 4 years and our targets for next year. Additionally, it provides 'sector-wide' quartile information showing where Arhag's 2022 performance would have placed it in 2021.

VfM Metrics	Target 2023	2022	Quartile	2021	2020	2019
Reinvestment (%)	0.7%	0.4%	4th	0.3%	1.0%	9.0%
New supply delivered – Spcial (%)	0%	2%	1st	0%	0%	8%
New supply delivered – non-social (%)	0%	0%	2nd	0%	0%	0%
Gearing (%)	31%	32%	2nd	34%	37%	35%
EBITDA MRI Interest Cover (%)	141%	174%	3rd	187%	181%	329%
Social housing cost per unit	£5,642	£4,994	3rd	£5,511	£4,749	£5,921
Operating Margin (%) – Social lettings	19%	21%	3rd	12%	23%	17%
Operating Margin (%) – Overall	19%	21%	3rd	12%	22%	17%
Return on capital employed (%)	1.7%	2.7%	3rd	2.4%	2.6%	2.0%

Targets for the year ahead are taken from the Budget for 2022/23.

Quartile comparisons are taken by reference to the Sector Scorecard results for 2021 across the housing sector and as such includes a wide variety of associations.

Performance Analysis

As with many other small developing registered providers, Arhag does not have an even development programme of new units through a pipeline of schemes under the course of construction. It has some years where there are no completions of new units and in other years new schemes are completed and new homes are delivered.

This year Arhag added a further 21 units in Newham, which have been delivered into management by way of an intermediate/affordable rent leasing scheme with a developer which has further units potentially available for management.

Reinvestment in our housing stock has reduced from levels experienced prior to the pandemic with access to and completion of works in our residents' homes being restricted. Although the additional 21 units were delivered during the year, these are leased units and as a consequence there is no capital investment associated with them to increase the Reinvestment % ratio.

Gearing measures the ratio of net debt to the carrying value of our housing assets using a concept similar to mortgage lenders' loan to value ratio and illustrates the strength of an association's balance sheet and its capacity for future new supply. Median gearing ratios across the sector have changed little from Sector Scorecard results published for 2019 and 2020 and Arhag's improvements on this ratio has elevated it to the 2nd quartile of the sector.

The carrying value of our housing properties was reduced during the year through a combination of the disposal of the 5 units in south London and the continued depreciation of the components of our homes. Our net debt was also reduced through the scheduled repayment of £1.2m of our debt with various lenders.

Our operating cost base has remained high in 2022 as a consequence, primarily, of our continued investment in fire safety testing, gas and electric safety certification and resulting works.

At Arhag we are committed to reducing our operating cost base and although we continue these important customer-facing health & safety programmes we are constantly looking to become more efficient in our use of the income we receive.

As part of this drive for efficiency and stability, Senior Management Team posts, previously filled through the use of interim contractors, have now successfully been replaced with permanent appointees either during the last two years or immediately following this year-end.

As the business and our partners commence a return to work at the Stratford Hub, we will continue to monitor the running costs of this facility as, firstly, our administrative business centre, secondly, the base from which our partners can operate and importantly also part of our social purpose in forming a relationship with our migrant and refugee clients.

The revision of the useful economic lives of this prime asset has been a key part in establishing the appropriate operating cost of this vital social and administrative facility.

Our social housing cost per unit and therefore our operating margins have benefited from the changes made against our operating costs a year earlier and reflects a stabilising of the business and its senior management team. When combined with the net increase in our ongoing resident income, our operating margins have been improved considerably.

As the Board of a responsible social landlord, we are cognisant of the impact that increasing household costs, including rent and service charges, has on our residents. We are also mindful of our obligation to invest in the health & safety of those residents and the requirement to continue to invest in our properties to deliver on that obligation. After careful consideration and debate the Board of Arhag agreed to increase rents in line with government limits of CPI plus 1.0%.

Arhag is committed to demonstrating value for money so that our residents, lenders and other stakeholders are satisfied that expenditure on our existing properties and service charges ensures our stock is of a good standard, and that we have the financial strength to grow in the future.

The new Senior Management Team at Arhag has identified that there is potential to drive efficiency and effectiveness improvements via a comprehensive review of our supply chain of service delivery and to this end we are engaging with the South-East Consortium to re-procure our routine and planned maintenance services.

Alongside this re-procurement, Arhag has invested significantly in gaining a better understanding of the completeness and accuracy of the data we hold on the condition of our properties in order to drive the decision-making on when and where we need to be investing our available capital funds over the life of those properties.

Despite coming down by 9% in the year, our social housing cost per unit remains high and against the whole of the social housing sector, as measured by the Sector Scorecard, we remain below median but have moved from the 4th quartile up to the 3rd.

Whilst we would wish to see this figure decrease significantly year-on-year, and long-term this remains our objective, for the year to March 2023 we have budgeted for an increased investment in the repair and maintenance of our homes.

The main factor behind this increase is providing sufficient budgetary provision for maintaining expenditure levels on the 'front-line' costs of routine and planned maintenance and potential additional reinvestment in new components of our residents' homes resulting from the stock condition surveys currently being undertaken.

To mitigate the adverse impact of this, our underlying operating cost per unit is set to change in the coming year as follows:

- Through the full-year impact in the stabilisation of the senior management team driving out the historic additional cost of senior interim managers
- Better operational controls to obviate the legacy issues of disrepair cases and potential compensation payments that have resulted previously
- Work on changing the way in which we plan and procure our component replacement, compliance, and responsive repair programmes, so that our work is more effective and preventative rather than reactive, and overall enhances the quality and value of our stock
- We want to ensure that the difficulties faced by a smaller organisation in terms of economy of scale do not deter us from providing a good standard of service delivery and compliance, and that we are in control of the resources we employ to manage our organisation.

Our social housing and overall operating margins will benefit in the long-term from the stabilisation of the business, the re-procurement of services and a review of our social housing operating costs.

Additionally, the senior management team has been discussing with existing and potential new partners changes to the model of occupation of the available space at Stratford to enhance its potential as a migrant and refugee hub and improve the financial efficiency of the facility.

LONG-TERM FINANCIAL PLAN

Our long-term financial plan, shared with our lenders, demonstrates that our gearing remains very comfortably within loan covenant compliance limits and expected operational performance provides a buffer between our forecast EBITDA MRI Interest Cover and limits set in our loan covenants.

We want to ensure that through driving efficiencies and generating better returns on the use of our assets, we improve services to residents and support our wider social purpose.

VFM OBJECTIVES

We have determined several VfM objectives based on an honest self-assessment of our current approach to VfM. Essentially this took the form of a gap analysis of the organisation against practice that is widely accepted to maximise VfM.

Our objectives are as follows:

1. Improve service quality at a cost affordable to our residents;
2. Provide high standard business performance;
3. Develop our relationship with partners and resultant income streams;
4. Reduce costs;
5. Improve procurement;
6. Improve asset management;
7. Embed a VfM culture amongst Board and staff; and
8. Develop our tenants' role in service shaping and VfM scrutiny.

Specific areas of work we will embark on to see the changes we need to continue to deliver our strategic objectives will include:

- Procurement of a major works programme to meet our commitment to safe and quality homes
- A tender programme for the supply of most of our maintenance services through our outsourced business model to enhance service levels and drive down costs
- A review of our social housing costs per unit to improve operating margin
- Working effectively with Local Authorities and other partners to guide residents to support with available benefits and training and provide information on local services and activities
- Investment in our people by ensuring all staff are equipped with the right development plans and support and embraces a culture that aligns with our core values
- Continued investment in our systems, IT and data, so that we become a forward-thinking organisation, so our residents directly benefit from automated and up to date services, and our decision making is led with business intelligence.

4. CORPORATE GOVERNANCE

Legal Status

Arhag Housing Association Limited (Arhag) is incorporated with limited liability as a charitable Housing Association under the Cooperative and Community Benefits Societies Act 2014, registration number 23520R.

The association is registered with the Regulator of Social Housing, registration number LH3811.

The association is a Public Benefit Entity, as defined in Financial Reporting Standard 102 and applies the relevant paragraphs of FRS 102 for Public Benefit Entities as they apply to the association.

Governance arrangements

The Board is committed to effective governance arrangements that deliver its aims and objectives in a transparent and accountable manner.

Arhag's Rules remain the principal document of constitution and they regulate various matters including the Board, its powers and its role. The Board approves the Standing Orders, Scheme of Delegations, Code of Conduct, Financial Regulations and its Committees' Terms of Reference.

Arhag Housing Association Board

The Board of Arhag shapes and directs the strategic aims and vision of the organisation and examines and scrutinises performance against the agreed Business Plan.

As at March 2022, the Board was made up of ten non-executive members that embrace a broad range of experience in business, finance, property development, risk management and housing services. There is also expertise in migrants and refugee issues. One of the non-executives is a resident of the association.

The association's Board has well-established processes that it uses to determine the policies, strategy, and the financial and operational performance of the organisation, which are regularly reviewed.

The Board meets regularly to set and review the strategic direction and the financial and operational performance of the association. It met five times in 2021/2022.

Board members are paid a fee for their services. The Board takes advice from independent advisors as required when undertaking reviews of the fee structure. These reviews are benchmarked against levels for comparable organisations and are designed to ensure that Arhag is able to recruit and retain high calibre Board members.

The Board is supported by two Committees whose functions are set out below.

Audit and Risk Committee

The Audit & Risk Committee (ARC) has been set up to support the Board in discharging its responsibilities, particularly in maintaining an effective system of internal control, ensuring the adequacy of risk management and governance arrangements, and that Arhag resources are used efficiently and effectively. ARC is accountable to the Board and will assist in formulating the assurance needs of Arhag and assessing how comprehensive and reliable those assurances are.

ARC also oversees the work of the internal audit service, the external audit and such other matters as may be referred to it by the Board. The external and internal auditors attend key meetings and have direct access to the Committee Chair. ARC keeps the relationship between the association and its auditors under review. ARC met five times during the course of the year.

Operations Committee

The Operations Committee helps the Board discharge its responsibility to manage its housing stock and ensure a sustainable and viable strategy is in place to enable growth. It is the platform to monitor operational activity and targets as well as to undertake in-depth analysis to drive up standards in our efforts to achieve top quartile performance. It also takes the lead on housing development and disposals, evaluating new build housing and land and property purchases to ensure that Arhag is using its development capacity in the most viable and cost-effective manner. The Operations Committee met four times during the year.

TEN

non-executive members make up the Board as at March 2022

"The Resident Scrutiny Panel also offers opportunities for residents to be involved in activities designed to gather opinions or views."

Meetings, attendance and remuneration

Attendance records of the non-executive Board and Committee members at meetings during the year are shown below. For members who either retired or were appointed during the year, the record shows attendance versus the maximum number of meetings each member could have attended. Current Board member annual remuneration is £6,000 for the Chair, £3,500 for the Deputy Chair, £3,500 per Committee Chair and £2,500 per member.

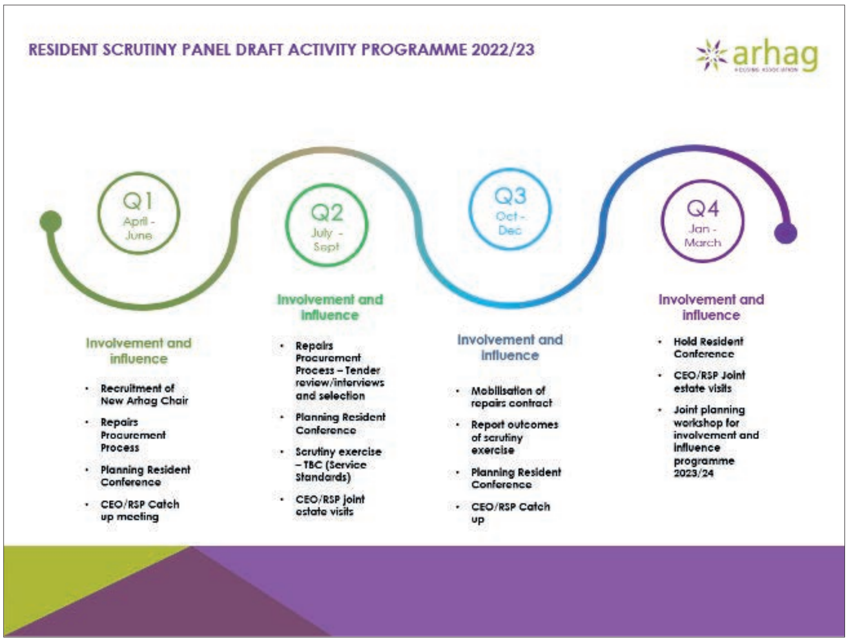
	Board	Audit & Risk	Operations
Current Members:			
Qadeer Kiani OBE (Board Chair)	5 of 5		
David Maitland (Committee Chair)	4 of 5	5 of 5	
Pat Davies	5 of 5	5 of 5	
Bulbul Ali (Committee Chair)	5 of 5		4 of 4
Boe Williams	5 of 5		2 of 4
Abdul Basith	5 of 5		3 of 4
Diana Hamilton	2 of 2	1 of 1	
Keith Best	2 of 2	1 of 1	
Amarjit Bains	2 of 2		0 of 0
Helen Gribble	2 of 2		0 of 0
Former Member:			
Mark Gomar (Deputy Chair)	2 of 3	3 of 3	

Resident Scrutiny Panel

In addition to the two Committees, Arhag has established a Resident Scrutiny Panel to provide input to both Arhag's Senior Management Team and the Arhag Board. It also offers opportunities for residents to be involved in activities designed to gather opinions or views. These include the use of surveys, conferences, open days, focus groups and other 'market-testing' methods.

The Resident Scrutiny Panel meets regularly to take a good look at our services before telling us what they think, and how we could work better. The Panel has a direct link to the Arhag Board and scrutinises important issues such as complaints, rent arrears, budgets and the impact of the benefit changes.

The programme of activities the Resident Scrutiny Panel is planning for 2022/23 is shown below:



Compliance with the Governance and Financial Viability Standard

Arhag confirms its compliance with the Governance and Financial Viability Standard of the Regulator of Social Housing. The Board has assessed its compliance with the standard at least once during the year with reference to the current position of the association.

Risk Management

A risk management framework sits at the heart of the system of internal control. The Board confirms that the process for identifying, evaluating and managing the significant risks faced by the organisation is ongoing and continues to be developed by the Senior Management Team.

ARC has received risk management reports from the Senior Management Team and reviews the Strategic Risk Register on behalf of the Board.

During the year the ARC and the Board reviewed the long-term financial plan and will consider scenarios for stress testing of this plan over the course of the next year.

Internal Audit

The prime responsibility of the internal audit service is to provide the Board with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance.

Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced. Internal Audit is delivered by an outsourced audit service. ARC reviews the findings arising from all Internal Audit Reports and is provided with progress reports on the implementation of agreed recommendations for improvement to the point of conclusion.

An annual report and overall assurance opinion on the system of internal control based on the Internal Audit work performed during the year and management response to that work is provided to ARC and all matters arising are being monitored by ARC for appropriate management action.

"Arhag operates a zero-tolerance approach to any instances of fraud or corruption."

Fraud Management

There is an established code for integrity and anti-bribery and Arhag operates a zero-tolerance approach to any instances of fraud or corruption. There is an Anti-Fraud Policy in place covering prevention, detection and reporting of fraud and the recovery of assets. A register of identified incidents is maintained. There were no issues reported during the year. ARC reviews the fraud and loss register and reflects the information contained within it in its assessment of the control environment.

Information and Financial Reporting Systems

Financial reporting procedures include a long-term financial plan, detailed annual budgets, annual value for money reporting as part of the financial statements and regular management accounts which are reviewed by ARC and by the Board.

Any issues raised in the external audit management letter issued at the conclusion of the annual audit are dealt with to the satisfaction of both the external auditors and ARC with progress tracked to the point of conclusion.

Key performance indicators and business objectives set as part of the performance management framework are regularly reviewed by the Board to assess progress and outcomes.

Control Environment and Procedures

Governance arrangements are subject to continuing review and development to ensure they remain fit for purpose. Board and Committee membership is reviewed regularly in line with the policy terms. Compliance with the chosen code of governance and the Regulatory Framework is reviewed annually.

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance matters and new investment projects. The Board disseminates its requirements to employees through a framework of policies and procedures.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by Arhag and for preventing, detecting, investigating and insuring against fraud. This process has been in place during the year under review, up to the date of the annual report, and is regularly reviewed. The Board has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Health and Safety

The Board is aware of its responsibilities for Health and Safety, with approved policies and monitoring in place. The association continues to focus on all areas of health and safety and operates a strong risk management approach.

Insurance

Insurance policies indemnify Board members and officers against liabilities when acting on behalf of the association.

"We are committed to ensuring there is transparency in our approach to tackling modern slavery."

Modern Slavery

We are committed to ensuring there is transparency in our approach to tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the Modern Slavery and Human Trafficking Act 2015.

We expect the same high standards from all our contractors, suppliers and other business partners, and as part of our contracting and procurement processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and we expect that our suppliers will hold their own suppliers to the same high standards.

5. STATEMENT ON INTERNAL CONTROLS

Responsibility for the System of Internal Control

The Board is responsible for internal control and for reviewing its effectiveness. The Board delegates the ongoing review of controls to the Audit and Risk Committee. Day to day management of the business is the responsibility of the Chief Executive Officer and the Senior Management Team.

In order to fulfil their responsibility, the Senior Management Team has established an assurance framework supported by clear delegated authorities and operating procedures. We use our documented assurance framework to demonstrate to the Board and Audit and Risk Committee a transparent process of reporting on the internal controls. This is supported by the quarterly assurance assessments signed-off by each Director which evidence compliance with the assurance framework or provides actions required to address any weaknesses.

The internal audit programme provides independent assessment on the robustness and effectiveness of the internal controls, which are reported to the Audit and Risk Committee. These systems have operated throughout the financial year and up to the date of signing these accounts.

Scope of Assurance

The Board understands our internal controls system is designed to manage rather than eliminate all risks. Our procedures can only provide the Board with reasonable rather than absolute assurance against material misstatement, errors, losses or fraud.

The Board considered the Chief Executive Officer's report on Internal Controls and the Annual Report from Audit and Risk Committee for the year to 31 March 2022 and up to the date of signing these accounts. The Board monitored and considered outcomes arising as a consequence of the risk management process. They also saw assurance reports from officers on the associated control environment.

The Board confirms that the risk management process was in place in the year under review, up to the date of the annual report, and is regularly reviewed.

The Board confirms there was no breakdown in internal control resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

Code of Governance

Arhag has adopted the National Housing Federation's Code of Governance 2020 for the year of this report and is committed to uphold and keep to the high standards expected.

As part of that Code the Board must publish a statement of compliance with the National Housing Federation's Code of Governance in the annual report. Where there is non-compliance, the Board must provide a reasoned explanation.

Compliance with the code has been reviewed by the Audit and Risk Committee which confirms that Arhag complies with all areas of the code, other than in eleven (11) areas as shown below:

1. The current Arhag business plan is being renewed to demonstrate that the Board sets and actively drives the organisation's social purpose, mission and values and through these embeds within the organisation resident focus, inclusion, integrity, openness and accountability.
2. Arhag is developing its Resident Scrutiny Panel and creating a Customer Engagement Strategy so that the needs and safety of the organisation's current and future residents and other customers are placed at the heart of the Board's decision-making.
3. Arhag is developing its customer KPI & reporting information, so the Board has access to insight into the views and needs of our residents and other customers (including insight into their concerns and complaints) and uses this to inform decisions where appropriate.
4. There are policies being put in place through our Building Our Foundations programme which reflect that the safety of residents and other customers (as well as that of the workforce and the wider public) is an overriding priority, and the Board receives reports annually on their operation.
5. Equality & Diversity is being incorporated as part of the Arhag People Strategy to enable the Board to demonstrate a clear and active commitment to achieve equality of opportunity, diversity and inclusion in all of the organisation's activities, as well as in its own composition and has policies and statements which meaningfully demonstrate this commitment and sets priorities and objectives for the organisation to achieve.
6. Equality, Diversity & Inclusion (ED&I) updates are being developed to enable the Board to see regular assurance about how these commitments and objectives are being delivered in practice, and it can track progress against the priorities it has set.
7. The Value for Money Strategy is out of date and is being renewed and the data held on the condition of our stock is being updated by a comprehensive Stock Condition Survey. These will enable the Board to demonstrate that it gives specific consideration in setting its plans to value for money, financial sustainability, carbon neutrality and environmental sustainability, and social sustainability.
8. Staff surveys through the People Strategy are to be reported to the Board to provide it with access to insight into the views of staff, such that their opinions and needs are understood, and influence the Board's decisions as appropriate.
9. A skills audit is to be completed to ensure the Board understands, states and regularly reviews the collective skills and attributes it requires to be effective.
10. Board membership in excess of 6 years is being reviewed to ensure that tenure for non-executive Board members (and independent Committee members) complies with the organisation's constitution and is managed so as to enable the organisation to achieve an appropriately skilled, diverse and independent Board membership.
11. Arhag is working with the National Housing Federation to ensure that all Board members have access to their training to ensure that all members have an agreed programme of ongoing learning and development opportunities, including to address needs identified through the appraisal process.

An Action Plan is in place to track progress in respect of these areas of compliance with the Code of Governance and the Action Plan is monitored by the Board.

6. STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statement of Disclosure to Auditors

In the case of each person who was a member of the Board at the time this report was approved:

a) so far as that member is aware, there was no available information of which the association's auditors were unaware; and

b) that member had taken all steps that he or she ought to have taken as a member of the Board to make himself or herself aware of any relevant audit information and to establish that the association's auditors were aware of that information.

Post Balance Sheet Events

There have been no significant events between the year-end date and the date of approval of these financial statements which would require an adjustment to or disclosure in the financial statements.

The report of the Board was approved on 1st September 2022 and signed on its behalf by:

Qadeer Kiani OBE
Arhag Board Chair

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARHAG HOUSING ASSOCIATION LIMITED

evelyn
PARTNERS

Opinion

We have audited the financial statements of Arhag Housing Association (the 'association') for the year ended 31 March 2022 which comprise the statement of comprehensive income, statement of financial position, statement of movement in reserves, statement of cashflow and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The Board are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 association has not kept proper accounting records; or
- the association 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

As explained more fully in their statement set out on page 43, the Board are 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained a general understanding of the association's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations and the entity's policies and procedures regarding compliance. We also drew on our existing understanding of the association's industry and regulation.

We understand that the association complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- A programme of internal audit performed by an independent firm of internal auditors;
- A risk assessment framework and register that includes regular review and scrutiny by the Board and Audit and Risk Committee;
- An annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing; and
- The Board's close oversight through regular Board meetings and compliance reporting.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the association's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the association:

- FRS 102, the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019, in respect of the preparation and presentation of the financial statements;
- Health and safety regulations; and
- Regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Making enquiries with management and the Audit and Risk Committee as to the risks of non-compliance and any instances thereof; and
- Performed a review of Board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations; and
- Reviewed any correspondence between the Regulator of Social Housing and the association.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the association's processes and controls surrounding manual journal entries; and
- Reviewing and challenging estimates made by management.

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

Use of our report

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

CLA Evelyn Partners Limited

Andrew Bond
Senior Statutory Auditor,
for and on behalf of

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7BG

14 September 2022

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	3	6,793	6,611
Operating costs	3	(5,379)	(5,849)
Sale of fixed assets	8	657	1,122
Operating surplus		**2,071**	**1,884**
Interest receivable and similar income	10	-	1
Interest payable and similar charges	11	(982)	(1,063)
Surplus on ordinary activities before tax		**1,089**	**822**
Tax on surplus on ordinary activities		-	-
Surplus for the year		**1,089**	**822**

All the activities of the association are classified as continuing.
The notes on pages 52 to 69 form part of these financial statements.

Statement of Financial Position as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Fixed assets:			
Tangible fixed assets – housing properties	12	72,063	72,978
Tangible fixed assets – other	13	4,114	4,172
		76,177	**77,150**
Current assets:			
Debtors	15	727	714
Cash and cash equivalents	14	3,094	2,550
		3,821	**3,264**
Creditors: amounts falling due within one year	16	(3,241)	(2,916)
Net current assets		**580**	**348**
Total assets less current liabilities		**76,757**	**77,498**
Creditors: amounts falling due after more than one year	17	(54,943)	(56,773)
		21,814	**20,725**
Reserves:			
Called-up share capital	21	-	-
Revenue reserves		21,814	20,725
		21,814	**20,725**

The notes on pages 52 to 69 form part of these financial statements.

The financial statements were approved by the Board on 1st September 2022 and signed on their behalf by:

Qadeer Kiani OBE
ARHAG Board Chair

Chris Harris
Chief Executive Officer
& Company Secretary

David Maitland
Chair of Audit &
Risk Committee

Statement of Changes in Equity for the year ended 31 March 2022

	Share capital £'000	Reserve reserves £'000	Total capital and reserves £'000
As at 1 April 2021	-	20,725	20,725
Surplus for the year	-	1,089	1,089
As at 31 March 2022	**-**	**21,814**	**21,814**
As at 1 April 2020	-	19,903	19,903
Surplus for the year	-	822	822
As at 31 March 2021	**-**	**20,725**	**20,725**

Cashflow statement for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Net cash generated from operating activities:			
Operating cashflow	**(i) below**	**2,471**	**2,667**
Cash flow from investing activities:			
Proceeds from sale of fixed assets		646	1,471
Purchase of tangible fixed assets		(415)	(247)
Interest received		-	1
Net cash generated from investing activities		**231**	**1,225**
Cash flow from financing activities:			
Repayment of existing loans		(1,247)	(3,356)
Grants received		48	-
Interest paid		(959)	(1,049)
Net cash used in financing activities		**(2,158)**	**(4,405)**
Net increase / (decrease) in cash and cash equivalents		544	(513)
Cash and cash equivalents at the start of the year		2,550	3,063
Cash and cash equivalents at the end of the year		**3,094**	**2,550**

Note (i)		
Cash generated from operating activities		
Surplus for the year	**1,089**	**822**
Add back:		
Interest payable and similar charges	982	1,063
Interest receivable and similar income	-	(1)
	2,071	**1,884**
Operating items not involving the movement of funds:		
Depreciation & write-off of fixed assets	1,212	1,747
Amortisation of grant	(376)	(353)
Profit on sale of assets	(657)	(1,122)
(Credit) / Charge for Bad Debts	(3)	54
Change in debtors	39	155
Change in creditors	185	302
Net inflow from operating activities	**2,471**	**2,667**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 LEGAL STATUS

The association is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered provider of social housing.

2 ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102) and the Statement of Recommended Practice Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019 .

The financial statements are prepared on the historic cost convention.

Going Concern

The association has sufficient financial resources based on forecasts and current expectations of future sector conditions. Consequently, the Board believes that the association is well placed to manage its business risks successfully. Cashflow scenarios take possible pressures arising from COVID-19 and Brexit into account. Covid-19 has presented challenges for Arhag. The Board has considered the impact of the pandemic, and actions have been put in place to manage these risks and the Board considers these risks to be sufficiently mitigated. Arhag's cash position has been reviewed for any cash shortfalls resulting from Covid-19 pressures, and the association is satisfied that the cashflows in place offer sufficient flexibility to reduce any risk and remain sustainable.

The Board has a reasonable expectation that it will have adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

Social Housing Grant ("SHG")

Social Housing Grant ("SHG"), receivable from the Greater London Authority (GLA), is recognised using the accrual model in accordance with clause 24.5C of FRS 102. SHG is initially measured at the fair value of the grant received. It is initially recorded as a long-term liability (with the exception of the portion expected to be amortised to income in the forthcoming year, which is classified as a current liability) and classified as deferred grant income. Once the asset it is funding reaches practical completion, it is then released through the statement of comprehensive income as turnover over the estimated life (100 years) of the structure of housing properties.

On disposal of properties, all associated SHG 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.

Where units are acquired from a third party who received grant funding for the development, the grant is not reflected in the association's statement of financial position. Instead, it is disclosed in the notes to the financial statements as contingent liabilities as the obligation will only crystallise on the disposal of these units.

Property Plant and Equipment

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of land is not depreciated. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Component Accounting

The association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different lives. These components are then depreciated over their individual useful lives as follows:

Land	Infinite
House structure	100 years
Lease	Over the period of lease
Roof structure and covering	70 years
Windows	30 years
Kitchen	20 years
Lifts	20 years
Central heating boilers	15 years
Bathrooms	30 years
Electrics	40 years

Where a separately identified and depreciated component is replaced, the carrying value of the component is expensed as accelerated depreciation and the cost of the replacement component capitalised. All depreciation is provided on a straight-line basis. Leases are written off over the period of the lease.

Housing properties under construction are stated at cost less any impairment provision required.

Other Fixed Assets

Cost incurred for scheme equipment is capitalised and recovered from residents through service charges levied over the life of the asset. Other fixed assets are included at cost to the association less depreciation, which is provided on a straight-line basis over the periods shown below:

Acquisition of Stratford Hub:	
Long Lease (Land element)	Over the period of the lease – starting from the date of the lease
Long Lease (Office building structure element)	100 Years – starting from date of handover
Internal office fitout	From 10 to 35 years
Other fixed assets:	
Office furniture and equipment	5 years
Computer hardware	5 years
Computer software	5 years
White goods	5 years
Scheme equipment (including digital aerials)	10 years and 15 years

Impairment

Financial assets (including rent and service charge arrears)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they might be 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 association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the Statement of Comprehensive Income.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

Non-financial assets (Property, Plant and Equipment)

The carrying amounts of the association's non-financial 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.

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" or "CGU").

The association assesses the recoverable amount as being the higher of the fair value of the asset (less any incidental costs of selling the asset) and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the asset or CGU comprises assets held for their service potential (for example social housing properties and the Stratford Office "hub") and the asset is both in demand and intended to be used for the long term, the association also considers depreciated replacement cost ("DRC") (the estimated cost of replacing the asset either by purchasing on the open market or rebuilding on the same land, less an allowance for depreciation to match the present condition of the existing properties). If DRC is higher than both the fair value of the asset or CGU and its value in use, then the recoverable amount is considered to be equal to the DRC.

Impairment arises where the recoverable amount is lower than the cost and the consequent impairment is recognised within the Statement of Comprehensive Income.

Financial Instruments

Financial assets and financial liabilities are recognised when the association becomes party to the contractual provisions of the financial instrument. Financial assets are only derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires. The association does not use standalone derivative financial instruments to reduce exposure to interest rate movements.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short-term deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash within 3 months without significant risk of change in value.

Tenant arrears, trade and other debtors

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

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Interest-bearing borrowings classified as basic financial instruments

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

All interest-bearing financial instruments held by the association have been classified as basic financial instruments. These include the association's fixed interest loans. The loan agreement includes a clause which specifies that, in certain circumstances, compensation on early settlement would be payable to the association. Notwithstanding the presence of this clause, the Board considers that the loan meets the requirements set out in FRS 102 for it to be classified as basic.

Financial assets and liabilities are offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, and amortisation of Social Housing Grant ("SHG") under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on completion. Other income is recognised as receivable on the delivery of services provided.

Grant Income

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 on Arhag is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Interest Capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of practical completion of each scheme. The interest capitalised is derived from the average rate of interest payable by the association.

Capitalisation of Development Costs

Development staff costs based on the time spent on a scheme are capitalised up to the date of practical completion of that scheme. Only salary related costs and incremental overheads are included.

Major Repairs

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Operating Leases

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income over the term of the lease as an integral part of the total lease expense.

Employee Benefits

Defined contribution plans

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.

Other short-term employee benefits

The financial equivalents of any unused employee holidays at the balance sheet date are recognised and accrued as a liability. This is measured at the undiscounted salary cost of the future holiday entitlement at the balance sheet date.

Taxation

The association has charitable status and is therefore not subject to corporation tax on surpluses arising from charitable activities. A large proportion of the association's social housing income, including its rent, is exempt for VAT purposes. The majority of its expenditure is subject to VAT that cannot be reclaimed, consequently amounts shown in the accounts are inclusive of VAT where applicable.

In light of the change in 2019/20 to the association's business structure, the proportion of income which relates to non-social housing will be subject to a partial exemption method to determine the recoverable input tax. This applies only to the partial exemption special method ('PESM'). Arhag Housing Association has to ensure that only input tax incurred on goods and services used for business purposes is included in the calculations. VAT incurred directly or indirectly for non-business purposes must be excluded before the PESM calculations are made.

Should there be any change in the structure of the business and/or trading patterns that prevent this method from giving a fair and reasonable recovery of input tax, this might be subject to further change.

Provisions

A provision is recognised in the balance sheet when the association has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of benefits will be required to settle the obligation. Provisions are recognised as the best estimate of the amount required to settle the obligation at the reporting date.

Judgments and Areas of Estimation Uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses for the year.

Although these estimates and associated assumptions are based on historical experience and management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Significant Judgments in Applying the Association's Accounting Policies

The following are the significant judgments, apart from those involving estimations (which are dealt with separately below), that the Board has made in the process of applying the association's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- The association has applied judgments in deciding on the component categories which are considered to have substantially different useful lives from the structure.

Where there are indications of impairment on property, plant and equipment and housing property assets, the association performs impairment tests on those assets that require judgments to be made.

Key Sources of Estimation Uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the financial statements are discussed below:

The depreciation expense is the recognition of the consumption of the asset and allocation of the cost of the asset over the periods in which the asset will be used. The useful lives of the assets are estimated and regularly reviewed to reflect changes in the environment.

The Stratford Office (the "Hub") has been purchased and fitted out for occupation by the association and its partners. On acquisition the following estimates were made:

- That 45% of the acquisition price should be attributed to acquiring the lease and that the lease asset (£1.183m) be depreciated over the 999-year term of the lease.
- That the remaining 55% of the acquisition price (£1.446m) be attributed to the structure of the building acquired and be attributed a 100-year useful economic life, in line with the useful economic life attributed to housing property structures.

Since its fitout the Hub was only occupied for a short period before the Covid-19 pandemic prevented it from being used. Initially, the fitout costs were attributed an economic life of five years, however, the Audit & Risk Committee of Arhag was of the opinion that this estimation should be reconsidered by the Board of Arhag as the fitout has created a number of different assets within the building which have different economic lives linked to potential cycles of major refurbishment over the 100-year life of the structure of the building.

As the pandemic comes to an end, the association and our partners have started returning to the building and will be using the assets created by the fitout. The Board of Arhag has considered the appropriate economic lives of the various components of the building and has attributed lives of between 10 and 35 years to those components.

3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2022			
	Turnover £'000	Other income £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**6,672**	**-**	**(5,251)**	**1,421**
Other social housing activities				
Surplus on disposal of fixed assets	-	657	-	657
	-	**657**	**-**	**657**
Non-social housing activities				
Income from partners & other sources	121	-	(128)	(7)
	121	**-**	**(128)**	**(7)**
Total	**6,793**	**657**	**(5,379)**	**2,071**

	2021			
	Turnover £'000	Other income £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**6,478**	**-**	**(5,705)**	**773**
Other social housing activities				
Surplus on disposal of fixed assets	-	1,122	-	1,122
	-	**1,122**	**-**	**1,122**
Non-social housing activities				
Income from partners & other sources	133	-	(144)	(11)
	133	**-**	**(144)**	**(11)**
Total	**6,611**	**1,122**	**(5,849)**	**1,884**

4 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL HOUSING LETTINGS

	2022 £'000	2021 £'000
Turnover		
Rent receivable net of identifiable service charges	5,741	5,471
Service charges	555	654
Amortisation of grant	376	353
	6,672	**6,478**
Operating costs		
Management costs	2,507	3,018
Service costs	573	561
Routine maintenance	671	550
Planned maintenance	530	457
Major repairs	13	99
Rent losses from bad debt	(3)	54
Housing property depreciation	960	966
	5,251	**5,705**
Operating surplus from social housing lettings	**1,421**	**773**
Void losses	29	9

5 ACCOMMODATION IN MANAGEMENT

The number of units of residential accommodation in management by the association is as follows:

	2021	Acquired	Disposed	Omitted	2022
Social Housing					
Owned & Managed					
General needs housing					
– Social rent	825		(6)		819
– Intermediate rent	27	21			48
Shared ownership	8				8
Supported Housing	23				23
Leaseholders	12			1	13
	895	**21**	**(6)**	**1**	**911**

In addition to the units above, the association also has rights and obligations for 2 units (2021: 3) that are managed by other London-based registered providers of social housing.

The association had no units under construction at 31 March 2022 (2021: nil).

6 KEY MANAGEMENT PERSONNEL

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, Committee members, the Chief Executive Officer and any other person who is an active member and decision maker of the Senior Management Team) was as follows:

	2022 £'000	2021 £'000
Emoluments	247	185
Pension contributions	23	22
Non-executive Board member emoluments	27	28
Payable to third party suppliers (Interim Senior Management)	69	222
	366	**457**

The remuneration payable to the Chief Executive Officer, who was also the highest paid director was:

	2022 £'000	2021 £'000
Emoluments	90	168
Pension contributions	5	-
	95	**168**

Note re: amounts payable to third party suppliers
Arhag has replaced a number of external consultants within its Senior Management Team with permanent staff members. The Asset Management Consultant retained in 2022 has been replaced with a permanent employee since the Balance Sheet date.

In accordance with the NHF 2020 Code of Governance, payment to non-executive board members is fully disclosed on a named basis:

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	2022 £'000	2021 £'000
Abdul Basith	2,500	2,500
Boe Williams	2,500	2,500
Bulbul Ali	3,500	3,500
David Maitland	3,500	3,500
Mark Gomar	1,804	3,500
Pat Davies	2,500	2,500
Qadeer Kiani OBE	6,000	6,000
Rosemarie Clarke	-	1,250
Wayne Farah	67	2,500
Keith Fest	1,269	-
Diana Hamilton	1,269	-
Amarjit Bains	1,269	-
Helen Gribble	1,269	-
	27,750	**27,750**

7 EMPLOYEES

For the purposes of this note, Employees includes executive members of the Senior Management Team but excludes external contractors whose employment is with third parties and excludes non-executive Board members.

Monthly average number of full-time equivalent employees (FTE = 35 hours per week)	**2022** £'000	**2021** £'000
Housing, asset management and administrative staff	20	20
Hostel staff	1	1
	21	**21**

Staff costs (for the above employees)	**2022** £'000	**2021** £'000
Wages and salaries*	874	764
Social security costs	97	68
Pension costs	60	40
Life insurance	5	5
	1,036	**877**

*The prior year figure for wages and salaries has been restated to exclude non-executive Board members as they are not employees as defined within this disclosure.

The number of employees (as defined above) who received remuneration in the year that was greater than £60,000 was:

	2022 £'000	**2021** £'000
£60,000 - £70,000	1	2
£90,000 - £100,000	2	-

8 SURPLUS ON SALE OF FIXED ASSETS

	Sale of housing properties £'000	**Cessation of lease agreement** £'000	**Other fixed asset disposals** £'000	**2022** £'000	**2021** £'000
Proceeds from sale	646	-	-	646	1,471
Cost of assets sold	(241)	(1)	-	(242)	(787)
Derecognise grant on sale	187	-	-	187	461
Other disposals	-	-	66	66	-
Transfer to recycled capital grant fund	-	-	-	-	(24)
	592	**(1)**	**66**	**657**	**1,121**

9 OPERATING SURPLUS

	2022 £'000	2021 £'000
The surplus for the year is stated after charging / (crediting):		
Depreciation of housing properties	960	966
Other depreciation	252	859
Amortisation of grant	(376)	(353)

Auditor's remuneration (excluding VAT):		
– for audit services	24	29
– for audit and accountancy services relating to prior year	9	83
– for other services	40	27
	73	**139**

10 INTEREST RECEIVABLE AND OTHER INCOME

	2022 £'000	2021 £'000
Interest from bank deposits	-	1
Interest from investments	-	-
	-	**1**

11 INTEREST AND FINANCING COSTS

	2022 £'000	2021 £'000
Interest from loans	959	1,048
Amortisation of fees	23	15
	982	**1,063**

12 PLANT, PROPERTY & EQUIPMENT – HOUSING PROPERTIES

	Housing properties held for letting £'000	Shared ownership housing properties £'000	Housing properties under construction £'000	Total £'000
Cost:				
As at 1 April 2021	85,599	753	146	86,498
Reclassification	146	-	(146)	-
Additions in the year	287	-	-	287
Disposals in the year	(615)	-	-	(615)
As at 31 March 2022	**85,417**	**753**	**-**	**86,170**
Depreciation:				
As at 1 April 2021	(13,520)	-	-	(13,520)
Charge in the year	(960)	-	-	(960)
Disposals in the year	373	-	-	373
As at 31 March 2022	**(14,107)**	**-**	**-**	**(14,107)**
Net book value:				
As at 31 March 2022	**71,310**	**753**	**-**	**72,063**
As at 1 April 2021	**72,079**	**753**	**146**	**72,978**

13 PLANT, PROPERTY & EQUIPMENT – OTHER FIXED ASSETS

	Scheme equipment £'000	Office equipment £'000	Computer software and hardware £'000	Office buildings £'000	Total £'000
Cost:					
As at 1 April 2021	254	342	1,096	4,433	6,125
Additions in the year	48	27	11	42	128
Disposals in the year	-	-	-	-	-
As at 31 March 2022	**302**	**369**	**1,107**	**4,475**	**6,253**
Depreciation:					
As at 1 April 2021	(180)	(103)	(848)	(822)	(1,953)
Charge in the year	(21)	(37)	(92)	(102)	(252)
Adjustment for prior year disposal	-	-	-	66	66
As at 31 March 2022	**(201)**	**(140)**	**(940)**	**(858)**	**(2,139)**
Net book value:					
As at 31 March 2022	**101**	**229**	**167**	**3,617**	**4,114**
As at 1 April 2021	**74**	**239**	**248**	**3,611**	**4,172**

14 CASH AT BANK AND IN HAND

	2022 £'000	2021 £'000
Cash at bank and in hand	3,094	2,550
	3,094	**2,550**

15 DEBTORS

	2022 £'000	2021 £'000
Due within one year:		
Rent and service charges receivable	447	411
Less: provision for bad and doubtful debts	(310)	(322)
	137	**89**
Trade debtors	21	47
Other debtors	473	515
Prepayments and accrued income	96	63
	727	**714**

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2022 £'000	2021 £'000
Debt	20	1,246	1,245
Trade Creditors		189	144
Rent and service charges received in advance		450	401
Deferred grant income		376	378
Recycled capital grant fund		119	27
Taxation and social security		25	33
Accruals and deferred income		836	688
		3,241	**2,916**

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2022 £'000	2021 £'000
Debt	20	24,957	26,182
Deferred grant income		29,986	30,499
Recycled capital grant fund		-	92
		54,943	**56,773**

18 DEFERRED GRANT INCOME

	Deferred Income £'000	Amortised £'000	2022 £'000	2021 £'000
As at 1 April 2021	38,118	(7,241)	30,877	31,688
Restatement of opening balance	-	-	-	3
Additions in the year	48	-	48	-
Disposals in the year	(270)	83	(187)	(461)
Grant amortised in the year	-	(376)	(376)	(353)
	37,896	**(7,534)**	**30,362**	**30,877**

	2022 £'000	2021 £'000
Amounts due to be released within one year	376	378
Amounts due to be released in more than one year	29,986	30,499
	30,362	**30,877**

19 RECYCLED CAPITAL GRANT FUND

	2022 £'000	2021 £'000
As at 1 April	119	95
Recycled from prior year disposals	-	24
As at 31 March	**119**	**119**
Amount of grant due for repayment	28	nil

20 DEBT ANALYSIS

	2022 £'000	2021 £'000
Due within one year:		
Bank loans	1,246	1,245
Due after more than one year:		
Bank loans	25,208	26,456
Less: issue costs	(251)	(274)
	26,203	**27,427**

At 31 March 2022 the association had no undrawn loan facilities (2021: nil).

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

	2022 £'000	2021 £'000
Within one year	1,246	1,245
One year or more but less than two years	1,142	1,254
Two years or more but less than five years	3,942	3,309
Five years or more	19,873	21,619
	26,203	**27,427**

Bank loans are secured by fixed charges on individual properties.

Interest rates vary from 2.25% per annum to 10% per annum.

21 SHARE CAPITAL

	2022	2021*
Number of members:		
At the start of the year	9	10
Joining during the year	4	-
Leaving during the year	(2)	(1)
At the end of the year	**11**	**9**

*The 2021 figures have been restated to reflect the resignation in September 2020 of one Board member.

Arhag's shareholders at March 2022 are its Board members plus on non-Board member.

22 CAPITAL COMMITMENTS

The association had no capital commitments as at 31 March 2022 (2021: £nil)

23 RELATED PARTIES

There is currently one active tenant Board member, Abdul Basith. The tenancy is on normal commercial terms and the tenant is not able to use their position to their advantage. During the year, £6,001 (2021: £5,926) was charged in rent and service charges and, at the end of the year, his account was £327 in credit. (2021: £333 was outstanding).

Disclosures in relation to key management personnel are included in note 6.

24 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2021 £'000	**Cash flows** £'000	**Non-cash movement** £'000	**31 March 2022** £'000
Cash and cash equivalents	2,550	544	-	3,094
Debt due within one year	(1,245)	1,247	(1,248)	(1,246)
Debt due after more than one year	(26,456)	-	1,248	(25,208)
	(25,151)	**1,791**	**-**	**(23,360)**

	1 April 2020 £'000	**Cash flows** £'000	**Non-cash movement** £'000	**31 March 2021** £'000
Cash and cash equivalents	3,063	(513)	-	2,550
Debt due within one year	(1,325)	3,356	(3,276)	(1,245)
Debt due after more than one year	(29,732)	-	3,276	(26,456)
	(27,994)	**2,843**	**-**	**(25,151)**

25 POST BALANCE SHEET EVENT

There have been no events since the Balance Sheet date that require disclosure.


CLUEQUEST


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Visit us or write to us:

Arhag Housing Association
The People's Place
80-92 High Street
Stratford, London, E15 2NE

Telephone:
020 7424 7370

Opening hours:

Monday to Friday
9am to 5pm

Out of hours:
0800 389 8699
or 020 7424 7370
(option 5).

Hostel enquiries:

020 8519 4156

Email:
contact@arhag.co.uk

Visit our website:
www.arhag.co.uk