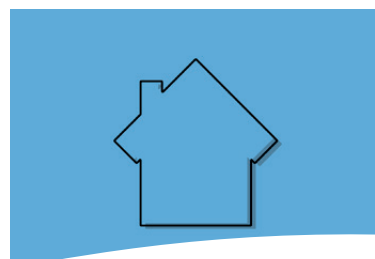
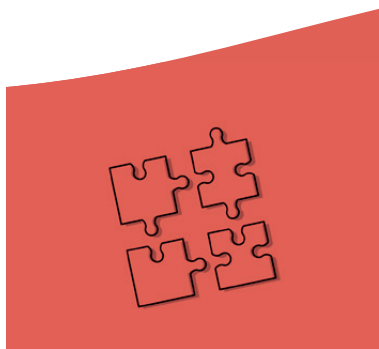


Annual report and financial statements

For the year ended 31 March 2022

Creating great homes and supporting communities



Contents

Company information	3
Statement from the Chair and Chief Executive	6
Report of the Board	9
Strategic report	16
Statement of the Board responsibilities	40
Independent Auditor's report to the members of Two Rivers Housing	41
Consolidated and Association Statement of Comprehensive Income	45
Consolidated and Association Statement of Financial Position	46
Consolidated and Association Statement of Changes to Reserves	47
Consolidated Statement of Cash Flows	48
Notes to the Financial Statements	49



Company information

The Directors who served from 1 April 2021 up to the date of approval of these financial statements were as follows:

Executive Directors



Garry King BA (Hons), MBA (Dip), DIP Housing Admin. FCIH (Chief Executive)

Appointed to Chief Executive in 2002 having led the LSVT from the Forest of Dean District Council. He completed housing training at Sheffield Hallam University and then became a trainee with Bristol City Council, followed by senior roles in local authorities.



Carol Dover BA (Hons), ACMA (Corporate Director - Resources)

Joined Two Rivers Housing in March 2019. Previously Head of Finance at Connexus in Herefordshire. She has also worked in senior finance roles at The University of Worcester, Marches HA and Wyevalle Garden Centres.



Tom Hainey (Interim Corporate Director - Operations), contract expired June 2021

Joined Two Rivers Housing in February 2020 on an interim basis. Previously Executive Director of Property and Development at Beyond Housing. Tom has more than 35 years' experience in the housing sector.



Suzanne Hemmingway, MA, FCIH (Corporate Director - Operations), appointed August 2021

Joined Two Rivers Housing in August 2021. Previously Strategic Director at Cambridge City Council where she was very involved in climate issues, including making sure that new and existing homes were energy efficient.

Group Board Members



Chair: Yvonne Leishman OBE BA FCIH

Yvonne is a former President of the Chartered Institute of Housing and Chair of HouseMark. She received an OBE for services to housing. Yvonne is an experienced Managing Director and joined the Board in 2017.



Vice-chair: John Bloxsom MBA, Prince2 FCIH resigned in September 2021

An experienced housing practitioner and consultant and Fellow of the Chartered Institute of Housing. Joined in 2012.



Vice Chair: Susan Holmes (appointed Vice Chair in September 2021)

More than 35 years' experience in housing, social care and the voluntary sector. Susan joined the board in 2016.



Vice Chair: Tim Jackson FCA BSc (appointed Vice Chair in September 2021)

Executive Director of Transformation at Newport City Homes, a qualified Accountant who has worked in the commercial, public and not-for-profit sectors. Joined in May 2018.



Jonathan Higgs (appointed September 2021)

Jonathan has a wealth of experience in the social housing sector including as Chief Executive at Oxford Citizens Housing Association, and Managing Director Home South at Home Group. He is currently Chief Executive of Raven Housing Trust.



Rita Jones

Rita has had a varied career including as a Pub Landlady. She is a Two Rivers Housing tenant and joined the Board in 2016.



Edward Pearce BA (Hons) FRICS FRSA FRGS

Director of Strategic Asset Management at Orbit Homes, a Fellow of RICS and RSA and member of BIFM. He joined the Board in 2019.



Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI

A Chartered Civil Engineer and former Royal Engineer Officer with experience of multi-national leadership and project management. Joined in 2016.

Subsidiary Board Members

Two Rivers Developments

Chair: Edward Pearce

Company Secretary: Carol Dover

Neil Sutherland

Kevin Shaw, resigned 15 June 2022

Edward Pearce

Susan Holmes, appointed 28 July 2022

Yvonne Leishman, appointed 28 July 2022

Centigen FM Limited

Chair: Neil Sutherland

Company Secretary: Carol Dover

Tim Sharpe

Stephen Pippard

Richard Chappell, appointed 3 November 2021

Charlotte Marshall, appointed 3 November 2021

Centigen TRH FM Limited

(Ceased trading and assets transferred to Centigen FM Limited on 1 July 2021)

Chair: Neil Sutherland

Company Secretary: Carol Dover

Tim Sharpe

Stephen Pippard

Two Rivers Initiatives

Chair: Rita Jones

Company Secretary: Garry King

Christopher Hillidge

Sara Beven

Susan Holmes, appointed 27 July 2022

Yvonne Leishman, appointed 27 July 2022

Company Secretary: Garry King

Registered Office: Rivers Meet Cleeve Mill Lane, Newent, Gloucestershire, GL18 1DS

Company Registration Number: 04263691

Charity Registration Number: 1104723

External Auditor: Beever and Struthers, 15 Bunhill Row, London, EC1Y 8LP

Principal Bankers: Barclays Bank, PO Box 3333, One Snowhill, Snowhill Queensway, Birmingham, B3 2WN

Solicitors: Anthony Collins Solicitors, 134 Edmund Street, Birmingham, B3 2ES

Wright Hassall, Olympus Avenue, Royal Leamington Spa, CV34 6BF

Trowers & Hamlins, 10 Colmore Row, Birmingham, B3 2QD

Our history



Statement from the Chair and Chief Executive

The fallout from the global pandemic continues to affect some of our services and we appreciate that this is disruptive to our customers, but we are determined to get the organisation back to our pre-pandemic position as quickly as we can. In overall terms, we are pleased to report another successful year for the Two Rivers Housing Group.

The Group's financial position for 2021/2022 remains robust and we generated a Group surplus of £2.8m for the year (2021: £4.2m). This provides a strong foundation for us to continue to deliver on our mission and support the communities in which we work.

Despite a robust initial response to the pandemic that safeguarded the interests of the Group, we have not been immune to the aftereffects of COVID-19 and the subsequent economic impacts.

Like many other housing associations, we have been left with a significant backlog of repairs and maintenance work. Additional pressures on our responsive repairs team such as, delays in the delivery of materials, colleague sickness and a challenging local labour market are also creating further challenges in this area.

The leadership team has recognised this challenge and the impact it has on our customers and is taking steps to eliminate the repairs backlog in the first half of 2022/2023. We will continue to monitor this and make the necessary decisions to reduce the backlog over the coming weeks and months.

As government enforced restrictions were lifted, we reinstated our planned maintenance programme and have continued to invest in our existing homes during the financial year. We also reviewed and retendered several contracts that support the delivery of our planned maintenance programme to ensure we were getting Value for Money from our planned maintenance works.

As we continue to work through recovery from the pandemic, we now face the challenge of the worst cost-of-living crisis for a generation. Keeping people in their homes during this crisis is a must and brings our organisation's purpose into sharp focus.

The basic right to a warm, safe, affordable, home has never been more important, and we remain committed to playing our part in increasing the number of affordable homes available to families in our communities.

In 2018, we pledged to build 1,000 new homes in our communities by 2028. Our development team delivered 84 new homes in 2021/2022 taking the total number of new homes built in the four years since our pledge to 410. We also have a healthy pipeline of new developments for 2022/2023 and beyond and remain on target to deliver on our promise.

However, delivering new homes is just a part of the picture. We understand that having an affordable home goes far beyond the rent people pay. Affordability includes the costs of keeping the lights on and being able to heat your home, which is why we are committed to achieving net-zero carbon by 2050.

Understanding how our properties perform and the work needed to reduce their energy consumption is fundamental to the success of achieving net zero carbon. In 2020, we formed a consortium with Stroud District Council and Cheltenham Borough Homes and made an application to the Department of Business, Enterprise, and Industrial Strategy (BEIS), for funding from the Social Housing Decarbonisation Fund to run a pilot project at a small number of our homes.

We were successful and received a grant of £500,000, which we used to fund a £1million decarbonisation pilot project at sixteen of our homes in Blakeney.

As part of the project, we delivered a full retrofit programme at each of the homes. This included new triple-glazed doors and windows, external wall and loft insulation, mechanical ventilation, solar panels and air source heat pumps.

Statement from the Chair and Chief Executive continued

The key objective for this project was to learn how best to reduce the running costs for our tenants, while improving the properties to near net zero emissions. Work is due to finish in the first half of 2022/2023, and we hope to achieve a 45% reduction in carbon emissions. Not only reducing their carbon footprint of the properties but also the costs associated with heating them.

This was a valuable piece of work, that has helped us gain a more thorough understanding of the work, resources and costs involved in achieving net zero carbon and will help us to plan future maintenance programmes.

In 2021, the Consortium welcomed Gloucester City Homes to the group and made a bid for additional funding from Wave 1. This funding will be used to support another demonstrator project in the Forest of Dean.

While the full retrofit of all our properties is a long-term project, we understand that we also need to make improvements that help our tenants in the short-term. We have committed to improving the Energy Performance Rating (EPC) of our worst performing properties and are currently drafting plans, which we hope will see all our homes achieve an EPC of Band C or above by 2030.

Alongside this, we have a two-year project in place to improve our homes with an EPC rating of E or below between 2022 and 2024.

We have also boosted the support network available to our tenants. As well as our in-house welfare, benefit, and debt team, which provides free support and advice to our tenants, we launched a new Tenant Support and Wellbeing Service. Provided by Life & Progress, this service provides 24/7 access to free, confidential, and impartial advice on a wide range of topics including debt management, family issues and mental health and wellbeing.

We will continue to look at other ways we can support our tenants through these difficult and unpredictable times by listening to and working with them to find appropriate and meaningful solutions wherever possible.

We have supported the wider community through a grant programme supported by funds from Two Rivers Initiatives. In 2021, we made £90,000 available to community projects and local charities. Through the grant scheme we have donated £61,000 and supported a wide range of projects across the local area.

None of this would be possible without the continued hard work and support of our colleagues.

However, we saw a significant rise in colleague turnover during 2021/2022. While this is in part linked to the 'Great Resignation' following the pandemic, we recognise that there is work to do in improving our offering and development opportunities.

Our people strategy sets out our ambition to be an employer of choice and an action plan to create an environment where our colleagues can grow, develop, and thrive.

We have made good progress on key elements of the strategy including, the successful delivery of our agile working trial, the review of our performance incentive framework and reward offering, the review of our people policies and improving our onboarding process.

We will build on this work in 2022/2023 with the development of our learning and development plans, equality, diversity and inclusion policy, and the launch of our reward offering.

Looking forward, new Building Safety Legislation, the implementation of the Charter for Social Housing Residents, the net zero challenge, and the continued cost-of-living crisis will no doubt present more challenges for our tenants, colleagues, and organisation. However, we are confident that we are in a strong position to rise to these challenges and continue to ensure that everyone has a warm, safe, affordable home when they need it.

Statement from the Chair and Chief Executive continued

We'd like to take this opportunity to thank our colleagues and partners for their continued support during the last year. Together, they have helped us make a real difference to the lives of thousands of families across the Forest of Dean, Gloucestershire and Herefordshire and we are grateful for everything they have done and continue to do for our organisation.



Yvonne Leishman OBE
Chair



Garry King
Chief Executive



Report of the Board of Management and Strategic Report

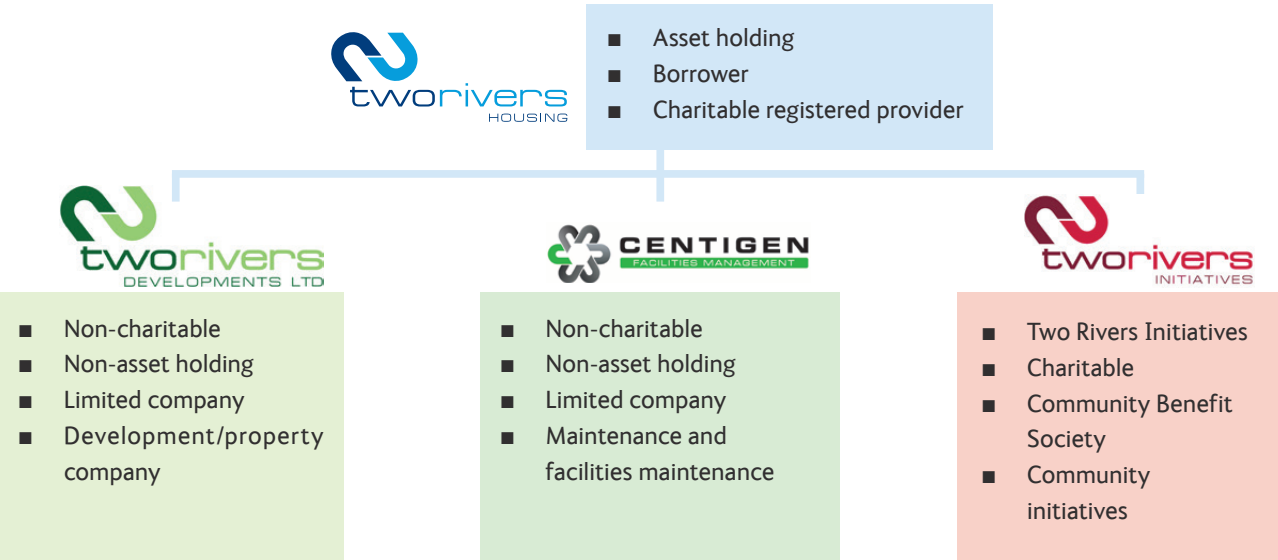
Principal activities

Two Rivers Housing is a company limited by guarantee, Registered number: 04263691. It is also registered with, and regulated by, the Regulator of Social Housing in accordance with the Housing and Regeneration Act 2008, Registered No. L4385.

Two Rivers Housing is a not-for-profit organisation providing homes and support services to people and communities across the Forest of Dean, Gloucestershire, Herefordshire, and the surrounding areas. It was formed following the large-scale voluntary transfer of properties from the Forest of Dean District Council in 2003.

On 31 March 2022, it managed 4,357 homes including 4,311 social housing properties with related support, two market rent properties and 44 leasehold properties.

Two Rivers Housing is the parent of the Group, which has three subsidiaries:



- Two Rivers Development designs, builds, and sells homes for both Two Rivers Housing and open market sales, with the profits being gift-aided to the parent. Two Rivers Developments also includes the Tandem Living brand, which sells properties on the open market on behalf of Two Rivers Developments.

Report of the Board of Management and Strategic

Report continued

- Centigen Facilities Management (Centigen FM) delivers maintenance and facilities management to Two Rivers Housing and external organisations. Centigen FM also includes the TwoCan brand, which provides estate agent services for homeowners and other housing associations.
- Two Rivers Initiatives is a charitable and community benefit society providing support and funding for community activities and initiatives within the local area.

Tandem Living and TwoCan Estate Agents are brands promoting products and services that are delivered by Two Rivers Developments and Centigen FM respectively.

Centigen Facilities Management TRH Limited, formerly part of the Two Rivers Housing Group ceased trading and was consolidated into Centigen FM with effect from 1 July 2021. It was struck off from Companies House on 3 May 2022.

Public benefit

In setting out the Group's aims and objectives, the Group Board has given careful consideration to the Charity Commission's general guidance on public benefit.

The Group Board confirms that the Group complies with the public benefit criteria by:

- The provision of social housing.
- Ensuring that rents are charged within the parameters of the Group's rent policy and in accordance with the Regulator's rent standard and guidance.
- Ensuring that housing is let on the basis of need.
- Valuing diversity through the Group's Equality, Diversity and Diversity Inclusion Policy.

Details of the Group's performance in achieving this in the year to 31 March 2022 are included in the strategic report.

Partnerships

The Group's performance is boosted by strong partnerships with its key stakeholders including community groups, specialist organisations, and other local and national associations, as well as its tenants and colleagues within the organisation.

These relationships help Two Rivers Housing deliver on its promises and meet its objectives and commitments to its customers in an efficient and effective manner.

Regular consultation takes place between the organisation and its customers and colleagues throughout the year, activities include:

- Regular briefings, discussions team meetings and events with colleagues.
- An externally accredited assessment of colleague engagement and employment practices through Investors in People.
- A tenant-led Challenge & Change Group, which has direct access to the Group Board.
- Independently run surveys using the STAR methodology for tenants to provide anonymous feedback. These enable the organisation to understand more about the quality of its service and how it compares to similar organisations nationally.
- External benchmarking drawing comparisons with similar organisations, which help drive improvements and Value for Money initiatives.

Report of the Board of Management and Strategic

Report continued

To further strengthen the link between the organisation and these two key stakeholder groups, the organisation undertook several projects in 2021/2022 including:

- The implementation of an Agile Working Policy in consultation with colleagues to set out a new hybrid way of working.
- The development of a new customer approach based on both tenant and colleague feedback and insight data.
- In response to the cost-of-living crisis and on the recommendation of its Challenge & Change Group, the Group launched a new Tenant Support and Wellbeing Service with Life & Progress, which offers free, confidential advice to all tenants covering a range of topics from debt management to family issues.
- The Challenge & Change Group also scrutinised and monitored progress against the organisation's Covid COVID-19 recovery plans.
- An additional 400 tenants and residents also joined its closed Facebook group to provide comments on service and suggested improvements.
- It also implemented of recommendations following the independent review by tenant engagement specialists, Tenant Participation Advisory Service (TPAS).

These customer and colleague initiatives help the Board, colleagues, and customers to play an active role in shaping the future provision of the organisation's services.

The Group's commitment is not only to its customers, but also to the wider community in which it operates. Its membership of the national PlaceShapers group of housing associations underlines its commitment to both tenants and communities and is further demonstrated by the active role it has in many of its communities.

The Group remains active partners in the Cinderford Regeneration Board, the GFirst Local Enterprise Partnership, Gloucestershire Homes and Communities Partnership, and the Forest Economic Partnership, and also works with the police, health and local authorities to help achieve safe, healthy, and sustainable communities.

It is a full participant in Gloucestershire Homeseeker Plus, the County's choice-based lettings scheme, working closely with local authority partners to deliver affordable housing and support their homeless duty by providing temporary accommodation.

Alongside this, the Group has a valuable Partnership Forum with Forest of Dean District Council, and good working arrangements with Stroud District Council, Gloucester City Council, Tewkesbury Borough Council, Cotswold District Council and Herefordshire Council.

In 2020, the Group formed a Consortium with Stroud District Council and Cheltenham Borough Homes to bid for funding from the Social Housing Decarbonisation Fund made available through the Department for Business, Energy & Industrial Strategy (BEIS). This was successful and resulted in the Group's first full retrofit project at a small number of homes in Blakeney during 2021/2022. Since then, the consortium has welcomed Gloucester City Homes to the group and made a successful bid for Wave 1 funding, which will allow Two Rivers Housing to complete further retrofit work in 2022/2023.

The fallout from the global COVID-19 pandemic, continued to limit the impact the Group could have in the local community. However, it was able to reinstate community activities towards the end of the financial year.

These activities included working with Adult Education Gloucester and examples included armchair yoga, wreath making, and reading clubs available to its HomePlus tenants. Colleagues also supported the local branch of the Salvation Army with its annual Christmas toy appeal and carefully sourced Christmas gifts for colleagues from local providers to ensure that, wherever possible, money was put back into the local economy.

Report of the Board of Management and Strategic Report continued

In 2021/2022, the Group awarded £61,000 in grants through its Two Rivers Initiatives subsidiary to community groups and local charities through the Two Rivers Initiatives fund. As COVID-19 restrictions were lifted during the year, the Two Rivers Housing team continued to build on the support it offered to its tenants. Alongside the launch of the new Tenant Support and Wellbeing Service with Life & Progress, its own in-house welfare, debt, and benefit team has been working with tenants to provide financial advice and support throughout the cost-of-living crisis. Its neighbourhood housing and HomePlus (sheltered housing) teams are now able to visit tenants and are re-establishing relationships across its communities.

Alongside these partnerships, the Group has continued to work with Homes England to help support its new build delivery programme and is currently working on a development in Eastington in the Stroud District with the Eastington Community Land Trust to develop 30 new affordable homes.

Corporate Governance

The Board exists to set out the strategic direction of Two Rivers Housing and to approve its plans and policies in order to achieve this. The Group is governed by a Board composed of seven non-executive members plus the Group's Chief Executive who is also the Company Secretary. The details of the Board membership are set out in the section Company Information. Meetings are held at least five times per year.

There are currently two group committees: the Audit Committee and the Governance and Remuneration Committee. Membership of these committees is drawn from all Boards within the Group with members appointed by the Group Board.

The Funding Committee, established in 2019/2020 to support the refinancing project, was suspended in March 2022 as it had completed its work and there is no immediate funding activity required.

A Task and Finish Group has been created to support the Board with considering the investment priorities for asset management and development. The group will meet until March 2023 and will review whether it needs to do any further work. This group is managed by an Executive Management Team headed by the Group Chief Executive. Executive Directors are not Board members and act as executives within the authority delegated to them by the Board.

The Group has insurance policies that indemnify both its Board Members, Executive Directors and officers against liability when acting for the Group.

Compliance with the regulatory standards

The Group is registered with Homes England and complies with the Regulatory Framework of Social Housing through the Regulator of Social Housing.

The Board has undertaken a self-assessment of compliance with the Governance and Viability Standard, taking account of the Regulator of Social Housing Code of Practice, and confirms that Two Rivers Housing is compliant with the Governance and Financial Viability Standard.

The latest regulatory judgement issued by the Regulator of Social Housing in November 2021 confirms that Two Rivers Housing meets the requirements set out in the Governance and Financial Viability standard of the 2015 Regulatory Framework with the top ratings of G1 (The provider meets the requirements on governance set out in the Governance and Financial Viability Standard) and V1 (The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively).

Report of the Board of Management and Strategic

Report continued

An In-Depth Assessment of its Governance and Viability Standard is currently underway with results expected during the summer of 2022.

Social Housing White Paper and the Social Housing Regulation Bill 2022

In November 2020, the government published the Charter for Social Housing Residents: the Social Housing White Paper (SHWP). This set a clear commitment to transform the experiences of social housing residents, ensuring landlords deliver the safe and decent homes and good-quality services that all residents should be able to expect.

The white paper presented a charter setting out seven commitments that social housing residents should be able to expect from their landlord. The overarching themes are building and resident safety, and resident voice. It also aims to deliver the improvements in transparency and accountability. The Regulator of Social Housing (RSH) is also looking at the introduction of new consumer standards as part of the Social Housing White Paper implementation.

It is proposed that the new standards, the Tenant Satisfaction Measures (TSM), the RSH's relationship with the Housing Ombudsman and RSH engagement with social landlords will all form part of the new consumer regulation framework.

Legislation is planned to drive these changes in the form of the Social Housing Regulation Bill and the expectation is that it will come into effect from April 2023. This Bill will implement the reforms set out in the SHWP. We are actively considering what actions can be taken now to prepare for the new regulatory regime.

Housing Ombudsman

The Housing Ombudsman's (HOS) Complaint Handling Code came into effect on 1 July 2020. As part of preparation an action plan was implemented and monitored by the Group Board to ensure compliance. The Code was revised further in March 2022, with providers expected to be compliant with the new guidance by 1 October 2022. A further action plan has been introduced as a result and is again being monitored to ensure compliance.

National Housing Federation Code of Governance

The Group Board has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and confirms that the Group complies fully with the Code.

The Group Board has approved the adoption of the new 2020 Code with effect from April 2022 and work is underway to meet the requirements of this during the 2022/2023 financial year.

Internal controls assurance

The Group Board is ultimately responsible for ensuring that the Group maintains a system of internal control that is appropriate to the business environments in which it operates.

Report of the Board of Management and Strategic

Report continued

Internal control systems are designed to meet the particular needs of the organisation and the risks to which it is exposed. The Group Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate risk of failure to achieve business objectives.

The system of internal control is designed to manage key risks to provide reasonable assurance that planned organisation objectives and outcomes are achieved. It also exists to give reasonable assurance with respect to:

- the reliability of financial and operational information,
- safeguarding of the organisation's assets and interests.

The purpose of this statement is to enable the Group Board in turn to give its assurance on the adequacy of those controls. The Group Board is required to acknowledge its responsibility for:

- Internal controls, giving reasonable assurance against material misstatement or loss.
- Procedures in respect of risk management.
- Ensuring arrangements for providing effective internal controls are incorporated into normal governance procedures.
- Information on the process adopted for addressing material control aspects of significant problems disclosed in the annual report and accounts.
- Confirming that the Group Board has reviewed the effectiveness of these systems of control, and;
- Complying with all relevant law.

Two Rivers Housing has policies and procedures in place, which cover and give assurance in respect of all our key activities. These include:

- Accounting and treasury policies.
- Financial regulations.
- Standing orders relating to contracts.
- Annual budgets.
- 30-year financial plan.
- Fraud policy.
- Probity Policy.
- Whistleblowing Policy
- Risk strategy and policy setting out the risk management framework.
- Health and safety management framework.

In addition, wherever feasible, segregation and separation of duties has been undertaken to maximise control.

Control is further strengthened by the use of RSM as our internal auditors. The internal auditors prepared a plan, which was approved by the Group Audit Committee and was delivered and monitored by the Committee and Group Board during the year.

The Group has in place policies in respect of preventing, detecting, and investigating fraud and the Group Board is satisfied that these effectively manage the risk of fraud.

There have been no reported cases of fraud during the year and no reported breakdowns of internal control causing significant or material loss to the Group.

The Group Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

Report of the Board of Management and Strategic

Report continued

The Group Board confirms that there is an on-going process for identifying, evaluating, and managing significant risks faced by the Group. This process has been in place throughout the year up to the date of the annual report and is regularly reviewed by the Board.

The General Data Protection Regulation (GDPR) and UK Data Protection Act 2018

The General Data Protection Regulation came into effect on the 25 May 2018 and applies to personal data companies hold or process relating to EU citizens. While the UK is no longer a part of the EU, the UK data protection legislation remains broadly equivalent to GDPR. Its overall goal is to safeguard personal data and enforce data security rights and protections. At the same time, it forces organisations to think about the data they collect and how they use it.

Two Rivers Housing is committed to the proper and appropriate use of data held regarding customers and colleagues, storing it securely and only retaining it while there is valid reason to do so. The Group ran an internal campaign throughout 2021/2022, to inform colleagues of their role in ensuring that data is handled correctly. The Dealing with Data campaign covered a number of topics throughout the year including, what is personal data, subject access requests and data minimisation.

Health and safety

The Group Board is aware of its responsibilities on matters relating to health and safety and the Group has detailed policies and procedures in place. The Group complies with the Health and Safety at Work Act 1974 and other relevant legislation.

In 2022, the Group celebrated receiving its ninth consecutive RoSPA Gold Medal. The Gold Medal is awarded by RoSPA to organisations sustaining high standards of health and safety over consecutive years. The RoSPA awards scheme receives entries from organisations around the world and recognises achievements in health and safety management systems, including practices such as leadership and workforce involvement.

Events after the end of the reporting period

There are no significant post balance sheet events requiring adjustment to, or disclosure in, the financial statements.

Independent Auditor

Beever and Struthers were appointed in August 2021 following a tender exercise.

The Report of the Board was approved by the Group Board on 28 July 2022 and signed on its behalf by:



Yvonne Leishman
Chair



Strategic report

The Group was founded on the belief that everyone should have access to a warm, safe, affordable, home when they need it, and remains committed to not only providing homes, but providing great homes and supporting the communities in which it operates.

In 2022, the Group revisited its three-year organisation plan to help ensure that it remained focussed on the areas that would best help deliver its mission. It remains focussed on four organisation priorities linked to its customers, its homes, its people, and its corporate health but has developed these using more meaningful language, which will be agreed and adopted during 2022/2023. In short, the Group has aspirations to:

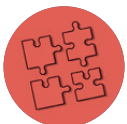
To help the Group achieve its vision, it set out key projects under each of our organisation priorities, which will be delivered during 2022/2023. These are:

Deliver affordable, net-zero carbon homes:



- Average 100 new homes per year
- Increasing eco-standards and obtaining sustainability accreditation.
- Developing retrofit plans.
- Supporting and learning from customers about the challenges.

Being an organisation people want to work for:



- Strengthen our culture, values and behaviours.
- Create and embed our group-wide learning and development programme.
- Develop our reward offering.
- Promoting diversity, equality and inclusion in line with NHF Code of Governance 2022.

Creating a great customer experience:



- Reduce and clear the repairs backlog.
- Improve repairs appointment flexibility and processes.
- Improve our customer experience using feedback from our tenants.
- Review tenancy details for all tenants.

Being a strong, sustainable organisation:



- Defining out net zero carbon journey.
- Reviewing technology to support delivery.
- Compliance with the NHF Code 2020
- Maintaining a strong, long-term financial plan.

These are underpinned by a desire to:

- embrace technology and digital services,
- have a strong culture, based on the right behaviours and its values, and;
- deliver continuous improvement.

Strategic report continued

Group Financial Performance

The Group's three-year income and expenditure account, statement of financial position and cashflows are summarised below:

Income & Expenditure Account	2022	Target 2022	2021	2020
Turnover	24,928	26,323	28,057	26,933
Operating surplus	7,657	5,926	8,676	6,676
Interest receivable, other income and taxation	47	31	34	181
Interest payable and similar charges	(4,876)	(4,609)	(4,506)	(3,517)
Surplus for the year	2,828	1,429	4,204	3,340
Statement of Financial Position				
Net book value of housing properties	171,631	187,553	162,279	159,533
Total assets less current liabilities	225,066	224,608	182,268	176,980
Cash and cash equivalents	51,588	34,256	17,892	31,205
Outstanding loan balance	147,516	147,850	107,565	110,297
Retained surplus	57,788	54,535	52,754	49,811
Cashflow				
Net cash from operating activities	13,779	9,499	15,436	13,255
Cash from property sales	2,180	524	1,036	1,558
Acquisition and construction of properties	(17,558)	(23,761)	(7,711)	(23,161)
Grants received	396	1,636	70	764
Net funding requirement	40,000	40,000	(3,436)	(2,745)

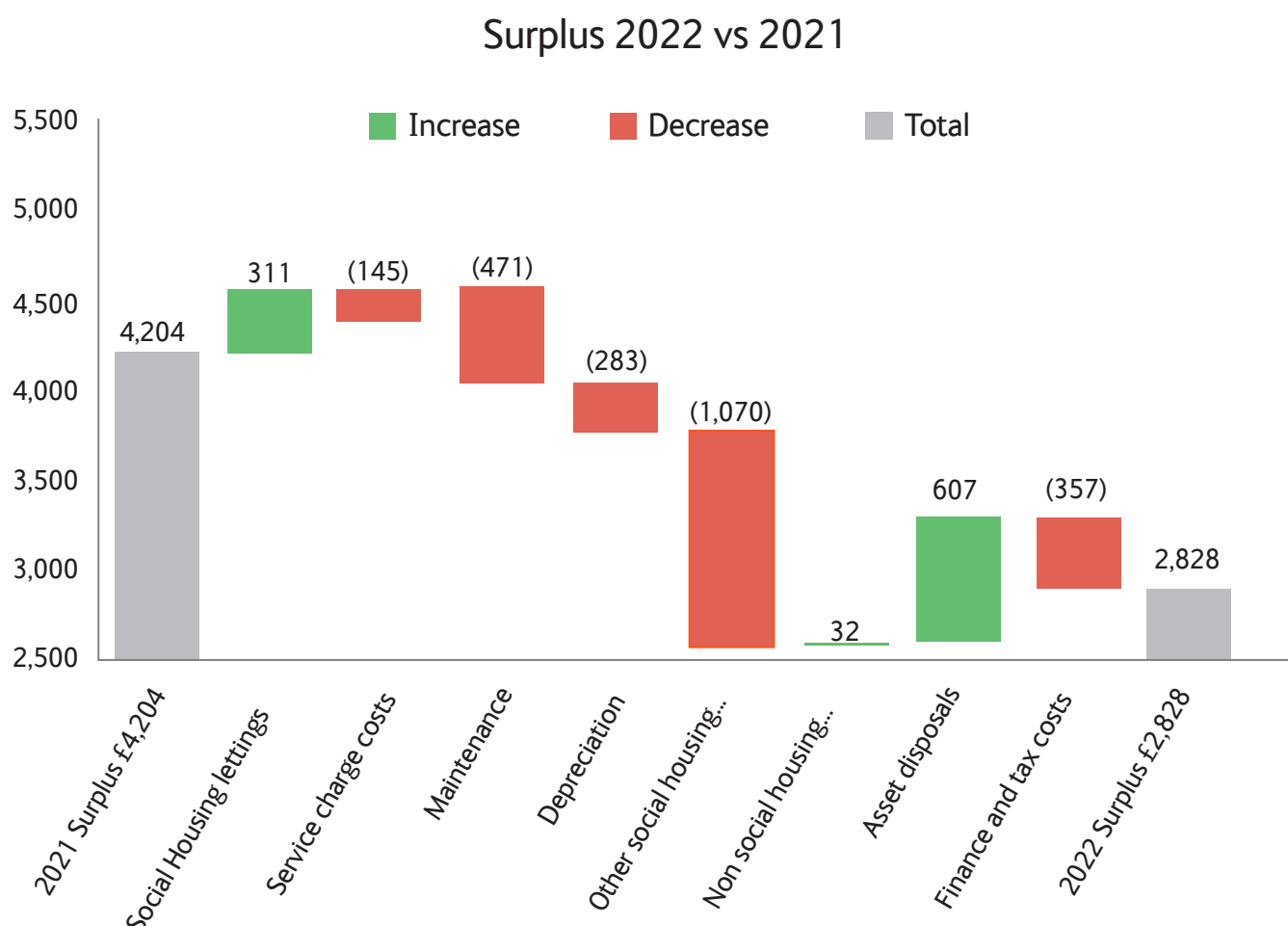
The Group Board is pleased to report a Group surplus for the year of £2.8m (2021: £4.2m) and an Association surplus for the year of £3.0m (2021: £4.3m). Despite the continuing challenges as we emerge from the COVID-19 pandemic, this has been another successful year for Two Rivers Housing,

The total comprehensive income for the year for the Group is £5.4m (2021: £2.9m) and at an Association level is £5.5m (2021: £3.0m).

The operating surplus overall reduced by £1.0m to £7.7m in 2021/2022 (2021: £8.7m).

Strategic report continued

The key movements in delivering the 2022 results relative to 2021 are presented in the chart below:



The key drivers of performance relative to 2020/2021 are set out below:

- Social housing turnover has increased by £0.5m. This was generated from additional properties in management driven by newly developed properties and a 1.5% rent increase being applied to social housing properties.
- Management costs, excluding FRS 102 pension charges of £255,000 have been controlled with a relatively small increase of £75,000 due to higher consultancy and IT costs incurred relative to 2021. Management costs were however £0.5m lower than the allocated budget. The resulting overall management cost per property for 2022 is £1,188 per unit relative to £1,130 for 2021 and £1,203 budgeted. Excluding the pension charges, the management cost per property would have been £1,129 per property.
- Maintenance costs have increased by £0.5m overall. The majority of this relates to a higher level of capitalised major repairs than was budgeted for, (£0.3m) offsetting the £0.8m higher responsive and void repair expenditure incurred as we try to recover the backlog of repairs.
- There has been a substantial reduction of £1.2m in surplus generated from other social housing activities with lower surpluses generated as a result of fewer first tranche Shared Ownership sales.
- Other asset disposals have generated nearly £1.2m of surpluses following Right to Buy and Right to Acquire disposals, Shared Ownership staircasing and voluntary disposals, £0.6m more than in 2021.
- Finance costs have increased generally due to refinancing, which secured additional funding to support the strategic development growth in the future. For 2022, these costs were £0.4m higher than in 2021 and £0.2m more than budgeted due to a lower level of capitalised interest due to development programme delays.

Strategic report continued

Two Rivers Housing has delivered a surplus of nearly £3.0m, well in excess of the budgeted £1.5m, which was prepared on a very prudent basis due to the continued uncertainty arising from the pandemic. This is mainly due to a higher surplus in property sales (£0.3m), savings in management costs (£0.5m) and higher capitalisation of major repairs spend (£0.7m).

Throughout 2021/2022, Two Rivers Housing has continued to invest in its existing stock in order to ensure its homes meet and exceed the Decent Homes Standard and improve the Energy Performance Certificate rating of older properties. Major repairs investment reached £4.0m. This included works to 16 properties as part of the Social Housing Decarbonisation Fund (SHDF) pilot project. A total of £3.245m of investment was achieved for the year (2021: £1.65m).

Further investment was made in the Group's commitment to provide 1,000 new affordable homes by 2028. During 2021/2022, £14.2m has been invested (2021: £7.4m). This enabled the delivery of 84 new homes for the year and one existing home being purchased, with an average delivery of 118 new homes per year over the last three years, ahead of the annual target of 100 per year.

Reserves

The Group surplus on reserves at the end of the financial year was £57.8m (Restated 2021: £52.4m). This is after the transfer of the comprehensive income for the financial year of £5.4m (2021: £2.9m).

Operational performance

The Association monitors and benchmarks its ongoing performance. Key performance indicators (KPIs) are monitored on a monthly basis with reports to Group Board delivered on a quarterly basis. This enables the organisation to identify areas for improvement and take corrective action where necessary.

The following results were achieved in 2021/2022:

	Actual 2022	Target 2022	Actual 2021	Actual 2020	Top (i4H) Quartile 2021
Operational indicators					
Rent collected %	100.06%	99.95%	100.36%	99.73%	98.99%
Rent lost due to voids %	1.59%	1.00%	0.98%	0.85%	0.85%
Decent Homes Standard % compliance	100%	100%	100%	100%	100%
Valid gas certificate % compliance	99.93%	100%	99.9%	100%	100%
Current tenant arrears %	0.98%	1.65%	1.07%	1.49%	2.47%
Average re-let time (days)	43.2	15.0	33.9	16.7	23.6
Routine repairs completed on time (%)	64.7%	97%	92%	91%	-
Customer satisfaction (%)	84%	88%	86%	87%	85.2%

Management of arrears remains strong, with current rent arrears at an all-time low of 0.98%, this is despite the government's furlough scheme coming to an end and the withdrawal of the £20 Universal Credit top up in October. The cost-of-living crisis is continuing and there is likely to be further financial difficulty to come with energy prices rising at rapid rates. However, the hard work of the Association's income collection and welfare, debt, and benefits teams has placed the Group in a good position to start from.

Strategic report continued

The organisation's performance demonstrates that it delivers strong landlord safety compliance, and the quality of its homes is good. Full compliance in relation to gas safety certification has been impacted due to two properties where tenants have prevented access.

Tenant safety is the Group's top priority, and these are currently being addressed under its 'no access' procedure to ensure that this can be resolved as quickly as possible.

Re-letting vacant properties during 2021/2022 has been a challenge. This has resulted in void turnaround time increasing from 33.9 days to 43.2 days and void rent loss increasing from 0.98% to 1.59%. This is the result of a combination of delays to void repairs, major works being required to a number of properties, and delays in being able to access properties when they have become void. A void workshop has been held to review the existing processes and understand the drivers of the deterioration in this process. This work concluded that the key drivers relate to the ongoing back log of properties with the repairs team, which are resulting in a delay to the delivery turnaround time. Local sub-contractors have been sourced and work to rectify the current situation will continue into the first half of 2022/23.

The Group's delivery of routine repairs carried out within set timescales has been substantially reduced. It continues to carry a heavy back log of repairs driven by restrictions in place during the pandemic and being unable to fully resource its maintenance operations due to the challenging employment market. A shortage of labour generally in the local area has also limited the amount of work that could be outsourced. The independent repairs review identified recommendations to improve service delivery, however its implementation has been further delayed due to increased sickness in the last quarter of the year and labour supply shortages.

Overall tenant satisfaction fell 2% from the previous year, in line with results seen across the sector. Most other supporting STAR metrics changed very little from 2020/2021, with the exception of repairs and maintenance. This also fell by 2% and reflects the impact of current the repairs backlog.

Further analysis shows that the two metrics that most influence 'overall satisfaction' are 'being 'easy to deal with' and 'repairs and maintenance', with a perception amongst those dissatisfied that they have to chase far more than should be necessary to see progress. This feedback is reflected across other insight streams and is central to the organisational customer-focussed approach and performance management review work being undertaken.

Two Rivers Housing continues to assess its existing property assets to ensure they remain fit for purpose and identify any that may require alternative approaches to safeguard future local housing requirements.

Covid-19

Widespread vaccination and the easing of social distancing rules mean that the Group is now in a better position to deal with the risks arising from COVID-19.

The precautions and safe systems of work put in place enabled colleagues to return to work in line with government advice and the best practice and learnings from having an enforced remote workforce have fed into the development of the Group's Agile Working Policy, which is currently being trialled.

While restrictions enforced during the height of the pandemic have been removed, the impact of the pandemic is still being felt across the organisation. Although working practices are almost back to normal now all restrictions are lifted, limited visits and access to properties during 2021/2022, plus colleague sickness, resource shortages and increasing material costs all had an effect.

The Group also experienced higher capital spend on catch-up repairs and maintenance work, which were previously delayed by COVID-19. As it continues to reduce the backlog of repairs, the Group expects a higher level of expenditure to be incurred on maintenance during 2022/2023 and has assessed the potential impact of this to ensure that it is able to meet its funding covenants.

The Group will of course be working to identify expenditure savings elsewhere to offset this exposure.

Strategic report continued

Value for Money (VfM) and delivery against organisational objectives

Two Rivers Housing aims to achieve Value for Money (VfM) in the delivery of its organisation plan, which sets out the strategic objectives with measurable outcomes and targets. The strategic objectives are summarised on page 16.

In 2021/2022, its Value for Money Strategy was updated to reflect the organisation's revised strategic priorities. The strategy provides the framework and approach that ensures that, in meeting the organisation objectives, VfM is delivered strategically across the organisation and is integral to the organisation priority 'Remain a strong, sustainable, organisation'.

The strategy identifies five key principles to support and embed VfM thinking and action as well as to ensure that the use of the Group's resources fully support its vision.

1. Doing the right things.
2. Doing things economically.
3. Maximising the return from its people.
4. Maximising the return from its assets.
5. Achieving outcomes that are driven by its culture and are sustainable.

The key objectives of the strategy are to:

- Generate optimal outcomes for the Group, tenants, customers, and communities.
- Create efficiencies in the way the Group operates.
- Utilise profits from commercial activities to provide greater services for tenants.
- Understand its return on assets and use this to assist in the prioritisation of activities against its strategic objectives making new development decisions based on social and financial return to the Group, its customers, and communities.
- Create and embed a VfM culture across the organisation.
- Use growth in the business to provide local employment opportunities.
- Provide social and economic benefits to individuals and communities in its core geographical areas.
- Create environmental efficiencies.

Key to the delivery and assessment of the delivery of VfM is the annual budget setting and organisational planning process. The annual budget process adopts a zero-based approach with growth bids requiring a business case to be presented to the Leadership Forum for approval. This ensures that the Group has a rigorous approach and appraisal of how resources are invested in furthering its strategic objectives. In addition to this, benchmarking and procurement activities undertaken alongside assessing whether it has achieved the targeted outcomes.

Value for Money targeted efficiencies for delivery in 2021/2022 are set out in the organisation plan and are approved by the Group Board. These predominantly focus on delivering efficiencies, which will ultimately improve the quality of its services and reduce costs.

The Group monitors and reports progress towards achieving its strategic objective outcomes and targets to the Group Board throughout the year.

Strategic report continued

VfM sector metrics

Two Rivers Housing undertakes a range of benchmarking to assess its performance, predominantly using the information published by the Regulator of Social Housing in the information extracted from the 2021 Global Accounts Annex.

Previously, the current year's performance has been assessed relative to the prior year global accounts sector information however, the pandemic has created such variables that this comparison is no longer as meaningful.

For 2022, performance has therefore been assessed relative to the forecast target, with reference to the prior year performance relative to that year's sector position.

The table below details Two Rivers Housing's performance against the sector metrics:

	Two Rivers Housing			Whole Sector (Media)	PlaceShapers (Media)
	Actual 2022	Target 2022	Actual 2021	2021	2021
Reinvestment	10.2%	12.5%	5.6%	5.8%	5.9%
New supply delivered % (Social housing)	1.95%	2.35%	2.0%	1.30%	1.32%
New supply delivered % (Non-social housing)	-	-	-	-	-
Gearing	55.9%	60.6%	55.3%	43.9%	45.0%
EBITDA MRI / Interest cover %	158.4%	152.9%	224.2%	183%	180.9%
Headline social housing cost per unit	3,472	3,448	2,970	3,730	3,622
Operating margin % - Social Housing	25.1%	20.7%	28.3%	26.3%	26.4%
Operating margin % - Overall	25.9%	20.9%	28.8%	23.9%	24.2%
Return on Capital Employed	3.4%	2.6%	4.8%	3.3%	3.3%

RAG rating – Actual 2022 vs Target 2022; Actual 2021 vs Sector median and PlaceShaper members

Reinvestment

This indicator looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

This figure shows investment levels have increased substantially relative to 2021 performance but has marginally missed the target for 2022 due to a delay to a number of development schemes. Two Rivers Housing's performance in 2021 was also marginally behind the sector and its peer group based on the benchmarking analysis.

New supply delivered

This sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at the period end.

New supply continues to increase with the delivery of 84 new homes in the year and a three-year average of 118 units. As above, the 2021/2022 performance is less than target due to delays to a handful of schemes in the development programme. For 2020/2021, the percentage of new social housing delivered was ahead of the sector median and the benchmarking group.

It is acknowledged that a variety of drivers affect delivery – developer and planning delays, legal issues and programme delivery spanning multiple financial years, can all have an impact on delivery. Given the continued impact of the pandemic it is not unexpected that there is a shortfall relative to the target but the pipeline of development looking forward remains healthy.

Strategic report continued

Two Rivers Housing no longer has any planned supply of non-social housing.

Gearing

This metric assesses how much of the assets are made up of debt and is an approximate indication of capacity, in that more highly geared associations may have less capacity to develop further.

During the year, the second tranche of £40m of the Private Placement was drawn, but since these funds are held as cash and short-term investments it has not substantially increased the gearing ratio relative to 2020/2021. Relative to the 2021/2022 target, the position is better than anticipated due to higher levels of cash being held as a result of delays to the development programme.

Two Rivers Housing's gearing ratio does however remain higher than the averages for the sector, PlaceShapers and the benchmarking group but is indicative of Two Rivers Housing having geared up to develop more units and relative to the low historical cost on transfer.

It is not uncommon for LSVT providers, and those that are developing, to be more highly geared. As with all ratios, the position does have to be viewed with caution. If the cost paid for initial housing stock acquisition was particularly low (as was the case with Two Rivers Housing) due to the level of work that was required to be carried out being reflected in the purchase price, then as the Association develops and pays full build costs for new stock, the additional loans will start to dwarf the initial costs and the ratio will start to increase.

Overall, a high gearing ratio can be offset against high new delivery performance, which is consistent with the strategic objectives of Two Rivers Housing.

In terms of ability to continue raising finance for future loans, while this ratio is considered, it is likely to be less important than EBITDA MRI, asset cover based on existing use valuation and debt per unit.

EBITDA MRI interest cover

This ratio measures the level of surplus created against interest payments. Strong interest cover is required to service existing debt and support continued investment. A high interest cover ratio is not automatically a good thing as it may indicate that there is capacity to borrow further to develop, although it does need to be taken into context with the other financial indicators.

As a result of substantially higher maintenance expenditure, there has been a deterioration in the EBITDA MRI interest cover relative to 2020/2021, but with management costs relatively contained at 2021 levels the actual performance is better than target. For 2020/2021, performance against this metric is ahead of the sector average and both the PlaceShapers and the benchmarking peer group.

Additional funding has resulted in higher interest payable costs, but this is in line with the strategic objective to fund the substantial development pipeline and continued investment in existing homes. This, combined with increased maintenance expenditure means that the forecast position results in this ratio being weaker, but in line with the tolerances set by the Board.

Headline social housing cost per unit

This is an indication of the total costs of providing social housing (as defined by the Regulator) divided by the total number of homes.

Strategic report continued

Two Rivers Housing's cost per unit is marginally higher than the target for 2021/2022 due to the higher level of investment in existing homes. As reported above, management costs have been relatively contained at 2021 levels other than pension operating costs charged in the year. For 2020/2021, Two Rivers Housing performs substantially better than the sector median, PlaceShapers and, relative to the benchmark peer group, it is placed at upper quartile performance.

Operating margin

The operating margin demonstrates the profitability of the operating assets before exceptional expenses are considered, split into operating margin for social housing lettings only and operating margin overall. Increasing margins are an indicator of the improving financial efficiency of a business, but this has to be balanced against the registered provider's core purpose and objectives.

Two Rivers Housing's performance against this metric has moved ahead of the sector median, moving to upper quartile relative to the benchmark peer group.

In terms of the social housing operating margin, Two Rivers Housing has outperformed the target for 2021/2022 due to management costs being relatively contained but is lower than for 2021 due to higher maintenance expenditure. In 2020/2021, Two Rivers Housing did perform substantially better than both the sector and PlaceShaper median.

Two Rivers Housing understands that its housing management costs are high due to higher expenditure incurred in supporting its communities through debt and welfare advisory services, managing anti-social behaviour, intensive housing management of its sheltered homes and maintaining the quality of, and investing in the safety of its homes.

Turnover per property from social housing lettings is approximately 9% lower than its PlaceShaper peers operating in the South-West and West Midlands. This has a substantial impact on its social housing lettings surplus and operating margins overall.

Return on capital employed (ROCE)

This ratio measures how well a provider manages its capital to generate a financial return. To some extent this ratio is influenced by when the assets of an organisation were acquired in historic cost terms as this can greatly affect the denominator.

Two Rivers Housing performs well against this metric and has surpassed the 2021/2022 target, but this is lower than for 2020/2021. Performance in 2020/2021 was ahead of the sector and PlaceShaper's median for 2020/2021 and was in the upper quartile relative to the benchmarking national position.

Having reviewed the performance for the year, the Board is satisfied with the Group's results delivered against the backdrop of managing operations during recovery from the pandemic.

Performance against Two Rivers Housing specific metrics

The Group Board has approved bespoke metrics and targets across the four strategic priorities in order to demonstrate and underpin how VfM is delivered at a local context. The targets and performance for 2021/2022, along with the targets approved for 2022/2023, are set out in the table on page 25.

Strategic report continued

Strategic Priority	Strategic Performance Indicator	2021-22 Target	2021/2022 Achievement	2022/2023 Target
Our Customers	% Overall (STAR)	88%	84%	86%
	% Safe and secure home (STAR)	87%	92%	90%
	% Easy to deal with (STAR)	86%	85%	88%
	Customer complaints (Stage 2)	N/A	N/A	<10%
	Complaints dealt within time	N/A	N/A	97%
	Repairs undertaken within target	97%	64.7%	90%
	Void turnaround time	15 days	43.2 days	30 days
Our Homes	% Quality of Home (STAR)	86%	83%	86%
	Decent Homes Standard achieved	100%	100%	100%
	Average SAP rating	100% SAP Level D or above	94% SAP Level D or above	No of Homes band D or above to be set as below*
	Overall growth of stock	100pa 3yr average	2022: 84 (118 3yr average)	100pa 3yr average
	Carbon reduction target*	N/A		
Our People	% Voluntary leavers	8%	21%	14%
	% Sickness absence	4%	4.5%	4%
	Completion of Mandatory Training 2022/2023: e-learning Compliance Training	90%	90%	90%
	Current Employee Accreditation	IIP Gold	IIP Gold	IIP Gold
Our Corporate Health	Operating margin (EBITDA MRI)	31.6%	32.9%	31.9%
	Management cost per property	£1,203	£1,188	£1,264
	Rent void loss	1.0%	1.59%	£342k 1.5%
	Current rent arrears	1.5%	0.98%	1.5%
	Landlord compliance (5 areas)	100%	99.75%	100%
	Regulatory Judgement (G/V)	G1/V2 or above	G1/V1	G1/V2 or above

Performance against the Two Rivers Housing bespoke measures and progression of key objectives for 2021/2022 is detailed below.

Our Customers

Activities related to this priority in 2021/2022 included:

- A VfM review of grounds maintenance to ensure that the service is cost-effective, efficient, meets the needs and expectations of local communities and can demonstrate VfM in relation to service charge costs.
- Phase two of this project will investigate service options and the development of potential specifications.

Strategic report continued

- To commence a review of service charge processes, assessing the current processes in relation to all service charge calculations and key responsibilities.
 - Phase one of this project has been completed. A workshop has been held to complete a review of existing process and a gap analysis.
 - The scope for phase two is being developed and will also be informed by the internal audit of service charges being undertaken in the first quarter of 2022/2023. This project is key to ensuring that the Group delivers services that meet the needs and aspirations of its customers.
- Work will continue developing digital services such as, lettings, tenancy sign up and development of its 'My Account' portal.
 - Work on the development of digital lettings and tenancies has progressed based on feedback from customers who have experienced revised processes and capture learnings from the revised approaches. This will continue into 2022/2023 with the purchase of appropriate software.
 - Development of the 'My account portal' has been suspended and due to the scale of the repairs backlog the online booking facility has been removed to ensure workload can be managed effectively internally.
 - Work during the year has focussed on other process improvements with links to new initiatives being identified and learning from customer feedback.
- The development of a Customer and Co-regulatory Strategy to ensure that the organisation remains customer-focussed and has a strategic approach and culture to best serve its customers and meet the demands of the evolving regulatory requirements.
 - This has been progressed with the Co-Regulatory Strategy merged into a strategic customer approach, which was approved by the Group Board in March 2022. This project is key to ensuring that the Group delivers services that meet the needs and aspirations of its customers.

In addition to the above

- The majority of actions identified from the TPAS review have been implemented with an update on progress presented to Group Board in March 2022. The Group's management of arrears continues to improve ensuring it collects rent effectively with the current tenant arrears at the end of the year at just 0.98% (2021: 1.07%). This enables the Group to maximise the funds available for reinvesting in its existing homes and services.
- The customer insight team has increased engagement activities and received cost-effective feedback on a number of areas through consultations completed via its closed Facebook group and online surveys. This included the three-yearly survey to all tenants as required in the Tenant Involvement and Empowerment Consumer Standard.
- The Group has created a new role of Complaints Business Partner to ensure customer feedback is responded to effectively and consistently and to support its learning from the key themes.
- To support the wellbeing of its customers at a time when they are facing challenges due to the cost-of-living crisis, it has provided a tenant support and wellbeing service, which provides access to independent advice and support.

In terms of performance metrics in this area Two Rivers Housing completes satisfaction surveys on approximately 20% of tenants each year via an independent organisation in line with STAR methodology.

In 2021/2022, Two Rivers Housing achieved an overall satisfaction score of 84%, below its target of 88%. This is a 2% drop compared to the previous year but is reflective of what is being experienced elsewhere in the sector as recovery from the pandemic continues. Feedback and data from these STAR responses has been triangulated with other customer data, such as complaints and contact information, to inform the strategic customer approach developed during 2021/2022.

Strategic report continued

The number of complaints logged increased substantially compared to the previous year, with 147 complaints registered in 2021/2022 compared to 71 in 2020/2021. While there was a clear link to the Group's challenging repairs performance, planned maintenance also saw a substantial increase in complaint numbers with housing, including antisocial behaviour, in third place. Quality of work was the prime theme for complaints being received with both 'time taken' and 'lack of contact' closely behind.

In addition, 30 complaints were escalated to stage two. Two complaints were referred to the Housing Ombudsman Service. The first was returned with a 'No Maladministration' verdict and the second is currently still being considered.

Two Rivers Housing understands that the ability to deliver repairs within the expected timescales is a key driver of customer satisfaction and the quality of homes measure and continues to work to reduce the backlog and implement changes from the repairs review to improve performance in this area.

The ability to reduce the backlog of repairs that built up in the pandemic has been exacerbated by a shortage of skilled labour resources and this has significantly impacted delivery of repairs completed on time. In turn, this has resulted in a deterioration in this metric from 92% in 2021 to 64.7%, well below the target of 97%.

Work to address repairs backlog is necessary to meet tenant aspirations and this is a key area of focus of the coming year.

Despite 'overall satisfaction' having reduced, the Group performed well in the 'safe and secure home' measure, coming in at 92% against a target of 87% and also saw good scores in 'being easy to deal with' which came in 1% below target at 85%.

Our Homes

During the last financial year, the Group delivered the following activities under this priority:

- To continue the progression of the repairs action plan, the development of the KPI framework and bedding in the change of working practices associated with the new suppliers.
 - The progression of the repairs action plan has been somewhat delayed as a result of the continued impact of the pandemic and changes within the management structure. Despite this, some elements of the plan have been delivered including the implementation of new suppliers and change in working practices associated with this and the progression of a KPI framework. The immediate focus is to secure sufficient resource (internally and externally) to clear the backlog of repairs, but it is intended that the actions remaining are progressed during 2022/2023.
- Net zero carbon and the progression of the 2020/2023 energy stock investment works seeking to reduce fuel poverty, reduce carbon emissions and achieve a minimum energy efficiency standard of SAP D across the portfolio, while meeting the current demands in property standards.
 - Each year the organisation produces more than 10,000 tonnes of CO₂ and 90% of this comes from its homes. Currently, 94% of the Group's housing stock has an Energy Performance Rating of D or above against a requirement for all homes to achieve SAP C by 2030. Consultants were engaged in quarter four of 2021/2022 to advise on the level of investment and the approach to delivering this requirement, and the leadership team will be working through the results in the first half of 2022/2023.
- Delivery of the pilot scheme to undertake a wholesale retrofit on an agreed sample of homes as part of the Social Housing Decarbonisation Fund bid, which enabled the Group to access grant funding for 50% of the investment required.
 - Having been successful in submitting a joint bid with Stroud District Council and Cheltenham Borough Homes, for the funding towards a full retrofit decarbonisation pilot the project commenced to retrofit 16 homes in the Forest of Dean.

Strategic report continued

- Work is due to be completed on these properties in quarter two 2022/2023, with measurement of the results to follow. Two Rivers Housing has also been part of a successful bid for Wave 1 funding from BEIS, which will be used to complete further retrofit work in 2022/2023.

The decarbonisation pilot will help guide the Group's long-term planned maintenance programme, gain insight from tenants on the impact the work might have on them and their lives and reflects the Group's wider environmental credentials and supports the organisation's wider plans to become a net zero carbon organisation by 2050.

It is also working to establish a suitable carbon reduction target, which will be informed by the assessment of investment required to meet required energy standards.

- Ensure that all future Two Rivers Housing developments are Carbon Zero ready and comply with the proposed Future Homes Standard (2025) and interim measures (2022).
 - Work has commenced with the engagement of external consultants to support specification requirements and approach to the delivery of new homes to the new standard and identification of interim measures to support this.

Due to resource capacity within the organisation and changes within the management structure, a number of objectives have been deferred:

- Review of the Asset Management Strategy to ensure the Group has a robust and up to date framework to manage its assets and demonstrate compliance with required standards
 - This has been deferred until the external assessment of energy investment requirements has been completed and to allow the learning from the initial SHDF pilot project to be understood in order to inform the future strategy.
- Appraisal of the non-traditional stock to assess its future fitness for purpose and develop an action plan to be progressed.

In addition to the above the following activity has been undertaken:

- A planning application was submitted, and consent granted to regenerate a housing scheme at Johnstone Close in Staunton. Following a lengthy consultation with existing tenants at the scheme, the decision was made to redevelop the site. The new development will provide 20 new affordable homes and will include be a mix of tenures, which will help meet the housing needs of the local area.
- Following a procurement exercise, the Centigen fleet was replaced. This started in quarter three 2021/2022, with the final replacement vehicles due to be delivered in 2022.
 - Aside from the environmental benefit derived from more fuel efficient vehicles the vans for the ground's maintenance team are now able to hold the garden machinery, negating the need for trailers, which is more efficient.
- Despite the delays to planned investment in existing homes during 2020/2021, 100% of the Association's homes remain within the government's Decent Homes Standards in 2021/2022.

In 2018, the Group pledged to build 1,000 new affordable homes. That's an average of 100 new homes per year up until 2028. The Group's development team delivered 84 new homes in the last financial year, taking the total number of new homes built since 2018 to 410. This brings the three year average from 2019 – 2022 to 118 per annum. With several new agreements due to be in place with developers at the beginning of 2022/2023, the Group remains on track to meet its ambitious target of 1,000 new homes by 2028.

Strategic report continued

Our People

The Group wants to be a great place to work, that invests in its people. Fundamental to this is the People Strategy, which was launched in the first quarter of 2021/2022. The People Strategy was approved by the Group Board in March 2021 and focusses on five key areas, preparing the organisation for future demands, developing leadership and management capabilities, attracting, developing, and retaining the best people, enhancing the organisation's effectiveness and improving colleague experience.

Work continued on the delivery of key elements of this throughout 2021/2022 including:

- To develop a Learning and Development (L&D) Strategy that will deliver an ongoing and evolving learning and development culture for its people.
 - The Group reviewed its existing systems and modules available through the current supplier and completed a training needs analysis for the entire organisation. These activities, combined with the review of the output from the performance reviews will inform the development of the L&D Strategy in 2022/2023. This will ensure that the maximum benefit is derived from the training budget across the Group.
 - A key objective for all colleagues was the completion of mandatory training as the Group sought to recover from the deferral of key training modules due to the pandemic in 2020/2021. This objective was successfully delivered during the financial year and the focus for 2022/2023 will be on compliance training.
- To develop a Wellbeing Strategy to ensure it provides a working culture which ensures the health and wellbeing of colleagues is considered.
 - Investing in our colleagues not only benefits our people from a wellbeing perspective, but also drives higher retention, engagement, and motivation levels. A health and wellbeing event was successfully completed in quarter four and was positively received. Further initiatives to be rolled out are being progressed and regular meetings are being held with the working group.
- To deliver an Agile Working Policy, which provides opportunities for colleagues to work more flexibly to attract a more diverse workforce and support a work life balance culture. In rolling out the new policy we will develop the way we work to become outcome led.
 - An agile working consultation was completed with colleagues resulting in a policy being approved with a 12-month trial in place. This commenced in October 2021. The policy development also allowed the alignment of mileage allowances, reduced conference costs and travel costs for colleagues and Two Rivers Housing.
- To continue its Management Development Programme by investing in aspiring management cohorts to ensure it develops the organisation's capability.
 - A second cohort have completed their training and colleague assignments have been submitted with a 100% pass rate. The Personal Development Plan process identified the next cohort, which will be validated at the 2022/2023 talent review process and considered alongside the development of the Learning and Development Strategy.

During the year, voluntary leavers stood at 21%, compared to the target of 8% and substantially higher than in previous years. This position is not unique and there is widespread reporting of the 'Great Resignation' following the pandemic. The leadership team recognises that, while it is healthy to have some degree of colleague turnover, when this increases substantially it can have a negative impact on the organisation's morale and performance. For 2022/2023 it is imperative that we progress the review of the reward and remuneration strategy to look at how we can attract and retain the best talent.

Strategic report continued

Sickness levels were at 4.5%, with higher Covid-related absence increasing in March 2022 following the lifting of lockdown restrictions. The implementation of the Agile Working Policy has meant that absence has been lower as colleagues have been able to work from home when they were required to self-isolate.

In addition to the above, the following activities have been undertaken:

- Successful recruitment to two senior positions within the organisation undertaken internally generated £30,000 savings in recruitment fees.
- A restructure of the finance team was completed, which has allowed resource to be better aligned to support the key focus areas of the organisation.
- The customer contact team has been restructured to provide greater resource to support our customer insight and complaints handling.

People are key to the successful delivery of the Group's services. In 2020, the organisation was awarded the Investors in People Gold Award. This award recognises the efforts the organisation makes to engage with and support its people to enable them to deliver the best results for its customers.

Our Corporate Health

To be able to deliver warm, safe, affordable homes, the Group must remain financially strong and well governed. This underscores its ability to deliver against its strategic priorities and in 2021/2022 the following activities were undertaken to support this:

- To review the health and safety strategy to understand the current approach and assess key priorities for 2021/2022.
 - The Group Health and Safety Strategy has been presented to Board and signed off. The delivery plan has also been created to be presented to Group Board in conjunction with health and safety report.
- To implement the IT Infrastructure Strategy to ensure that it is kept up to date and able to deliver the systems and applications necessary for the organisation to operate effectively.
 - A range of activities have been completed in support of this objective, which include:
 - The roll out of IT equipment to support agile working, enabling all colleagues to work from home or the office effectively.
 - Cyber security measures implemented to increase email and systems security.
 - Replacement of key equipment and systems to ensure the Group is up to date and delivers the systems and applications necessary for the organisation.
- To develop a procurement plan, which will consolidate group procurement activities to enable line of sight, review of appropriate procurement route and aligning procurement with other organisation priorities such as local investment, environmental, community and skills development.
 - This work has been progressed with the findings and recommendations to be presented to the Group Board for approval in July 2022. Efficient procurement practices are key to delivering Value for Money from all expenditure.
- To progress the activities required to enable Two Rivers Housing to adopt the 2020 NHF Code of Governance from April 2022.
 - The action plan has been considered by both the Governance and Remuneration Committee and Group Board and work will be progressed through the year to ensure compliance can be reported within the 2022/2023 financial statements.

Strategic report continued

- To continue the Governance Improvement Plan to ensure the Group's readiness for its next Regulatory In-Depth Assessment (IDA).
 - The improvement plan has been progressed and the organisation is ready for the IDA, which commenced in June 2022.
- To review the Business Continuity Plan to ensure it has an effective recovery plan in place and that the learnings from the pandemic are captured.
 - A real-life test of the organisation's resilience was experienced in March 2020 when the pandemic hit the UK and we went into a national lockdown. This, alongside a number of severe weather events and cyber security penetration testing completed in quarter four 2021/2022, has demonstrated that Two Rivers Housing is resilient. This action has therefore been deferred to allow the recovery from the repairs back log to be focussed on.
- To tender the support contract for the finance system and develop automated processes for reporting and progress the implementation of an automated workflow systems ready for 2022/2023.
 - The contract for support has been negotiated with a new provider, which delivered a £4,000 reduction to costs following the removal of modules not in operation.
- To explore further options to optimise the cost of funding and maximise growth capacity.
 - A review of the financial plan was completed in quarter three with our funding advisors providing an update on AHGS and other funding options. The Group Board agreed that further work would be undertaken post identification of net zero carbon spend in 2022/2023. There is no immediate need for funding and, while there is substantial economic uncertainty and volatility to the funding market, we are deferring any further work pending the outcome of the Carbon Zero Investment Review, so that we can be clear about future funding requirements.

In addition to the above, the following activities have been undertaken:

- The consolidation of the two Centigen subsidiaries was concluded. This will deliver long-term efficiencies to the Group and to enable the repayment of the intra-group loan to Two Rivers Housing. A repayment of £50,000 in 2021/2022 has reduced the loan to £650,000. In future years the external audit fee will be reduced by £2,000 per annum.
- A comprehensive review of the assets and liabilities register, which resulted in the development of policy to ensure that the register meets the requirements of the Regulator and the requirements agreed for maintaining it.
- Following the receipt of the second tranche of £40m Private Placement funds, the Treasury Policy was reviewed to ensure that the funds being held were invested to maximise returns and optimise liquidity, while balancing the risk to the organisation. Surplus funds are held across a portfolio of investments and two new investment partners have been introduced. The additional interest receivable from these investments, generated £26,000 in 2021/2022 which is more than would have been generated if held in existing investment accounts.
- A Data Strategy has been developed, which has enabled the Group to make an initial assessment of where it is on the journey, so that it can invest resources where they will be most effective. Having accurate and up to date data is essential in ensuring the Group makes effective investment decisions and can provide the services and support where it is most needed. The strategy delivery will be underpinned by the action plan, which has been identified and further work is being planned for 2022/2023 to progress this.

Two Rivers Housing delivered an EBITDA MRI operating margin of 32.9% for the financial year ending 31 March 2022. This was 1.3% above its 31.6% target for the year, predominantly due to management costs being relatively contained at 2021 levels allowing a higher level of investment in existing homes.

Strategic report continued

Management costs per property were marginally lower than target at £1,188 per property and excluding pension operating costs were contained broadly in line with 2021 levels. This was due to vacancies and lower expenditure on training, travel and subsistence, and conferences relative to budget.

The Group has maintained very strong performance in relation to landlord compliance and Decent Homes standards (99.93%). During the year, some properties were inaccessible due to tenants shielding in line with government advice, this temporarily impacted the Group's ability to undertake compliance safety checks in a small number of properties. As at 31 March 2022, compliance safety checks had been completed on 99.75% of the Association's properties, with 100% compliance being missed due to tenants shielding or health conditions preventing access. There were two properties for which gas safety checks were overdue and eight properties requiring solid-fuel appliance checks. The no-access procedure has been actioned on these properties to ensure that these necessary checks can be completed.

Alongside these corporate health measures, the Regulator for Social Housing reaffirmed the Group's G1 (Governance) and V1 (Viability) ratings in November 2021. This means that the Group has maintained its G1/V1 ratings for the last 19 years. As the Group continues to invest in new homes, it is committed to maintaining a rating of G1 for Governance and V2 or above for Viability at its next In-Depth Analysis, which commenced in June 2022.

It also reviewed several external contracts, utilising its position as a founding member of the CHIC framework (a collaborative procurement consortium) to seek out contracts that delivered the best Value for Money.

In April 2022, the Group was awarded its ninth RoSPA Gold Medal for health and safety. This award recognises organisations that are world leaders in health and safety practices.

In addition to the activities detailed above, savings delivered through department-led initiatives totalled £714,000 (2021: £187,000) with further procurement efficiencies totalling £289,000 (2021: £156,000), delivered through CHIC. The most significant Value for Money delivery was the success in obtaining grant as part of the SHDF Pilot Project, demonstrating how VfM is embedded throughout the organisation.

Supporting communities

As the Group continues to deal with the fallout from the pandemic and the challenges to come from the current cost-of-living crisis, its wider role in the community will become ever more important.

As restrictions have lifted, the Group has worked hard to bring its community services back online. Key partnerships have seen the reintroduction of events designed to tackle loneliness and mobility issues for the most vulnerable in its communities and, working with Adult Education Gloucestershire, the organisation has reinstated activities such as book clubs, armchair yoga, and seated sports at its community centres.

It's HomePlus Scheme Co-ordinators have also helped facilitate the reintroduction of tenant-led activities such as Bingo, knit and natter and gardening clubs at its supported living schemes. They have also resumed their twice weekly visits to tenants at its supported living schemes.

Working with the Forest of Dean District Council's Community Builders and FVAF (The Forest Voluntary Action Forum), the Group's community engagement team has scheduled several events across the year, where local authorities and service providers will be available to members of the community. This provides an opportunity for feedback and discussion on the issues affecting local communities.

Grants totalling £61,000 were awarded from the Two Rivers Initiatives fund during the year. This money supported a range of projects across the Forest of Dean and surrounding area, including a local cricket club, counselling sessions at a local community centre and activity packs and art supplies to support children with disabilities in the area.

Strategic report continued

In response to the ongoing conflict in Ukraine, Two Rivers Housing provided guidance to tenants that wish to open their homes to refugees. Founded on the belief that everyone should have a warm, safe, affordable, home when they need it, the ability to allow its tenants to support the people of the Ukraine in their time of need was a natural extension of the services offered. The Group will continue to support tenants to do this wherever possible throughout the conflict.

Alongside the VfM activities, social gains have also been generated for tenants and communities. The organisation has continued to provide welfare, benefit, and debt advice to support tenants accessing services and funds to support them and their families and to enable them to sustain their tenancy. In total £1.6m (2021: £938,000) has been secured for tenants during the year through this support and advice service.

The organisation recognises that in some areas the benchmarking identifies that it incurs higher levels of expenditure. Where this is the case, this is reviewed in more detail to understand the drivers and ensure that action is taken where needed or to satisfy the Group that this is the right thing to do.

Many of the activities above are not necessarily specific to service improvement or generating cost savings, they are however very important in ensuring that Two Rivers Housing continues to improve its service delivery and is an effective, well governed, and sustainable organisation for the future.

The 2021/2022 self-assessment of Value for Money was appraised by the Group Audit Committee on 7 July 2022 and approved by the Group Board at its meeting on 28 July 2022. The Group Board confirmed that Two Rivers Housing is compliant with the Regulator's VfM standard.

Organisation plan objectives 2022/2023

In setting its objectives for 2022/2023, the Group recognises that the landscape is changing. Recovery from the pandemic is continuing at a time when there is a cost-of-living crisis, economic uncertainty exacerbated by the war in Ukraine, higher customer expectations, changing regulations for building safety, a new customer charter and the need to deliver the carbon agenda for new and existing homes.

The Group remains ambitious, but also understands the need to remain focussed on its key priorities. In 2022/2023, the Group's immediate focus will be on its recovery from the impact of the pandemic, this includes:

Delivering a great customer experience

- Dealing with the backlog of repairs and maintenance, while continuing to implement the repairs review actions.

Delivering affordable homes in line with our journey to net zero carbon

- Deliver retrofit projects and establishing clearer standards for new build low carbon homes.

An organisation people want to work for

- Developing a clear approach to how we do things aligned to its values (culture).

Strong, sustainable, organisation

- Developing its digital offering to improve services for all its customers.

Strategic report continued

Alongside this, Two Rivers Housing has set the following core objectives under each of its organisation priorities:

Delivering a great customer experience – listening to our customers

- Improve appointment flexibility and processes for its maintenance and repairs service.
- Develop and communicate its customer strategic approach.
- Improve its customer experience, using feedback from tenants.
- Contact all its tenants to review their tenancy details.

Delivering affordable homes – journey to net zero

- Delivering 100 new affordable homes (three-year rolling average).
- Improve homes with EPC E or below (two-year programme)
- Work with tenants involved in the decarbonisation pilot schemes to understand what works best for people.
- Investigate sustainability accreditation

Being an organisation people want to work for – helping our people deliver

- Develop a clear approach to how we do things aligned to our values (culture).
- Provide opportunities for training and development for all colleagues.
- Develop a reward offering that helps us recruit and retain the best people.
- Develop health and wellbeing programme.

Remaining a strong, sustainable, organisation – using technology

- Review and improve voids service.
- Use pilot projects to better understand the costs of our journey to net zero carbon.
- Review options for technology to support the organisation to work smarter, safer and more effectively.
- Defining the investment in services and homes that allows the Group to remain financially sustainable

In addition to the above objectives, which are key to ensuring that the Group delivers services that meet the needs and aspirations of its customers and remain financially sustainable, it will also seek to deliver an efficiency saving of £100,000.

Strategic report continued

Forecast Financial performance

The Group produces a 30-year financial forecast, which is reviewed on an annual basis.

The following tables set out a five-year picture of its forecast targets:

Statement of Comprehensive Income £'000	Actual 2022	Target 2023	Target 2024	Target 2025	Target 2026	Target 2027
Turnover	24,928	26,806	31,433	31,595	31,229	33,159
Operating Costs	(18,474)	(20,824)	(24,612)	(24,162)	(23,934)	(25,399)
Surplus/(deficit) on disposals	1,203	421	5	5	4	-
Operating Surplus	7,657	6,403	6,826	7,438	7,299	7,760
Transfer to reserves	2,828	1,480	2,422	2,352	2,273	1,973
	Actual 2022	Target 2023	Target 2024	Target 2025	Target 2026	Target 2027
Reinvestment	10.2%	15.1%	10.0%	5.3%	8.7%	7.6%
New supply delivered %						
- Social housing	1.95%	1.74%	4.48%	1.15%	0.54%	3.41%
- Non-social housing	-	-	-	-	-	-
Gearing	55.9%	62.4%	62.9%	62.5%	64.2%	65.0%
EBITDA MRI / Interest cover %	158.4%	155.9%	149.9%	147.7%	147.1%	148.6%
Headline social housing cost per unit	3,472	3,666	4,023	4,294	4,284	4,287
Operating margin % - Social Housing	25.1%	20.6%	22.0%	22.8%	23.1%	23.8%
Operating margin % - Overall	25.9%	22.3%	21.7%	23.5%	23.4%	23.4%
Return on Capital Employed	3.4%	2.8%	3.0%	3.2%	3.0%	3.0%

Risk management

Two Rivers Housing has a comprehensive risk management framework.

During 2021/2022, the Group Board and management reviewed and updated the risk management framework, strategy, policy, and risk appetite in line with the recommendations from its risk advisors. Annually, the risk management framework is reviewed externally by its risk advisors. This review provided substantial assurance with recommendations to further enhance the framework during 2022/2023.

The Group Board has assessed the risk appetite against the findings reported in the Sector Risk Profile published by the Regulator, updating the risk appetite with a clear level of risk being assigned to business activities.

The Board keeps the risk appetite of the Group under review in the context of these and other strategic risks, alongside how the organisation can meet its core purpose and organisation objectives, while also fulfilling its co-regulatory responsibilities. This is facilitated using metrics set out in the risk appetite statement to enable the Boards and committees to assess whether performance remains within parameters agreed.

Horizon scanning to capture any areas that should be kept under review is undertaken at each meeting of the Group Audit Committee.

Strategic report continued

The highest risks in terms of their impact and probability are discussed by the Group Audit Committee on a quarterly basis and are reported through to the Group Board. The report identifies action taken to manage risks as well as new and emerging risks.

A programme of deep dives into the top risks, provides greater scrutiny and validation that the controls and assurance are in place.

Stress testing has been undertaken and specific actions have been identified should any major risk exposures crystallise through 2022/2023, which would require corrective action to be undertaken to ensure Two Rivers Housing remains in a sustainable position.

The Group Board continues to monitor the risk and exposures that may arise from economic uncertainty exacerbated by the war in the Ukraine, the cost-of-living crisis and in particular the inflationary pressures that its tenants and the organisation are facing.

The Corporate Director – Resources reports to the Group Audit Committee and the Group Board on the effectiveness of the internal control environment.

The Board has considered the current risks to the organisation and has identified the following top ten risks:

Strategic risk	Controls and actions
1. Repairs and Maintenance	<ul style="list-style-type: none"> • Effective procurement for key works programmes with regular meetings with contractors to discuss performance. • Repairs review completed in 2019/2020, with action plan identified for delivery by 2022/2023. • Regular monitoring and Board oversight of repairs backlog. • STAR survey to monitor satisfaction with the service.
2. Quality homes/Asset Management	<ul style="list-style-type: none"> • Asset management strategy in place. • External validation of stock condition (five-yearly). • Programme of internal stock condition surveys. • Disposal strategy in place.
3. Building Safety & Landlord Compliance	<ul style="list-style-type: none"> • Specialist team in place with subject experts embedded across the Group. • Oversight of activity by Board, Leadership Forum and Health and Safety Working Group. • Regular monitoring and quarterly reporting via Health and Safety Dashboard. • Management plans in place for key risk areas - fire, asbestos, etc. • Independent external deep dive audit across all areas of landlord compliance undertaken in 2018/2019. • Internal audit assessments.
4. Customer Satisfaction	<ul style="list-style-type: none"> • Strategic customer approach in place. • Annual tenant surveys via independent organisation to assess satisfaction levels. • Complaints Business Partner engaged to support complaints handling. • Quarterly reporting of complaints identifying key learnings to inform service delivery changes.
5. Tenant engagement	<ul style="list-style-type: none"> • Responding to the changes to regulations / Consumer Standards. • Engagement framework. • Dedicated engagement roles in place. • Harnessing digital technology for engagement.

Strategic report continued

Strategic risk	Controls and actions
6. Development	<ul style="list-style-type: none"> • Development strategy in place. • Prudent development assumptions benchmarked annually. • Selective engagement of Employers Agents and contractors. • Limits on exposures to planning/funding risk.
7. Rent receivable	<ul style="list-style-type: none"> • Monitoring of changes to rent policy/regulation. • Prudent assumptions. • Financial planning and scenario stress testing.
8. Delivering net zero carbon	<ul style="list-style-type: none"> • Consultants engaged to assess net-zero carbon investment requirements. • Decarbonisation pilot project underway to provide key information. on how our older properties are currently performing and the most effective ways to make improvements.
9. Staff recruitment / retention	<ul style="list-style-type: none"> • People strategy. • Reward and remuneration strategy – under review. • Benchmarking of reward and remuneration benefits. • IIP accreditation.
10. Data security / confidentiality	<ul style="list-style-type: none"> • Cyber security, systems and data strategy and management controls and practices in place. • Well established iGov system, iGov group and roles. • Cyber Essentials plus certification. • Data Protection and Cyber Security Training for colleagues. • Penetration testing conducted quarter four 2021/2022.

Alongside the risks identified above, the Board is focussing on the risks emerging from the cost-of-living crisis, inflationary pressures on organisational expenditure, data quality and balancing investment available between investing in existing homes to meet net zero carbon requirements by 2050 and new homes.

Two Rivers Housing is very aware of the growing risk in relation to cyber security particularly with remote working, as well as the increasing use of digital platforms and applications. To protect its information assets and systems, a wide range of security controls and appropriate measures are in place. There is a significant IT Policy and Information Governance function in place and colleagues are trained and regularly updated on data protection and cyber security subjects. Specifically, Two Rivers Housing meets the Cyber Essentials Plus certificate for cyber security and has substantial technical and organisation measures in place to manage and reduce cyber risks as well as holding Cyber Insurance.

Treasury management

In accordance with the Treasury Policy, neither the Group nor any of its subsidiary undertakings have any abnormal exposure to price, credit, liquidity, and cash flow risks arising from its trading activities. They do not enter into any hedging transactions and no trading in financial instruments is undertaken.

The organisation is funded by a combination of retained reserves, short- and long-term funding facilities and grants from government and local authority.

Two Rivers Housing has a formal treasury management policy, agreed by the Group Board and reviewed regularly. This policy establishes the framework within which treasury risk is effectively managed and to ensure group covenant compliance. It states which types of financial instruments can be authorised for use, covering both borrowings and investments. In addition, the policy identifies the maximum value of financial instruments and with whom they may be agreed.

Strategic report continued

The main risk arising from the Group's financial instruments is liquidity risk. The Group has adopted a policy that balances the need to keep cash levels necessary only to meet immediate business requirements but also protecting the long-term position by taking advantage of long-term rates, when the opportunity arises. The overall aim is to manage the Group's exposure to interest rates and refinancing, to diversify the funding sources and to have a debt profile that supports the needs of the Group.

The Group's interest rate policy for borrowings is to be between 60% and 100% fixed. As at 31 March 2022, 100% of borrowings were at fixed rates. The interest rate strategy aims to ensure that movements in interest rates will not significantly impact on the surplus before tax.

During 2019/2020, a fundamental review of the financial plan was undertaken, and a growth plan established to reflect the ambition of the organisation to deliver 1,000 new homes by 2028. Alongside this, a review of the funding strategy and funding requirement was also undertaken with a new strategy approved by Group Board in December 2019.

The approved strategy sought to create a debt portfolio which meets the requirements of the current organisation plan and allows Two Rivers Housing to meet its aspirations for development until at least 2026.

The refinancing project delivered during 2020/2021, resulted in new funding being secured in the form of a £80m Private Placement and a £50m revolving credit facility, allowing a partial repayment of the existing bank loan. This has increased the funding available from £110m at the end of 2019/2020 to £197.85m.

As at the 31 March 2022, the Group has funding in place in the form of a fully drawn bank loan, with phased repayments over the next 15 years, and an £80m Private Placement, which is now fully drawn following receipt of the £40m second tranche in July 2021. In addition to this, there is an undrawn five-year £50m revolving credit facility. In total, on 31 March 2022, borrowings stood at £147.9m (2021: £107.9m) with 100% of borrowing at fixed rates. These rates range from 2.45% for the private placement to 6.18% for the older loans.

Treasury activities are controlled and monitored by the Corporate Director - Resources, with the assistance of external consultants as required, and are carried out in accordance with policies and strategies approved by the Group Board. The Group Board undertakes regular reviews of treasury management activity and covenant compliance.

Cash flow

Cash inflows and outflows for the year ended 31 March 2022 are set out in the cash flow statement on page 48.

Net cash inflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges on loans.

The net cash outflow from capital expenditure is the spend on capitalised repairs on existing housing stock, spend on development of new housing stock, which has been capitalised, less grant and sales proceeds from properties sold under the 'Right to Buy Scheme', plus spend on other fixed assets. The net movement in financing is the difference between loans repaid and new loans.

The Group generated net cash from operating activities of £14.2m (2021: £15.4m). After investing and financing activities cash and bank balances for the year ended 31 March 2022 stood at £51.6m (2021: £17.9m), an increase of £33.7m during the year.

Strategic report continued

Current liquidity

The Two Rivers Housing treasury management policy requires that each Group member will maintain a minimum level of liquidity such that there is:

- i. Liquid funds equal to forecast net cash outflow for three months (subject to a minimum of £5m), made up of sufficient operational liquidity to meet the next four weeks' forecast gross cash outflow.
- ii. Medium-term funding equal to forecast net cash outflow for six months.
- iii. Long-term funding equal to forecast net cash outflow.

The Group finances its operations through a mixture of retained profits, bank funding and private placement funding at fixed rates of interest.

The review of the strategy and funding requirement of the Group has resulted in a diversification of the funding portfolio. The completion of the refinancing exercise has resulted in additional funding being secured in the form of a bank loan, private placement and revolving credit facilities.

The Group Board does not consider there to be any seasonal effects on the borrowing requirements. The impact of COVID-19 necessitated a further review and amendment of the financial plan to incorporate the anticipated short-term impact in 2020/2021 and this continues to be monitored.

Generally, the main factor influencing the amount and timing of borrowings is the pace of the planned maintenance and improvement programme and development activity. These have a significant impact according to the timing of payments to contractors and receipt of any capital grants.

Reserves Policy

The Group's Reserves Policy requires it to have six months of operating cost in reserves in order to meet our short-term obligations. This equates to £10.1m. Total reserves at 31 March 2022 were £58.438m (2021: £52.933m) which was all unrestricted funds. As such the Association is in line with its Reserves Policy. The Reserves Policy is reviewed on an annual basis by the Board.

Accounting policies

The principal accounting policies are set out in Note 2 to the financial statements on pages 49 to 60.

Statement of compliance

The Group Board confirms that this strategic review has been prepared in accordance with the principles set out in the Housing SORP: 2018 Update Statement of Recommended Practice for registered social housing providers. Two Rivers Housing is fully compliant with the Governance and Viability standard following the review undertaken during the year.



Yvonne Leishman
Chair

Statement of the Board responsibilities

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

The Companies Act 2006 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 Group and Association and of the income and expenditure of the Group and Association for that period. In preparing these financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently.
- make judgments and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and 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 Group and Association and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Disclosure of information to the auditors

We, the Board members, who are also the directors of the Company, who held office at the date of approval of these Financial Statements set out above, each confirm, so far as we are aware, that:

- there is no relevant audit of which the Group's and Association's auditors are unaware; and
- we have taken all the steps that ought to have been taken as directors in order to make ourselves aware of any relevant audit information and to establish that the Group's and Association's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. In approving the Strategic Report of the Board of Management, we also approve the Strategic Report included therein, in our capacity as company directors.

The Report of Board, the Strategic Report and the Financial Statements were approved by the Group Board on 28 July 2022 and signed on its behalf by:



Yvonne Leishman

Chair



Independent Auditor's report to the members of Two Rivers Housing

Opinion

We have audited the financial statements of Two Rivers Housing (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2022, which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in Note 2. 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 Group's and of the parent company's affairs as at 31 March 2022, and of the Group's income and expenditure and the parent company's 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 Companies Act 2006, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company 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.

Independent Auditor's report continued

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 Group's or the parent company'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 contained within the Report of the Board. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Statement from the Chair and Chief Executive, Report of the Board and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Statement from the Chair and Chief Executive, Report of the Board and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Statement from the Chair and Chief Executive, Report of the Board and the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent Auditor's report continued

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Responsibilities of the Board

As explained more fully in the Board Members' Responsibilities Statement set out on page 38, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the parent Company'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 intends to liquidate the Group or the parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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, regulations and guidance that affect the Group and parent Company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations, and guidance that we identified included the Companies Act 2006, 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 2019, Tax Legislation, Health and Safety Legislation, and Employment Legislation.

Independent Auditor's report continued

- 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.
- 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 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 regulated nature of the Group's activities.
- We reviewed financial statements disclosures and 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 the audit report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Tourville ACA
Senior Statutory Auditor

For and on behalf of
Beever and Struthers
Chartered Accountants and Statutory Auditor
15 Bunhill Row
London
EC1Y 8LP

Date: 23 September 2022

Consolidated and Association Statement of Comprehensive Income

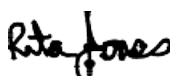
	Note	Group		Association	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Turnover	3	24,928	28,057	25,041	26,582
Cost of sales	3	(1,707)	(2,653)	(1,707)	(2,653)
Operating expenditure	3	(16,767)	(17,324)	(16,770)	(15,789)
Surplus on disposal of property, plant and equipment	4	1,203	596	1,203	597
Operating surplus	3	7,657	8,676	7,767	8,737
Interest receivable	5	47	18	61	58
Interest and financing costs	6	(4,876)	(4,506)	(4,874)	(4,506)
Surplus before tax	7	2,828	4,188	2,954	4,289
Taxation	10	-	16	-	-
Surplus for the year		2,828	4,204	2,954	4,289
Actuarial gain /(loss) in respect of pension scheme	19	2,551	(1,261)	2,551	(1,261)
Total comprehensive income for the year		5,379	2,943	5,505	3,028

The Association has no other recognised gains or losses. The notes on pages 49 to 86 form an integral part of these financial statements.

The financial statements were approved by the Board on 28 July 2022 and signed on its behalf by:



Miss Yvonne Leishman
Chairman



Mrs Rita Jones
Board Member



Mr Garry King
Chief Executive and Secretary

Consolidated and Association Statement of Financial Position

		Group		Association	
			Restated		Restated
		31/03/2022	31/03/2021	31/03/2022	31/03/2021
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Housing properties	11	171,631	161,913	171,830	162,109
Other tangible fixed assets	12	3,791	3,840	3,762	3,830
Intangible assets	13	28	43	28	43
Investment properties	14	290	290	290	290
		175,740	166,086	175,910	166,272
Current assets					
Properties held for sale	15	2,319	1,946	2,319	1,946
Inventories		2	58	2	58
Debtors	16	792	589	1,557	1,442
Short term investments		25,000	-	25,000	-
Cash and cash equivalents		26,588	17,892	26,130	16,960
		54,701	20,485	55,008	20,406
Creditors: amounts falling due within one year	17	(5,375)	(4,648)	(5,202)	(4,231)
Net current assets		49,326	15,837	49,806	16,175
Total assets less current liabilities		225,066	181,923	225,716	182,447
Creditors: amounts falling due after more than one year	18	(167,491)	(127,475)	(167,491)	(127,475)
DB pension asset / (liability)	19	213	(2,039)	213	(2,039)
Net assets		57,788	52,409	58,438	52,933
Capital and reserves					
Revenue reserve		57,788	52,409	58,438	52,933
Total reserves		57,788	52,409	58,438	52,933

The notes on pages 49 to 86 form an integral part of these financial statements.

The financial statements were approved by the Board on 28 July 2022 and signed on its behalf by:

Miss Yvonne Leishman
Chairman

Rita Jones
Board Member

Mr Garry King
Chief Executive and Secretary

Registered number: 04263691

Consolidated and Association Statement of Changes to Reserves

	Group		Association	
	Revenue reserve £'000	Total £'000	Revenue reserve £'000	Total £'000
At 31 March 2020	49,811	49,811	50,250	50,250
Surplus for the year	4,204	4,204	4,289	4,289
Actuarial gain in respect of pension schemes	(1,261)	(1,261)	(1,261)	(1,261)
Prior Year Adjustment	(345)	(345)	(345)	(345)
At 31 March 2021	52,409	52,409	52,933	52,933
Surplus for the year	2,828	2,828	2,954	2,954
Actuarial gain in respect of pension schemes	2,551	2,551	2,551	2,551
At 31 March 2022	57,788	57,788	58,438	58,438

Consolidated statement of cash flows

	Note	2022 £'000	2021 £'000
Net cash generated from operating activities	21	13,779	15,436
Cash flows from investing activities			
Purchase of property, plant, and equipment		(17,558)	(7,711)
Purchase of intangible assets		(9)	-
Proceeds from sale of property, plant, and equipment		2,180	1,036
Grants received		396	70
Interest received		47	18
Net cash flows from investing activities		(14,944)	(6,587)
Cash flows from financing activities			
Interest paid		(5,038)	(4,196)
New secured loans		39,899	39,019
Repayments of borrowings		-	(42,455)
Net cash flows from financing activities		34,861	(7,632)
Net increase/(decrease) in cash and cash equivalents		33,696	1,217
Cash and cash equivalents at beginning of year	21	16,675	31,205
Cash and cash equivalents at end of year	21	17,892	16,675
Cash and cash equivalents comprise:			
		2022 £'000	2021 £'000
Cash at bank		26,588	17,892
Short term deposits		25,000	-
Total		51,588	17,892

The notes on pages 49 to 86 form an integral part of these financial statements.

Notes to the financial statements

1. Legal status and principal activities

Two Rivers Housing is a company limited by guarantee registered under the Companies Act 2006 and is a registered provider of social housing in England. The address of its registered office and principal place of business are as disclosed on page two of these financial statements.

Two Rivers Housing's principal activity is to provide social housing.

Two Rivers Housing has three subsidiaries; Two Rivers Development Limited and Centigen FM Limited are both registered under the Companies Act 2006, Two Rivers Initiative is registered under the Cooperative and Community Benefit Society Act 2014.

2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year, unless otherwise noted.

Basis of accounting

The financial statements of the Group and Association have been prepared under the historical cost convention, modified where appropriate to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Companies Act 2006, Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP) the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Two Rivers Housing Group is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The financial statements are presented in Sterling (£), which is also the Company's functional currency. All amounts in the financial statements have been rounded to the nearest £1,000.

Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March each year.

The consolidated financial statements incorporate the financial statements of the Association and entities controlled by the Group (and its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income, and expenses are eliminated in full on consolidation.

Disclosure exemptions

The individual accounts of Two Rivers Housing have adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes.

The assets and liabilities of one subsidiary, Centigen TRH Facilities Management Limited were transferred into another subsidiary, Centigen Facilities Management Limited, on 1 July 2021.

2. Accounting policies (continued)

Going Concern

The Group's business activities, its current financial position, and factors likely to affect its future development are set out within the report from the board. The Group has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day-to-day operations. The Group also has a long-term business plan, which shows that it can service these debt facilities while continuing to comply with lenders' covenants. As at 31 March 2022, the Group had available cash balances of £26.6m, short-term investments of £25.0m and a further £14.5m of secured but undrawn loan facilities that could be drawn at short notice.

The Board's assessment of going concern involves several subjective judgements including, but not limited to, potential increased rent arrears, delayed rent collections, increased voids, reduction in property prices and delays in property sales and costs associated with achieving energy efficient homes. In making their assessment the Board has also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity.

A wide-ranging multivariate stress test has been run on the business plan including the normal suite of scenarios that are tested regularly.

The stress testing is based on scenarios provided by the Group's funding advisors and risk management advisors including indices on consumer prices, house prices and interest rates. The scenario provided by its risk management advisors, draw on the Bank of England's Annual Cyclical Scenario, published in March 2021, but with the onset moved back a year and the impact on house prices moderated to what they considered to be a more realistic level.

The multivariate stress tests include the impact of sensitivities on the Association's cash flow requirements, compliance with debt facilities, as well as covenant compliance. Mitigating actions, for example delays in non-essential expenditure, changes to the development programme and staff cost reductions, have been identified for all scenarios. This stress testing found that the business plan is robust and does not affect the Group's ability to meet its obligations.

As part of the going concern assessment and conclusion, the continuing effects of COVID-19 have been considered in the Association's forecasts and factored into the stress test carried out, including any mitigation actions that may be required.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed.

The Board has also considered the foreseeable future for its going concern assessment to cover the period to 31 March 2024.

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

As a key provider of affordable housing in the Forest of Dean, the Association will ensure that it continues to keep its tenants safe by maintaining its homes and completing necessary health and safety works, as well as working with its tenants to support them with paying their rent.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses.

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements:

2. Accounting policies (continued)

Classification of loans as basic

Two Rivers Housing has a number of loans that have a break clause, which is applicable where the loan is repaid early and could result in a break cost. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loans agreement provides for the repayment of the capital at par. Management has assessed the clause against the condition set out in FRS 102 11.9b, which states that for a loan to be classified as basic there should be no contractual provision that results in the holder losing the principal amount or any interest attributable to current or prior periods. Management has concluded that the loans are basic on the basis that any repayment relates to future interest payments and not the repayment of the principal amount or interest that is due.

Management have considered the terms of the loan agreements and concluded that they do meet the definition of a basic financial instrument, therefore such instruments are held at amortised cost.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Impairment of social housing properties

As part of the Group's continuous review of the performance of its assets, management identify any impairment triggers, which may affect any homes, or schemes. Such triggers include increasing void losses, government policy changes (such as welfare reform changes or rent reductions), any significant damage or repairs required to any homes, failure to meet energy efficiency standards, or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment.

Where there is evidence of impairment, the recoverable amount of the fixed assets affected is determined and any impairment losses are charged to the statement of comprehensive income.

Management has considered the detailed criteria set out in the SORP and the triggers listed above in order to assess whether an indicator of impairment exists. Their judgement is that there is no evidence of impairment and therefore the value of impairment charge in 2021/2022 is £zero (2021: £zero).

Useful lives of depreciable assets

Tangible fixed assets are depreciated over their useful lives. Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes in homes standards, which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing property are contained within these notes and include the useful economic life of properties and that properties have no residual value at the end of useful life.

Accumulated depreciation of housing properties, as at 31 March 2022, was £51.8m. The carrying amount of the housing properties was £172.5m at the year ended 31 March 2022.

2. Accounting policies (continued)

Defined benefit pension schemes

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 19).

The net defined benefit pension asset at 31 March 2022 was £0.2m.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases the assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices.

Fair value measurements were applied to investment properties in the year. Refer to Note 14 for more details.

Provisions

Provision is made for dilapidations, bad debts arising from rental arrears and redundancy costs. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or Shared Ownership first tranche sales at completion together with revenue grants from local authorities and the Homes England and charitable fees and donations.

Rental income is recognised when the property is available for let, net of voids.

Service charge income and costs are recognised on an accrual basis. The Group operates both fixed and variable service charges on a scheme by scheme basis. Where variable service charges are used, the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to tenants by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the Statement of Financial Position. Where periodic expenditure is required, a provision may be built up over the years, in consultation with the tenants; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements, the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised in turnover, when the performance requirements are met.

Where developments have been financed wholly or partly by Social Housing Grant (SHG) and other grants, the income is recognised in turnover (using the accruals model) over the estimated useful life of the assets (excluding land), which it funds. For housing properties this is over the estimated useful life of the structure of the asset.

Income from property sales is recognised on legal completion. Proceeds from first tranche disposals are accounted for as turnover in the statement of comprehensive income of the period in which the disposals occur, and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Other income is included at the invoiced value of goods and services provided.

2. Accounting policies (continued)

Gift Aid income

Donations received under the Gift Aid scheme to the parent association (Two Rivers Housing), from its subsidiaries are recognised as turnover upon receipt as it relates to the principal activities of the Association and is eliminated on consolidation.

Taxation

As Two Rivers Housing and Two Rivers Initiatives are registered as charities with HM Revenue and Customs by virtue of S.478 Corporation Tax Act 2010, they are exempt from corporation tax. Two Rivers Developments Limited, Centigen Facilities Management Limited and Centigen TRH Facilities Management Limited (which was transferred into Centigen Facilities Management Limited on 1 July 2021), are liable to corporation tax on their taxable surpluses.

The tax expense for the period comprises current and deferred tax. Tax is recognised in The Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Association's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and;
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair value of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value Added Tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the financial statements are inclusive of VAT to the extent that it is suffered by the Group and not recoverable. The balance receivable or payable at the year-end is within the current assets or current liabilities.

Short-term Debtors and Creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment, are recognised in the Statement of Comprehensive Income statement in other operating expenses.

2. Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated. The Group makes a provision for rental arrears, which are considered to be non-recoverable. The full value of former tenant debt is provided for. The provision for current tenant debt is calculated based upon the value of the debt.

Employee benefits

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

Property, plant, and equipment – housing properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Traditional housing structure	100 years
Non-traditional housing structure and garages	30 years
Roofs	60 years
Doors and windows	20 years
Kitchens	20 years
Bathrooms	20 years
Heating systems	15 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties, which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

2. Accounting Policies (continued)

Impairment of social housing properties

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets (cash-generating unit) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

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

Investment properties

Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income. There are no restrictions on realisation or remittance of income or disposal proceeds.

Other tangible fixed assets

Non-housing property, plant, and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant, and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life.

The expected useful economic lives are as follows:

Freehold offices:

Doors and windows	20 years
Kitchens	20 years
Bathrooms	20 years
Heating systems	15 years
Electrics	30 years
Mechanical installations	20 years
Lift	15 years
External works	20 years
Furniture, fixtures and fittings	5 years
Vehicles	5 years
Computer equipment	5 years

2. Accounting Policies (continued)

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	5 years
-------------------	---------

Leased assets

At inception, the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Operating leased assets.

Leases that do not transfer all the risks and rewards of ownership, are classified as operating leases. Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease. Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Stock and Properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale and land held for sale are included in current assets as they are intended to be sold and are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Shared Ownership property sales

Shared Ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal, which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property, plant, and equipment.

Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

2. Accounting Policies (continued)

Cash and cash equivalents

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

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value at the reporting date with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Social Housing Grant and other government grants

Where grants are received from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission, (which meet the definition of government grants) they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Under the accruals model, the grant is held in the Statement of Financial Position as deferred income. Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised.

Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset.

Grants received for housing properties are recognised in income over the expected useful life of the housing property structure.

Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model where the grant is held as deferred income and released to income only when any performance-related conditions are met.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Supported housing and other managing agents

Where the Group has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

2. Accounting Policies (continued)

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Loans

All loans held by the Group are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially, and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted. Arrangement fees, agency fees and related legal fees payable when entering new loans are capitalised then charged to the statement of comprehensive income over the life of the loan via the effective interest method. Loan finance issue costs are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised.

Loan finance issue costs

Loan finance issue costs are amortised over the life of the related loan.

Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised.

Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs.

After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

2. Accounting Policies (continued)

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

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

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

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

Financial assets and financial liabilities are measured at transaction price initially plus, in the case of a financial asset or financial liability, not at fair value through the Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

- Debt instruments that meet the conditions in paragraph 11.8(b) or 11.8(bA) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.
- Commitments to receive or make a loan to another entity, which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.
- Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:
 - Fair value with changes in fair value recognised in the Statement of Comprehensive Income if the shares are publicly traded or their value can otherwise be measured reliably, and;
 - At cost less impairment for all other such investments.

Financial instruments held by the Group are classified as follows:

- Cash is 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.
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method.
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value.
- Derivatives, such as interest rate swaps, are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value, are classified using the following fair value hierarchy:

- a. The best evidence of fair value is a quoted price in an active market.
- b. When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- c. Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

2. Accounting Policies (continued)

Pensions

Multi-employer defined benefit pension schemes

The Group participates in two industry wide multi-employer defined benefit pension schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. These schemes are the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS). For these schemes the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

Defined contribution scheme

The Group participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position. Assets of the scheme are kept separately from those of the Association.

3. Particulars of turnover, cost of sales operating costs and operating surplus – Group

2022	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	22,329	-	(16,719)	-	5,610
Other social housing activities						
First tranche property sales		2,334	(1,696)	-	-	638
Surplus on disposal of property, plant and equipment					596	596
Other activities		67	-	-	-	67
Garages		152	-	(52)	-	100
		2,553	(1,696)	(52)	-	805
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	(11)	-	-	(11)
Other		30	-	4	-	34
		46	(11)	4	-	39
Surplus on disposal of property, plant, and equipment					1,203	1,203
Total		24,928	(1,707)	(16,767)	1,203	7,657

2021	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	21,863	-	(15,665)	-	6,198
Other social housing activities						
First tranche property sales		4,447	(2,653)	-	-	1,794
Other activities		46	-	-	-	46
Garages		159	-	(124)	-	35
		4,652	(2,653)	(124)	-	1,875
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	-	-	-	-
Other		1,526	-	(1,535)	-	(9)
		1,542	-	(1,535)	-	7
Surplus on disposal of property, plant, and equipment					596	596
Total		28,057	(2,653)	(17,324)	596	8,676

3. Particulars of turnover, cost of sales operating costs and operating surplus – Association

2022	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	22,329	-	(16,719)	-	5,610
Other social housing activities						
First tranche property sales		2,334	(1,696)	-	-	638
Other activities		108	-	-	-	108
Garages		152	-	(51)	-	101
		2,594	(1,696)	(51)	-	847
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	(11)	-	-	(11)
Other		102	-	-	-	102
		118	(11)	-	-	107
Surplus on disposal of property, plant, and equipment					1,203	1,203
Total		25,041	(1,707)	(16,770)	1,203	7,767

2021	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	21,719	-	(15,665)	-	6,054
Other social housing activities						
First tranche property sales		4,447	(2,653)	-	-	1,794
Other activities		47	-	-	-	47
Garages		159	-	(124)	-	35
		4,653	(2,653)	(124)	-	1,876
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	-	-	-	-
Other		194	-	-	-	194
		210	-	-	-	210
Surplus on disposal of property, plant, and equipment					597	597
Total		26,582	(2,653)	(15,789)	597	8,737

Included within other activities for the Association is £102,000 gift aid received from subsidiary companies (2021: £169,000).

3a. Particulars of income and expenditure from social housing lettings – Group and Association

Group	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2022 total £'000	2021 total £'000
Income					
Rents receivable	17,863	2,634	784	21,281	20,654
Service charge income	207	606	16	829	790
Amortised government grant	219	-	-	219	215
Other grants	-	-	-	-	204
Turnover from social housing lettings	18,289	3,240	800	22,329	21,863
Expenditure					
Management	4,121	707	297	5,125	4,795
Service charge costs	554	422	-	976	831
Routine maintenance	2,486	427	-	2,913	2,644
Planned maintenance	1,647	283	-	1,930	1,370
Major repairs expenditure	619	106	-	725	1,083
Bad debts	122	21	9	152	234
Abortive development	10	-	-	10	103
Depreciation of housing properties	3,930	675	283	4,888	4,605
Operating costs	13,489	2,641	589	16,719	15,665
Operating surplus social housing lettings	4,800	599	211	5,610	6,198
Void losses	207	137	-	344	205

4. Surplus on disposal of property, plant and equipment – Group and Association

	2022 £'000	2021 £'000
Sale of subsequent tranche Shared Ownership properties and other properties	2,180	1,061
Costs of sale	(243)	(26)
Disposals at cost	(734)	(439)
Surplus on disposal of property, plant and equipment	1,203	596

5. Other finance income

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank interest receivable	47	18	47	18
Interest due from Group companies	-	-	14	40
	47	18	61	58

6. Interest and financing costs

	Note	Group		Association	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans and overdrafts		5,038	4,196	5,036	4,196
Loan amortisation		221	353	221	353
Unwinding of discounts on provisions		(169)	352	(169)	352
Net interest on defined benefit liability	19	44	17	44	17
		5,134	4,918	5,132	4,918
Interest capitalised		(258)	(412)	(258)	(412)
		4,876	4,506	4,874	4,506

A substantial refinancing project was undertaken in 2020/2021, which increased the borrowing facilities from £110m to £197m overall.

The £40m second tranche of the Private Placement was drawn in July 2021.

The funding is measured at fair value, net of transaction costs using the effective interest method. The fair value adjustment of the loan facilities in place during the year is (£169,000) (2021: £352,000).

Borrowing costs have been capitalised based on a capitalisation rate of 3.53% (2021: 3.73%), which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year.

7. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Depreciation of housing stock	4,888	4,605	4,888	4,605
Depreciation of property, plant and equipment	185	170	173	161
Amortisation of intangible assets	24	23	24	23
Amortised government grants	(219)	(215)	(219)	(215)
Surplus on disposal of fixed assets	(1,203)	(596)	(1,203)	(596)
Auditors remuneration (excluding VAT)	38	28	27	19
Fees payable to the company's auditors for other services				
- Other services	2	2	2	2
- Tax compliance services	5	5	-	-
Operating lease rentals	153	195	-	-

8. Employee costs

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Wages and salaries	4,728	4,948	3,426	3,372
Social security costs	466	480	346	333
Other pension costs	365	359	314	305
	5,559	5,787	4,086	4,010

The full-time equivalent number of staff who received emoluments, excluding pension contribution, in excess of £60,000 were shown below:

Salary Band (£)	2022 Number	2021 Number
60,000 – 69,999	5	2
70,000 – 79,999	1	1
80,000 – 89,999	-	-
90,000 – 99,999	-	-
100,000 – 109,999	-	-
110,000 – 119,999	1	1
120,000 – 129,999	-	-
130,000 – 139,999	-	-
140,000 – 149,999	1	1
Total	8	5

8. Employee costs (continued)

The average full-time equivalent number of employees was:

	Group		Association	
	2022 Number	2021 Number	2022 Number	2021 Number
Average monthly number of employees (including executive directors) expressed as full-time equivalents:				
Administration	74	71	68	64
Property management	24	21	16	14
Housing for older people and housing management	24	22	24	22
Repairs team	31	35	-	-
Office cleaners	9	10	-	-
	162	159	108	100

	Group		Association	
	2022 Number	2021 Number	2022 Number	2021 Number
Average number of full time equivalent staff employed during the year (including executive directors):				
	146.2	143.6	98.8	89.6

The basis of the calculation of the full-time equivalents was calculated on 40 hours per week for the repairs team and 37 hours for all other staff.

9. Directors' remuneration and transactions

	2022 £'000	2021 Restated £'000
Directors who are executive staff members		
Wages and salaries	357	432
Social security costs	46	50
Other pension costs	58	57
	461	539

Including benefits

The 2021 figures included costs for a substantive Director who was absent as well as an Interim Director.

	2022 £'000	2021 Restated £'000
Remuneration of the highest paid director, excluding pension contribution		
Emoluments	147	146

The Chief Executive is an ordinary member of the pension scheme. The pension is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply.

9. Director's remuneration and transactions (continued)

Non-executive Board members

The following non-executive Board members received the following remuneration during the financial year.

	2022 £'000	2021 Restated £'000
Mr John Bloxsom	2	5
Ms Susan Holmes	5	5
Mr Neil Sutherland	5	5
Mrs Rita Jones	4	4
Mr Tim Jackson	5	5
Miss Yvonne Leishman	8	9
Mr Ted Pearce	5	4
Mr Tim Sharpe	3	3
Mr Kevin Shaw	2	2
Mr Jonathan Higgs	2	-
	41	42

10. Taxation

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Corporation tax:				
Current tax on surplus for the year	13	16	-	-
Adjustments in respect of previous years	(13)	(16)	-	-
	-	-	-	-
Deferred tax	-	-	-	-
Total tax	-	-	-	-
Reconciliation of the total tax charge				
Surplus on ordinary activities before tax	2,828	4,188	2,954	4,289
Tax charged at standard rate of 19% (2020: 19%)	537	796	561	815
Effect of:				
Utilisation of tax losses	(13)	(15)	-	-
Surplus arising with charitable status	(524)	(781)	(561)	(815)
Deferred tax not recognised	-	-	-	-
	-	-	-	-

11. Tangible fixed assets – housing properties - Group

	Completed properties £'000	Properties under construction £'000	Completed Shared Ownership £'000	Shared Ownership under construction £'000	Total £'000
Cost					
At 1 April 2021	188,509	3,256	16,233	1,677	209,675
Prior Year Adjustment	224	(224)	361	(727)	(366)
At 1 April 2021 Restated	188,733	3,032	16,594	950	209,309
Additions	-	8,507	-	5,670	14,177
Components capitalised	3,245	-	-	-	3,245
Disposals	(551)	-	(709)	-	(1,260)
Schemes completed in the year	6,105	(6,105)	3,049	(3,049)	-
Transfer to properties held for sale	-	(11)	-	(2,003)	(2,014)
At 31 March 2022	197,532	5,423	18,934	1,568	223,457
Depreciation					
At 1 April 2021	(46,047)	-	(1,349)	-	(47,396)
Charge for the year	(4,597)	-	(291)	-	(4,888)
Eliminated on disposals	395	-	63	-	458
Tenure changes	-	-	-	-	-
At 31 March 2022	(50,249)	-	(1,577)	-	(51,826)
Net book value					
At 31 March 2022	147,283	5,423	17,357	1,568	171,631
At 31 March 2021 Restated	142,686	3,032	15,245	950	161,913

All property is freehold. Additions in the year include £258,000 of capitalised interest (2021: £412,000) and £280,000 of capitalised development overheads (2021: £294,000).

11. Tangible fixed assets – housing properties – Association

	Completed properties	Properties under construction	Completed Shared Ownership	Shared Ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2021	188,509	3,452	16,233	1,677	209,871
Prior Year Adjustment	224	(224)	361	(727)	(366)
At 1 April 2021 Restated	188,733	3,228	16,594	950	209,505
Additions	-	8,510	-	5,670	14,180
Components capitalised	3,245	-	-	-	3,245
Disposals	(551)	-	(709)	-	(1,260)
Schemes completed in the year	6,105	(6,105)	3,049	(3,049)	-
Transfer to properties held for sale	-	(11)	-	(2,003)	(2,014)
At 31 March 2022	197,532	5,622	18,934	1,568	223,656
Depreciation					
At 1 April 2021	(46,047)	-	(1,349)	-	(47,396)
Charge for the year	(4,597)	-	(291)	-	(4,888)
Eliminated on disposals	395	-	63	-	458
Tenure changes	-	-	-	-	-
At 31 March 2022	(50,249)	-	(1,577)	-	(51,826)
Net book value					
At 31 March 2022	147,283	5,622	17,357	1,568	171,830
At 31 March 2021 Restated	142,686	3,228	15,245	950	162,109

All property is freehold. Additions in the year include £258,000 of capitalised interest (2021: £412,000) and £262,000 of capitalised development overheads (2021: £250,000).

Freehold land and buildings with a carrying amount of £130m (2021: £132m) 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.

12. Property, plant, and equipment – other

Group	Office premises £'000	Computer equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 April 2021	4,748	397	108	198	5,451
Additions	-	106	1	29	136
Disposals	-	-	-	-	-
At 31 March 2022	4,748	503	109	227	5,587
Depreciation					
At 1 April 2021	(963)	(350)	(108)	(190)	(1,611)
Charge for the year	(132)	(43)	(1)	(9)	(185)
Disposals	-	-	-	-	-
At 31 March 2022	(1,095)	(393)	(109)	(199)	(1,796)
Net book value					
At 31 March 2022	(1,095)	(393)	(109)	(199)	(1,796)
At 31 March 2021	3,785	47	-	8	3,840

Association	Office premises £'000	Computer equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 April 2021	4,748	394	100	78	5,320
Additions	-	105	-	-	105
Disposals	-	-	-	-	-
At 31 March 2022	4,748	499	100	78	5,425
Depreciation					
At 1 April 2021	(963)	(349)	(100)	(78)	(1,490)
Charge for the year	(131)	(42)	-	-	(173)
Disposals	-	-	-	-	-
At 31 March 2022	(1,094)	(391)	(100)	(78)	(1,663)
Net book value					
At 31 March 2022	3,654	108	-	-	3,762
At 31 March 2021	3,785	45	-	-	3,830

13. Intangible fixed assets – Group and Association

Group	Computer software £'000	Total £'000
Cost		
At 1 April 2021	490	490
Additions	9	9
Disposals	-	-
As at 31 March 2022	499	499
Amortisation		
At 1 April 2021	(447)	(447)
Charge for the year	(24)	(24)
Eliminated on disposals	-	-
As at 31 March 2022	(471)	(471)
Net book value		
As at 31 March 2022	28	28
As at 31 March 2021	43	43

14. Investments

14a. Investment properties

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Investment properties	290	290	290	290

Market rented properties are treated as investment properties. Changes in the value of market rented properties are taken to the statement of comprehensive income. Management have reviewed the investment properties and still deem the value to be a fair representation of fair value. The last market valuation was carried out in 2017 by a qualified valuer in accordance with the RICS Valuation – Professional Standards 2014.

14b. Principal Group investments

The parent Association and the Group have investments in the following subsidiary undertakings, associates, and other investments, which principally affected the surpluses or net assets of the Group.

Subsidiary undertaking	Legal form	Principal activity	Holding (%)
Two Rivers Developments	Limited company	Developing properties on behalf of Two Rivers Housing.	100
Two Rivers Initiatives	Community Benefit Society	A charitable organisation, whose primary business is the support and funding of community activities and initiatives within the Forest of Dean.	100
Centigen Facilities Management Limited	Limited company	Facilities management and grounds maintenance for external clients.	100

15. Inventories and properties held for sale

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Inventories				
Maintenance stock	2	58	2	58
Open market sale properties – under construction	-	-	-	-
	2	58	2	58
Properties held for sale				
Shared Ownership 1st tranche sale properties – completed	1,327	611	1,327	611
Shared Ownership 1st tranche sale properties – under construction	992	1,335	992	1,335
	2,319	1,946	2,319	1,946

16. Debtors – amounts falling due within one year

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Rent arrears	1,154	1,060	1,154	1,060
Provision for bad debts	(990)	(883)	(990)	(883)
Trade debtors	248	19	245	-
Amounts owed by Group undertakings	-	-	783	907
Other debtors	9	39	3	34
Other taxation and social security	5	-	-	-
Prepayments and accrued income	366	354	362	324
	792	589	1,557	1,442

17. Creditors – amounts falling due within one year

	Note	Group		Association	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Rents received in advance		718	646	718	646
Trade creditors		1,102	686	964	585
Amounts owed to Group undertakings		-	-	132	181
Other taxation and social security		148	412	118	100
Other creditors		965	922	959	883
Government grants	18	200	197	200	197
Accruals and deferred income		2,242	1,785	2,111	1,639
Pension deficit funding liability	19	-	-	-	-
		5,375	4,648	5,202	4,231

In line with government guidance, the Group's aim is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

18. Creditors – amounts falling due after more than one year

Other creditors	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans	147,516	107,565	147,516	107,565
Government grants	19,699	19,647	19,699	19,647
Recycled capital grant fund	276	263	276	263
	167,491	127,475	167,491	127,475

The loans are secured on freehold housing properties. Interest is payable at rates ranging from 2.45% to 6.18%.

The total accumulated amount of capital grant received or receivable at the Statement of Financial Position date is £20.175m (2021: £20.107m).

Bank Loans	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Due between one and two years	5,000	-	5,000	-
Due between two and five years	12,000	10,500	5,500	10,500
After five years	130,850	97,350	137,350	97,350
	147,850	107,850	147,850	107,850
Effective interest rate adjustment	175	344	175	344
Less: Facility arrangement fee	(509)	(629)	(509)	(629)
Due after one year	147,516	107,565	147,516	107,565
Total borrowings	147,516	107,565	147,516	107,565

Deferred income – government grants	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At 1 April 2021	19,844	19,929	19,844	19,929
Grants receivable	396	70	396	70
Grant Recycled	23	112	23	112
Transfer to RCGF	(36)	(18)	(36)	(18)
Transfer to other creditors	(23)	(3)	(23)	(3)
To Profit/Loss on disposal	(86)	(31)	(86)	(31)
Amortisation to Statement of Comprehensive Income	(219)	(215)	(219)	(215)
At 31 March 2022	19,899	19,844	19,899	19,844
Due within one year	200	197	200	197
Due after one year	19,699	19,647	19,699	19,647

Recycled capital grant fund	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Recycled capital grant fund				
At 1 April 2021	263	357	263	357
Inputs to RCGF	36	18	36	18
Recycling of grant	(23)	(112)	(23)	(112)
Interest accrued		-		-
At 31 March 2022	276	263	276	263

19. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees.

Defined benefit schemes

The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to retirement benefits varying between 1% and 2% per cent of final salary on attainment of Normal Pension Age (which varies by scheme but has a minimum age of 65). Both schemes offer some flexibility for earlier or later retirement, subject to an actuarial adjustment. No other post-retirement benefits are provided. The schemes are funded schemes.

The total net expense charged to Statement of Comprehensive Income in the year ended 31 March 2022 was £299,000 (2021: £98,000) broken down as follows:

Impact	2022 £'000	2021 £'000
SHPS DB Scheme	(45)	(68)
LGPS DB Scheme	344	166
Total cost relating to defined benefit scheme	299	98

The total net position charged to the Statement of Financial Position is broken down as follows:

	2022 £'000	2021 £'000
SHPS DB Scheme liability	(312)	(540)
LGPS DB Scheme asset	525	(1,499)
Total cost relating to defined benefit scheme	213	(2,039)

1) The Gloucestershire County Council Pension Fund

This is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2022 by Hymans Robertson LLP. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit credit method.

	Valuation at	
	2022	2021
Key assumptions used:		
Discount rate	3.20%	2.0%
Salary increase rates	3.50%	3.15%
Future pension increases (CPI)	2.70%	2.85%

19. Retirement benefit schemes (continued)

Mortality assumptions:

Vita curves with improvements in line with the CMI 2018 model an allowance for smoothing of recent mortality experience and a long-term rate of improvement of 1.25% p.a. for women and men. Based on these assumptions the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners:	21.7 years	24.1 years
Future pensioners:	22.6 years	25.8 years

Historic mortality

Life expectancies for the prior period end are based on the fund's Vita Curves. The allowance for future life expectancies is shown below:

Period ended	Prospective pensioners	Pensioners
31 March 2022	Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.	Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.

Please note that, the mortality assumptions used to value the obligations in the Employer's Closing Position are different to those used to value the obligations in the Employer's Opening Position.

A commutation allowance is included for future retirements to elect to take 35% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 68% of the maximum tax-free cash for post-April 2008 service.

All other demographic assumptions are as per the latest funding valuation of the Employer.

19. Retirement benefit schemes (continued)

	2022 £'000	2021 £'000
Current service cost	501	345
Net interest cost	33	13
	534	358
Recognised in other comprehensive income		
Income (OCI)	(2,368)	858
Total cost relating to defined benefit scheme	(1,834)	1,216

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2022 £'000	2021 £'000
Present value of defined benefit obligations	(18,879)	(19,671)
Fair value of scheme assets	19,404	18,172
Net liability recognised in the Statement of Financial Position	525	(1,499)

Movements in the present value of defined benefit obligations were as follows:

	2022 £'000	2021 £'000
At 1 April	19,671	14,865
Service cost	501	345
Interest cost	396	343
Contributions from scheme participants	91	89
Benefits paid	(314)	(318)
Actuarial (gains) and losses	(1,466)	4,347
At 31 March	18,879	19,671

Movements in the fair value of scheme assets were as follows:

	2022 £'000	2021 £'000
At 1 April	18,172	14,390
Interest income	363	330
Contributions from scheme participants	91	89
Contributions from the employer	190	192
Benefits paid	(314)	(318)
Actuarial gains and (losses)	902	3,489
At 31 March	19,404	18,172

The estimated split of scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets	
	2022 %	2021 %
Equity instruments	71	70
Bonds	19	20
Property	9	7
Cash	1	3

19. Retirement benefit schemes (continued)

Projected pension expense for the year to 31 March 2023

Period ended 31 March 2023	Assets	Obligations	Net (liability)/asset	
	£'000	£'000	£'000	% of pay
Projected current service cost	-	450	(450)	(42.9%)
Total service cost	-	450	(450)	(42.9%)
Interest income on plan assets	523	-	523	49.9%
Interest cost in defined benefit obligation	-	512	(512)	(48.8%)
Total net interest cost	523	512	11	1.1%
Total included in statement of comprehensive income	523	962	(439)	(41.8%)

The current service cost includes an allowance for administration expenses of 0.6% of payroll. The monetary value is based on a projected payroll of £1,049,000.

The contributions paid by the Employer are set by the Fund Actuary at each triennial valuation, or at any other time as instructed to do so by the Administering Authority. The estimated employer contributions for the period to 31 March 2022 will be approximately £190,000.

Sensitivity

The sensitivities regarding the principle assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in real discount rate	2%	387
1 year increase in life member expectancy	4%	755
0.1% increase in salary increase rate	0%	51
0.1% increase in the pension increase rate	2%	332

2) The Pensions Trust – Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer 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 published triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1.522bn. A Recovery Plan was put in place with the aim of removing this deficit by 30 September 2026.

In December 2020, the NHF published a briefing note, which advised that if experience over the three years to 30 September 2020 had been in line with 2017 expectations, it is estimated that the deficit at the 2020 valuation when measured on a 2017 consistent basis would have fallen to broadly around £1bn. At 2017, the deficit was projected to have been completely extinguished by the end of the current recovery period in March 2026.

However, due to market movements being worse than expected since 2017 (in part but not entirely from the impact of coronavirus), we are in a downside scenario at this valuation, and the funding level at 30 September 2020 when measured on a 2017 consistent basis is estimated to be broadly around 77%, with a deficit of broadly around £1.5bn.

19. Retirement benefit schemes (continued)

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

For financial years ending on or after 31 March 2020, it is now possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

CONTINGENT LIABILITY – SOCIAL HOUSING PENSION SCHEME

We have 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.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2022 £'000	31 March 2021 £'000
Fair value of plan assets	2,276	2,178
Present value of defined benefit obligation	2,588	2,718
Surplus (deficit) in plan	(312)	(540)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(312)	(540)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION	Period ended 31 March 2022 £'000
Defined benefit obligation at start of period	2,718
Current service cost	24
Expenses	3
Interest expense	59
Member Contributions	9
Actuarial losses (gains) due to scheme experience	88
Actuarial losses (gains) due to changes in demographic assumptions	(39)
Actuarial losses (gains) due to changes in financial assumptions	(225)
Benefits paid and expenses	(49)
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	2,588

19. Retirement benefit schemes (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT ASSETS

	Period ended 31 March 2022 £'000
Fair value of plan assets at start of period	2,178
Interest income	48
Experience on plan assets (excluding amounts included in interest income) - gain	7
Contributions by the employer	83
Contributions by plan participants	9
Benefits paid and expenses	(49)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	2,276

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £55,000.

Contribution by the employer includes a past service deficit payment of £68,661 (2021: £67,315).

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)	Period ended 31 March 2022 £'000
Current service cost	24
Expenses	3
Net interest expense	11
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)	38

19. Retirement benefit schemes (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2022 (£'000s)
Experience on plan assets (excluding amounts included in net interest cost) – gain	7
Experience gains and losses arising on the plan liabilities - (loss)	(88)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	39
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	225
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	183
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)	183

ASSETS	Period ended 31 March 2022 (£'000s)
Global Equity	437
Absolute Return	91
Distressed Opportunities	81
Credit Relative Value	76
Alternative Risk Premia	75
Fund of Hedge Funds	-
Emerging Markets Debt	66
Risk Sharing	75
Insurance-Linked Securities	53
Property	61
Infrastructure	162
Private Debt	58
Opportunistic Illiquid Credit	77
High Yield	20
Opportunistic Credit	8
Cash	8
Corporate Bond Fund	152
Liquid Credit	-
Long Lease Property	59
Secured Income	85
Liability Driven Investment	635
Currency Hedging	(9)
Net Current Assets	6
Total assets	2,276

19. Retirement benefit schemes (continued)

None of the fair values of the assets shown on page 80 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 2022 % per annum	31 March 2021 % per annum
Discount Rate	2.79%	2.19%
Inflation (RPI)	3.51%	3.26%
Inflation (CPI)	3.16%	2.87%
Salary Growth	4.16%	3.87%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

20. Financial instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

		Group		Association	
	Note	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets					
Measured at undiscounted amount receivable					
Rent arrears and other debtors	16	164	177	164	177
Amounts due from related undertakings	16	-	-	783	907
Trade debtors	16	248	19	-	-
Cash and cash equivalents		51,588	17,892	51,130	16,960
		52,000	18,088	52,077	18,044
Financial liabilities					
Measured at amortised cost					
Loans payable	17,18	147,516	107,565	147,516	107,565
Pension deficit funding (asset) / liability	19	(213)	2,039	(213)	2,039
Measured at undiscounted amount payable					
Bank overdraft	17	-	-	-	-
Rent received in advance	17	718	646	718	646
Trade creditors	17	1,102	686	964	585
Corporation tax	17	-	-	-	-
Amounts owed to related undertakings	17	-	-	132	181
Other taxation and social security	17	148	412	118	100
Other creditors	17	967	922	960	883
		150,238	112,270	150,195	111,999

The Group's income, expense, gains, and losses in respect of financial instruments are summarised below:

	Group	
	2022 £'000	2021 £'000
Interest income and expense		
Total interest income for financial assets at undiscounted amount	47	18
Total interest expense for financial liabilities at amortised cost	4,922	4,519

21. Statement of cash flows

	2021 £'000	2020 £'000
Cash flow from operating activities		
Surplus for the year	2,828	4,204
Adjustment for non-cash items:		
Depreciation of property, plant, and equipment	5,073	4,775
Amortisation of intangible assets	24	23
Decrease/ (increase) in inventories	1,697	2,441
Decrease/ (increase) in debtors	(203)	564
Increase/ (decrease) in creditors	654	(443)
Corporation tax	-	(16)
Adjustments relating to pension scheme	299	242
Adjustments for investing or financing activities:		
Gain on sale of property, plant and equipment	(1,117)	(596)
Government grants utilised in the year	(305)	(246)
Interest payable	4,876	4,506
Interest received	(47)	(18)
Taxation	-	-
Cash generated by operations	13,779	13,255
Cash and cash equivalents		
Cash at bank and in hand	51,588	17,892
Cash and cash equivalents	51,588	17,892

21a. Analysis of changes in net debt

	As at 1 April 2021 £'000	Cashflows £'000	Other changes £'000	As at 31 March 2022 £'000
Cash	2,742	(1,154)	-	1,588
Money market deposits	15,150	34,850	-	50,000
Banks loans due less than one year	-	-	-	-
Bank loans due more than one year	(107,565)	(39,899)	(52)	(147,516)
Finance lease commitments	(42)	35	(759)	(766)
Total	(89,715)	(6,168)	(811)	(96,694)

22. Financial commitments

Capital commitments are as follows:

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Contracted for but not provided for	23,963	4,452	23,963	4,452
Approved by the Directors but not contracted for	18,821	38,590	5,602	26,882
Total Capital Commitments	42,784	43,042	29,565	31,334
Met by existing cash and short term investments	42,784	43,042		

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Payments due:				
- within one year	201	32	3	3
- between one and five years	565	10	3	6
- after five years	-	-	-	-
Total operating leases	766	42	6	9

The leases mainly relate to vehicles but also include leases on photocopiers.

23. Housing stock

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Social housing accommodation				
General needs housing accommodation	2,861	2,851	2,861	2,851
Housing accommodation at affordable rent	593	557	593	557
Housing accommodation at intermediate rent	12	12	12	12
Housing for older people accommodation	595	595	595	595
Shared Ownership accommodation	250	228	250	228
	4,311	4,243	4,311	4,243
Non-social housing accommodation				
Leaseholders	44	44	44	44
Market rent	2	2	2	2
	46	46	46	46
Total	4,357	4,289	4,357	4,289
 Owned units in management	 4,313	 4,245	 4,313	 4,245
 Social housing units developed in the year	 84	 84	 84	 84
Social housing units acquired in the year	1	-	1	-

23a. Housing stock reconciliation

	31 March 2021	Additions	Disposals	31 March 2022
Social Housing				
General needs housing accommodation	2,851	20	(10)	2,861
Housing for older people	595	-	-	595
Intermediate rent	12	-	-	12
Affordable rent	559	34	-	593
Shared Ownership accommodation	226	31	(7)	250
	4,243	85	(17)	4,311
Non Social Housing				
Market rent	2	-	-	2
Units owned and managed	4,245	85	(17)	4,313

During the year, 84 new homes came into management with a further addition of one property bought back. In addition to the housing properties, Two Rivers Housing owns 801 garages.

24. Related party transactions

Tenant representative Board Members who have served during the year on the Group or subsidiary Board rent properties from the Group under the same terms and conditions as all tenants in similar properties. They are Mrs Rita Jones and Mr Christopher Hillidge.

The aggregate amount of rent and service charges received from Tenant Board Members in the year was £14,997 (2021: £14,832). The value of rent arrears at year-end from Tenant Board Members was £nil (2021: nil).

Two Rivers Housing, which is registered in England and Wales is the ultimate parent undertaking of:

- Two Rivers Initiatives – a community benefit society and registered charity in England and Wales.
- Two Rivers Developments Limited – a company limited by shares and registered in England and Wales.
- Centigen Facilities Management Limited – a company limited by shares and registered in England and Wales.

The table below details the intra-group transactions:

Non-regulated subsidiary	Transfers	Cost in year £'000	Income in year £'000	Balance at year end £'000
Two Rivers Developments Limited	Recharge of development staff and admin costs from Two Rivers Housing.			
	Provision of design and build services from Two Rivers Developments to Two Rivers Housing in accordance with contract fees. Intercompany loan interest payable to Two Rivers Housing.	2	104	-
	Intercompany creditor	-	-	26
Centigen Facilities Management Limited	Recharge of minor set up costs for Centigen Facilities Management Ltd. Intercompany loan interest payable to Two Rivers Housing.	25	3,316	-
	Intercompany debtor	-	-	676

24. Related party transactions (continued)

Two Rivers Housing has taken the exemption in section 33.1A of Financial Reporting Standard 102 not to disclose any further transactions with other Group members aside from those disclosed above in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019.

25. Prior year adjustment

In preparing the financial statements for 2022/2023 we have identified an accounting adjustment required to the financial position for 2021/2022, which relates to a complex development scheme where costs should have been written off as part of cost of sales or transferred to completed stock.

The impact of this adjustment is set out below:

Statement of Financial Position	2021 £	Adjustment £	Restated 2021 £
Fixed assets	166,452	(366)	166,086
Current assets	20,464	21	20,485
Creditors due within one year	(4,648)	-	(4,648)
Net current assets	15,816	21	15,837
Total assets less current liabilities	182,268	(345)	181,923
Creditors due after one year	(127,475)	-	(127,475)
Defined benefit liability	(2,039)	-	(2,039)
Net assets	52,754	(345)	(129,514)
Capital and reserves			
Revenue reserve	52,754	(345)	52,409
Total reserves	52,754	(345)	52,409



More about Two Rivers Housing

 www.tworivershousing.org.uk

 Rivers Meet, Cleeve Mill Lane, Newent, Gloucestershire, GL18 1DS

 www.linkedin.com/company/TwoRiversHousing

 www.facebook.com/TwoRiversHousing

 www.twitter.com/TRHousing

Company registration number: 4263691

Homes and Communities Agency number: L4385

Registered charity number: 1104723



INVESTORS IN PEOPLE™
We invest in people Gold

This document was produced in August 2022.