ANNUAL REPORT & FINANCIAL STATEMENTS

2022/2023

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

Board of Management (* Denotes Committee Chair)

Reena Purchase	Chair	Appointed: September 2022
Qadeer Kiani OBE	Chair	Resigned: September 2022
Bulbul Ali *	Board / Operations Committee	
David Maitland *	Board / Audit & Risk Committee	
Amarjit Bains	Board / Operations Committee	
Abdul Basith	Board / Operations Committee	
Keith Best	Board / Audit & Risk Committee	
Pat Davies	Board / Audit & Risk Committee	
Helen Gribble	Board / Operations Committee	
Diana Hamilton	Board / Audit & Risk Committee	
Boe Williams	Board / Operations Committee	

Senior Management Team

Chris Harris	Chief Executive Officer	
Andrew Shaw	Director of Finance & Resources	
Tina Bull	Head of Housing	
Shabana Yousaf	Director of Property, Building Safety & Compliance	Appointed: May 2022

Company Secretary and Registered Address

Chris Harris	Company Secretary & Chief Executive Officer	**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 11 Upper Street London N1 1PQ

CHAIR'S STATEMENT

I am delighted to introduce this annual report as Arhag's Chair.

I was appointed Chair at Arhag's Annual General Meeting (AGM) in September 2022, following an external recruitment process.

I would like to thank Qadeer Kiani, who retired as Arhag's Chair after nine years of outstanding service. Whilst these are big shoes to fill, I am fully committed to using all my skills to support Arhag to develop, fulfil its vital mission and improve its services for our customers.

The issues facing migrants and refugees are very close to my heart. I have spent most of my career working with migrant and refugee community organisations to help them grow and develop. In fact, I first came across Arhag in 1991 when I was involved in providing charitable funding to enable its growth as a BME landlord so my appointment as Chair feels like coming full circle.

My personal priorities as incoming Chair are:

- **Stability** – continuing to build on the work that has been done to stabilise the organisation
- **Services** – continuing to support the team to improve its services to residents
- **Support** – creating a supportive culture in our organisation so that we can achieve the very best outcomes for all our stakeholders.

Although, I have been Chair for less than twelve months, it has been a busy time. Key achievements have included:

- the appointment of new repairs contractors
- completion of the stock condition survey
- formulation of new communication, asset management and people and culture strategies
- supporting our residents to cope with the cost-of-living crisis
- supporting our partner organisations to deliver much needed services to migrants and refugees
- delivering an excellent residents conference
- pushing forward our equality, diversity and inclusion agenda

Whilst much has been achieved, the Board and I are conscious that there is scope for improvement and development in our services. The Board has reviewed the corporate plan and set out four priorities for the future. These are:

- to improve our engagement with our residents and other key stakeholders
- to develop our asset management approach and strategy
- to improve the integrity of our data on people and properties
- to improve our services to residents and achieve operational excellence

The organisation remains financially stable. However, especially in this economic environment, we continue to remain alert and alive to the challenges that we face as an organisation. These include rising costs, rising inflation and the cost-of-living crisis.

Continuing to steer a path through these for Arhag so that we can continue to grow and develop will remain a priority for the Board.

I would like to thank all the Board members for their commitment to Arhag and the effort that is extended. Sadly, we will be saying goodbye to three Board members: Abdul Basith, Amarjit Bains and Pat Davies. I would like to thank them for their service to the organisation. They will be missed.

I would also like to thank Chris Harris and the team for the work that they continue to do day in and day out.

Reena Purchase

Reena Purchase
Arhag Board Chair

CHIEF EXECUTIVE OFFICER'S STATEMENT

In a turbulent year that has seen three prime ministers come and go, war in Ukraine, the official end of the pandemic, energy costs spiral and inflation hit our pockets hard, these are challenging times for everyone. It brings home to me how important it is that Arhag is there for our customers.

I have been proud to have been able to steer our organisation through the next stage in our journey to fulfil our vision and mission. We have achieved a huge amount this year but there is still much to do to meet our objectives. We welcomed our new Chair, Reena Purchase, and I have been so impressed with how she has brought the Board forward over the year.

This year's operational challenges have all been about getting ourselves in shape to address the key areas where we know we need to improve. Safety is, as always, our first priority and I was pleased that our gas safety checks met our 100% target this year.

Repairs services – building blocks for improvement

We knew from what our customers were telling us and our own assessments that we needed to make changes to the way we managed our repair services. The solution has been to bring in new contractors and I'm delighted that we were able to involve our residents in the procurement process. We went live with both our gas and heating repairs contractor in September and our general repairs contractor in December 2022. We are starting to see some positive change. I am optimistic that our residents are starting to benefit from a much-improved service including access to dedicated call handling, a single point of contact and an out of hours emergency service. Our target is set at 80% satisfaction for next year and we are working hard to achieve that.

Complaints handling and lessons learnt

This year, we have taken a long look at the issues we had with complaints handling. Broadly, these fell into three areas: communications, repairs service standard and customer service. We've introduced a number of changes to address these identified improvement opportunities including more responsive and proactive communications and follow up around complaints. The repairs service has been overhauled and we've introduced a step change to our staff training to ensure that all our colleagues know what is expected and the standards we have set.

Finances – stability and focus on income protection

Remaining financially stable is always on the priority list for the organisation. We have a vital mission to fulfil and we can only do that if we have a stable financial operating position, develop our business and maximise our income. The economic situation, the cost-of-living crisis and stagnant wages have all put enormous strain on our residents' finances. This is reflected in the level of rent arrears we are witnessing – up to 5% from 4% last year. We also saw our rent collection as a percentage of rent due fall slightly this year to 98%. Add into the mix an increase in the time it took to turnaround our empty homes for letting (from 13 days to 25 days) and we see why focusing on protecting our income is so important for the year ahead. Turnaround times for our empty homes are expected to see an improvement as our new contractors settle in and we will continue to work with our residents to sustain tenancies and support struggling families. We are also actively looking at ways we can work collaboratively with other organisations to bring about economies of scale and leverage savings through better collective buying power.

Homes – investing in our future

Investing in and improving our homes is a priority to ensure that our residents have decent places to live and thrive. We completed a detailed stock condition survey this year and the results have enabled a deeper understanding of the needs of our homes and what needs to be done. This has allowed us to identify improved services and a comprehensive and informed investment strategy for the first time.

Being a strong voice for migrants and refugees

A vital part of why we exist as an organisation is to be a channel for the voices of migrants and refugees. We have worked hard this year to raise our profile as an organisation so that we can better support and influence the decision makers and opinions that make a difference for our customers. We've been increasingly active in commenting and participating in issues online and growing our engagement with key local stakeholders. Our new website is a good platform for information for our residents and our wider audiences and I am making sure that we champion our residents in our wider communications.

Resident involvement

A highlight of the year for me has been working with our fantastic Resident Scrutiny Panel (RSP). Together with this dedicated group of residents we have introduced some important changes. We've brought in:

- customer involvement in complaints management and review
- increased digital access to services
- residents involved in new contractor appointments

As we move forward, it is clear to me that we need more resident engagement to make sure our residents' voices are heard. I am certain there will be plenty of opportunities for residents to get involved.

This year I was privileged to welcome residents to our first residents conference in recent times. Designed as a forum to bring families together for a day of meeting contractors, hearing about our challenges and how we are tackling them from our Chair and me, we welcomed our guest speaker, the Chair of BME London Landlords, Ben Laryea. The day was a great opportunity to get involved, win prizes, have some great food and fun. It was a rewarding event and I've had some great feedback from those who came. My thanks to all who organised it.

Looking forward

Our biggest challenges will be maintaining our service improvements and addressing our stock condition improvements, whilst maximising our income and ensuring we encourage more resident participation at every level. We will be reinforcing our key memberships with BME Landlords both London and National. I am keen to explore ways for our network to support each other through ideas like shared services. The results of the stock condition survey have emphasised how important good data is to effective planning. It is time to bring forward a new corporate plan for Arhag and all these priorities will play their part in shaping our strategic responses.

Chris Harris
Chief Executive Officer

STRATEGIC REPORT OF THE BOARD

1. ABOUT ARHAG

PRINCIPAL ACTIVITIES

Arhag is a not-for-profit housing association. We are a business with social objectives, which means we invest every penny we make and more in providing good quality homes and services.

Arhag 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 30 years working to become a good housing association. We now manage and own 910 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 – become 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.

"We now manage and own 910 homes across 14 London Boroughs and one borough outside Greater London."

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, has their voice heard and makes 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

Key priorities:

Delivering our vision and mission and living our values has been the driver for our operations across the year.

In May 2023 we held our annual board strategy day and agreed four key priorities:

- to improve our engagement with our residents and other key stakeholders
- to develop our asset management approach and strategy
- to improve the integrity of our data on people and properties
- to improve our services to residents and achieve operational excellence

Integral to achieving these priorities is our approach to equality, diversity and inclusion and our support for staff. These will form the framework for our corporate strategy for the next three years.

ARHAG'S BUSINESS MODEL

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

Our core 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 people most in need for housing. We provide and enable opportunities for migrants and refugees in London.

Our partnership approach

Sharing spaces and services, collaborating on initiatives and working with other organisations is integral to Arhag's approach bringing growth, innovation, modernisation, cost effectiveness and facilitating a full range of customer-orientated services.

Providing migrant & refugee services

As a social landlord, we know that providing all the services needed by migrants and refugees arriving or having recently settled in the UK needs a collaborative approach. The building of successful partnerships with organisations with similar visions and missions has been a vital part of our work. Focusing on the Migrants' and Refugees' Hub, we actively signpost the services offered by our partners to tackle social exclusion, women's rights, legal issues and health concerns.

The Migrants' & Refugees' (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 and refugee centre for bringing together our partner organisations in one location.

The M&R Hub is a key element of our business planning, providing not only Arhag's administrative business centre but also our agile working space. On the ground floor, we have an amenity space 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 partners to work efficiently in a shared space.

Our M&R Partners

During the year, our hub has filled with partner organisations who are now enjoying the working space, meeting rooms and other facilities. Our relationships are growing in understanding and collaboration.

Migrants' Rights Network
Immigrants' rights

MRN believes everyone has the right to live in a society free from oppression and discrimination. They are a campaigning and advocacy organisation that works to achieve justice and equality for all migrants regardless of their immigration status. MRN builds alliances by working with and for migrant communities to raise awareness about their issues and respond to immigration policy and practice.

IKWRO
Women's rights

IKWRO works to protect Middle Eastern, North African and Afghan women and girls who are at risk of 'honour' based violence, forced marriage, child marriage, female genital mutilation and domestic violence. Through direct services, including advocacy, training and counselling and refuge, IKWRO promote the rights of the women and girls they protect.

Doctors of the World
Health rights

Doctors of the World is part of Médecins du Monde, an independent humanitarian organisation working in the UK and internationally to empower excluded people to access healthcare. Through 400 programmes in 80 countries run by more than 3,000 volunteers, they provide medical care, strengthen health systems and address underlying barriers to healthcare. Doctors of the World has a primary clinic in the building to run a programme that provides medical care, health care advocacy, information and practical support to people excluded from the health system.

Refugee and Migrant Forum of Essex and London (RAMFEL)
Legal rights and access to justice

RAMFEL is a charity that supports vulnerable migrants to access justice, providing vital support to those in crisis. RAMFEL sees around 1,000 clients a year, providing legal advice, case work support, destitution support and crisis intervention. The organisation provides a whole host of services, including immigration, housing and homelessness advice, integration support as well as operating a foodbank, delivering English classes and offering training to organisations regarding migrants' rights.

MigrantWork CIC
Working with change

MigrantWork CIC is a community interest company set up to help communities, practitioners and policy-makers in the UK and the rest of Europe respond to migration in ways that benefit all communities. As independent specialists rooted in practice as well as theory, MigrantWork CIC has in depth knowledge of the migration process, its policy context and its practical challenges. MigrantWork CIC develops integration strategies for the public and voluntary sector, conducts independent research and evaluation and facilitates groups and trains people so that practitioners, policy makers and communities can better understand and respond to the challenges of integration.

Social landlord networking groups

Arhag's collective senior executive team has been working hard to engage and grow our contribution to active 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)

BME LONDON LANDLORDS *BME London Landlords (BMELL)*

BMELL is group of BME led housing organisations who have come together and formed a mission to work together in partnership to deliver ambitious, innovative and influential projects that provide positive outcomes and enhance value for money for our residents communities and organisations. Last year we were delighted to host the organisation's planning day at The People's Place in June 2022. Looking to the future, we are proactively encouraging practical opportunities for our organisations to benefit from shared services. Our aim is always to bring about service improvement and deliver value for money.

COMMUNITY LINKS *Community Links*

Community Links is an independent charity specialising in providing support to adults and families in a wide range of issues. Community Links can refer you for help with advice on resolving housing benefits issues, renegotiate re-payments with bank and credit card companies, managing your money and help with other benefits or grants.

South East Consortium *South East Consortium (SEC)*

SEC is a central purchasing not for profit organisation. Although specifically created to support the housing sector, any public sector organisation can benefit from its offer. SEC was established in 2005 and retains its heritage by being a membership organisation owned by 49 housing associations and local authorities. Its members manage 466,000 homes between them, bringing significant buying power.

Development

Although we have not been active in developing new homes this year, the partnership approach to development that we adopted for our most recent addition of homes in June 2021 is one we wish to explore further.

That scheme is part of the ongoing redevelopment of Sugar House Island on the River Lea, just a short distance from The People's Place. Our partnership is with the private property developer and we manage and maintain 21 section 106 units on an initial ten-year lease – with potentially more homes in the pipeline as the redevelopment of southern part of Sugar House Island continues.

This lease-based approach to development enables us to reduce our exposure to development risk yet provides good value for money over the life of the lease. This is yet another example of our commitment and ability to grasp partnership opportunities to tackle housing shortages and enhance our income streams.

Employment

The Government's Kickstart programme, targeted at 16–24-year-olds, provided us with an opportunity last year to become active partners in helping to introduce two young people to employment.

We were delighted to be able to welcome one of those young people back to the Association for a further fixed term contract this year.

New Tenant Satisfaction Measures (TSM)

The Regulator of Social Housing is creating a new system for assessing how well social housing landlords in England are doing at providing good quality homes and services. We have procured Acuity to undertake our quarterly rolling programme of TSM surveys.

We are preparing for the new consumer standards set by the Regulator for Social Housing which commence in 2024. We are particularly focused on improving our repairs service and learning from complaints, and listening & empowering our customer voice.

PROFILE RAISING

Managing our external presence and reputation is a key element of our communications strategy.

Over the last year, we have made significant progress in enhancing our public profile and promoting the work we do on our website and social media channels. Our website now serves as a valuable resource to access the latest information and updates. From sharing key contact details of our team members, details on how to pursue a repair with our new repairs' contractors, to information about our partner organisations and more – the website is becoming known to residents as the 'go-to' platform to find essential information.

Since April 2022, we have posted more content on our news and events page, including information about our tenant satisfaction surveys, government support on energy payments, damp awareness, our new repair contractors, and how residents could attend our 2023 Residents' Conference. We have also marked several days of international significance that are of particular relevance to our work, such as World Refugee Day.

Activating and extending the reach of our communications has been a focus for us. In activating our social media channels, we have been building up our presence on LinkedIn since February 2022. Over the last year, we have managed to increase our follower count to over 500 and attract over 1,700 page views, including over 700 unique visitors. Our posts on our LinkedIn platform have promoted job opportunities, podcast appearances and commemorated notable days such as Windrush Day and World Day of Social Justice. Our growing presence on LinkedIn has enabled us to better interact with our partner organisations, sector professionals and the wider public. Our intention has been to build a strong voice as a go-to organisation for refugee housing, and to represent a strong voice for our residents.

Our posts on our Facebook and Twitter accounts have also been more active over the last year. These are more geared towards resident concerns. These platforms have been used to promote December's announcement about our partnership for repairs and maintenance with K&T Heating and MNM Property Services and our Residents' Conference. They have also been used to provide residents with real time updates on various notices, such as the closure of the Stratford office during the Christmas break.

"We have made significant progress in enhancing our public profile and promoting the work we do on our website and social media channels."

Podcast appearance

Chief Executive, Chris Harris, joined New Perspective Group (which supports organisations to realise their social impact potential) for the first episode of its Social Impact Matters podcast to discuss supporting migrants and refugees. He raised the profile of Arhag and its role as a housing provider in supporting migrants and refugees.

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 • Additional surveying staff have been appointed to manage cases • Data review and audit on system held data performed in conjunction with systems provider • 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 will be programmed to take place • Programme in progress for attaining Cyber Essentials certification – 1st stage completed • 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	• Revised Long-Term Financial Plan (LTFP) in place • LTFP includes the approved Arhag annual budget and activity cashflows • Stress testing regime initiated with Board • "Golden Rules" in place to monitor financial viability including financial covenant position and these are incorporated into our Corporate KPI dashboard and 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 CEO/DFR
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 to SMT • 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 backed up daily 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	• Stable Senior Management Team in place providing consistency to staff • Building our Foundation – (our internal improvements programme) is identifying and implementing people-based improvements • People and Culture Strategy development underway 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 RSH • Expert external advisors procured and active • Media and social media monitored by external experts • Communications strategy in place
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 provides assurance on budget process • Budgets approved by Board • Budget process and budget ownership embedded into SMT ownership • 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 • Customer data project underway and progress reported to Operations Committee
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

Risk	Impact	How We Manage Risk
Service charges are inaccurate and/ or not compliant with legislation	• Poor customer service • Loss of income • Regulatory consequences	• Budget and Long-Term Financial Plan service charge data aligned • Active internal audit programme in place with regular reporting to ARC covering key service areas
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	• Stock condition survey completed. Reported to Board in February 2023. Working with SEC to programme activity. Update to Board in May 2023 including approval of impact on the Long-Term Financial Plan • Compliance processes updated with new workbooks to validate data • Improvement programme – Building our Foundation covers data areas of improvement • Assets – review and updating of information held on our asset management systems • Mobilisation project with our new repairs contractor continues to cover data cleansing • System audit with systems provider specifically identifies data weaknesses

OUR HOMES

Geographic diversity across the region

Within our operating area, our properties are quite widely spread across 14 London boroughs and one borough outside London.

The majority of our stock is north of the River Thames and over half of our stock is contained in just three boroughs, namely Newham, Tower Hamlets and Haringey.

	General Needs & Intermediate Rented	Supported Housing	Shared Owners & Leaseholders	Total	%
London Boroughs (North of the Thames)					
Newham	219	13	10	**242**	27%
Tower Hamlets	108	20	3	**131**	14%
Haringey	92			**92**	10%
Hammersmith & Fulham	63			**63**	7%
Enfield	56		6	**62**	7%
Camden	59			**59**	7%
Westminster	49			**49**	6%
Barnet	46			**46**	5%
Islington	40			**40**	4%
Kensington & Chelsea	30		1	**31**	3%
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	**856**	**33**	**21**	**910**	**100%**

"These changes give our residents a more efficient service through direct access to the contractor and technical staff to deal with any service issues and book appointments."

Responsive and empty homes repairs

During the year we changed the operating model of how we deliver responsive day to day repairs and repairs to our empty homes between lettings.

We previously employed a number of smaller contractors to whom we would allocate work after we received a call from our residents.

Utilising our membership of the South East Consortium and with valuable input from our residents, we re-procured these contracts so that as from December 2022 we replaced the previous operating model with a single main contractor, MNM Property Services, including arranging for resident calls to be taken directly by MNM to discuss the issue a resident has and schedule their attendance to respond.

This followed on from the earlier improvements we made to the resident experience and response of the organisation when we renewed our gas, heating and hot water contract with K&T Heating Services. This service now also includes taking calls directly from residents with effect from June 2022.

These changes give our residents a more efficient service through direct access to the contractor and technical staff to deal with any service issues and book appointments.

Damp and mould

As with many Registered Providers (RPs) across the sector, we have experienced an increase in the reporting of damp and mould cases in our homes following the tragic death of a young child in Rochdale and the high profile this issue has gained as a consequence.

Whilst damp and mould are not widespread across our properties, we have not been immune from needing to invest significantly in certain properties to improve living conditions and this has resulted in a marked increase in responsive repairs this year.

Planned and compliance work

Two years ago, Arhag commenced a major programme of investment in the health & safety aspects of our homes, with a focus on fire, gas and electrical safety works.

The significant increase in expenditure resulted in higher levels of compliance by the end of March 2022.

Our required investment in these areas reduced in 2022/23, although this has not been at the expense of our levels of compliance with legislation.

We achieved:

- 100% compliance with our Fire Risk Assessments (FRAs),
- 100% compliance with our Landlord Gas Safety Records (LGSRs), and
- 99.89% compliance with our Electrical Installation Condition Reports (EICRs) under 5 years

Stock condition survey

During the year, we concluded the survey of the condition of our stock, which was conducted by Faithorn Farrell Timms, a leading consultancy in this sector.

This has provided us with accurate empirical data to work with in setting our priority expenditure programmes to achieve full Decent Homes Standard compliance in the future and to validate the programmes of component replacement.

The survey covered all our units, excluding those which had recently been surveyed or which potentially may be the subject of regeneration opportunities. It provides us with the evidence we require to understand better the condition of our homes, the extent of the immediate requirement to invest in them and the programme of future investment we need to plan for in our long-term financial plan.

Upgrading our existing homes

Although it made sense to await the results of the stock condition survey to plan our priorities for reinvestment in our homes, we were also cognisant of the growing need to invest significant sums of money in certain of our key properties, which had not received the investment they needed previously.

One of these was our higher-rise building in West London where a major replacement of the windows throughout both the flats and the communal areas was required. The investment has been well-received by the residents and has also highlighted further investment requirements in that block, which will be concluded next year.

The total expenditure for the year on completed component replacements (see table below) has therefore shown a marked increase to nearly four times the expenditure in the previous year when, while awaiting the survey outcomes, we paused all but priority reinvestment work and the focus for the year was on boilers and other heating installations.

	2023		2022	
Component	**Properties No.**	**Value £'000**	**Properties No.**	**Value £'000**
Expenditure on completed installations				
Bathrooms	20	£51	5	**£19**
Kitchens	15	£97	9	**£45**
Heating	60	£150	58	**£124**
Windows	29	£700	15	**£68**
		£998		**£256**

Further reinvestment expenditure has been made in ongoing component replacements which will be finalised in 2023/24.

Our residents are at the heart of everything we do.

The Residents Scrutiny Panel (RSP) was established to provide input to both Arhag's Senior Management Team and the Arhag Board. It offers our residents an opportunity to be involved in activities designed to gather opinions, views and critiques through attendance at conferences, open days, focus groups and other forums.

The RSP meets regularly to take a good look at our services before telling us what they think, and how we could work better. The RSP has a direct link to the Arhag Board, so all the recommendations go straight to the top.

The RSP members scrutinise important issues such as complaints, rent arrears, budgets and the impact of the benefit changes.

During the year, members of the RSP have been involved in some of the most important decisions Arhag has made, including:

- the recruitment of Arhag's new Chair, Reena Purchase
- the recruitment of Shabana Yousaf onto the Senior Management Team as Director of Property, Building Safety & Compliance
- the selection and appointment of MNM Property Services as our new repairs contractor
- the re-appointment of K&T Heating as our heating contractor

And we were delighted to see a member of the Panel join Board members and the Senior Management Team on the highly informative Stock Tour in May 2022.

Residents Scrutiny Panel – a view from the Chair

Syeda Miah is an Arhag resident and the much-valued Chair of our Residents' Scrutiny Panel for over eight years.

Making positive change is something Syeda feels passionate about. "I feel strongly that if we want to see change happen then we must play our part in bringing it about. That's what I did when I got involved in the Residents Scrutiny Panel. Arhag is not perfect, of course. There is much that it could be doing better or differently, but I believe that Arhag is an organisation that is prepared to listen and to act. I feel that the more residents that get involved then the better the service will be. We need to say what we want from Arhag and we can only do that if we take an active role."

RESIDENTS' CONFERENCE 2023

At the end of April, we hosted our Residents' Conference for 2023. Promoted as the Arhag All Together Day on our website and social media channels, residents from across London joined us at Stratford Town Hall to hear speeches from our Chief Executive, Chair of the Board, and Chair of the Resident Scrutiny Panel, participate in activities such as arts and crafts and a raffle prize draw, as well as enjoying lunch and refreshments.

Our Chief Executive, Chris Harris, reflected on the challenges the organisation has faced and Arhag's achievements in the year including the appointment of Reena Purchase as Chair of the Board, the greater involvement of the RSP in decision-making, particularly in the procurement process and the new partnership with our repairs contractors.

Reena Purchase gave attendees an insight into her career history and leadership experience in the not-for-profit sector.

Syeda Miah, chair of the RSP, reflected on the involvement and opportunities for empowerment she has enjoyed since joining the RSP.

We were delighted that Ben Laryea, Chair of the BME London Landlords, could join us to give a speech on the importance of representation and the progress the social housing sector has made over the last two decades.

We were also pleased that residents had the opportunity to speak directly with representatives from K&T Heating and MNM Property Services, our new contractor partners.

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 will be the key to our ambition to be one of the best providers of social housing services in London.

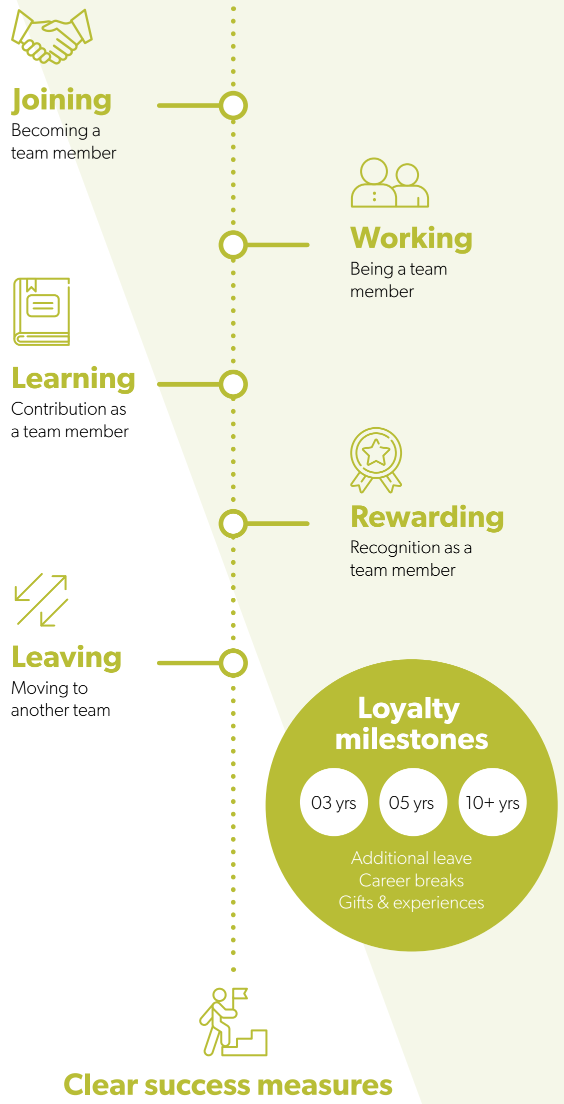
During the year, we have completed the development of a people and culture strategy, the key elements of which are shown here. This strategy is key to ensuring that Arhag is not only delivering effective customer-centric services, but that the organisation can embrace agile working, tackle inclusiveness 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.

The strategy is structured in five distinct sections covering all five key aspects of a team member's time with us and includes staff benefits that reflect contribution over time to the aspirations of the Association.

Strengthening the Senior Management Team

The strengthening of the Arhag Senior Management Team over the last two years was concluded with the appointment of Shabana Yousaf as Director of Property, Building Safety & Compliance in May 2022.

Having a full complement of permanent staff on the Senior Management Team has made a significant difference to the stability of the organisation.



OPERATIONAL PERFORMANCE

Arhag-specific metrics	Target 2024	2023	2022	2021	2020
Resident satisfaction with responsive repairs	80%	65%	67%	71%	60%
Current tenant rent arrears	3%	5%	4%	4%	6%
Rent collection as % of rent due	>100%	98%	101%	100%	94%
Void turnaround time (days)	13	25	13	16	18
Gas safety certificate	100%	100%	100%	91%	100%

Repairs satisfaction

Although, over the course of the year, our residents' satisfaction with our repairs performance is below where we would want it to be, it is a marginal reduction on last year and we have been pleased to see the level of satisfaction has increased since the mobilisation of our new repairs contractor.

We expect this direction of travel, experienced since late 2022, will continue and we will work with our contractors to do what we can 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 5% and our rent collection was 98%. Both represent a worse result for the year than we targeted.

The cost-of-living crisis has impacted on both collection and arrears much more than the Covid-19 pandemic did.

We are working with Allpay, our payment supplier, on understanding the payment patterns of our residents, whether direct debit arrangements are being cancelled and where payments are being made on credit as these are all potential indicators of personal financial difficulty. Through this and direct contact with residents, we are developing an individual profile for residents to improve our knowledge of their circumstances so that we can tailor the support and signposting requirements for them.

Voids

Our performance over the course of the whole year on turning around empty homes between lettings has been disappointing and was a key factor in the move to procure our repairs and maintenance service via one main contractor. However, we have been pleased to see that the number of days to turn around an empty home has reduced since this change was made at the end of 2022.

Our target for 2023/24 is now to return to a turnaround time for re-letting empty homes in line with our performance in 2021/22.

Gas safety

We are pleased to report that having improved our performance in gas safety compliance the previous year to 100%, we have maintained this position of full compliance this year.

Complaints handling and lessons learnt

This year, we have taken a long look at the issues we had in the past with complaints handling. Working with our Resident Scrutiny Panel and our staff we have committed to ongoing improvements.

Broadly the issues we identified fell into three areas:

- a need to improve our communications
- our repairs service standard was poor
- customer service required improvement

We have introduced changes to address these identified improvement opportunities including more responsive and proactive communications and better follow up around complaints. We have updated our residents' handbook to make it clearer how to access our complaints service.

The repairs service has been overhauled specifically to address the need to answer calls better and to keep our residents informed.

We have also introduced a change to our staff training to ensure that all our colleagues know what is expected and the standards we have set.

Finally, we have introduced an improved KPI dashboard and analysis so that we can track improvements over time and ensure we are accountable.

During the year, we received 70 complaints of which 10 were progressed to the second stage of our complaints process. During the year we also dealt with 8 legacy cases from prior years which had been taken to the Ombudsman.

2. FINANCIAL PERFORMANCE AND VIABILITY STATEMENT

FINANCIAL PERFORMANCE

£5,393
Social housing operating costs

£679K
Surplus for the year

Surplus for the year

Arhag has delivered a healthy surplus for the year of £679k, which represents a 9.7% margin on Turnover. This compares to a surplus of £1,089k a year ago (16.0% margin), which was bolstered by the surplus on the sale of five properties in South London. The only disposal of a property in 2022/23 was a single property in Newham which was sold under the resident's retained Right To Acquire.

Excluding these surpluses on the sale of properties, the surplus for the year has remained the same at £432k in both years.

This performance has been achieved through increasing turnover by 3.3% and maintaining operating cost increases to just 2.7% while net interest charges have increased by 8.4%.

Turnover

Turnover from social housing lettings increased by 3.9% from £6,672k to £6,934k, primarily driven by the annual uplift in social housing rents and through having the 21 leased units at Sugar House Island for the full year.

Other sources of income reduced slightly during the year, including the decision of one of our hub partners to terminate their lease for space at The People's Place.

Operating costs

Social housing operating costs increased by 2.7% from £5,251k to £5,393k.

Within this, we have managed to reduce our management costs by 4% as we strive to continue to deliver a service to our residents that represents as good a value for money proposition as we can.

The significant increase in the reporting of mould and damp cases and the costs of rectification has contributed to a £324k (48%) increase in routine maintenance expenditure and similar increases have been reported to us from other RPs. Moving from multiple small contractors to a single main contractor has also contributed to the increased cost as jobs which had not been completed under the old delivery model were addressed in the second half of the year by the new contractor.

The substantial investment from the previous year by our property, building safety and compliance team in fire risk assessments, gas and electric testing and in making changes to the properties as necessary from the resulting reports, continued through 2022/23. However, with the high expenditure involved last year in catching up on legacy underspends having been completed, the total planned maintenance expenditure for this year was able to be normalised with a consequent 31% reduction in planned maintenance.

We have continued our prudent approach to the risk of resident debt not being fully recoverable and have therefore increased our provision by £21k in the year.

Operating margins

As a consequence of improving our underlying financial performance, Arhag has improved its operating margin on social housing lettings from 21% to 22%.

However, the reduced number of property disposals caused our overall margin (including the surplus on those property disposals) to decline from 30% to 25%.

Disposal of fixed assets

Arhag is not financially reliant on disposing of properties to support its business model. We have reduced the number of disposals over recent years from 10 properties in 2021 to 5 in 2022 and just one disposal under the tenant's retained Right To Acquire this year.

The 15 units sold in 2021 & 2022 were to the same Registered Provider and arose following the decision of the Board to focus operations more in north and east London rather than south of the river.

No property sales are planned for the coming year.

Net Interest

During the year, Arhag repaid £1.22m of loans without any additional refinancing being taken.

However, despite this and the fact that the majority of our debt is on fixed interest terms, the impact of the increases in the Bank of England Base Rate has caused our interest charges on loans to rise by 11% from £959k to £1,061k.

Debtors

As have many registered providers of social housing, we experienced an adverse impact on our overall financial position as a consequence of the cost-of-living crisis affecting our residents.

We have seen the arrears of former and current residents rise by 15% from £447k to £514k and our housing and income management teams are increasing our engagement with residents, including signposting of services to assist them in managing their debt to remain in their home.

Debt and liquidity

Arhag's loan facilities are held with four banks and amount to £25.23m (2022: £26.45m), against which we carry a cash reserve of £2.74m (2022: £3.09m).

At the end of the financial year, our net debt had reduced from £23.36m to £22.49m, of which £1.08m is repayable within one year and £1.06m the following year.

Our total liquidity as of 31 March 2023 of £2.74m (2022: £3.09m) is comprised of immediately available bank deposits and resident payments that have been made by residents to our third 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 2023 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.

3. VALUE FOR MONEY STATEMENT

In this section, we set out our approach to value for money (VfM) across our services, ensuring that best possible benefit is derived from our resources and assets that optimise economy, efficiency and effectives in the delivery of our corporate objectives. This statement shows our compliance with the Regulator for Social Housing (RSH) Value for Money standard.

WHY IS VFM IMPORTANT?

Evidencing that we achieve optimum value for money is a regulatory requirement.

The Value for Money Standard requires social housing providers to clearly articulate their strategic objectives, have an approach agreed by Board on how value for money will be achieved, have an appetite for delivering new housing supply and ensure that optimum benefit is derived from resources and assets in order to optimise economy, efficiency and effectiveness in delivering strategic objectives.

Regulation aside, the principles of value for money make good business sense and Arhag is currently updating its VfM Strategy.

The key elements of the VfM standard are as follows:

- There should be a robust approach to achieving value for money. This will include a robust approach to decision making and rigour in appraising options for improving performance.
- There should be regular and appropriate consideration by the Board of potential value for money gains.
- Value for money should be a whole business approach, and where there is investment in non-social housing activity, consideration should be given to whether the return from such activity is commensurate with the risk involved. Where this is not the case, the Board should seek justification.
- There should be appropriate targets in place for measuring performance in achieving value for money. Performance against the targets should be regularly monitored and reported.

In terms of demonstrating VfM, this statement contains updates in respect of performance against our own value for money targets, performance against metrics set out by the regulator, and how our performance compares to our sector. Evaluation of underperformance is also shown.

2022/23 OVERVIEW

The Board acknowledges that the external economic environment has put financial pressures on Arhag's residents, business and suppliers in 2022/23 with the business maintaining strong levels of financial resilience.

The Board continues to put the needs of our residents first, in particular their safety, with prioritising the works at our higher-rise building in West London, which will finish in 2023.

Arhag has paused new development whilst the stock condition survey was completed and the extent of reinvestment required is established.

Arhag has delivered acceptable financial metrics from its core business operations – compliant with its loan covenants. The Board anticipates a refreshed Value for Money Strategy in December 2023 as the Senior Management Team recognises the need to consider our priorities for operating costs further. This will enable increased investment in our customers' homes that are both safe to live in and sustainable.

OUR APPROACH TO VALUE FOR MONEY

We are all living in unprecedented times. As the country recovers from the Covid-19 pandemic, we have seen inflation and cost of energy bills place financial pressures on the whole of society.

Arhag is no different and we are seeing the impact on our customers with an increase in both arrears and dependency on benefits. We have seen a number of our operating costs increase, particularly on our repairs and maintenance services, which puts pressure on the Association's margins.

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 by up to 7% in compliance with the 2023 Rent Standard.

Value for money (VfM) is a concept that we apply daily in our lives. We are constantly choosing which items or services to buy and judging what is the right balance between quality and cost. Arhag as an organisation is no different. For us, it is about obtaining the maximum benefit with the resources available. It is a way of doing things that underpins everything we do, from performance management to procurement, from business planning to consultation.

Value for money is integrated within all areas of Arhag's strategic planning and operational delivery.

Arhag will continue to ensure that it achieves optimum economy, efficiency and effectiveness in the delivery of our strategic objectives, recognising the need to balance factors such as available resources, risks and other responsibilities to ensure long term financial viability.

In terms of deriving "optimal benefit" from resources and assets, Arhag will take a measured and proportionate approach, considering the requirements of all the Regulator of Social Housing's (RSH's) Standards in particular, the Value for Money and Governance and Viability Standard. In optimising the financial return from assets and activities, Arhag will ensure that the approach taken is consistent with our overall purpose and strategic objectives.

The business benefits of an ingrained approach to VfM are important, in terms of reducing waste and improving the quality of delivery of our services. This in turn maximises our opportunity to grow whilst improving services. In addition, at a time of inflationary pressures, it is a strategy that is required to maintain Arhag's independence and viability.

MONITORING AND REPORTING

A key aim of the Standard is to support improved effectiveness and efficiency across the sector through enhanced transparency and accountability.

This is one of the key priorities of updating our VfM strategy, by improving the use of benchmarking data to understand the differences in how the Group operates against its peers to ultimately improve the quality of our service delivery.

The regulator has defined a suite of standard metrics which are reported against annually in Arhag's financial statements so that Board and stakeholders can assess performance against these metrics. Our performance against these metrics also forms part of the Management Accounts, that are overseen by Audit & Risk Committee and Board on a quarterly basis.

The Board and Senior Management Team will ensure that VfM is embedded in Arhag's approach to performance management.

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

We have improved in 2022/23 against the targets set last year in five of the Regulator's nine VfM measures, met the target in both of the 'New supply delivered' measures but did not achieve target in the EBITDA MRI Interest Cover metric or the Social Housing Cost Per Unit.

The table below shows our performance over the last three years and our targets for next year. Additionally, it provides 'sector-wide' quartile information showing where Arhag's 2023 performance would have placed it against the various quartiles of the sector in 2022.

VfM Metrics	Target 2024	Quartile	2023	Target 2023	2022	2021
Reinvestment (%)	2.0%	4th	1.5%	0.7%	0.4%	0.3%
New supply delivered – Social (%)	0%	N/A	0%	0%	2%	0%
New supply delivered – non-social (%)	0%	N/A	0%	0%	0%	0%
Gearing (%)	30.8%	2nd	30.9%	31.0%	32.1%	34.5%
EBITDA MRI Interest Cover (%)	120%	4th	95%	141%	174%	187%
Social housing cost per unit	£5,944	4th	£5,988	£5,642	£4,994	£5,511
Operating Margin (%) – Social lettings	27.3%	2nd	22.2%	18.9%	21.3%	12%
Operating Margin (%) – Overall	26.9%	2nd	21.3%	18.6%	20.8%	12%
Return on capital employed (ROCE) (%)	2.6%	3rd	2.3%	1.7%	2.7%	2.4%

Targets for the year ahead are taken from the Budget for 2023/24.

Quartile comparisons are taken by reference to the Sector Scorecard results for 2022 across the housing sector and as such they include a wide variety of Associations.

Performance analysis

New Supply

As with many smaller associations, we do not have a constant pipeline of new schemes under development which would generate new units every year, and some years there will be no new units.

This year, we did not add new units to follow up on the 21 units in Newham, which were delivered into management in June 2021 by way of an intermediate/affordable rent leasing scheme with a developer. However, further units on that same development scheme on Sugar House Island may potentially become available for management and we would be keen to discuss extending our Association with the freeholder.

Reinvestment

Reinvestment is a measure of growth and is comprised of a combination of expenditure on new supply and the replacement of fixed asset components of our existing homes.

In the absence of a current development programme of new units, this aspect of our reinvestment performance was removed.

However, reinvestment in our existing housing stock increased significantly from £0.3m to £1.1m, primarily through the replacement of windows at one higher-rise block in West London.

Gearing

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 a housing association's balance sheet and its capacity for future new supply. Median gearing ratios across the sector have changed little from the Regulator's Sector Scorecard results published over the last few years and our improvements on this ratio has maintained our position in 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 unit sold under the retained Right To Acquire 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.

EBITDA MRI interest cover

This metric measures the extent to which the Association's financial operating performance is able to cover its interest payments in the year.

The specific calculation of the EBITDA MRI interest cover figure varies from stakeholder to stakeholder and it is therefore important to interpret the output in the context of the specific method used.

The measures reported within this Annual Report and Financial Statements are those metrics prescribed by the Regulator of Social Housing and the EBITDA MRI interest cover ratio excludes the surpluses from disposing of housing properties in measuring the financial operating performance.

However, at Arhag, our lenders' loan covenant calculations allow for the use of surpluses generated this way to be used in calculating the interest cover for the year and hence there is a significant difference in the outcome of this ratio for the year.

With our only disposal being conducted under the retained Right To Acquire we have derecognised the grant income previously taken to operating surplus and recycled the grant used to acquire the property. The surplus on disposal has then been used to fund the much-needed investment in our existing homes.

As a consequence, the EBITDA MRI figure calculated for the purposes of these financial statements is lower than the interest it is generated to cover whereas, for the lenders loan covenants, the interest payable is covered and the covenants have not been breached.

Social housing cost per unit and operating margins

Our social housing cost base has remained high in 2023, primarily, as a consequence of our increased investment in component replacement works and routine maintenance.

Although our social housing cost per unit increased considerably in the year, this has been primarily through the increase in capitalised reinvestment in our homes, which has enabled us to achieve a modest increase in operating surplus.

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

As the business and our partners accelerate our 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.

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 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 procure our major reinvestment works programmes.

In advance of this procurement, Arhag 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 our decision-making on prioritising when and where we need to be investing our available capital funds over the life of those properties.

Whilst we would wish to see our social housing cost per unit decrease significantly year-on-year, and long-term this remains our objective, for the year to March 2024 we have budgeted for only a marginal decrease in these costs.

The main factor behind this decision is to provide 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 recently completed.

LONG-TERM FINANCIAL PLAN

Our Long-Term Financial Plan, to be shared with our lenders, demonstrates that our gearing remains very comfortably within loan covenant compliance limits and our 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, derived from the results of our stock condition survey, to meet our commitment for safe and quality homes
- 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 (the Association) 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.

Specialist law firm, Devonshires, is retained to support our company secretariat function on an ongoing basis.

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 2023, 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 four times in 2022/23.

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 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.

Meetings, attendance and remuneration

Attendance records of the non-executive Board and Committee members at meetings during the year are shown below.

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

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 per Committee Chair and £2,500 per member.

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.

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.

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.

During the year 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.

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 Operations Committee and 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 operate a strong risk management approach.

Insurance

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

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.

Our statement of intent on modern slavery is contained on our website.

5. STATEMENT ON INTERNAL CONTROLS

Responsibility for the system of internal control

The Board acknowledges its responsibility for ensuring that Arhag has in place a system of internal control that is appropriate for its operations 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 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 from the Senior Management Team which evidence compliance with the assurance framework or provide 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's report on Internal Controls and the Annual Report from Audit and Risk Committee for the year to 31 March 2023 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 Code of Governance in the annual report. Where there is non-compliance, the Board must provide a reasoned explanation.

We have carried out a self-assessment against the provisions of the Code, which was presented to the Audit & Risk Committee in July 2023, and this confirms that Arhag complies with the Code of Governance in all material respects.

An Action Plan is in place to track progress in respect of those aspects of the Code of Governance where strengthening of our position is required.

The Action Plan for our progress in strengthening in these areas is being 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

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

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 7th September 2023 and signed on its behalf by:

Reena Purchase

Reena Purchase
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 2023 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 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The 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 is 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 40, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board 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 2022, 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
CLA Evelyn Partners Limited (Sep 15, 2023 17:16 GMT+1)

Andrew Bond
Senior Statutory Auditor,
for and on behalf of

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7BG

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Turnover	3	7,018	6,793
Operating costs	3	(5,522)	(5,379)
Sale of fixed assets	8	247	657
Operating surplus		**1,743**	**2,071**
Interest receivable and similar income	10	14	-
Interest payable and similar charges	11	(1,078)	(982)
Surplus on ordinary activities before tax		**679**	**1,089**
Tax on surplus on ordinary activities		-	-
Surplus for the year		**679**	**1,089**

All the activities of the Association are classified as continuing.
The notes on pages 56 to 73 form part of these financial statements.

Statement of Financial Position as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Fixed assets:			
Tangible fixed assets – housing properties	12	72,070	72,063
Tangible fixed assets – other	13	3,960	4,114
		76,030	**76,177**
Current assets:			
Debtors	15	546	727
Cash and cash equivalents	14	2,742	3,094
		3,288	3,821
Creditors: amounts falling due within one year	16	(3,146)	(3,241)
Net current assets		**142**	**580**
Total assets less current liabilities		**76,172**	**76,757**
Creditors: amounts falling due after more than one year	17	(53,679)	(54,943)
		22,493	**21,814**
Reserves:			
Called-up share capital	21	-	-
Revenue reserves		22,493	21,814
		22,493	**21,814**

The notes on pages 56 to 73 form part of these financial statements.

The financial statements were approved by the Board on 7th September 2023 and signed on their behalf by:

Reena Purchase
Arhag Board Chair

Chris Harris
Chief Executive Officer
& Company Secretary

David Maitland
Chair of Audit &
Risk Committee

Reena Purchase

Statement of Changes in Equity for the year ended 31 March 2023

	Called-up share capital £'000	Reserve reserves £'000	Total capital and reserves £'000
As at 1 April 2022	-	21,814	21,814
Surplus for the year	-	679	679
As at 31 March 2023	**-**	**22,493**	**22,493**
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**

Cashflow statement for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities:			
Operating cashflow	**(i) below**	**2,645**	**2,471**
Cash flow from investing activities:			
Net proceeds from sale of fixed assets		375	646
Purchase of tangible fixed assets		(1,100)	(415)
Interest received		14	-
Net cash generated from investing activities		**(711)**	**231**
Cash flow from financing activities:			
Draw down of new loans		(1,225)	(1,247)
Repayment of existing loans		-	48
Grants received		(1,061)	(959)
Interest paid		**(2,286)**	**(2,158)**
Net increase / (decrease) in cash and cash equivalents		(352)	544
Cash and cash equivalents at the start of the year		3,094	2,550
Cash and cash equivalents at the end of the year		**2,742**	**3,094**
Note (i)			
Cash generated from operating activities			
Surplus for the year		**679**	**1,089**
Add back:			
Interest payable and similar charges		1,078	982
Interest receivable and similar income		(14)	-
		1,743	**2,071**
Operating items not involving the movement of funds:			
Depreciation & write-off of fixed assets		1,141	1,212
Amortisation of grant		(376)	(376)
Profit on sale of assets		(247)	(657)
Charge / (credit) for bad debts		57	(3)
Change in debtors		123	39
Change in creditors		204	185
Net inflow from operating activities		**2,645**	**2,471**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 2022.

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.

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

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 asset 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
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 only fixed interest loan. 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 is subject to a partial exemption special 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.

Judgements 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 Judgements in Applying the Association's Accounting Policies

The following are the significant judgements, 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 judgements 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 judgements 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.

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

	Note	2023 Turnover £'000	Other income £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**4**	**6,934**	**-**	**(5,393)**	**1,541**
Other social housing activities					
Surplus on disposal of fixed assets	8	-	247	-	247
		-	**247**	**-**	**247**
Non-social housing activities					
Income from partners & other sources		84	-	(129)	(45)
		84	**-**	**(129)**	**(45)**
Total		**7,018**	**247**	**(5,522)**	**1,743**

	Note	2022 Turnover £'000	Other income £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	**4**	**6,672**	**-**	**(5,251)**	**1,421**
Other social housing activities					
Surplus on disposal of fixed assets	8	-	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**

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

	2023 £'000	2022 £'000
Turnover		
Rent receivable net of identifiable service charges	6,011	5,741
Service charges	547	555
Amortisation of grant	376	376
	6,934	**6,672**
Operating costs		
Management costs	2,404	2,507
Service costs	610	573
Routine maintenance	995	671
Planned maintenance	364	530
Major repairs	-	13
Rent losses from bad debt	57	(3)
Housing property depreciation	963	960
	5,393	**5,251**
Operating surplus from social housing lettings	**1,541**	**1,421**
Void losses	37	29

5 ACCOMMODATION IN MANAGEMENT

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

	2022	Acquired	Disposed	2023
Social Housing				
Owned & Managed				
General needs housing				
– Social rent	819		(1)	818
– Intermediate rent	48			48
Shared ownership	8			8
Supported Housing	23			23
Leaseholders	13			13
	911	**-**	**(1)**	**910**

In addition to the units above, the Association also has rights and obligations for 1 unit (2022: 2) that is managed by another London-based registered provider of social housing.

The Association had no units under construction at 31 March 2023 (2022: 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 and any other person who is an active member and decision-maker of the Senior Management Team) was as follows:

	2023 £'000	2022 £'000
Emoluments	337	247
Pension contributions	28	23
Non-executive Board member emoluments	31	27
Payable to third party suppliers (Interim Senior Management)	-	69
	396	**366**

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

	2023 £'000	2022 £'000
Emoluments	119	90
Pension contributions	9	5
	128	**95**

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)	2023 No.	2022 No.
Senior management team	4	3
Office-based staff	5	5
Operational staff	9	12
	18	**20**

Staff costs (for the above employees)	2023 £'000	2022 £'000
Wages and salaries	844	874
Social security costs	98	97
Pension costs	61	60
Life insurance	6	5
	1,009	**1,036**

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

	2023 No.	2022 No.
£60,000 - £70,000	1	1
£70,000 - £80,000	1	-
£90,000 - £100,000	1	2
£120,000 - £130,000	1	-

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

	2023 £'000	2022 £'000
Reena Purchase	3,046	-
Qadeer Kiani OBE	2,985	6,000
David Maitland	3,500	3,500
Bulbul Ali	3,500	3,500
Amarjit Bains	2,500	1,269
Abdul Basith	2,500	2,500
Keith Best	2,500	1,269
Pat Davies	2,500	2,500
Helen Gribble	2,500	1,269
Diana Hamilton	2,500	1,269
Boe Williams	2,500	2,500
Mark Gomar	-	1,804
Wayne Farah	-	67
	30,530	**27,447**

8 SURPLUS ON SALE OF FIXED ASSETS

	Sale of housing properties £'000	Other fixed asset disposals £'000	2023 £'000	2022 £'000
Proceeds from sale	377	-	377	646
Cost of assets sold	(107)	-	(107)	(242)
Derecognise grant on sale	(21)	-	(21)	187
Other disposals	-	-	-	66
Disposal costs	(2)	-	(2)	-
	247	**-**	**247**	**657**

9 OPERATING SURPLUS

	2023 £'000	2022 £'000
The surplus for the year is stated after charging / (crediting):		
Depreciation of housing properties	963	960
Other depreciation	178	252
Amortisation of grant	(376)	(376)
Auditor's remuneration (excluding VAT):		
– for audit services	30	24
– for audit and accountancy services relating to prior year	-	9
– for other services	20	40
	50	**73**

10 INTEREST RECEIVABLE AND OTHER INCOME

	2023 £'000	2022 £'000
Interest from bank deposits	14	-
	14	**-**

11 INTEREST AND FINANCING COSTS

	2023 £'000	2022 £'000
Interest from loans	1,061	959
Amortisation of fees	17	23
	1,078	**982**

12 PROPERTY, PLANT & 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 2022	85,417	753	-	**86,170**
Additions in the year	1,076	-	-	**1,076**
Disposals in the year	(444)	-	-	**(444)**
As at 31 March 2023	**86,049**	**753**	**-**	**86,802**
Depreciation:				
As at 1 April 2022	14,107	-	-	**14,107**
Charge in the year	963	-	-	**963**
Disposals in the year	(338)	-	-	**(338)**
As at 31 March 2023	**14,732**	**-**	**-**	**14,732**
Net book value:				
As at 31 March 2023	**71,317**	**753**	**-**	**72,070**
As at 1 April 2022	71,310	753	-	72,063

13 PROPERTY, PLANT & 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 2022	302	369	1,107	4,475	**6,253**
Additions in the year	5	1	18	-	**24**
Re-allocation of VAT Refund	-	(72)	-	72	**-**
As at 31 March 2023	**307**	**298**	**1,125**	**4,547**	**6,277**
Depreciation:					
As at 1 April 2022	201	140	940	858	**2,139**
Charge in the year	22	23	73	60	**178**
As at 31 March 2023	**223**	**163**	**1,013**	**918**	**2,317**
Net book value:					
As at 31 March 2023	**84**	**135**	**112**	**3,629**	**3,960**
As at 1 April 2022	101	229	167	3,617	4,114

14 CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash and cash equivalents	2,742	3,094
	2,742	**3,094**

15 DEBTORS

	2023 £'000	2022 £'000
Due within one year:		
Rent and service charges receivable	514	447
Less: provision for bad and doubtful debts	(331)	(310)
	183	**137**
Trade debtors	5	21
Other debtors	215	473
Prepayments and accrued income	143	96
	546	**727**

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2023 £'000	2022 £'000
Debt	20	1,075	1,246
Trade creditors		85	189
Rent and service charges received in advance		449	450
Deferred grant income	18	375	376
Recycled capital grant fund	19	27	119
Taxation and social security		120	25
Accruals and deferred income		916	785
Other creditors		99	51
		3,146	**3,241**

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2023 £'000	2022 £'000
Debt	20	23,920	24,957
Deferred grant income	18	29,542	29,986
Leaseholder sinking funds		35	-
Recycled capital grant fund	19	182	-
		53,679	**54,943**

18 DEFERRED GRANT INCOME

	Deferred Income £'000	Amortised £'000	2023 £'000	2022 £'000
As at 1 April	37,896	(7,534)	30,362	30,877
Additions in the year	-	-	-	48
Disposals in the year	(90)	21	(69)	(187)
Grant amortised in the year	-	(376)	(376)	(376)
As at 31 March	**37,806**	**(7,889)**	**29,917**	**30,362**

	2023 £'000	2022 £'000
Amounts due to be released within one year	375	376
Amounts due to be released in more than one year	29,542	29,986
	29,917	**30,362**

19 RECYCLED CAPITAL GRANT FUND

	2023 £'000	2022 £'000
As at 1 April	119	119
Recycled from prior year disposals	90	-
As at 31 March	**209**	**119**
Amount of grant due for repayment	28	28

20 DEBT ANALYSIS

	2023 £'000	2022 £'000
Due within one year:		
Bank loans	1,075	1,246
Due after more than one year:		
Bank loans	24,154	25,208
Less: issue costs	(234)	(251)
	24,995	**26,203**

At 31 March 2023 the Association had no undrawn loan facilities (2022: nil).

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

	2023 £'000	2022 £'000
Within one year	1,075	1,246
One year or more but less than two years	1,060	1,142
Two years or more but less than five years	4,468	3,942
Five years or more	18,392	19,873
	24,995	**26,203**

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

	2023	2022
Number of members:		
At the start of the year	11	9
Joining during the year	1	4
Leaving during the year	(2)	(2)
At the end of the year	**10**	**11**

Arhag Housing Association's shareholders as at 31 March 2023 are its 10 Board members.

One non-Board member shareholder relinquished their shareholding during the year. The shareholding of our former Chair, Qadeer Kiani OBE, was also relinquished during the year and a new share was issued to the incoming Chair, Reena Purchase.

22 CAPITAL COMMITMENTS

The Association had no capital commitments as at 31 March 2023 (2022: £nil).

23 RELATED PARTIES

There is currently one active tenant Board member. The tenancy is on normal commercial terms and the tenant is not able to use their position to their advantage. During the year, £6,140 (2022: £6,001) was charged in rent and service charges and at the end of the year, their account was £327 in credit (2022: £327 in credit).

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

24 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2022 £'000	Cash flows £'000	Non-cash movement £'000	31 March 2023 £'000
Cash and cash equivalents	3,094	(352)	-	2,742
Debt due within one year	(1,246)	1,225	(1,054)	(1,075)
Debt due after more than one year	(25,208)	-	1,054	(24,154)
	(23,360)	**873**	**-**	**(22,487)**

	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)**

25 POST BALANCE SHEET EVENT

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

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