

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2023

REGULATOR OF SOCIAL HOUSING
REGISTRATION NUMBER L1243

THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014
REGISTRATION NUMBER 19080R

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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PENGE CHURCHES HOUSING ASSOCIATION LIMITED

OFFICERS AND ADVISORS

FOR YEAR ENDED 31 MARCH 2023

Members of the Board

The Board Members who served from 1 April 2022 up to the date of approval of these financial statements were as follows:

Cathy McCarthy (Chair)	Jonathan Bowen
Rowann Limond (Chair of Finance, Audit & Risk Committee)	Sarah Chatfield
Karen Cooper	Richard Ellis
Alan Begg MA CA	Simon Oelman
Trevor Crook (retired 31 March 2023)	Maria Jacobs (co-opted 31 March 2023)
Adeola Oke (retired 14 March 2023)	Graham Littlewood (co-opted 31 March 2023)
	Andrew Green (co-opted 31 March 2023)

(Each of the active Board members listed above holds a one-pound share in the association except Karen Cooper who is the Chief Executive.)

Management Team

Karen Cooper BA (Hons)	Chief Executive & Company Secretary
Sian Llewellyn BA MCIOH	Director of Operations
Roger Maddams BA, FCA	Director of Finance

Advisers

External Auditors

Beever and Struthers
150 Minorities
London
EC3N 1LS

Internal Auditors

TIAA Ltd
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road, Gosport
PO13 0FQ

Solicitors

Trowers and Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Bankers

CAF Bank Ltd
25 Kings Hill Avenue
West Malling
ME19 4JQ

Insurance Brokers

Gallagher
27-30 Railway Street
Chelmsford
CM1 1QS

Funders

Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

Unity Trust Bank Plc
4 Brindley Place
Birmingham
B1 2JB

Triodos Bank UK
Deanery Road
Bristol
BS1 5AS

Registered office: 99 Maple Road
Penge
London SE20 8LN

Registration: Registered Society registration number: 19080R
Regulator of Social Housing registered number: L1243
Member of the National Housing Federation

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2023

The Board present their annual report and audited financial statements of Penge Churches Housing Association Limited (PCHA) for the year ended 31 March 2023.

The financial statements comply with current statutory requirements, the association's rules, and the Housing SORP: 2018 update Statement of Recommended Practice for registered social housing providers.

On 31 March 2023, PCHA and Bexley Community Housing Association (BECHA) amalgamated to form Penge Churches Housing Association in accordance with the Co-operative and Community Benefit Act 2014. The amalgamation has been accounted for under merger accounting in the financial statements. Therefore, these financial statements have been presented as if Penge Churches Housing Association Limited and Bexley Community Housing Association Limited have always been combined.

Principal activity

The association is a charitable registered provider of social rented housing. The principal activity of the association throughout the year was that of providing affordable rented accommodation to people in housing need locally. The association owns and manages 404 homes.

Our Vision

We are an ambitious local housing association that strives to deliver homes and services we can be proud of. We aim to make a positive impact and work collaboratively with our residents and communities to support them to thrive.

Our Values

Acting with Integrity

- ❖ We communicate in an open, honest, and transparent way.
- ❖ We do what we say we will and keep our promises
- ❖ We are accountable for our decisions and take responsibility for our mistakes

Being Ambitious

- ❖ We seek to deliver a broader range of services to meet the needs of more people in our community
- ❖ We are prepared to take appropriate risks to drive improvement and growth
- ❖ We are creative, forward thinking, and open to new ideas.
- ❖ We embrace change and respond positively to new opportunities

Striving for Excellence

- ❖ We will work inclusively and innovatively to continuously improve.
- ❖ We are people focused and aim to tailor our approach to the needs of individuals
- ❖ We support residents in a holistic way, supporting them to thrive.
- ❖ We strive to be proactive, solution orientated and go the extra mile.
- ❖ We continually challenge ourselves to improve our performance.
- ❖ We seek to make sound business decisions and be well governed and managed.

Working in Partnership

- ❖ We build strong and positive relationships based on trust and mutual respect.
- ❖ We strive to create a culture of collaboration and shared accountability.

Behaving with Respect

- ❖ We behave in a fair-minded and non-judgemental way.
- ❖ We value the individuality and diversity of our residents, staff, and communities.
- ❖ We are inclusive and respectful in the way we work.

Our Values (continued)

Behaving with Respect (continued)

- ❖ We celebrate difference, believing everyone is unique
- ❖ We have a zero-tolerance approach to discriminatory behaviour

Being Kind

- ❖ We treat each other with compassion and kindness
- ❖ We encourage open conversations about mental health and wellbeing

Strategic Objectives 2023-2025

Our Services

- ❖ Providing excellent services we are proud of
- ❖ Doing the basics brilliantly
- ❖ Putting residents at the heart of what we do
- ❖ Working positively and holistically with residents to help them sustain their tenancies.

Our Homes

- ❖ Providing and maintaining homes we are proud of
- ❖ Providing homes that are decent, safe, and green.
- ❖ Delivering more rented homes for the local community

Our Community

- ❖ Making a positive impact in the wider community
- ❖ Work in partnership with others to proactively support our residents and local community.

Our Business

- ❖ Being a modern, agile, resilient, and forward-thinking business
- ❖ Maintaining financial strength, ensuring we have the resources to deliver our objectives.
- ❖ Driven by our vision and values.

Our People

- ❖ Building strong and positive relationships based on trust and mutual respect.
- ❖ Creating a culture of collaboration and shared accountability
- ❖ Being agile, light of foot and resilient in the way we work.

Financial review

The association has had a successful year financially with a surplus for the year of £282,191 (£451,871 in 2022). Included in costs in the current year are £127,679 of one-off costs directly associated with the merger. The position at the end of the year is shown in the Statement of Comprehensive Income on page 13.

The association has set “Golden Rules” with appropriate buffers regarding meeting all its banking covenants and in maintaining suitable liquidity measures. The association has comfortably met all of these covenants and liquidity requirements. The association invests its reserves to obtain maximum interest as part of its treasury management policy.

The revenue reserves of the association stood at £9,059,029 at the year-end (2022: £8,776,851). The movement in reserves can be seen in note 17 to the financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2023

At year end, PCHA has £6million remaining of secured and undrawn additional medium-term funding with one of its existing lenders to deliver its development aspirations of around a net 25 new units and to facilitate an additional £500,000 major works investment in existing stock primarily around energy efficiency.

Achieving our objectives

The current version of the Corporate Plan is based around PCHA's Strategic Objectives. The Corporate Plan outlines the "DNA" of PCHA through:

- (a) **Our Services:** developing and delivering a range of services to meet the diverse needs of our residents, including more ways of engagement at times that suit residents better, providing excellent customer service in ways that treat residents with respect, proactively seeking and learning from feedback and complaints. Our services are built around delivering the best value for money that we can deliver to our residents, including additional social value.
- (b) **Our Homes:** on the back of the recent new funding, PCHA will commence the delivery of a range of new homes to help meet the needs of the people in our community. Using our asset management information, we will deliver our planned and major works programme to provide decent, safe, and warm homes and will work towards the 2030 target of all homes attaining at least SAP rating "C" through better energy efficiency. We will deliver a proactive responsive repairs service, ensuring clarity about our respective responsibilities.
- (c) **Our Community:** we have entered into a short-term agreement with the London Borough of Bromley and Ambient to support the residents at Stafford House; a scheme for people with mental health needs. We entered into an agreement with Pocket Power to support residents through the cost-of-living crisis, saving the average person £370 per annum. We actively work with other support agencies in the community, and we will explore collaborative partnerships such as this to further the growth and social value objectives of PCHA, and we will work to ensure that PCHA has a positive voice and reputation within the local community.
- (d) **Our Business;** we will safeguard and make the best use of our assets and resources to best deliver the objectives, including that PCHA has sufficient funding and liquidity to deliver. We will ensure that our business is based on sound and accurate lines including embedding ICT strategies such as updating housing and finance software, responding swiftly to housing and governance changes such as the White Paper – A Charter for Social Housing Tenants and to manage risk in a proactive manner to ensure that strategic objectives and business continuity are not jeopardised.
- (e) **Our People:** during the pandemic, we moved to a flexible and agile working environment that ensures excellent customer service can be delivered in a manner that fits best with the individuals concerned. We will have a clear performance framework; we will develop the skills in the staff including the Board and we will embrace and celebrate the diversity of the team. We currently have Investors in People "Silver" accreditation, and we continue to work towards "Gold" level.

Employees

The association values its staff as its most important asset and, where appropriate, the involvement of staff in the affairs of the association is a high priority. The chief executive and senior staff members attend Board and/or committee meetings as appropriate and during the year they attended the Board Awayday to discuss the future direction of the Association. Employees are kept informed about the policies and performance of the association through regular team meetings. Staff training and development is a priority and staff attend courses and conferences run by several organisations.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2023

Pensions

The Association provides and contributes to pensions for all staff through TPT Retirement Solution's Social Housing Pension Scheme. Further details are in note 19 to the financial statements.

Health, safety and welfare of residents and employees

The Board recognises the importance of effective health, safety and welfare provision for its residents and employees at work. Appropriate policies, including a Mental Health Strategy and Wellbeing Guide, are in place for the protection and welfare of the residents and employees of the association.

Corporate governance and internal controls

The Board is responsible for the association's system of internal control. The system is designed to provide reasonable assurance against material misstatements or loss, but it cannot provide absolute assurance or eliminate all risk of failure to achieve business objectives. The Board has reviewed the effectiveness of the system of internal control during the year.

The Board has established procedures which are designed to provide effective internal control. These include delegated authorities, financial regulations, treasury management, risk management, approvals of any investment projects, health and safety, data protection and fraud prevention. The Board has agreed terms of reference for its Finance, Audit & Risk Committee which meets regularly to monitor the actual results of the association against budgets and the business plan. The Committee has set up internal audit procedures and regularly reviews the results of internal audit reviews. They also carry out a review of the association's finance procedures on a regular basis.

The Board and management have established processes to carry out a regular identification, evaluation and control of the significant risks facing the organisation and the Chief Executive is responsible for alerting the Board to any new or changing risks.

Compliance with NHF Code of Governance (2020) and the Regulator of Social Housing's Governance & Financial Viability Standard

The association is committed to compliance with the NHF Code of Governance 2020 and the Regulator of Social Housing's Governance & Financial Viability Standard and complies with both. In particular, the following controls and activities are in place:

- a Board succession plan, to achieve compliance with the guidance on length of service for members of the Board.
- an updated Board appraisal framework and skills audit, which includes a commitment to an annual appraisal of the effectiveness of the Board. This process was supported by an external consultant leading to a governance action plan being implemented.
- a robust financial business plan which is regularly reviewed by the Board with appropriate stress testing and reporting on funders covenants.
- an up to date and comprehensive risk management framework including establishment of a risk appetite statement, improved ways of managing and reporting on the Risk Register including scenario-based reviews of key risks and the asset and liability register.

The association is committed to accountability and endorses the principle of openness and accountability to residents and stakeholders in all areas of its activity. We have a range of involvement opportunities on offer to our residents throughout the year and all residents receive a copy of our annual report and are invited to attend several events to enable them to scrutinise our performance.

The Board of PCHA consider that it is compliant with the updated 2020 NHF Code of Governance in the year to 31 March 2023, with no significant matters outstanding.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2023

Value for money (VFM)

It is important that we can be held to account for the VFM of our services by all our key stakeholders, including residents, the local authority and other partners in the community, our regulator, and funders.

Our definition of VFM is the production of as much value as possible from the income and assets we have available. This includes several types of value: financial, social, and environmental. PCHA aims to provide value for several stakeholders: residents, the local authority, the local community, the regulator, and funders. Through involving residents in the association, and continually seeking their feedback, we can identify their priorities and shape our services to meet these.

PCHA has a VFM strategy covering the three years to 2024. It helps us to:

- Ensure that the Board is driving VFM in all aspects of running the association and delivering services
- Give impetus to VFM in achieving our business objectives
- Deliver VFM in a consistent and effective way
- Explain our approach to VFM to our people and stakeholders.

The Corporate Plan outlines the “DNA” of PCHA through its Strategic Objectives and the VFM Strategy is part of this governance chain in being will give a road map of how it will support delivery of the objectives, in terms of economy, efficiency and effectiveness through clear and measurable goals and targets.

The association incorporates an assessment of value for money into its decision-making processes. In doing so the financial, social, and environmental value are taken into consideration. Our financial business plan is a tool for delivering value from our resources and this is reviewed at least annually by the Board.

Governance and scrutiny in achieving value for money

To ensure that VFM remains at the heart of all that we do, PCHA’s Board has several governance arrangements in place:

- The Finance, Audit & Risk Committee terms of reference include a responsibility to consider the association’s Value for Money (VFM) performance and to recommend to the Board an annual self-assessment on VFM
- A balanced scorecard containing key financial and management performance indicators is reported to each of our Committee and Board meetings
- The Board approves an annual budget, and the Finance, Audit & Risk Committee carries out regular monitoring of quarterly management accounts to assess performance against that budget
- The Board receives annual benchmarking data comparing our performance and costs with those of peer organisations in the Acuity BM320 benchmarking group
- Resident satisfaction feedback provides information, including views on value for money of services, which the Board and staff can use to drive performance improvement.

Social value

As a small community-based housing association, we are committed to working in partnership and offering a range of services to our residents which extend beyond the provision of a home and basic landlord services.

These include:

- a personalised service and access to support from other community partners, for example from Ambient, who support people with mental health issues to live independently in the community and saving the much higher costs of institutional care
- a range of services to support residents financially, for example through partners such as Pocket Power and Living Well, as well as support to access credit union banking services
- small grants for household goods etc through our Hardship Fund
- support to residents seeking employment, for example through access to internet facilities at our offices for job seeking or access to training
- handyman service for more vulnerable residents.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2023

Investing in assets

An essential part of achieving value for money lies in the management of our assets i.e. the properties owned by the association. PCHA's Development Strategy and Asset Management Strategy set out our approach to developing new homes, and to managing and maintaining existing assets. Following the repairs service being brought back in house we have developed an asset appraisal model that will support us to develop a meaningful asset management strategy which will also cover a range of property, procurement and health and safety matters. When we improve or develop properties we consider environmental and sustainability issues, aiming to minimise the energy costs for residents and reduce environmental impact. We will be undertaking full stock condition surveys on all our properties in 2023 following the merger on 31 March 2023.

Good value services

PCHA has a set of Customer Service Standards, agreed with residents, which set out what they can expect by way of housing management services; this was reviewed during the year. Our aim is to meet resident expectations by providing quality services whilst managing budgets carefully. Since the Transfer of Engagements from BECHA to PCHA we now operate in two local authorities: Bexley and Bromley. We have offices in both areas. This enables our housing management service to be both efficient and accessible to our residents.

When service contracts are reviewed or new services commissioned, we always follow financial procedures and seek to make savings where possible. We aim to use local contractors and suppliers, keeping economic benefit in the local community, so long as standards of work and costs represent good value for money.

VFM Metrics

PCHA has benchmarked its performance against its own figures for the previous two financial years as well as the median figures from its own peer group, consisting of 14 other small housing associations deemed similar in size and location and part of the Acuity SPBM Benchmarking Group. In general, most of the metrics for PCHA are in line with those from the previous two years, adjusting for the one-off cost of £127,679 in the current year for merger related management costs. Where there are differences to the peer group median figures, these are reviewed and discussed regularly at the quarterly meetings of the G320 Benchmarking Group. The results can be summarised as follows: -

	PCHA	PCHA	PCHA	Peer group median
	2022-23	2021-22	Target 2022-23	2022-23
1 Reinvestment	1.4%	0.5%	1.2%	4.7%
2a New supply delivered (social housing units)	0.0%	0.0%	0.0%	0.0%
2b New supply delivered (non-social housing)	0.0%	0.0%	0.0%	0.0%
3 Gearing	16.5%	16.8%	24.3%	32.3%
4 EBITDA MRI interest cover	151%	226%	155%	194%
5 Headline social housing cost per unit	£5,833	£5,692	£5,570	£4,960
5a Management cost per unit	£2,889	£2,920	£2,879	
5b Service charge cost per unit	£333	£337	£318	
5c Maintenance cost per unit	£1,620	£1,669	£1,564	
5d Major repairs cost per unit	£890	£766	£989	
5e Other social housing costs per unit	£101	£-	£-	
6a Operating margin (social housing lettings)	11.5%	15.1%	11.6%	19.5%
6b Operating margin (overall)	10.7%	15.9%	12.1%	17.4%
7 Return on capital employed	1.2%	2.4%	1.1%	2.4%

New supply delivered is 0% as no new properties were built in 2022-23.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2023

Performance against VFM Targets

The PCHA VFM targets were set in line with the Board approved budget.

Operating margins both overall and for social housing lettings are broadly in line with the target set from the 2022/23 budget, with social housing lettings operating margin at 11.0% compared to the target of 11.6%. The margin is lower than that seen in 21/22 of 15.1%, primarily due to merger-related management cost (£128k; 21/22 = £0). Major works on reinvesting back into the stock by way of component expenditure was £357k in 22/23, up from £336 in 21/22.

Overall headline social housing cost per unit has risen to £5,978 in 2022/23 from £5,692 in 21/22, a 5% increase which is lower than the prevalent inflation figure of around 10% in 22/23. Management costs rose by £114 per unit to £3,034 in 2022/23, reflecting additional expenditure on merger-related activity. Gearing and interest cover metrics continue to comfortably meet bank covenant requirements. Maintenance cost per unit fell from £1,669 in 21/22 to £1,620 in 22/23 due to decreased volumes of repairs reported, although this was slightly higher than the budgeted target of £1,564. In total, 757 day to day repairs were completed in 22/23 compared to 861 in 21/22.

Public Benefit Entity

As a public benefit entity, Penge Churches Housing Association Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102

Statement of the Board's Responsibilities in respect of the Financial Statements

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of its income and expenditure 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2023

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

Information for Auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Appointment of Auditors

Beever and Struthers to be reappointed as auditors for the coming year.

Signed by order of the Board



K Cooper
Secretary

Date: 19 September 2023

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements Penge Churches Housing Association Limited for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash flows and the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies in Note 1. 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 surplus for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and.
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for Opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Report of the Board, other than the financial statements and our auditor’s report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
PENGE CHURCHES HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Responsibilities of the Board set out on page 8, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
PENGE CHURCHES HOUSING ASSOCIATION LIMITED

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

- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers
Chartered Accountants
Statutory Auditor

150 Minories
London
EC3N 1LS

Date:

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 Combined £
Turnover	2	2,828,164	2,805,257
Operating expenditure	2,27	(2,525,429)	(2,358,833)
Gain on disposal of property, plant and equipment	4	245,052	169,595
Operating surplus	2	<u>547,787</u>	<u>616,019</u>
Interest receivable	6	6,838	358
Interest and financing costs	7	(265,869)	(190,506)
Surplus for the year	8	<u>288,756</u>	<u>425,871</u>
<i>Other Comprehensive Income</i>			
Actuarial (losses)/gains in respect of pension schemes	19	(41,000)	26,000
Total comprehensive income for the year		<u>247,756</u>	<u>451,871</u>

The financial statements on pages 13 to 39 were approved and authorised for issue by the Board on 19 September 2023 and were signed on their behalf by:


Cath McCarthy (Sep 22, 2023 20:55 GMT+1)


Rowann Limond (Sep 22, 2023 21:33 GMT+1)



Cathy McCarthy
Chair

Rowann Limond
Chair of Finance, Audit & Risk Committee

Karen Cooper
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 17 to 38 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 £	2022 Combined £
Fixed assets			
Tangible fixed assets: Housing Properties	11	25,257,948	25,371,999
Tangible fixed assets: Other fixed assets	12	183,608	180,302
		<u>25,441,556</u>	<u>25,552,301</u>
Current assets			
Trade and other debtors	13	103,564	81,284
Cash and cash equivalents		1,321,244	1,230,209
		<u>1,424,808</u>	<u>1,311,493</u>
Less: Creditors			
Amount falling due within one year	14	(874,128)	(1,593,019)
Net current assets / (liabilities)		<u>550,680</u>	<u>(281,526)</u>
Total assets less current liabilities		<u>25,992,236</u>	<u>25,270,775</u>
Creditors			
Amount falling due after more than one year	15	(16,648,642)	(16,161,924)
Provisions for liabilities			
Pension – defined benefit liability	19	(319,000)	(332,000)
Total net assets		<u>9,024,594</u>	<u>8,776,851</u>
Capital and reserves			
Revenue reserves	17	9,024,577	8,776,834
Called-up share capital	18	17	17
Total Reserves		<u>9,024,594</u>	<u>8,776,851</u>

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Cathy McCarthy (Sep 22, 2023 20:55 GMT+1)


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The notes on pages 17 to 38 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£	Combined £
Net cash generated from operating activities (see Note i)	406,995	800,956
Cash flow from investing activities		
Purchase of tangible fixed assets	(452,732)	(335,883)
New finance raised	1,000,000	-
Proceeds from sale of fixed assets	404,000	204,644
Interest received	6,838	358
	958,106	(130,881)
Cash flow from financing activities		
Interest paid	(251,237)	(182,506)
Repayment of borrowings	(1,022,829)	(399,335)
Repayment of housing grant	-	(187,562)
(Cancellation) of ordinary shares	-	(1)
	(1,274,066)	(769,404)
Net change in cash and cash equivalents	91,035	(99,329)
Cash and cash equivalent at beginning of the year	1,230,209	1,329,538
Cash and cash equivalent at end of the year	1,321,244	1,230,209
Note i	£	£
Cash flow from operating activities		
Surplus for the year	247,756	451,871
Adjustments for non-cash items		
Depreciation of tangible fixed assets	403,281	422,178
(Increase) / decrease in trade and other debtors	(22,281)	49,697
(Decrease) / increase in trade and other creditors	(47,098)	100,181
Movement in respect of pension schemes	(13,000)	(84,000)
Carrying amount of fixed asset disposals	-	11,908
Adjustments for investing or financing activities:		
Government grants utilised in the year	(161,011)	(163,432)
Surplus from sale of fixed assets	(245,051)	(169,595)
Interest Payable	251,237	182,506
Interest received	(6,838)	(358)
Net cash generated from operating activities	406,995	800,956

The notes on pages 17 to 38 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2023

	Total Reserves £
Balance as at 1 April 2021	8,324,950
Total Comprehensive Income for the year	451,871

Balance as at 31 March 2022	8,776,821
Total Comprehensive Income for the year	247,756

Balance as at 31 March 2023	9,024,577
	=====

The notes on pages 17 to 38 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. ACCOUNTING POLICIES

(a) Legal Status

Penge Churches Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 registration number 19080R and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing registration number L1243. The registered office is 99 Maple Road, Penge, SE20 8LN.

(b) Basis of accounting

The Association's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommending Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS 102.

As a public benefit entity, Penge Churches Housing Association Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

(c) Turnover

Turnover represents rental income receivable (net of void losses), service charges levied, management fees receivable and revenue grants from the Greater London Authority and Homes England.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. ACCOUNTING POLICIES (*continued*)

(d) **Fixed assets and depreciation**

Housing properties

Housing properties are stated at cost less depreciation. Freehold land is not depreciated. Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Refurbishment or replacement of such a component is capitalised and then depreciated over the estimated useful life of the component at the following rates:

Structure	100 years
Kitchen	25 years
Windows	30 years
Bathrooms	30 years
Boilers	10 years
Heating system (excl Boiler)	40 years
Doors	20 years
Roofs	70 years
Electrical systems	50 years

As a result of the merger, estimated useful lives of components was harmonised on those used by Penge Churches Housing Association

Other fixed assets

Other fixed assets are stated at cost. Depreciation is charged on the other fixed assets as follows:

Freehold office	- Over 100 years
Fixtures and fittings	- Over 4 years
Schemes and office equipment	- Over 4 years
Motor Vehicles	- Over 5 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal. As a result of the merger, estimated useful lives of components was harmonised on those used by Penge Churches Housing Association

(e) **Social Housing Grant**

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When Social Housing Grant (SHG) in respect of housing properties during construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes England and the Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. ACCOUNTING POLICIES (*continued*)

(f) Capitalisation of interest and development costs

Interest on the mortgage loan financing a development is capitalised up to the date of practical completion of the scheme. Interest on other borrowings specifically financing the development programme (or scheme) after deduction of interest on social housing grant in advance is also capitalised.

All costs incurred in the delivery of the association's development programme are also capitalised.

(g) Pension costs

The cost of providing retirement pensions and related benefits is charged to management expenses over periods benefiting from the employees' services.

A liability for the Association's pension obligations is recognised net of plan assets. The net change in the net defined benefit liability is recognised as the cost of the defined benefit plan during the period. Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using the projected unit method. Further details of the assumption and the pension plans are in note 19.

(h) Cyclical repairs and maintenance

The association maintains its properties in accordance with a planned programme of works. No provision is made in the financial statements for future works, but actual costs incurred are charged in the Statement of Comprehensive Income under the heading of planned maintenance.

(i) Tax status

By virtue of S.478 Corporation Tax Act 2010, the Association is exempt from corporation tax.

(j) Value Added Tax (VAT)

The Association is not VAT registered. The balances shown in these financial statements are inclusive of VAT where applicable.

(k) Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The business plan is updated on at least a twice-annual basis and findings including stress testing and findings are reported back to the Board and the Finance, Audit and Risk Committee. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. ACCOUNTING POLICIES *(continued)*

(l) Financial Instruments

Financial instruments such as loans, accounts payables, accounts receivables and cash are classified either as basic or complex. All financial instruments are initially measured at their fair values at the time the transactions occur. Subsequently all basic instruments are measured at amortised cost and all complex financial instruments are measured at a fair value through the comprehensive income.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash are held at cost.
- Financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.

(m) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

(n) Cash equivalents

Cash equivalents include readily convertible short-term highly liquid investments less advances from banks repayable within three months from the date of the advance.

(o) Merger accounting

Following the Transfer of Engagements of Bexley Community Housing Association Limited (“BECHA”) to Penge Churches Housing Association (“PCHA”) in accordance with Section 110 of the Cooperative and Community Benefit Societies Act 2014 on 31 March 2023, the assets, liabilities, operations and future obligations of BECHA transferred to PCHA. The activities of BECHA and PCHA has operated as Penge Churches Housing Association since 31 March 2023. The Board have made enquiries and considered the business plan of PCHA in this respect.

These financial statements have been prepared under merger accounting principles as the spirit and intent of the merger. The Board are satisfied that the criteria for merger accounting was met on the following basis:

- Neither party to the combination as portrayed as either acquirer or acquiree, either by its own board or management or by that of another party to the combination.
- Parties to the combination, as represented by the members of the board, participated in establishing management structure of the combined entity and in selecting management personnel.

These decisions were made on the basis of a consensus between the parties to the combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2. ACCOUNTING POLICIES (*continued*)

Merger accounting involves combining all of the results and cash flows of the amalgamating parties from the beginning of the financial period in which the merger occurs. The comparative amounts are restated by including the results for all the combining entities for the previous accounting period and by combining their statement of financial positions as at the previous reporting date. This methodology has been applied in these financial statements.

(p) **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- a. Categorisation of housing properties. The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.
- b. Impairment. The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.
- c. Pension and other post-employment benefits: The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 19.

(q) **Other key sources of estimation and assumptions**

- a. Tangible fixed assets. Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	← Turnover £	2023 Operating Costs £	→ Operating Surplus £
Social housing lettings (note 3)	2,808,226	(2,484,676)	323,550
Other	19,938	(40,753)	(20,815)
	<u>2,828,164</u>	<u>(2,525,429)</u>	<u>302,735</u>
Gain on disposal of property, plant and equipment			245,052
TOTAL			<u>547,787</u>

	← Turnover £	2022 Combined Operating Costs £	→ Operating Surplus £
Social housing lettings (note 3)	2,732,934	(2,319,552)	413,382
Other	72,323	(39,281)	33,042
	<u>2,805,257</u>	<u>(2,358,833)</u>	<u>446,424</u>
Gain on disposal of property, plant and equipment			169,595
TOTAL			<u>616,019</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

3. TURNOVER AND OPERATING EXPENDITURE

	General Needs Housing £	Stafford House: Supported Housing £	Intermediate rent lettings £	Total 2023 £	Total Combined 2022 £
Income					
Rent receivable net of identifiable service charges	2,391,127	46,991	54,628	2,492,746	2,413,845
Service charge income	141,777	11,874	818	154,469	155,657
Amortised government grants	161,011	-	-	161,011	163,432
Turnover from Social Housing Lettings	<u>2,693,915</u>	<u>58,865</u>	<u>55,446</u>	<u>2,808,226</u>	<u>2,732,934</u>
Operating expenditure					
Management	1,290,280	4,520	-	1,294,800	1,108,535
Service charge costs	124,800	8,635	1,200	134,635	131,084
Routine maintenance	364,322	3,984	4,687	372,993	419,619
Planned maintenance	230,168	32,451	18,890	281,509	229,547
Major repairs expenditure	-	-	-	-	-
Lease costs	44,087	-	-	44,087	27,538
Rent losses from bad debts	(28,835)	609	-	(28,226)	(8,820)
Housing property depreciation	365,463	5,932	13,483	384,878	412,049
Operating expenditure on Social Housing Lettings	<u>2,390,285</u>	<u>56,131</u>	<u>38,260</u>	<u>2,484,676</u>	<u>2,319,552</u>
Operating Surplus on Social Housing Lettings	<u>303,630</u>	<u>2,734</u>	<u>17,186</u>	<u>323,550</u>	<u>413,382</u>
Void losses	<u>26,848</u>	<u>23,687</u>	<u>1,230</u>	<u>51,765</u>	<u>65,319</u>

4. GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2023 £	2022 Combined £
Proceeds	404,000	207,000
Cost of sales	(158,948)	(37,405)
Gain on disposal	<u>245,052</u>	<u>169,595</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

5. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	2023	2022
	No	Combined No
Social Housing		
Owned and managed at end of year:		
General needs housing	387	388
Supported housing and housing for older people	13	13
Intermediate rent	4	4
	<u>404</u>	<u>405</u>

6. INTEREST RECEIVABLE

	2023	2022
	£	Combined £
Bank interest receivable	6,838	358
	<u>6,838</u>	<u>358</u>

7. INTEREST AND FINANCE COSTS

	2023	2022
	£	Combined £
Deferred benefit pension charge	8,000	11,000
Interest payable on housing loans repayable wholly or partly in more than 5 years	251,237	177,883
Loan fees amortised	3,996	-
Notional interest on RCGF	2,636	1,623
	<u>265,869</u>	<u>190,506</u>

8. SURPLUS ON ORDINARY ACTIVITIES

Surplus on ordinary activities is stated after charging

	2023	2022
	£	Combined £
Depreciation:		
Tangible owned fixed assets	403,281	426,178
Operating lease rentals – land and buildings	44,087	19,220
Operating lease rentals – office equipment	5,446	5,776
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	21,460	24,414
In respect of other services	<u>-</u>	<u>1,085</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

9. DIRECTORS' EMOLUMENTS

	2023	2022 Combined
	£	£
The aggregate emoluments payable to or receivable by the directors (board and director/chief executive)	116,787	105,153
Emoluments paid to the highest paid director of the Association excluding pension contributions:	101,865	90,491

The Chief Executive was an ordinary member of the Social Housing Pension Scheme and the employer's contribution for the financial year was £8,922 (2022: £8,662). No special terms were applied to the pension for the Chief Executive.

Directors (key management personnel) are defined as members of the Board and the Chief Executive.

The Chairs of Board and the Chairs of Finance and Audit Committee received a total combined remuneration of £6,000 in the year (2022: £6,000).

	2023	2022 Combined
	£	£
C.McCarthy (Chair of Board)	4,000	4,000
R.Limond (Chair of Finance, Audit & Risk)	2,000	2,000

No other non-executive members received remuneration.

10. EMPLOYEES

	2023	2022 Combined
	No	No
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Number of persons employed	12.3	13.8
Full time equivalents	11.5	12.0

	2023	2022
	£	£
Staff costs (for the above persons)		
Wages and salaries	473,363	559,949
Social security costs	38,648	52,253
Other pension costs	53,612	55,477
	565,623	667,679

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period	No.	No.
£90,001 – £100,000	-	1
£100,001 - £110,000	1	-

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social Housing Properties for Letting – Completed	Social Housing Properties for Letting – Work in Progress	Social Housing Properties for Letting – Total
	£	£	£
Cost			
At 1 April 2022	31,678,468	47,816	31,726,284
Additions: New properties	-	69,884	69,884
Additions: Works to existing properties	359,611	-	359,611
Disposals	(236,801)	-	(236,801)
At 31 March 2023	31,801,278	117,700	31,918,978
Depreciation			
At 1 April 2022	6,402,101	-	6,402,101
Charge for the year	384,878	-	384,878
Eliminated on disposals	(125,949)	-	(125,949)
At 31 March 2023	6,661,030	-	6,661,030
Net Book Value			
At 31 March 2023	25,140,248	117,700	25,257,948
At 31 March 2022	25,324,183	47,816	25,371,999

	2023
	£
Housing properties comprise: Freehold	24,318,482
Long leaseholds	939,466
	<u>25,257,948</u>

Housing property additions during the year relate to rehabilitation work and component replacements at various properties.

Freehold and long leasehold land and buildings with a carrying amount of £12,391,027 (2022: £12,587,696) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Maintenance expenditure on properties is disclosed in note 3.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

12. OTHER FIXED ASSETS

	Freehold Office £	Schemes Equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost					
At 1 April 2022	178,807	6,119	112,201	11,059	308,186
Additions	-	9,195	7,002	7,040	23,237
Disposals	-	(6,119)	(73,954)	-	(80,073)
At 31 March 2023	<u>178,807</u>	<u>9,195</u>	<u>45,249</u>	<u>18,099</u>	<u>251,350</u>
Depreciation					
At 1 April 2022	24,358	2,448	94,796	6,282	127,884
Charge for the year	1,840	-	8,924	7,639	18,403
Eliminated on disposals	-	(1,538)	(72,426)	(4,581)	(78,545)
At 31 March 2023	<u>26,198</u>	<u>910</u>	<u>31,294</u>	<u>9,340</u>	<u>67,742</u>
Net Book Value					
At 31 March 2023	<u>152,609</u>	<u>8,285</u>	<u>13,955</u>	<u>8,759</u>	<u>183,608</u>
At 31 March 2022	<u>154,449</u>	<u>3,671</u>	<u>17,405</u>	<u>4,777</u>	<u>180,302</u>

13. TRADE AND OTHER DEBTORS

	2023	2022
	£	Combined £
Amounts falling due within one year		
Arrears of rent and service charges	131,480	122,018
Less: provision for bad debts	(62,227)	(82,388)
	<u>69,253</u>	<u>39,630</u>
Prepayments and accrued income	34,311	41,654
	<u>103,564</u>	<u>81,284</u>

Debtors are all due within one year.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

14. CREDITORS: amounts falling due within one year

	2023	2022
	£	Combined £
Housing loans (Note 15b)	335,374	1,032,216
Rents and service charges paid in advance	68,691	95,505
Other taxation and social security payable	10,979	20,215
Trade creditors	160,400	128,936
Deferred Capital Grant (Note 25)	161,012	163,432
Recycled Capital Grant Fund (Note 16)	77,101	-
Accruals and deferred income	60,571	152,715
	<u>874,128</u>	<u>1,593,019</u>
	<u>874,128</u>	<u>1,593,019</u>

15. CREDITORS: amounts falling due after more than one year

(a)

	2023	2022
	£	Combined £
Housing loans 15(b)	5,135,414	4,461,401
Deferred Capital Grant (Note 25)	11,346,875	11,598,371
Recycled Capital Grant Fund (Note 16)	166,353	102,152
	<u>16,648,642</u>	<u>16,161,924</u>
	<u>16,648,642</u>	<u>16,161,924</u>

Housing loans from Orchardbrook Limited, Unity Trust, Triodos and Nationwide are secured by specific charges on the association's properties and are repayable at varying rates of interest by instalments. Using the best estimates available, the loans are repayable as follows: -

(b)

	2023	2022
	£	Combined £
Within one year (Note 14)	335,374	1,032,216
	<u>335,374</u>	<u>346,660</u>
Between one and two years	1,429,739	1,308,092
Between two and five years	3,370,301	2,806,649
In five years or more		
Total loans due after one year	<u>5,135,414</u>	<u>4,461,401</u>
	<u>5,135,414</u>	<u>4,461,401</u>

The Orchardbrook loan bears at interest rate of 9.97%, the Unity Trust and Triodos loans had a variable rate with margins of 1.40% and 2.00% respectively, the Nationwide loans bear interest rates varying between 0.75% - 2.62%, and three tranches bearing fixed rates in a range of 0.85% to 2.29%. At 31 March 2023, PCHA had £6,000,000 in undrawn and secured bank facilities with Unity Trust (2022: £7,000,000).

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

16. RECYCLED CAPITAL GRANT FUND

	2023	2022
	£	Combined £
Opening balance	102,152	263,340
Inputs to fund:		
Grant recycled	138,666	24,750
Interest accrued	2,636	1,622
Repayment of grant to the GLA	-	(187,562)
Closing balance	<u>243,454</u>	<u>102,152</u>
Amounts 3 years old or older where repayments may be required	<u>77,101</u>	<u>-</u>

17. REVENUE RESERVES

	£
At 1 April 2022	8,776,821
Surplus for the year	247,756
At 31 March 2023	<u>9,024,577</u>

18. SHARE CAPITAL

	£
Allotted issued and fully paid (non-equity shares of £1 each)	
At 1 April 2022	17
Shares issued	-
Shares cancelled	-
At 31 March 2023	<u>17</u>

Each member of the Board except Karen Cooper holds one share of £1 in the Association. The shares issued to members do not qualify for dividend payments, are not repayable, and do not entitle the holder to anything on a winding up. All shares have equal voting rights.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

19. PENSION COSTS

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

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

For accounting purposes, a valuation of the scheme is carried out with effective dates of 30 September each year. The liability figures from this valuation are rolled forward for accounting year ends from the following 31 March to 29 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year ends from the following 31 March 2023 to 29 February 2024 inclusive.

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

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

19. PENSION COSTS *(continued)*

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

	31 March 2023	31 March 2022
	(£'000s)	Combined (£'000s)
Fair value of plan assets	1,364	2,025
Present value of defined benefit obligation	(1,683)	(2,357)
Surplus / (deficit) in plan	(319)	(332)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(319)	(332)
Deferred tax	-	-
Net defined benefit asset / (liability) to be recognised	(319)	(332)

Reconciliation of The Impact of The Asset Ceiling

	Year Ending 31 March 2023 (£'000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses / (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

19. PENSION COSTS *(continued)*

Reconciliation of Opening and Closing Balances of The Defined Benefit Obligation

	Year Ending 31 March 2023 (£'000s)
Defined benefit obligation at start of period	2,357
Current service cost	-
Expenses	6
Interest expense	64
Member contributions	-
Actuarial losses / (gains) due to scheme experience	(21)
Actuarial losses / (gains) due to changes in demographic assumptions	(4)
Actuarial losses / (gains) due to changes in financial assumptions	(619)
Benefits paid and expenses	(100)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses / (gains) on curtailments	-
Losses / (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,683

Reconciliation of Opening and Closing Balances of The Fair Value of Plan Assets

	Year Ending 31 March 2023 (£'000s)
Fair value of plan assets at start of period	2,025
Interest income	56
Experience on plan assets (excluding amounts included in interest income) - gain / (loss)	(685)
Contributions by the employer	68
Contributions by plan participants	-
Benefits paid and expenses	(100)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,364

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£629,000).

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

19. PENSION COSTS (*continued*)

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	Year Ending 31 March 2023 (£'000s)
	Year Ending
Current service cost	-
Expenses	6
Net interest expense	8
Losses / (gains) on business combinations	-
Losses / (gains) on settlements	-
Losses / (gains) on curtailments	-
Losses / (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	14

Defined Benefit Costs Recognised in Other Comprehensive Income

	Year Ending 31 March 2023 (£'000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	(685)
Experience gains and losses arising on the plan liabilities - gain / (loss)	21
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/ (loss)	4
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss)	619
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain / (loss)	(41)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income – gain / (loss)	(41)

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

19. PENSION COSTS (*continued*)

Assets

	31 March 2023	31 March 2022
	(£'000s)	Combined (£'000s)
Absolute Return	15	81
Alternative Risk Premia	3	67
Corporate Bond Fund	-	135
Credit Relative Value	51	67
Currency Hedging	3	(6)
Distressed Opportunities	41	73
Emerging Markets Debt	7	59
Index-linked and Over 15-year Gilts	-	7
Global Equity	25	389
High Yield	4	12
Infrastructure	156	144
Insurance-Linked Securities	34	48
Liability Driven Investment	629	564
Liquid Credit	-	-
Long Lease Property	41	52
Net Current Assets	4	6
Opportunistic Illiquid Credit	58	68
Opportunistic Credit	-	5
Cash	10	5
Private Debt	61	52
Property	59	55
Risk Sharing	101	66
Secured Income	62	76
Total assets	1,364	2,025

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

Key Assumptions

	31 March 2023	31 March 2022
	% per annum	% per annum
Discount Rate	4.89%	2.59%
Inflation (RPI)	3.20%	3.13%
Inflation (CPI)	2.72%	2.42%
Salary Growth	3.72%	3.42%
Allowance for commutation of pension for cash at retirement		75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

20. CAPITAL COMMITMENTS

	2023	2022
	£	Combined £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	3,272,500
Capital Commitments will be incurred over the next:		
Less than one year	-	3,272,500
In one year or more but less than two years	-	-
In two years or more and less than five years	-	-
In five years or more	-	-
The Association expects these commitments to be financed with:		
Available cash reserves	-	-
Social Housing Grant	-	-
Proceeds from the sale of properties	-	-
Committed loan facilities	-	3,272,500

21. CONTINGENT LIABILITIES

There were no contingent liabilities at the Statement of Financial Position date (2022: none).

22. LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

23. RELATED PARTIES

There have been no related party transactions in the year (2022: none).

24. TAXATION

By virtue of S. 478 Corporation Tax Act 2010, the Association is exempt from Corporation Tax.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

25. DEFERRED CAPITAL GRANT

	2023	2022 Combined
	£	£
At start of the year	11,761,804	11,943,798
Released to RCGF in the year	(138,666)	(24,750)
Released on disposal in the year	45,760	6,188
Released to income in the year	(161,011)	(163,432)
At the end of the year	<u>11,507,887</u>	<u>11,761,804</u>
Amount due to be released < 1 year (Note 14)	161,012	163,432
Amount due to be released > 1 year (Note 15(a))	11,346,875	11,598,372
At the end of the year	<u>11,507,887</u>	<u>11,761,804</u>
The total accumulated government grant and financial assistance received or receivable at 31 March:	<u>16,335,418</u>	<u>16,335,418</u>

26. FINANCIAL INSTRUMENTS

The Association's financial instruments may be analysed as follows:

	2023	2022 Combined
	£	£
Financial assets		
Financial assets measured at cost		
Cash and Cash Equivalents	1,321,244	1,230,209
Financial assets measured at amortised cost		
Rent and Service Charge Debtors	131,480	122,018
Total financial assets	<u>1,452,724</u>	<u>1,352,227</u>
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade Creditors	160,400	128,936
Other Creditors	68,691	95,505
Housing Loans Payable	5,470,788	5,494,111
	<u>5,699,879</u>	<u>5,718,552</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

27. MERGER

On 31 March 2023 Penge Churches Housing Association Limited (“PCHA”) and Bexley Community Housing Association Limited (“BECHA”) amalgamated to form Penge Churches Housing Association in accordance with the Co-operative and Community Benefit Society Act.

The amalgamation has been accounted for under merger accounting in the financial statements. Therefore, these financial statements have been presented as if Penge Churches Housing Association had existed in its current form since the beginning of the previous reporting period.

As part of this, the accounting policies of the two merging parties have been aligned and any costs relating to the merger have been expensed. Any transactions between the two parties prior to the merger have been eliminated as part of the consolidation, with no material amounts identified.

The following disclosures provide an analysis of the numbers reported in these financial statements between the two parties prior to the merger and of the combined party post-merger. There were no transactions between the pre-amalgamation and post-amalgamation positions as the merger took place on the final day of the financial year 31 March 2023. Within the operating costs for PCHA in the year ended 31 March 2023 are £127,679 of one-off costs relating to the merger.

Year ended 31 March 2023	PCHA	BECHA	Association total year ended 31 March 2023
	£	£	£
Turnover	1,856,581	971,583	2,828,164
Operating surplus	263,534	284,253	547,787
Surplus for the year	75,018	213,738	288,756
Total comprehensive income	53,018	194,738	247,756
Net Assets	4,647,972	4,376,622	9,024,594

Year ended 31 March 2022	PCHA	BECHA	Association total year ended 31 March 2022
	£	£	£
Turnover	1,830,416	974,841	2,805,257
Operating surplus	286,566	329,453	616,019
Surplus for the year	158,006	267,865	425,871
Total comprehensive income	148,006	303,865	451,871
Net Assets	4,677,794	4,099,057	8,776,851

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

27. MERGER (continued)

The following material changes have been made as a result of the merger:

- Within the operating costs that generate an operating surplus of £263,534 for PCHA in the year to 31 March 2023 (2022: £286,566) are £127,679 of one-off costs relating to the merger.

The following immaterial changes in accounting policy have been made as a result of the merger and are being applied prospectively:

- (a) Accounting policies for component and other fixed asset lives have been harmonised on those previously applied in Penge Churches Housing Association financial statements.
- (b) Calculation of bad debt provision has been harmonised on those previously applied in Penge Churches Housing Association financial statements.

28. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2022 Combined £	Cash Flows £	Non-Cash Movements £	At 31 March 2023 £
Cash and Cash Equivalents	1,230,209	91,034	-	1,321,243
Housing Loans Due in One Year	(1,032,216)	-	696,842	(335,374)
Housing Loans Due After One Year	(4,461,401)	22,829	(696,842)	(5,135,414)
	<u>(4,263,408)</u>	<u>113,863</u>	<u>-</u>	<u>(4,149,545)</u>

29. CONTINGENT LIABILITY – SOCIAL HOUSING PENSION SCHEME

PCHA has been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.










Penge Churches HA - Financial Statements - YE 31 March 2023 FINAL AUDIT AND BOARD APPROVED


Final Audit Report


2023-09-22


Created:	2023-09-22
By:	Cassandra Barns (cassandra@pcha.co.uk)
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