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PROGRESS HOUSING GROUP LIMITED

Consolidated and Company financial statements for the year ended 31 March 2022

Co-operative and Community Benefit Society (FCA) No: 28685R
Regulator of Social Housing No: LH4189

Progress
HOUSING GROUP

Contents

Members of the board of management and executive officers

Members of the board of management

N Bevan	
G Cawthra	
A Dennett	
Y Fearon	Deputy Group Chair
A Greenhill	Retired 6 September 2021
K Grogan	Appointed 6 September 2021, previously Independent Chair of Remuneration and Nominations Committee. Retired 1 March 2022
P Hodgett	Retired 6 September 2021
B Ricketts	Appointed 6 September 2021, previously Independent Chair of Audit Committee
D Shackleton CBE	
M Shannon	
J Sinclair Taylor	Appointed 30 September 2021
N Townsend	
A Urbanowicz	Co-opted 1 June 2022
S Veal	Appointed 30 September 2021
N Wright	Group Chair

The following serve as independent members of the Group's committees and are not directors of any registered provider within the Group:

K Blackham	Remuneration and Nominations Committee
S Horrill	Audit Committee
M Nandi	Reside with Progress Committee
N McCall	Appointed 30 September 2021

Company Secretary

D Atherton

Registered office

Sumner House, 21 King Street, Leyland, PR25 2LW

Executive officers

J M De-Rose	Group Chief Executive
B Keenan	Deputy Chief Executive and Executive Director (Services & Growth)
D Atherton	Executive Director (Governance, People and Communications)
T Bradley	Executive Director (Operations and Support)
A Speer	Executive Director (Finance & Corporate Services)

Auditors

BDO LLP, 3 Hardman Street, Manchester, M3 3AT

Company details

Co-operative and Community Benefit Society (FCA) No: 28685R

Regulator of Social Housing No: LH4189

Five year consolidated financial highlights

for the financial years ended 31 March

	2022	2021	2020	2019	2018
	£000's	£000's	£000's	£000's	£000's
Statement of Comprehensive Income					
Turnover	99,840	86,171	79,892	77,951	74,072
Depreciation	11,377	10,484	10,128	9,703	9,355
Impairment / (reversal of impairment)	874	69	283	(87)	(17)
Impairment on previously revalued amounts	267	53	116	108	338
Impairment	1,141	122	399	21	321
Operating Surplus	13,806	17,016	17,087	18,797	18,476
Interest and financing costs	(6,490)	(6,950)	(7,912)	(8,947)	(10,172)
Underlying surplus after tax	7,543	10,248	9,331	10,786	7,991
Gain on gift of subsidiary	19,368	-	-	-	-
Surplus after tax	26,911	10,248	9,331	10,786	7,991
Statement of Cashflows					
Cash inflow from operating activities	15,890	26,151	24,372	26,820	27,693
Cash outflow from investing activities	(25,411)	(17,972)	(19,465)	(9,082)	(8,741)
Cash inflow/(outflow) from financing activities	9,388	(11,855)	(3,634)	(21,369)	(7,395)
Net debt	(243,754)	(228,057)	(229,673)	(227,239)	(236,750)
Statement of Financial Position					
Tangible Fixed Assets	576,597	538,003	527,010	514,714	512,002
Net Current Assets / (Liabilities)	9,492	1,208	4,415	(699)	5,280
Debt due after more than one year	241,905	226,676	232,367	228,203	246,036
Pension Liabilities	9,502	19,402	11,228	10,589	10,478
Revaluation reserve	150,657	152,500	154,100	156,059	158,136
Other reserves	162,204	121,975	117,353	105,749	90,576
Key Ratios and Indicators					
Operating margin	14%	20%	21%	24%	25%
Social housing operating margin	14%	21%	23%	24%	25%
Headline social housing cost per unit	6,022	5,365	5,242	5,077	4,800
EBITDA %	209%	309%	259%	259%	228%
Interest cover %	388%	396%	344%	319%	274%
Net surplus as a % of turnover	27%	12%	12%	14%	11%
Gearing #	43%	43%	44%	45%	47%

Gearing has been calculated on Net debt. Net debt is cash in hand, at bank and overdrafts, current asset investments, housing loans and finance leases.

Report of the board

The board presents its report and the audited consolidated financial statements of the Group and its subsidiary undertakings for the year ended 31 March 2022.

Strategic report

Strategy and objectives

The Group's vision is to have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities. The Group Strategic Plan and Business Priorities is for the period 2022 to 2027 ("Strategic Plan").

We aim to create more homes, increase our support for independence and create more opportunities for our customers. All of these things are important and each one is closely related to the other. We remain committed to investing our surplus budget to deliver our strong social purpose.

Our business is made up of six business streams. Each is defined from the point of view of our customers, and each serves a discrete group of customers and provides a distinctive set of services. Each business stream now has its own business plan that collectively demonstrates the range of our activities beyond the delivery of core housing services.

This Strategic Plan sets out our business priorities and include the following areas of focus.

- We will invest in our existing homes and neighbourhoods to meet customer expectations, high standards and embed our Environmental and Asset Management Strategies.
- Development of new affordable supported, general needs, independent living for people over 55 and extra care accommodation to meet our future customer needs. Providing high quality housing for key workers in Lincolnshire.
- The generation of profit by Concert Living developing homes for sale.
- A continued focus on keeping our customer safe in their homes by investing in property compliance and keeping them informed and engaged.
- Providing high quality services.
- Understanding customers and their needs.
- Improving our independent living offer.
- A greater voice for supported living customers.
- Being a leading regional TECS provider and increasing our footprint to be a national provider.
- Expansion of homeless and support services to customer in crisis or at risk.
- Supporting access to education, training and employment.
- Encouraging tenant involvement in the management and scrutiny of our social housing services.
- Active citizenship.
- Supporting colleagues to access personal development, training and career development opportunities.

Our values

Progress Housing Group's colleagues and non-executives are committed to working together to achieve the organisation's strategic aims. We have identified the following values, which underpin everything we do:

- People focused - People are at the heart of our business. By treating everyone fairly and understanding diverse needs and strengths, we can serve people better and provide services and opportunities that positively impact the lives of customers and colleagues.
- Forward thinking - We work together to search for and implement innovative solutions and ideas that overcome challenges faced by our tenants, customers, communities, partners and colleagues.
- Expert - We use our knowledge, expertise and learning to invest in a positive future for all and aim to excel in all we do to provide the best possible standards of service.
- Genuine - We are open and honest, with a friendly, enthusiastic and energetic way of working, which is true to what we stand for.
- Collaborative - We work in partnership with our tenants, customers, colleagues, local communities and other experts, bringing everyone together to achieve more.

Report of the board continued

Cross-cutting themes

Our cross-cutting themes influence every part of our business and enable us to maximise our support for customers and achieve our business outputs. Our cross-cutting themes are:

To place customers at the heart of what we do, involving and developing services to fit the needs and aspirations of our customers. We aim to ensure that everything we do delivers great results for our customers. Our customers have a strong voice, both individually and collectively. We are committed to ensuring that this voice is always heard and that our services are shaped by it. Our decisions will be driven by the needs and aspirations of our customers. We have amended our complaints processes and will consider further actions with customers to respond to the Housing White Paper and new consumer standards. We will continue to learn from customer feedback in order to make service improvements. We aim to create a digital workplace that aligns with our agile working ethos. This will see us maximising the use of technology to optimise our overall efficiency and effectiveness to enhance our customers' service experience and enable them to access our services in a way that best suits their personal requirements.

To challenge inequality in our society, value diversity and further inclusion. The Group is committed to promoting equality, diversity and inclusion and a culture that actively values difference and recognises that people from diverse backgrounds and experiences can bring valuable insights to the Group and enhance the way we work. Our EDI Strategy and action plan demonstrates this commitment and will be delivered to ensure we maximise the positive impact of our work.

To deliver our environmental objectives and contribute to net-zero carbon targets. Our commitment is to play our part in delivering positive change to achieve decarbonisation targets and build a better environment for the future.

To be a strong organisation delivering growth, innovation, value for money and continuous improvement alongside high standards of corporate governance to ensure we operate in a safe and socially responsible manner. We aim to find the right balance between our social purpose and a commercial focus. Excellent performance, financial strength, effective procurement and continuous improvement are crucially important to achieving our aims. We want to lead in our customer engagement, Progress Lifeline services, supported living provision, property compliance and our service offer to keep people safe in their homes and deliver our social purpose and business growth. We recognise the need for and are committed to continued investment in technology for our customers and our colleagues. Maximising VFM in our activities will help us deliver our priorities.

To operate and behave as one team to deliver our shared corporate objectives. We firmly believe that our colleagues and non-executive directors are the greatest resources we have. By working together as one team and valuing the contribution that everyone makes, we will achieve even more. We recognise the distinctive roles that our colleagues and non-executives play in our work. We consistently reflect our values in how we behave to deliver our shared social objectives

Business model

Progress Housing Group Limited believes that everyone has the right to a decent place to live and the core objective is to further this principle by playing our part in ensuring that our customers have a good quality home in a welcoming and safe community with excellent services. We operate within the housing market and offer a wide range of accommodation and services to a diverse customer base, as detailed below. The Group owns and manages over 11,000 tenancies across England and Scotland. We also provide social alarm services to our housing customers and to external organisations and individuals.

In addition to Progress Housing Association Limited, the Group includes Progress Housing Group Limited (the Parent), together with Key Unlocking Futures Limited, which is a charity registered with the Charity Commission, and Concert Living Limited, which is a company delivering outright property sales. Reside Housing Association Limited became a member of Progress Housing Group on 30 September 2021. Reside Housing Association is a charitable registered provider and Community benefit Society. The Group also includes New Progress Housing Association Limited, a dorman company that has no plans to operate.

Report of the board continued

Our range of accommodation types and customers across the Group include:

General needs

We own and manage 6,816 social and affordable homes to rent so that more people have the opportunity to rent a home for themselves and their families. We mainly operate within the South Ribble and Fylde areas of North West England but also have accommodation in South Lakes, Yorkshire, Accrington, Chorley, and Blackpool. Services provided to general needs tenants include a caretaker service, specialist operational officers to support tenancy management, and a dedicated aids and adaptations officer to empower tenants to remain in their home as long as possible. Homes are maintained by our Property Services Team who carry out responsive repairs and deliver cyclical programmes for planned works such as bathroom and kitchen replacement. In addition, we offer personalised support with employment, training, and financial inclusion to our tenants who need advice and guidance. We also offered tailored services to our 264 shared owners and 199 leaseholders.

The Group provides 35 units of interim accommodation to accommodate people who have been presented as homeless by the local councils. Our interim homes are short-term accommodation provided to alleviate homelessness; individuals are supported with life skills to empower them to source and sustain permanent housing.

Supported living

We are one of the largest providers of specialist supported housing in the country, primarily providing accommodation for people with a learning disability and/ or autism. Our reputation for delivering and supporting the aims of local authority commissioners and NHS Trusts has contributed to our continued growth.

We currently provide around 4,355 units of specialist accommodation in 174 local authority areas. Care and support is provided to our tenants by more than 250 different support agencies appointed by local authority or NHS Trust commissioners. We have a number of models of accommodation including shared houses, flats and bungalows that make up around 80% of our supported housing stock as well as self-contained accommodation and shared ownership. Our strategy is to increase the amount of supported living accommodation we provide to meet the needs and aspirations of our tenants.

Our focus for new developments continues and we aim to have 160 new tenancy stream units by the third year of our strategic plan. We will consider developments in all areas, subject to our ability to efficiently and effectively manage and maintain our new stock.

Progress Housing Association Limited holds a one third share in a joint venture company, Leeds Independent Living Accommodation Holdings Limited. This is a private finance initiative with Leeds City Council to provide 344 units of supported living accommodation to customers with a range of needs across multiple sites around Leeds. This joint venture has two other partners in the consortium, Jack Lunn (Properties) Limited and Civic PFI Investments. The PFI continues to perform well.

Independent living

We provide affordable and easy to manage homes within our independent living schemes for people over the age of 55. The Independent Living service offers an enhanced service to general needs housing. Our schemes include support from an Independent Living Coordinator and handyperson to provide on-hand assistance with daily living. Homes have telecare alarms connected to our 24-hour control centre with an out-of-hours response team to provide peace of mind in an emergency. The communal spaces are refurbished on a cyclical basis and host social activities coordinated by a dedicated officer to encourage a community feel and reduce social isolation.

We have 30 schemes providing 1,220 properties in the Fylde and South Ribble areas of Lancashire. Our service is tailored to the needs of the tenants and ranges from daily personal visits (Monday to Friday) to regular intercom calls, or just the option to access the services on-hand as circumstances change. We have extra care facilities in two of our schemes, where we work alongside a local care provider who will provide personal care to those tenants who require it through their own personalised care budgets. Future development opportunities are always on the horizon, especially with the introduction of digital services to provide more advanced technology services such as Telecare and Smart Technology in our schemes.

Report of the board continued

The schemes enjoy a communal Wi-Fi space, and some use technology such as Alexa as part of their social activities as digital inclusion contributes to tenants' independence and opportunities. as Telecare and Smart Technology in our schemes.

Supported housing

Supported housing provides short term accommodation and support to vulnerable client groups such as homeless people, young people at risk of homelessness and women and their children escaping domestic abuse. We have a total of 51 units of accommodation – 18 for young homeless people in Chorley, 22 for homeless people in Preston and 11 for women and children escaping domestic abuse in South Ribble and Chorley. The average length of stay in supported housing is five months but can be as short as a few days or up to two years.

Shared ownership

The Group provides accommodation where customers can purchase between 25% and 75% of their home and rent the remaining equity from the Group. We have 289 shared ownership properties with 18 for supported living customers. These properties have a retained value of £18 million and have been developed since 2006. The Group has not been financially reliant on shared ownership sales to achieve a surplus. Our future strategy includes further development of this property type.

Key worker accommodation

Progress Housing Association Limited (PHA) manages accommodation in partnership with United Lincolnshire Hospitals Trust (ULHT) at Lincoln, Boston and Grantham. The scheme is within PHA but operates under the trading name of Progress Living. This arrangement was established as a Public Private Partnership (PPP). A PPP is a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. Specifically, it has been established on the basis of a lease of land (by ULHT to PHA), upon which the Group has built (or refurbished) accommodation and operates the accommodation for an agreed lease term, after which the buildings and land revert to ULHT.

Key Unlocking Futures Limited

Key Unlocking Futures Limited (Key) is a charity with the mission to help people build better lives. The charity provides flexible person-centred services to a range of clients across Lancashire. The services include supported housing for people who have experienced homelessness, Refuge and domestic abuse outreach, drop-ins for young people experiencing homelessness, family conflict resolution, therapeutic services for children and young people, tenancy support, employment coaching and youth and community work. Key employs 28 full time staff and casual workers to provide these services. Key shares the overall Group vision, it is not a registered landlord and has its own mission, values and business plan. Funding of the charity is received from a number of short term contracts including local authorities and grant funders as well as the Group funding Key's critical tenancy support service.

Progress Lifeline and Technology Enabled Care Services (TECS)

Progress Lifeline (which provides telecare and technology enabled care and services) has been delivering services for over 30 years and is a lead provider for telecare referrals and assessments, installation and call monitoring in Lancashire. The service offers a wide range of technology and services, including an integrated falls lifting and emergency responder service in five counties. Progress Lifeline has a dedicated alarm response centre based in Leyland, Lancashire which is staffed 24 hours a day, 365 days a year. It provides over 65,000 customers with 24-hour emergency assistance and handles over 800,000 calls annually. Progress Lifeline has recently completed a successful audit by the Telecare Services Association (TSA) for the new Quality Standards Framework. This confirms for the 13th year, our commitment to providing the highest quality standards for our services.

We also exceeded target growth projections and an increase in turnover of £0.7M from 2020/21.These services generate surpluses which help us to cross subsidise and contribute to our future development of new homes.

Report of the board continued

Review of risk

In our 2027 Strategic Plan we have set out the priorities, related measures and targets under each of our three strategic aims. As part of this, we consider business planning and risk assessment as complementary. It is vital the board assess the risks that affect our ability to meet its key objectives in line with the risk appetite. The increasing importance of housing in the political agenda exposes the organisation to political, statutory and regulatory risks. Our board continuously monitors risks and how these will impact the financial position of the Group through its long term financial plan modelling.

Risk is considered at each board meeting and an updated strategic risk register has been presented to the board on a quarterly basis. The Audit Committee undertake regular thematic reviews into the strategic risks and an assurance map is in place for each one.

The Association undertakes extensive stress testing both annually (as part of the long-term financial plan update) and when the need arises throughout the year. Detailed mitigating strategies have been developed to ensure we are best placed to respond to a risk should it crystallise. Our long-term financial plans contain a number of assumptions, such as inflation, interest rates and unit sales. The planning model, and our assumptions, are based on current information and are validated by a third party review where possible.

Report of the board continued

The table below details what current risks the board considers we face and how we mitigate and control them.

Strategic Objective/Cross cutting theme	Risk	Mitigation and Controls
Developing a stronger organisation	Economic impact - The Group could suffer a significant reduction in operating surplus or financial pressures requiring change in priorities in the event of long term economic impacts from a pandemic or an economic downturn.	The Group has a wide range of tools which help to constantly monitor internal performance and the impact of external influences. These include budgetary control, business plan flexibility, review of long term financial plan assumptions, stress testing, golden rules/mitigation strategy, treasury strategy, contract management, monitoring of unsold property, and arrears management with sufficient bad debt provisions.
Developing a stronger organisation	Health and Safety - If the group does not have adequate arrangements to comply with statutory H&S requirements. This includes poor data quality or an inadequate property compliance and health and safety management system which could lead to property compliance or health and safety breaches, putting people at risk of harm.	The Group has a Health & Safety policy, property compliance policies and compliance reporting to board. In addition we undertake mandatory staff training sessions, staff and board awareness sessions and have in-house expertise. We have a Data Assurance Framework which includes health and safety data, approved by the Board.
Developing a stronger organisation	Cyber security breach leading to financial loss, issues with business continuity and/or reputational damage.	The Group has a number of controls and preventative measures including antivirus/malware software, breach monitoring systems, threat management systems, multifactor authentication, cloud based disaster recovery, penetration testing and internal expertise. In addition there is a business continuity plan in place and other risk transfer arrangements.
Customers at the heart	Customer expectations - If customer expectations change at a pace that the Group does not or cannot keep up with this could result in poor relationships and reputational damage.	The Group has a number of areas of focus to help monitor customer positioning. This includes a complaints framework, service standards, customer insight (consultation/research) engagement activities, and the customer first model.

Report of the board continued

Treasury management

The Group operates under the Group's Treasury Management function led by the Executive Director (Finance and Corporate Services). Advice is also received from the Group's financial and corporate advisers, who review the Treasury Management Policy and Strategy annually. The primary objective of the Treasury Management Strategy is the provision of financial resources necessary to achieve the Group's purpose and the management of associated risks, financial and operational, that might threaten its ability to do so. The Treasury Management function is not a profit centre however it is committed to the principles of achieving value for money in Treasury Management, and to employ suitable measurement techniques, within the context of effective risk management.

We have sufficient liquidity in place to meet at least the next 28 months' requirements. As at 31 March 2022, the Group has secured loan facilities totalling £375 million of which £249 million is drawn.

Corporate governance

The Group , with the exception of Key Unlocking Futures and Concert Living Limited has adopted the National Housing Federation's Code of Governance (published in 2020) and seeks to comply with both this and best practice with regards to corporate governance.

Key Unlocking Futures, as a registered charity, has adopted the Charity Governance Code for larger charities. Concert Living Limited, as a listed company, has adopted the UK Corporate Governance Code 2018.

In line with the Group's governance arrangements, compliance against Group's chose Codes of Governance is reviewed on an annual basis and reported to the Group's Remuneration and Nominations Committee.

The Regulator of Social Housing's Governance and Financial Viability Standard requires that the Group adopts an appropriate Code of Governance and reports any variation on a "comply or explain" basis; this statement, therefore, forms part of the Group's regulatory compliance. A review of compliance against the NHF 2020 Code of Governance has concluded that the Group is compliant with the provisions of the code. In addition, a review of compliance against the Regulator of Social Housing's Regulatory Standards has confirmed the Group's compliance with the Governance and Financial Viability Standard

Governance structure

The Progress Housing Group Limited board has overall responsibility for setting the strategic direction of the Group through the corporate business plan and maintaining control of the Group's governance and compliance. A framework of internal controls provide the structure of governance within the Group and includes the Intra-Group Agreement, Standing Orders and Scheme of Delegation, Financial Regulations and Group adopted policies and procedures.

Progress Housing Group Limited (the Parent) is the non-charitable parent registered with the Financial Conduct Authority.

Progress Housing Association Limited is a charitable registered provider, a Community Benefit Society, registered with the Financial Conduct Authority. It has a common board of management with Progress Housing Group Limited.

Reside Housing Association Limited joined as a member of Progress Housing Group on 30 September 2021. Reside Housing Association is a charitable registered provider, a Community Benefit Society, registered with the Financial Conduct Authority. It also has a common board of management with Progress Housing Group Limited.

Key Unlocking Futures Limited is a registered charity and is not a registered provider. It has a separate Board of Trustees to the registered providers. A Grouping Deed ties Key Unlocking Futures Limited into the Group's governance structure.

Report of the board continued

Concert Living Limited is a company with the primary purpose of developing homes for open market sale in order to generate a profit. The profit will be used to financially support the Group's core activities, including sub-market rented accommodation. Concert Living is a wholly owned company funded by shares and is tied to the Group by a Procedure Agreement. One non-executive director from Progress Housing Group Limited serves on the board of Concert Living. In addition, the Group Chief Executive and Executive Director (Finance & Corporate Services) are members of the board alongside three independent non-executive directors (one of whom acts as Chair).

The Group has a number of sub-committees that have delegated authority in a number of areas. Each sub-committee has terms of reference approved by the Parent board. The composition of each sub-committee and a brief overview of its role is set out below.

Audit Committee

The committee membership is up to five non-executive directors, with no more than three having independent status. The committee has responsibility for oversight of the financial reporting process, the system of internal control and the internal and external audit process, approval of accounting policies and providing assurance to the board with regard to the design and operation of the risk management framework.

Remuneration and Nominations Committee

The committee membership is up to five non-executive directors, with no more than two having independent status. The committee has responsibility for setting the remuneration policy for staff and the non-executives and other policies as delegated by the Parent. In addition, the committee oversees the appraisal of the Group Chief Executive and recommends to the board of the Parent the Chief Executive's remuneration for approval. The committee also oversees the process of non-executive director appraisal and makes recommendations for appointments to the board and committees.

As part of the setting of the remuneration for the Group, the committee reviews pay awards annually, taking into consideration benchmarking, pay ratios and the annual gender pay gap report.

Reside with Progress Committee

The committee membership is up to seven non-executive directors. The committee has responsibility for enabling Reside with Progress to achieve its aim of being the leading specialist provider of housing for people with a learning disability or autism in the country, ensuring delivery of high quality services, effective partnering with commissioners and care providers and developing a reputation as an innovator and as a leader within the sector in relation to the application of good practice. In addition, the Committee provides strategic proposals for the direction of the Group's supported living operation and scrutinises the quality and performance of all Group provided supported living services.

Executive Board

The membership of the Executive Board consists of the executive management team and meets on at least a quarterly basis. The board oversees a number of policies and procedures as delegated by the Parent, receives operational performance and management information, oversees operational risk management and compliance and acts as the development sub-committee for the registered providers.

Directors

The names of the non-executive directors and the independent members who have served during the year are shown on Page 1 and the board would like to thank them all for their support and continued interest in the work of the Group.

Statement of internal control

The board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This applies for all subsidiaries within the Group.

The board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved, that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Report of the board continued

The Board has delegated authority to the Audit Committee for oversight of the Group's internal audit provision. This includes the approval of a risk based annual plan of internal audit work, the approval of management actions and reviewing progress to implement agreed internal audit recommendations. A series of thematic reviews help the Audit Committee gain an in depth understanding of areas linked to strategic risks and provides the Committee with confidence that appropriate controls and assurance mechanisms are in place.

In meeting its responsibilities, the board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with best practice.

The key features of the Group's system of internal controls include the following:

Governance:

- Corporate governance arrangements including the adoption of the National Housing Federation's Code of Governance (2020). The Code is built around the key values of accountability, integrity, openness, equality, diversity and inclusion. It has robust frameworks for board recruitment, performance management and succession planning.
- Key Unlocking Futures Limited operate to the Charity Governance Code for smaller charities, and Concert Living Limited operates to the UK Corporate Governance Code.
- A delegatory framework consisting of the Constitution, Intra- Agreement, Standing Orders and Scheme of Delegation, Financial Regulations and strategic and operational policies and procedures.
- The Group has appointed employees, consultants and Non-Executive Directors with the required specialist skills to ensure it has the requisite skills to undertake specific business activities.
- The board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues and new investment projects. The board has adopted and disseminated the Group's Code of Conduct to all employees. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees, including non-executive directors and engaged customers. It is supported by a framework of policies and procedures with which employees must comply.

Financial Management:

- A robust framework of financial planning, scenario modelling and stress testing is in place to assess and mitigate strategic risks. The framework is also used to assess risks associated with potential new areas of business.
- The Group has appointed BDO UK LLP as their external auditors. BDO did not identify any significant control weaknesses during their external audit work in 2021.
- Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the board. The board reviews the management accounts each quarter, which highlights and explains any significant budget variances. The board also signs off the long term financial plan (annually) and regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Performance management:

- The Board has implemented a framework of self-assessment and performance management.
- All staff are appointed on the basis of robust selection and recruitment processes, with comprehensive induction and training programmes.
- The Group's appraisal process has continued to guide and assist staff and managers on how to effectively manage performance.
- The Board has continued to receive a quarterly compliance statement (which identifies areas of non-compliance in the areas of legal, regulation, finance, health and safety and policies) and a separate property compliance scorecard throughout the year.
- The Group monitors individual service areas to ensure they are sufficiently resourced to deliver their operational plans and business strategies.

Report of the board continued

Risk management:

- The 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 under review and the board approved an updated risk appetite statement in March 2021. As well as a strategic level risk map (which is maintained by the board), a Senior Leadership Team level risk map and individual operational risk maps are in place and regularly reviewed.
- All decisions being made by the board are supported with an analysis of the risks involved.
- The Group has in place a Raising Concerns at Work policy, as well as a dedicated whistleblowing page on its website. Details of identified frauds are maintained in a fraud register which is reviewed quarterly by the Audit Committee on behalf of the board, prior to being submitted to the regulator through the annual return process. No material loss has been identified this year as a result of fraud.
- The Group's insurance portfolio has been subject to its annual review to confirm that cover remains up to date and fit for purpose.

Strategy:

- The Board approved a new Strategic Plan and Business Priorities for 2022 to 2027.
- An Equality, Diversity & Inclusion framework, including a strategy and action plan, captures the Group's legal requirements and its commitment to being a responsible social landlord and to challenge inequality in society. This activity contributes to the Group meeting the equality and legal requirements under the Equality Act 2010.
- The Group's Value for Money Strategy and annual position statement are aligned to the Plan's objectives.
- The Environmental Sustainability Strategy has specific provision within the budget and long term financial plan together with performance measures.

Health and Safety Management:

- A comprehensive health and safety framework is in place to prevent staff, tenants and other stakeholders from harm. The Framework is supported by assurance mechanisms and Board scrutiny and reporting processes.

Regulatory Compliance:

- In December 2021, the Regulator of Social Housing provided an interim judgement of G1 V1 based on the Regulator's previous assessments of the individual providers prior to merger (Reside Housing Association Limited became a subsidiary of Progress Housing Group Limited on 30 September 2021).
- The Board receives an annual assessment against the regulatory standards considers that the Group is materially compliant with all aspects of them.

The Group Chief Executive has reviewed the internal control and assurance arrangements by reference to the above and has reported to the board that, with the exception of the issue referred to the regulator, she is satisfied with the effectiveness of the control systems. The Audit Committee has also expressed its satisfaction with these arrangements in its review of the effectiveness of internal control systems (assisted by the Internal Audit Annual Assurance Statement). Through the work undertaken by the committee, it can confirm that, to the best of their knowledge, there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

Environmental, employee, social and community matters

Environment

The Group has undertaken a number of initiatives to help to reduce our long term environmental impact and help tackle fuel poverty for tenants. This includes launching our first Environmental Sustainability Strategy, the strategy lays out the roadmap for reaching net zero carbon emission no later than 2050. It not only focuses on our baseline carbon emissions and estimated costs of retrofit but also encompasses our wider environmental impact including green spaces, new build design, customer engagement and adapting to future projected climate changes. In response to this strategy the Group has increased our efforts to embed environmental sustainability into everything we do, including launching a Green Working Group with colleagues from across the business and delivering the first of many Carbon Literacy training courses. We continued to upgrade the energy efficiency of our properties though our investment programme including the installation of energy efficient windows and doors, and fuel efficient heating systems increasing our average SAP to 71.7 from 71.6 in March 2021. The Group has laid the ground work for larger fabric first retrofit programmes though the employment of a trained retrofit assessor and retrofit coordinator and by carrying out a stock data

Report of the board continued

cleansing exercise which has already reduced the number of F and E rated properties by over 100. Given the large increases in energy prices the group have increased efforts to provide energy advice to tenants attending 8 Independent Living schemes and sharing energy advice through our quarterly newsletter and our internet webpages. We continue to ensure we are up-to-date with the latest learning and best practice including joining Zero Carbon Club social housing collaboration programme.

People

We recognise that a strong employee experience can drive a strong customer experience. Work has to be meaningful and purposeful and we must help employees feel empowered to deliver - and for them to know that their contribution is valued. We firmly believe that our colleagues are the greatest resource we have. By working together as one team we will be stronger, achieve more and deliver what our customers really want and need.

Our people plans and imperatives are guided by our business planning process and is driven by our culture and values that underpin everything we do. These align to our core HR processes of attracting, engaging, assessing, rewarding and developing talent. The Group owns the people strategy and leaders and managers play a key role in its delivery. The Group supports working practices that enable employees to do their jobs and deliver services to our customers, whilst at the same time allowing them to balance work, and life demands.

Our most recent engagement survey had a response rate of 67% with an Engagement Index Score of 74% and Employee Net Promoter Score (how likely employees were to recommend the organisation) of +22. People feel part of a good team, enjoy the company of their colleagues, find their work rewarding and take pride in what they can deliver. There is always room for improvement and our focus going forward is on employee wellbeing and a healthy work environment, recognising that the way we work and where we work has shifted in recent years and we can do more to support colleagues in adjusting to and embracing these changes.

Diversity and Inclusion

At Progress we are determined to ensure people are treated fairly and respected as fellow human beings and we are committed to ensuring we contribute to society, making it a fairer place for all. Our employment offer is an important part of that commitment and we are working hard to be better at creating opportunities for all.

Our gender pay position is reported each year and gender pay is embedded into the Group's equality and diversity agenda and People Strategy. Measures include reviewing whether our recruitment is from a sufficiently diverse mix of candidates, ensuring our flexible working opportunities are available for all, supporting parental leave and returners and reviewing our career development opportunities for all employees.

We are a Disability Confident employer, offering an interview to disabled candidates who meet the minimum requirements to the role. In September 2021, the Group launched its Project SEARCH internship programme giving local young people living with learning disabilities and autism vital work experience within the organisation to help them to secure meaningful employment. The programme has been a success in its first year, winning the Lancashire Apprenticeship Award for Diversity and Inclusion in 2022.

In addition to our existing People Forum and Equality, Diversity and Inclusion Working Group, a number of network groups have been formed across the organisation, initiated by employees, but sponsored by the organisation, to support our commitment to Equality, Diversity and Inclusion. These include our LGBTQ+ network group, our Roots network Group, helping raise awareness of black and minority ethnic issues and Carers network group who have also been proactive in sharing experiences, encouraging opinion and giving colleague a voice.

We are an accredited Living Wage Employer.

Customer involvement

Putting customers at the heart of what we do to ensure customer needs and aspirations drive our decisions is one of our key strategic aims. We want customers to be able to influence or to make those decisions that affect them the most. We aim to ensure that everything we do delivers excellent results for customers, and we have committed to involving our customers in shaping our service standards and business decisions. We focus on gaining insight into what matters most to our customers via our community engagement and scrutiny work. We have used customer insight gained from the triennial STAR survey to identify priorities for our customers.

Report of the board continued

The information taken from the STAR survey told us that we had four recurring themes:

- First-time resolution – Be friendly, answer questions and keep promises
- Speed - this is not about doing it quickly; it is about meeting timescales
- Inform & Communicate – give timescales and keep the customer informed
- Quality - Set expectations

Overall satisfaction was good, with areas for improvement recognised as our key drivers for change. Some themes have high importance and slightly lower satisfaction which provides opportunity for improvement:

- Dealing with repairs and maintenance
- Listening to views and acting upon them
- Quality of our homes

Our Scrutiny Pool undertakes specific service reviews to understand the customer experience and focuses on improving customer satisfaction and strengthening value for money. Throughout the year, we continued to support the capacity of the scrutiny pool, with an independent advisor supporting them and formed a new internal Continuous Improvement Team to facilitate change internally.

For the year, there have been a number of mystery shopping calls/webchats, void inspections and estate appearance inspections carried out and reported on for insight. We have been able to identify lessons learned from this activity to enable what works well and improve what doesn't.

2021 saw a review of our feedback process and contact channels with customers to ensure that complaints are handled effectively. Reducing the stages involved in the process and improving our communication has provided customers with a more transparent view of their options and a speedier resolution where we may need to put things right.

We aim to create opportunities for all our customers, and one of the ways we do this is through our Progress Futures initiative. This is a free service that helps many tenants and their family members access training or education and improve employment prospects. The team adopts a person-centred approach to work with each individual to help them achieve their personal goal of entering training, education, volunteering, or employment.

In addition to this, we match fund our Progress Futures Team with the More Positive Together 2 Project, a Lancashire-wide programme that aims to increase the skills and employment prospects of those furthest away from the labour market. We undertake projects which have clear aims to create opportunities and support customers of the Group. We have secured £163k in European funding (ESIF) from February 2020 to December 2021.

National Lottery funding is gained through our Building Better Opportunities Programme, in which we have secured £35k from 2020 until June 2022 to deliver more opportunity through our Progress Futures team.

Business performance

Finance performance for the year

Our financial performance for the year continues to be strong in all areas, despite the impact of rising inflation and the pandemic on the wider economy. During the year Reside Housing Association joined the group consolidating the group's position as a leading provider of supported living accommodation to people with learning disabilities and autism. The gift on acquisition provided a one off benefit to the group of £19.4m. In the Progress Lifeline business stream 2 acquisitions were completed, Gloucester City Homes Telecare and Home Care Links based in West Lancashire. The acquisitions support the ambition to be one of the leading providers of technology-enabled care providers in the UK. Turnover increased by £13.6m or 15.8%, due to £3.6m increase in development for sale, £9.2m increase in letting income, of which £8.0m due to Reside 6 month revenue. Progress Lifeline income £0.7m. Operating costs increased by £13.7m or 21% mainly due to increased expenditure from social housing lettings £12.8m (Reside 6 month £8.1m), impacted by property operating lease charges £4.9m (Reside £4.8m), increased maintenance of £2.4m (Reside £0.9m), Service Charge costs £1.5m (Reside £0.8m), increased management expenditure £1.7m (Reside £1.0m), Impairment of housing properties £1.0m (Reside £0.2m), Depreciation of housing properties £0.7m (Reside £0.3m), other costs £0.3m and bad debt £0.3m. Cost of sales has increased by £3.2m, a result of increased levels of shared ownership sales activity and Concert Living sales. Our operating surplus stood at £13.8m a reduction on the level achieved last year. The surplus after tax increased by £16.6m to £26.8m.

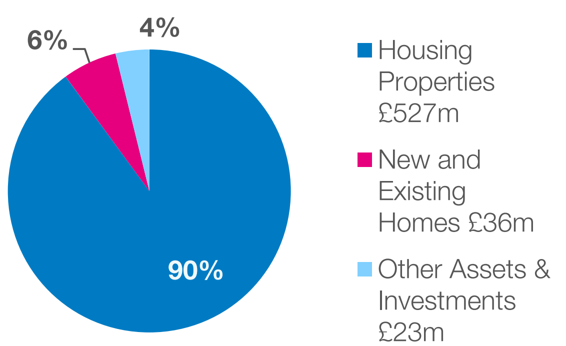
Report of the board continued

The surplus on cash flow from operating activities was £15.9m which financed net loan repayments of £12.5m during the year.

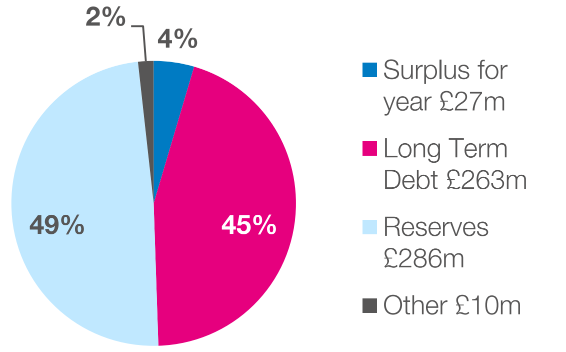
Net tangible fixed assets increased by £38.6m (Reside £18.8m) to £576.6m excluding goodwill. Current assets increased by £10.6m (Reside £3.7m) largely due to increase in Concert Living work in progress £4.0m and Debtors £6.6m (Reside £1.6m), Social housing Grant £3.3m and increased accrued income on property sales £2.7m. The Group's share of the pension fund deficit for both the Local Government Pension Scheme (LGPS) and Social Housing Pension Scheme (SHPS) is £9.5m. Reserves increased by £38.4m due to the surplus made in the year and movements in pension liabilities through other comprehensive income. The Group had £312.9m net assets at the end of the year.

The Group is not for profit, our entire surplus has been, or will be reinvested to run and improve our services. Our total comprehensive income has increased in the year due to the one off gain on gift of subsidiary and favourable movement in pension fund deficit. We will continue to invest in new homes, maintain existing homes and manage our liabilities. An overview of our financial picture showing total investment along with financing can be seen as:

Assets



Financed by:



The charts above show that our annual surplus is one part of the financing of our properties. Surpluses from our social and non-social housing activities are used to service debt and strengthen reserves, which enables us to have capacity to develop more homes and maintain our existing properties. Reductions in grant rates over the last few years have placed constraints on capacity but we have continued to increase our operating cash flows and reduce our gearing levels.

Key performance indicators

The Group has a performance management framework that underpins its vision and strategic aims identified within its Strategic Plan. This ensures that we have a robust process in place to capture and report on all elements of VFM within the business including cost, performance and effectiveness measures. We have a balanced scorecard methodology which assesses performance against financial, customer and communities, learning and growth and operating process targets. Our performance for this year and how we compare with others is detailed within our VFM position statement and Strategic Plan and Business Priorities 2022 -27 which can be found on the Group's website.

The Group's underlying financial performance is within target and demonstrates our financial strength and resilience. The loan covenant indicators including interest cover and gearing and show a strong position over time. We are compliant with all loan covenants. For a full list of our performance indicators and our current performance against target please visit the Group's website **www.progressgroup.org.uk**.

Growth and development

In 2021/22 a target of delivering 266 homes was set. Against this target we achieved delivery of 203, which equates to 76% of target. Delivery was impacted due to delays as a result of the Covid-19 pandemic, with commencement of work on some sites also delayed due to Strategic Partnership funding decisions being announced later in the financial year than expected. Delivery during the year was supported by the ongoing Homes England Continuous Market Engagement 2016-21 grant funding programme. This supported delivery of 68 units during the year. An additional 123 units were delivered through s106 planning gain. A further 12 supported living income streams were delivered.

Report of the board continued

With Reside Housing Association recently joining the group, RWP continue the effort to scale up the development of supported living accommodation. A strong future pipeline has been identified with the aim of increasing the development programme to deliver 160 asset based income streams per annum.

The Government announced a new long term grant funding programme through Homes England securing additional Strategic Partnerships with registered providers. In partnership with Onward Homes, Progress Housing Association have secured grant support for a minimum 600 additional general need affordable units to commence on site before the end of March 2026 through this Strategic Partnership route. Homes being delivered with support from previous grant programmes have now all been completed.

There is a long lead in period for development activity with regard to identifying suitable opportunities, securing planning permission, acquiring sites, tendering construction works, undertaking construction and achieve practical completion of new homes. A healthy future pipeline of has been identified of schemes that fit with the development strategy across a number of different procurement and delivery routes and this will continue to be developed.

Value for Money (VFM)

Value for Money (VFM) underpins the delivery of the Group's vision and our key strategic aims, as shown in the Group's Strategic Plan and Business Priorities 2022-2027 – the 'Plan'.

The board and Executive Team have carried out a comprehensive assessment of VFM for the year. This assessment gives our stakeholders a rounded picture of how we have performed against our VFM targets for 2021/22, how we have progressed since last year and how we intend to deliver VFM in the future. We report on the metrics prescribed by the Regulator of Social Housing (RSH) in its VFM Standard 2018. We also report on some of our additional metrics.

We are confident that we have complied with this VFM Standard in full. The board is committed to ensuring that VFM is embedded in both our culture and our decision-making processes.

We achieve this by:

- setting the overall strategic direction and culture of the Group, and recognising how important it is to maximise VFM in order to deliver our strategic aims;
- approving the VFM Strategy and overseeing its implementation;
- having a dedicated VFM and Performance Working Party in place to implement strategy and ensure compliance;
- scrutinising and approving major business proposals including cost/benefit/risk analysis arising from those proposals;
- approving key strategies and ensuring that VFM has been considered throughout;
- including VFM targets within the Plan;
- setting high performance targets and monitoring business performance closely. We do this by benchmarking against our peer group, which enables the board to challenge the organisation to do more;
- reviewing progress against the Plan to ensure that the business is continuously improving and achieving more;
- identifying the VFM activities on our VFM action tracker;
- publishing our compliance with the VFM Standard by the deadline of 30 September 2022.

Our Plan is structured around our six strategic aims; Homes, Independence, Opportunities, One Team – Working Together, Customers at the Heart and Stronger Organisation. The first three are outward looking and are drawn directly from our vision. The final three are more inward looking and focus on making sure we have a solid foundation on which to build our future success.

The Plan contains our business priorities and the plans to complete them. We believe that by achieving these factors, we will be able to deliver the Plan. VFM is a cross-cutting theme running through all six strategic aims and is essential to their delivery. Maximising VFM in our activities will enable us to realise our ambitions and we set this out in our annual VFM Strategy.

During the year, in September 2021, Reside Housing Association joined the Group and therefore has impacted on our metrics. Previous year's metrics will therefore be before Reside joined the Group.

Report of the board continued

Value For Money Executive Summary – Our results 2021/22

Alongside our core social housing business, we deliver many other services that although complementary, do not fall within the social housing category. During the year the Group completed a £100m financing exercise, at historically low interest rates, which provides sufficient liquidity to cover three years development. We have business streams which operate with social housing and non-social housing activities. The social housing activities include the provision of homes for general needs, independent living and shared ownership tenants. Reside with Progress (RWP) provides accommodation for our supported living tenants. The non-social housing activities include Progress Living which provides key worker accommodation, Progress Lifeline which provides Technology Enabled Care and Support (TECS) services, and Concert Living which develops properties for outright sale. Our charity Key Unlocking Futures provides prevention and critical support to people in Lancashire. In addition to ensuring that our activities deliver VFM for Progress Housing Group, we also seek to provide value to the broader community and the public purse. One example is the work we do with adult social care commissioners to increase the quality of life and reduce the cost of social care for thousands of older people through technology.

Our VFM targets were ambitious and stretching. Here are some examples.

- Approved spend of £173 million over the five years to 2026/27 to provide 1,254 new units across a balanced programme of supported living, general needs, section 106 and shared ownership.

  For 2021/22 we spent £24.3m on new developments. We delivered 199 new rental streams consisting of 122 general needs and 65 shared ownership properties and 12 specialised supported housing properties. Of these units, 88 were delivered through section 106. Also, six supported living properties were delivered adding 12 new supported living income streams. We are on track to meet our five year target.

- The five year business plan for Concert Living sets out to deliver 380 sales units, and generate a £7.7m operating surplus.

  For 2021/22 we planned to deliver and sell 45 units across three sites. During the year we started on site 72 units and sold 16 units. Actual spend for the year was £7m against a target of £12m, there have been delays on a number of sites due to labour and material shortages. There is currently £7.9m in work in progress for units to be sold in the next financial year.

- Approved investment of £34.8 million over five years to deliver over 7,500 new components (e.g. bathrooms and kitchens).

  For 2021/22, our targeted spend on components was £8 million (£7.1 million on 1,662 replacements and £0.9 million on fire safety and compartmentation works). The actual amount spent in the year was £9.4 million (£6.7 million on 1,663 replacements and £2.7 million on compartmentation works). Some components have been deferred into the 2022/23 programme to offset the additional cost of replacing fire doors and compartmentation costs identified during fire risk assessments and form part of compliance requirements. Where component replacements have been deferred, these will be completed in the first quarter of the 2022/23 programme.

- Our operating margin is also set to increase steadily by 4.2% over the next five years due to contribution from shared ownership and Concert Living sales, growth in TECS customers and rental income increases.

  For 2021/22 we achieved an operating margin of 13.6% against a target of 16.2%. This is due to increased maintenance and employee spending.

- We continually undertake procurement activities with VFM considered as part of each procurement.

  For 2021/22 we re-procured contracts totalling £7.3m, resulting in £0.6m savings, with improved services for customers.

Report of the board continued

- Maximising income by managing arrears and minimising losses from voids is important to us.

  The Group has continued to sustain arrears and performance while continuing to incur issues due to the pandemic. We just missed our target of 3.8% by 0.4%. We have seen an improvement in void rent loss and achieved 5.7% against a target of 4.8%.

- Understanding our social housing cost per unit is a key focus. Our target for overall headline cost per unit for 2021/22 was £5,728, for supported living £9,303 and for general needs/independent living £4,059.

  Our actual overall headline cost per unit for 2021/22 was £6,022, for supported living was £8,610 and for general needs/independent living was £4,273. The cost per unit for 2021/22 is better than the target but has been impacted by Reside Housing Association joining the Group during the year as we have all the stock but only six months costs. For 2022/23 this target is increasing to £6,928 overall and for supported living £10,886 and for general needs/independent living £4,209. The increase in cost per unit for 2022/23 reflects the increased investment in property compliance and is expected to be a sector-wide requirement and also the increase in costs as a result of Reside Housing Association being included for the full year.

The Value for Money Standard and our performance

We must comply with The Regulator of Social Housing's VFM Standard which includes metrics for Registered Providers to demonstrate efficiency, effectiveness and economy.

The standard requires that we should have targets in place for measuring performance to see how we are achieving value for money and delivering our strategic objectives. The RSH published its Global Accounts 2021 report in April 2022 and the Group has compared its performance for 2020/21 with a range of peers derived from this publication. The table below shows the nine metrics and how we have performed, our anticipated performance and how we compare to the sector median, based on the latest available information.

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		Peers Global accounts	Progress Housing Group							
			ACTUAL			TARGET				
No	Metric	2020/21	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
1	Reinvestment %	5.8%	4.4%	3.7%	5.6%	8.5%	9.7%	8.5%	8.4%	8.4%
2a	New supply delivered (social housing units)*	1.3%	1.4%	1.2%	2.1%	2.0%	2.8%	2.1%	2.2%	2.2%
2b	New supply delivered (non-social housing units)	0.0%	0.0%	0.1%	0.1%	0.7%	0.3%	0.4%	0.8%	0.9%
3	Gearing %	44%	44%	43%	43%	44%	44%	44%	44%	43%
4	EBITDA MRI as a % of interest (cash surplus)	183%	259%	309%	209%	243%	269%	304%	318%	320%
5	Headline Social Housing Cost Per Unit	£3,730	£5,242	£5,365	£6,022	£6,928	£7,045	£7,164	£7,248	£7,327
	5a Headline Social Cost Per Unit (General needs and independent living)	£3,542	£3,464	£3,716	£4,273	£4,209	£4,333	£4,407	£4,563	£4,658
	5b Headline Social Cost Per Unit (Supported Housing)	£9,681	£8,699	£8,794	£8,610	£10,886	£11,007	£11,275	£11,392	£11,546
6a	Operating margin (social housing lettings only)	26.3%	23.3%	21.3%	14.2%	15.1%	16.2%	18.5%	19.7%	20.7%
6b	Operating margin (overall)	23.9%	21.2%	19.7%	13.6%	13.3%	17.6%	18.4%	19.0%	19.2%
7	Return on capital	3.3%	3.2%	3.2%	2.4%	2.7%	3.4%	3.7%	4.1%	4.2%

Report of the board continued

Performance against our additional metrics

The board has reviewed our targets in the balanced scorecard and additional VFM metrics. This framework has been developed to create a 'golden thread' from the Plan objectives to operational delivery.

The table below shows our VFM additional metrics and how we have performed against our peers and our own targets. We have also identified our future targets.

			PEER	ACTUAL			TARGET				
No	Indicator	Peer source	2020 /21	2019 / 20	2020 / 21	2021 / 22	2022 / 23	2023 / 24	2024 / 25	2025 / 26	2026 / 27
8	Overall satisfaction index	The Leadership Factor	77.8%	80.6%	80.2%	79.4%	81.0%	81.0%	81.0%	81.0%	81.0%
9	Repairs tenant satisfaction	The Leadership Factor	75.5%	74.3%	74.7%	71.6%	77.5%	77.5%	77.5%	77.5%	77.5%
10	Neighbourhood satisfaction	The Leadership Factor	84.4%	85.6%	86.0%	84.7%	84.0%	84.0%	85%	85.0%	85.0%
11	Views taken satisfaction	The Leadership Factor	70.2%	71.4%	69.7%	69.0%	77.5%	77.5%	77.5%	77.5%	77.5%
12	Workforce sickness *	Office of National Statistics	1.8%	4.5%	4.4%	5.2%	4.0%	4.0%	4.0%	4.0%	4.0%
13	Employee turnover	Housemark	11.6%	11.8%	11.1%	12.9%	>10.0% / <12%				
14	Current tenant arrears	Global Accounts	2.8%	4.0%	3.9%	4.2%	4.5%	4.5%	4.4%	4.3%	4.2%
15	Former tenant arrears	Global Accounts	0.9%	1.2%	1.1%	1.0%	0.7%	0.7%	0.7%	0.7%	0.7%
16	Rent collected	Housemark	99.9%	99.5%	100%	99.4%	99.5%	99.5%	99.5%	99.5%	99.5%
17	No. of responsive repairs per unit	Housemark	3.5	4.2	3.9	4.1	4.0	4.0	4.0	4.0	4.0
18	Quality of home satisfaction	The Leadership Factor	83.0%	82.5%	84.0%	82.2%	82.0%	82.0%	82.0%	82.0%	82.0%
19	General needs relet times	Housemark	26.7	21.2	31.0	26.0	25.0	24.5	24.0	23.5	23.0
20	Rent lost due to voids	Global Accounts	1.4%	5.7%	6.0%	5.7%	7.9%	7.7%	7.5%	7.4%	7.3%
21	Vacant social stock	Statistical Data Return	0.9%	3.2%	4.1%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%

* The Group have a sickness policy which is beneficial to the wellbeing of colleagues, which sees higher sickness level. The comparable long term health conditions sickness with peer is 3.9%.

Report of the board continued

Comparing 2021 / 22 with the latest peer group data from 2020 / 21, the table shows that we are outperforming or the same as the sector for three of the 14 metrics - three satisfaction measures. However, the table also shows that we are not in line with the sector median for 11 metrics - repairs satisfaction, views taken into account satisfaction, employee sickness, employee turnover, current tenant arrears, former tenant arrears, rent collected, number of responsive repairs per unit, general needs relet times, rent lost due to voids and vacant stock.

When we compare our own performance to last year we have improved or maintained our performance for 4 of the 14 metrics.

Satisfaction (metric 8, 9, 10, 11 and 18)

The Survey of Tenants and Residents (STAR) was undertaken in March 2021 for our general need, independent living and leasehold tenants. Due to the pandemic the survey with supported living tenants was completed in August 2021. We have seen small changes both positive and negative across the perception satisfaction survey. Tenants have told us that communication and repairs diagnostic are the main improvement areas. We use this information alongside further customer insight gathered via transactional surveys to influence changes in our service delivery.

Employee (metric 12 and 13)

The Group use the Office of National Statistics (ONS) Labour Force Survey as a benchmark for sickness absence comparisons. ONS currently report an absence rate of 1.8%. However absence rates and average days lost varies when you look at the sector, region and size of workforce.

Housemark, the benchmarking organisation for the housing sector, use average working days lost as a measure. As at March 2022 our average working days lost was 10.4 days, which is worse than the sector. (9.2 days: Housemark median 2021).

We will continue to develop our health and wellbeing strategy to address barriers to wellbeing, identifying ways we can enhance employee wellbeing within the Group and maximise attendance at work.

Income Collection (metric 14, 15 and 16)

Current arrears performance is higher than our peers, housing benefit cycles continues to influence the weekly position. We remain focused on ensuring our rent collection is as high as possible. We have not met our arrears target of 3.8% by 0.4%. The team have worked extremely hard to maintain performance in the year, and expect 2023 to be a challenge due to the current economic climate.

Repairs (metric 17)

On average the Group undertake more responsive repairs per units compared to their peers. Supported Living accommodation influences this indicator, with a higher number of responsive repairs due to the needs of customers living in these homes.

Voids and lettings (metric 19, 20 and 21)

In 2021 /22 we have seen an improvement in voids performance. General needs re-let times are now performing better than the peer median. Void rent loss is also showing an improvement However, when comparing overall void rent lost to our peers, our void loss is above the sector median due to higher than average supported living properties compared to other registered providers. When comparing general needs and independent living rent lost due to voids we are performing better than our peers.

Supported living accommodation have longer re-let times and higher rent losses due to the nature of the accommodation. For example, ensuring tenant compatibility in shared accommodation. We work closely with local authority commissioners and support providers to let properties as quickly as possible. Where this is not possible and a management agreement is in place, we recharge the void rent loss to reduce our risk. We are completing a review of all properties with voids to reduce these figures by March 2022.

Report of the board continued

The 2018 VFM standard states that Registered Providers must demonstrate:

a) a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance

What does this mean?

For the Group, when we make decisions on our expenditure we understand the outputs required. We consider how our properties, offices and employees operate, and whether this is the best use of our resources or whether these resources should be allocated elsewhere. In addition, we compare against other possible alternatives and understand how expenditure delivers our strategic objectives. Employee costs are one of the Group's highest investment in resources and many of our achievements rely on this resource for delivery. Workforce planning, linked to the Group's strategic business planning process is a process of analysing the current workforce, determining future workforce needs to support the organisation's goals and identifying the gap between the available workforce and the Group's future needs. The Group is growing in many of its business streams in accordance with the Strategic Plan which requires increased investment in people to generate future turnover and achieve outputs.

What is our approach and what decisions have we made?

Our Strategic Plan clearly outlines our intention to provide more and better homes and to deliver a stronger organisation. This links to a number of our strategies including development, asset management, treasury and VFM. These strategies are aligned with our long-term financial plan and are set by our board. We have operational teams in place to deliver the actions as detailed in their operational plans.

During 2021/22 we have:

- continued our development strategy which aims to have a balanced programme where we may choose to develop new properties that have a negative NPV so that we can achieve our social objectives but also develop other properties with a positive NPV to maintain our financial strength. We have completed 98 Homes England funded properties with spend of £10.2m and grant funding of £5.8m. 104 non grant funded units have been completed with a spend of £13.6m. These decisions are taken by our Financial Appraisal Team to ensure new developments are delivered in line with the strategy.
- completed an annual refresh of our Asset Management Strategy. This helps us to identify both poor and well performing stock that will trigger a possible options appraisal. There were no significant schemes identified during the year. We have also reviewed and revised our options appraisals process to help review our stock performance and make recommendations for future action. This includes options to dispose, remodel and change tenure. The Group considers the social and economic performance of our assets and can determine the best options for their future use.
- sold six units (excluding Right to Buy Right to Acquire and shared ownership) which generated £1.4 million in sales proceeds. Concert Living has sold 16 units for outright sale in 2021/22, generating £3.8 million in sales proceeds. This income helps us to re-invest in new and existing homes.
- achieved income of over £6.5m from our Progress Lifeline and TECS service, with more than 65,000 connections. This service has grown significantly over the last couple of years and we submit competitive bids to secure new contracts whilst providing a quality service to a wide range of customers. The service acquired 2 businesses in the last financial year to support growth. We approved further investment in staff resources to continue to grow the business and to contribute to our operating margin.

Report of the board continued

- supported agile and mobile working to improve the way services are delivered to our customers the Group has been reviewing all office accommodation and workspace. We have improved the offices at Leyland House and Progress House in Leyland to create a working environment that supports a collaborative work force, which benefits the wellbeing of colleagues and therefore enhances the services delivered to our customers.
- reassessed the use of vacant office space, Warwick House has been sold and Anchor Court in Darwen was established as a disaster recovery site for the Progress Lifeline service. This strengthens the resilience of the operation and reduces reliance on Tunstall as part of the Lancashire County Council Telecare service.
- continued to develop the new Customer First operational model for our housing operation teams. Our new way of working has created better alignment between colleagues within geographically based teams, who collectively have a greater level of insight and understanding of our tenant's challenges/needs. We are beginning to see signs that our new operating model is leading to performance improvements, with reduced void turnover and void loss alongside improvements in our rental income collection. We are also aiming to see higher levels of customer satisfaction with the services provided.
- completed the merger with Reside Housing Association in September 2021. This has led to a new service delivery model and management structure to improve services to our supported living tenants. The merger will deliver a positive long term offer for our existing and future tenants in a market where demand for good quality, safe and secure housing is very high and strengthen the Group's options for continued growth.
- we have integrated computer systems which allow improved working processes across housing operations. For example, the First Touch form used at review visits can automate any actions arising from the visit, meaning there is no longer a requirement for paper forms or manually updating computer systems following a review visit

b) regular and appropriate consideration by the Board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organizational and delivery structures

What does this mean?

This means that we should consider potential opportunities to achieve VFM in all of our activities. For us, this includes understanding VFM in our procurement arrangements, diversification into different business areas, investment in non-social activities and our operations geography.

What considerations have we made?

During the year we have focused our attention on reviews of our supported living activity which is spread across England and Scotland.

1. Provision of maintenance services for supported living customers

Following the recommendations of a Housing Quality Network (HQN) report dated January 2020 relating to the cost of delivering the responsive repairs and other maintenance services, we have extended the areas of operation of the in house team to encompass all North West properties.

The procurement of the out of area repairs and maintenance service is complete and The Bell Group UK Ltd has been appointed, mobilisation is now underway, with a go live date of July 2022.

This is a long term partnership of an initial 10 years with the option to extend by a further 5 years, it is anticipated that through this partnering approach we will be able to improve service delivery and increase value through the contract and maintain or reduce spend in this area.

Report of the board continued

2. Leased in accommodation for supported living customers

During the year, there have been a number of actions and reviews of the Group's leased in portfolio. Progress Housing Association has 548 rental units as at 31 March 2022, all of which are used to provide supported living accommodation. Reside Housing Association also have 1,220 leased supported living rental units.

A number of actions have been carried out in the year for Progress Housing Association leases:

- One lease (2 rental streams) has fallen away due to the property no longer being required.
- The total number of Progress Housing Association leased out properties is 21. Leased out schemes typically provide supported housing, resource centres or children's services.
- A review of the lease portfolio will take place during 2022/23, particularly with Reside Housing Association joining the Group.

The costs associated with these leases affect a number of the VFM metrics, the main one to note is the Headline Social Cost per unit. The lease costs are included within this metric, which can skew the comparability to other providers. If the properties were owned, the equivalent operating expense would be depreciation which is excluded from the calculation therefore, the cost per unit for these rental streams is somewhat higher than the 'owned' alternative.

3. Efficiency improvement for support services

The support services for homeless and refuge supported housing schemes, transferred to Key Unlocking Futures Limited (Key) during the year with the homelessness schemes transferring in May and the Refuges in October. The main advantages of delivering these services through Key are:

- As a specialist support organisation, Key has developed a set of skills in delivering support services and connections within the support sector which Progress Housing Association staff, particularly at senior management levels, finds increasingly difficult to mirror.
- Key's cost base is slightly lower than that of Progress Housing Association. This is a consequence of the management and overall reward structures which, are more geared toward the support sector rather than the housing sector.
- Key can access charitable funding sources better due to its smaller size and turnover than Progress Housing Association which could offset the losses referred to elsewhere in this report.
- Key is better able to offer the governance structure required to achieve the Women's Aid National Quality Standards, which will increase the ability to grow the refuge service.

4. Housing Operations

For our general needs and independent living business stream, we restructured operational teams following feedback received from customers and colleagues under our implementation of 'Customer First', the emerging benefits are as follows:

- Operational teams working together in one geographical area to understand the customer base better and share learning more efficiently to improve customer satisfaction.
- Increased visibility within our areas of operation to allow for more first point resolution and improve accessibility for customers.
- Efficiencies in how we process queries and requests to remove any double handling of queries.
- The creation of a more performance-driven culture through enhanced reporting and monitoring

c) consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case

What does this mean?

This means that when we consider growth opportunities that are not traditional social housing i.e. TECS and Concert Living we analyse the risk involved, have mitigating strategies for failure and ensure there is a financial return that reflects the level of risk on the activity. If no financial return is envisaged, the business case should clearly justify other intended benefits. In addition, VFM, in line with our strategy, should be in our day to day operations which includes procurement.

Report of the board continued

How have we considered VFM in non-social housing activity?

Our current non-social housing activity mainly relates to Progress Living, Progress Lifeline activities and Concert Living. In total, these activities generate around £16 million in turnover with an operating surplus of around £1.5 million and therefore provide a healthy contribution to our operating surplus. Progress Lifeline and Concert Living are growth areas for us.

Progress Living is the brand which provides key worker accommodation, with 573 units for 42 years, starting from 2006. We can choose to extend the contract if the required rate of financial return has not been achieved after 42 years. The board approved this activity to meet housing needs, generate a financial return and diversify. The risks are regularly monitored; financial and operating performance is reported annually to the board and United Lincolnshire Hospital Trust. This activity is financially performing better than anticipated and generates a surplus of £0.5 million a year.

Progress Lifeline activities currently generate more than £6.5 million in turnover with over 65,000 connections and have seen growth over the last few years. We are aiming to grow new provision by 15,000 connections over the next three years. We have a proven track record in providing TECS services and each new contract is financially appraised and priced before bidding for the contract.

Concert Living develops new homes for outright sale and its activity concentrates in areas where the housing market is stronger. It aims to serve the mainstream housing market with conventionally designed and constructed homes of two to five bedrooms. This has plans to generate turnover up to £70 million over the next five years and contribute a healthy profit for reinvestment into the Group. Concert Living has its own board to oversee and approve its operations against a detailed business case, approved by the Parent board. We monitor and report on all of these non-social housing activities separately and whilst our growth in this non-social activity is significant, the long-term financial plan does not rely on this activity to support our Plan requirements. Our social housing activity remains our core operation. Our long-term financial plans have been risk tested and include mitigations in the event of loss of Progress Lifeline contracts and the failure of Concert Living to achieve its required profits.

How have we considered VFM in our day to day business?

Our operational teams across the whole business incorporate VFM in their activities. The teams record their achievements and plans on a VFM tracker.

During 2021/22 we have:

- Delivered repairs services to all properties in the North West region, expanding the number of properties covered by our own in-house team by an additional 700 properties, to include responsive, gas, electrical and void repairs. Delivering services previously managed by external contractors has resulted in recurring savings of c.£150kpa.
- The in-house team expanded in 2019/20 to take on the delivery of all kitchen, bathroom and door programmes across the North West. This has resulted in year on year savings of £250k when compared to the cost of external contractors.
- We have recruited additional resources to allow us to undertake some of the cleaning and clearance of empty homes within our Void Team, this work was previously outsourced to an external contractor, resulting in recurring savings of c£100k.
- We have recruited to allow us to undertake minor drainage repairs within our Responsive Repairs Team, this was previously outsourced to an external contractor, resulting in savings of £80k.
- Following the sharp rise in the costs of materials across the sector, the in-house team secured savings by bulk purchasing components such as doors and boilers. This resulted in savings of £20k avoiding cost increases.
- The in-house team work alongside a number of specialist contractors supporting the delivery of our services. During the past year, our contractors have supported various Social Value projects to include Clare House, Lower Lane Community Centre, Key Unlocking Futures and The Place, resulting in Social Value equivalent to £50k.
- The in-house team has worked closely with our parts and materials suppliers, CW Berry to secure the best prices and to keep the increases the sector is experiencing to a manageable level. This includes CW Berry holding all prices for the final quarter of the year, saving c£20k.

Report of the board continued

- The in-house Gas Team expanding their services to include installing new central heating systems to a number of Supported Living home, resulting in savings of £8k when compared to the cost of external contractors delivering the work.
- The in-house Gas Team has made further reductions in the number of operatives over the last year, despite increasing workloads by expanding our delivery area by a further 700 properties. The Gas Team has seen numbers reduce from 31 in 2019 to 21 in 2021, resulting in recurring savings of £400k per year.
- We have re-procured the water hygiene monitoring contract. Initial indications are that some savings can be made by procuring the contract along with completing the validation process to ensure we are only visiting the properties we need to, resulting in savings of £240k over the term of the contract (initially 3 years). These savings could increase to £400k if we extend the contract for a further 2 years.
- The in-house responsive repairs team has re-procured the roofing repairs contract during the year, resulting in savings of up to 30% of the contract value.
- A full vehicle fleet procurement exercise has been undertaken, led by the Property Services team. The new fleet vehicle contract, which will commence in 2022, will result in significant year on year savings for the Group of c£250k pa.
- We have re-procured our maintenance contract for delivery of planned and responsive works to our out of area properties, replacing 11 different contractors with a single partner contractor on a 10 year contract. The service is designed around our customer base, both for some of our most vulnerable customers within RWP and to our Key Worker accommodation at Progress Living.
- Working in partnership with Bell Group allows us to further develop our service offer, ensuring consistent and high quality services are delivered across the country. The tendered prices reflect the value of the service in the current challenging economic climate and performance indicator linked profit ensures we continue to get value for money throughout the life of the contract.
- Following the merger with Reside a number of posts within the maintenance team have been restructured resulting in savings of c£130k.
- Re-procured or reviewed over 32 contract areas, including electricity, workspace projects, mobile phones, insurance, IT infrastructure and various compliance support contracts with a total value of £6.4 million. We have identified savings in excess £565,000 or avoided or minimised cost increases and improved customer services.
- Continued to invest in new IT software which, will deliver improvements to processes, automation of processes and better oversight and visibility of data.
    - Implementing a supplier relationship management system will enable more robust supply chain management and risk management activity of third party suppliers and contractors to ensure the Group delivers VFM services to customers. This project went live on time in June 2021. All existing suppliers have now been on-boarded and when there is a new supplier request employees are being trained on how to use the system. 70% of the benefits have already been realised the other 30% are longer term benefits that will be reviewed twelve months after the go live date.
    - Procuring a new data protection system will provide a complete solution for maintaining the essential documentation required under data protection law. The market engagement has begun. 'As-is' process mapping workshops for the Data Protection Team's main processes are being held and will continue throughout the next few months to show us where potential gaps may be within our current processes and how they should be improved which will in turn refine our expected outcomes and benefits and inform our technical requirements. This will enable us to complete the full set of Project Initiation Documentation and will strengthen our position when we come to procuring a robust system solution.

Report of the board continued

- Implementing an improved solution for sales invoicing for Progress Lifeline customers will reduce manual intervention and provide a more streamlined, automated solution for this growing part of our business. The project has been approved to start by Project Board. Functional and technical requirements for the software are currently in the process of being written by the Project Team and soft market engagement as part of the process is underway. Once the technical and functional specification is finalised formal procurement will commence.
- We continue to invest in cyber security and are seeing the benefits of our investment in SIEM. This solution now provides us with a greater level of visibility into the threats faced by the Group and an alerting mechanism for priority events. We have implemented Identity Access Management and a password vault solution for employees to improve password security and control access to external systems. We have reviewed our current backup solution and disaster recovery service and have identified improvements, reviewing cloud technologies to replace on site solutions as well as reviewing other products used by the Group as part of our approach to continuous improvement. We have invested in dedicated expert cyber resource with the recruitment of a cyber security manager and analyst to manage the groups system and cyber security in order to improve the management of this risk
- Implementing an improved recruitment system; the Applicant Tracking system will release the administration burden from colleagues with structured workflows, ultimately freeing up hiring manager time. Recruitment can be an admin hungry activity and the complete recruitment lifecycle from vacancy requisition, attraction, assessment, interviewing, referencing to onboarding, requires good project and time management. If we can lower staff turnover, then the need for recruitment also reduces. An ATS offers next-generation applicant assessment and recruitment CRM technology, which helps us to make the right hiring choices. A successful award of contract has been achieved and the project is now moving into the implementation phase with the new software supplier
- Implementing a new Telephony system and contact centre software. Replacing our existing Telephony systems will enable us to continue to provide services and sustain future business growth. Implementing new contact centre software will enable the Group to better handle multiple communication channels and improve workforce planning and reporting to make better use of resources and provide an improved service to our customers. Implementation is well underway and the project is anticipated to go live by June 2022.
- Procuring a Compliance Management system will enable the Group to demonstrate robust management of compliance, improve the level of regulatory and statutory compliance for all compliance areas across the group, as well as deliver strong governance arrangements. Our data is currently held within an MDS system and our current arrangements for providing the compliance score card require a significant amount of manual intervention to keep the data up to date as does the inputting and management of Fire Risk Assessment actions; this will all be automated within the new system. A successful award of the contract has been achieved and the project is now in the implementation phase with the new software supplier.
- Implementing a Health & Safety Management System to enable the Group to demonstrate the robust management of HS, provide for adequate governance arrangements, and facilitate assurance in connection with compliance and confidence in the analysis of performance measures. Currently our arrangements for achieving HS legislative compliance are broadly managed manually on Microsoft packages (Word and Excel predominately) and this is proving difficult to drive compliance, plan effectively, ensure all requirements are addressed including recommendations and actions, and provide adequate record management. The Health & Safety Management System will automate the collection and reporting of data as well as the capture and management of follow on actions releasing a considerable amount of manual resource. The solution was procured in August 2020 and following some delays we can now move forward with system set up and incrementally delivering requirements. The project team are now in the implementation phase of this project.

Report of the board continued

- Continued to further develop interfaces between IT systems such as Keystone, Integra and Aareon QL to allow more automation of processes to drive efficiency.
- We have continued the roll out of the Contract Management Framework over the period. This has included setting up working groups to improve contract compliance and service delivery but also to focus on forecasted procurement exercises. Work on improved reporting to aid contract leads in managing contracts continues. We are developing a process that works in tandem with the Contract Management Framework that makes sure Social Value and EDI are captured in procurement exercises. Key achievements so far include engaging with supplier which resulted in a £24,000 rebate and identified savings in maintenance and servicing costs in relation to kitchen hardware.
- We have implemented a supported living Void Strategy to improve void performance in supported living. The strategy focuses on long-term voids in shared supported living, which are difficult to fill due to compatibility issues. This strategy has led to improvements in void performance with gross void rent loss now meeting target as at 2021/22 of 9.9%, an improvement from the previous year when it was 11.1%. This strategy will now be extended to Reside Housing Association properties.

Progress Lifeline has created savings of c£240k in relation to:

- Negotiating the contract with the purchase of digital equipment.
- Service improvements to deliver efficiencies in relation to responder services.
- System automation improvements.

For 2022/23 we are planning to:

- Review the contract for the supply of materials to the in-house Property Services team which is due to expire in December 2022. A full re-procurement exercise has commenced and will be completed during the year.
- Implement the new maintenance contract in July, embedding required KPIs and increasing social value through the contractual obligations within our new OOA contract.
- A number of procurement activities are shortly due to commence for contracts that the compliance team manage, by directly appointing contracts rather than relying on sub contract arrangements we envisage further savings being achieved in this area, going forward.
- We are considering the benefits of training the in-house joinery team to undertake work on fire doors enabling them to both repair and replace them. This may result in significant savings as we will no longer have to rely on external contractors whose costs are increasing due to the significant demand in this area.
- We will continue to explore other opportunities to expand the in-house delivery of planned maintenance activities, including windows and aids and adaptations.
- The use of electric vehicles will be explored, we will evaluate the impact and suitability of the vehicles and look to implement them more widely across the fleet as the infrastructure for storage/charging is resolved.
- We will look to maximise our claims of grant to fund our energy efficiency work, including the Social Housing Decarbonisation Fund (SHDF).
- We will investigate the possibility of enhancing heating controls on our communal systems to address tenant concerns with rising fuel prices.
- Delivery of in area supported living component replacements.
- As part of the Reside merger, the in-house Gas Team will take over the delivery of the Gas Servicing contract currently delivered by British Gas. This will result in savings of around £50k pa recurring.
- Consolidating the number of contracts used across Property Services activities following the merger between Progress and Reside, will ensure value for money in both the services delivered and the management of multiple contracts by colleagues. Savings of £30,000 can be obtained by utilising Progress's existing fire safety consultant for the Reside stock over 18 months
- Re-procure over 82 contracts including grounds maintenance, building materials stores, cleaning and another workspace project with a total value of £14 million. We will seek to achieve savings or avoid or minimise cost increases and also improve services to customers.

Report of the board continued

- Invest in several new IT projects. Whilst there will be implementation costs, each project will have a business case to justify improvements through automation.
  - Procuring a new Data Protection system will provide a complete solution for maintaining the essential documentation required under data protection law.
  - Implementing an improved solution for sales invoicing for Progress Lifeline customers to reduce manual intervention and provide a more streamlined, automated solution for this growing part of our business.
  - Develop a proposal for a Treasury Management System: The purpose of this project is to increase the automation of treasury processes thereby reducing the risk of manual error and improving the insight provided for business decision making
  - Review of the interface between 1st Touch and QLx that will now allow Progress Living to raise their own caretaker and contractor repair orders in real time. This technology is being reviewed for other service areas across the Group. In addition, extensive improvements have been made to the mobile working solution between 1st Touch and QLx for supported living annual review visits resulting in a considerably higher level of automation.
  - Our future investment in Cyber Security will be around SIEM, this is a solution that will provide us with a greater level of visibility into the threats faced by the Group and an alerting mechanism for priority events. We will also be looking at Identity Access management and a password vault solution for employees to improve password security and control access to external systems. We will be reviewing our current backup solution and disaster recovery service to identify improvements as well as reviewing other products used by the Group.

This demonstrates the Group's commitment to ensuring VFM within its operational activities.

Our overall assessment of VFM

The board believes that, in completing this comprehensive VFM self-assessment, it has complied with the regulator's VFM standard.

We have produced a full and honest assessment to enable our stakeholders to understand how we are currently performing against the targets we had set ourselves and what our forward-looking targets are to demonstrate our continuing commitment to VFM.

Further details can be found on the Group's website www.progressgroup.org.uk

Regulation

As a registered provider, we are regulated by Regulator of Social Housing. The Group has a G1/V1 rating and this was confirmed by the regulator when Reside joined the Group. The board monitors its ongoing compliance with both the economic and consumer Regulatory Standards and compliance is reported to the board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis. In line with the changes to the Accounting Direction for private registered providers of social housing 2019, board confirms compliance with these Standards up until the signing of the accounts.

Donations

The Group made £74k charitable donations during the year (2021: £195k).

Going concern

For the Group and Company, after making appropriate enquiries, and whilst recognising both a changing policy world, the impacts of the COVID-19 pandemic and the invasion of Ukraine, the board is satisfied that no significant risks or exposures exist other than those disclosed in the financial statements and we are well placed to understand and manage the challenges and business risks ahead.
The board has approved both a budget for each Group company for the coming year and also its long term financial plans. The plan reflects the ongoing compliance and net zero carbon commitments, new development programmes and also the delivery of our planned maintenance programmes.

Report of the board continued

We have in place £313m reserves, £375m facilities with £249m utilised at 31 March 2022. The long term financial plans show that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. Our treasury strategy and new funding was agreed in the year and is reflected in the latest approved financial plan. In order to ensure going concern, sensitivities have been put through the financial plans for the Group. The Group has sufficient funding to support the business activities and stress testing has been undertaken to provide the Board with assurance that it has a resilient plan in place.

For these reasons, the board considers it has a reasonable expectation that the Group and company will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months following the signing of the accounts. The board therefore continues to adopt the going concern basis in the financial statements.

Statement of Compliance

This strategic report has been prepared in accordance with best practice guidance and the board, in approving the financial statements, is also approving the strategic report.

Statement of Disclosure to the Auditor

At the time of approval of this report:

a) so far as the Board are aware, there is no relevant audit information of which the Group's auditor is unaware; and
b) the Board have taken all steps that they ought to have taken as board members in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

BDO LLP have expressed their willingness to continue in office, accordingly a resolution is to be proposed at the Annual General Meeting for their re-appointment.

Annual General Meeting

The Annual General Meeting of the Group will be held on 27 September 2022.

The report of the board was approved by order of the board and signed on its behalf by:

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Deborah Atherton
Company Secretary

23 September 2022

Statement of board's responsibilities

Statement of board's responsibilities in respect of the board's report and the financial statements

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

Co-operative and Community Benefit Society law and social housing legislation requires the Board to prepare financial statements for each financial year. Under these regulations, the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 the period stated.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 appropriate accounting records that are sufficient to demonstrate and explain the Group and Association's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and Association, enabling Board to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Board, responsible for safeguarding the assets of the Group and Association, is expected to take reasonable steps to prevent and detect fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the corporate and financial data held on the Group's website is the responsibility of the Board.

Independent auditor's report to the members of Progress Housing Group Limited

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2022 and of the Group's and the Company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Progress Housing Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2022 which comprise the consolidated and company statement of comprehensive income, the consolidated and company statement of financial position, the consolidated statement of changes in reserves, the company statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' 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 and of the 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 directors are responsible for the 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. 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.

Independent auditor's report to the members of Progress Housing Group Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent company; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the statement of board's responsibilities, 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the 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 intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding and accumulated knowledge of the Group and parent company, and the sector in which they operate, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the consolidated financial statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation. All audit team members were briefed to ensure they were aware of any relevant regulations in relation to their work, areas of potential non-compliance and fraud risks.

We evaluated managements' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of an override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Independent auditor's report to the members of Progress Housing Group Limited

Our audit procedures in response to the risks identified above included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions made by management in their significant accounting estimates in particular in relation to the following:
    - whether there are indicators of impairment of tangible assets
    - the useful economic lives of tangible fixed assets
    - recoverability of balances outstanding at the year end
    - assumptions used to calculate the pension provisions
    - the fair value of investment property
    - the fair value of financial instruments
    - discussions with, and inquiries of, management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
    - enquires to confirm with management that there was no legal correspondence during the period, or post year end, requiring review;
    - obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
    - review of relevant registers such as those associated with risk and fraud;
    - identifying and testing journal entries identified as potentially unusual, in particular considering whether there any journal entries posted by staff members with privileged access rights or key management;
    - a review of minutes of meetings of those charged with governance both during the period, and post year end;
    - considering internal audit findings; and
    - considering whether there is any correspondence with HMRC and the Regulator of Social Housing.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

Use of our report

This report is made solely to the members of the Company, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

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BDO LLP
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BDO LLP
Statutory Auditor, Manchester
Date: 23 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated and Company Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Turnover	2	99,840	86,171	12,515	11,379
Operating expenditure	2	(78,148)	(64,283)	(11,536)	(10,220)
Cost of sales	2	(8,099)	(4,883)	-	-
		13,593	17,005	979	1,159
Gain on disposal of property, plant and equipment	6	213	11	(1)	(2)
Operating surplus	2	**13,806**	**17,016**	**978**	**1,157**
Movement in fair value of investment properties	11	64	14	-	-
Movement in fair value of financial investments		16	-	-	-
Interest receivable	7	209	220	44	69
Interest and financing costs	8	(6,490)	(6,950)	(148)	(74)
Share of joint venture profit	14	142	112	-	-
Debt Forgiveness	16	-	-	(1,100)	-
Gain on gift of subsidiary company	30	19,368	-	-	-
Surplus before tax		**27,115**	**10,412**	**(226)**	**1,152**
Tax on surplus on ordinary activities	9	(204)	(164)	(335)	(223)
Surplus/(deficit) after tax	5	**26,911**	**10,248**	**(561)**	**929**
Actuarial gain/(loss) on pension schemes	31	10,746	(7,783)	4,776	(3,659)
UK deferred tax attributable to other comprehensive income	9	(714)	703	(714)	703
Increase/(Decrease) in joint venture hedge reserve	14	1,443	(146)	-	-
Total comprehensive income for the year		**38,386**	**3,022**	**3,501**	**(2,027)**

The notes on pages 43 to 91 form an integral part of the financial statements.

Consolidated and Company Statement of Financial Position

As at 31 March 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Fixed Assets					
Housing properties at cost	10	563,749	529,942	-	-
Other tangible fixed assets	11	12,848	8,061	3,727	3,929
Intangible fixed assets	13	200	-	-	-
Fixed asset investments	12	-	-	500	500
		576,797	538,003	4,227	4,429
Current assets					
Stock	17	10,040	7,095	-	-
Debtors	18	14,173	7,546	2,580	4,922
Investments	19	242	221	-	-
Cash and cash equivalents		6,753	5,716	2,446	1,493
		31,209	20,578	5,026	6,415
Less: Creditors amounts falling due within one year	20	(21,716)	(19,370)	(1,386)	(1,882)
Net current assets		9,492	1,208	3,640	4,533
Total assets less current liabilities		586,289	539,211	7,867	8,962
Creditors					
Amounts falling due after more than one year	22	(263,072)	(243,148)	(130)	(180)
Provisions for liabilities					
Provision for investment in joint venture	14	(590)	(2,186)	-	-
Other provisions	15	(264)	-	-	-
Pension liabilities	31	(9,502)	(19,402)	(2,497)	(7,043)
		(10,356)	(21,588)	(2,497)	(7,043)
Net assets		**312,861**	**274,475**	**5,240**	**1,739**
Reserves					
Share capital	23	-	-	-	-
Revaluation reserves		150,657	152,500	731	748
Designated reserves		637	570	-	-
Restricted reserves		7	-	-	-
Income and expenditure reserves		161,560	121,405	4,509	991
		312,861	**274,475**	**5,240**	**1,739**

The notes on pages 43 to 91 form an integral part of the financial statement.

The financial statements on pages 37 to 42 were approved by the Board of Management on 22 August 2022.

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Nigel Wright
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Nigel Wright
Board member

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Yasmin Fearon
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Yasmin Fearon
Board member

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Deborah Atherton
Company Secretary

Date: 23 September 2022

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2022

	Revaluation reserves	Designated reserves	Restricted reserves	Income & expenditure reserves	Total
	£'000	£'000		£'000	£'000
At 1 April 2021	152,500	570	-	121,405	274,475
Surplus for the year	-	-	-	26,911	26,911
			-		
Increase on joint venture hedge reserve	-	-	-	1,443	1,443
Net actuarial gain on pension schemes	-	-	-	10,032	10,032
Total comprehensive income for the year	-	-	-	38,386	38,386
Reserve transfers:					
Transfer from revenue reserves to designated reserves	-	67		(67)	-
Increase in the year on restricted reserves			7	(7)	-
Realisation of revaluation reserve in respect of disposals of housing property	(255)	-		255	-
Realisation of revaluation reserve in respect of depreciation on revalued housing property	(1,321)	-		1,321	-
Realisation of revaluation reserve in respect of impairment on revalued housing property	(267)	-		267	-
As at 31 March 2022	**150,657**	**637**	**7**	**161,560**	**312,861**

Consolidated Statement of Changes in Reserves continued

For the year ended 31 March 2022

Group	Revaluation Reserves	Designated Reserves	Restricted reserves	Income & Expenditure Reserves	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	154,100	386	-	116,967	271,453
Surplus for the year	-	-	-	10,248	10,248
Decrease on joint venture hedge reserve	-	-	-	(146)	(146)
Net actuarial (loss) on pension schemes	-	-	-	(7,080)	(7,080)
Other comprehensive income for the year	-	-	-	3,022	3,022
Reserve transfers:					
Transfer from revenue reserves to designated reserves	-	184	-	(184)	-
Realisation of revaluation reserve in respect of disposals of housing property	(223)	-	-	223	-
Realisation of revaluation reserve in respect of depreciation on revalued housing property	(1,324)	-	-	1,324	-
Realisation of revaluation reserve in respect of impairment on revalued housing property	(53)	-	-	53	-
As at 31 March 2021	**152,500**	**570**	**-**	**121,405**	**274,475**

Company Statement of Changes in Reserves

For the year ended 31 March 2022

	Revaluation reserves	Income & expenditure reserves	Total
	£'000	£'000	£'000
At 1 April 2021	748	991	1,739
Surplus for the year	-	(561)	(561)
Net actuarial gain on pension schemes	-	4,062	4,062
Reserve transfers:			
Realisation of revaluation reserve in respect of depreciation on revalued housing property	(17)	17	-
As at 31 March 2022	**731**	**4,509**	**5,240**

Company	Revaluation reserves	Income & expenditure reserves	Total
	£'000	£'000	£'000
At 1 April 2020	765	3,001	3,766
Surplus for the year	-	929	929
Net actuarial loss on pension scheme & other comprehensive income for the year	-	(2,956)	(2,956)
Reserve transfers:			
Realisation of revaluation reserve in respect of depreciation on housing property	(17)	17	-
As at 31 March 2021	**748**	**991**	**1,739**

Consolidated Statement of Cashflows

For the year ended 31 March 2022

	Notes	Group 2022 £'000	Restated 2021 £'000
Cashflow from operating activities (see below)		**25,295**	**30,340**
Purchase of housing properties		(26,303)	(17,753)
Purchase of housing property components		(8,962)	(5,399)
Government grants received		1,663	2,449
Purchase of other tangible fixed assets		(3,824)	(1,500)
Purchase of intangible fixed assets		(210)	-
Proceeds from the sale of tangible fixed assets		2,832	11
Cashflow in respect of joint venture		(12)	31
Cashflow used in Investing Activities		(34,816)	(22,161)
Interest received		209	220
Interest paid		(6,599)	(7,520)
Advances / (Repayments) of existing borrowings		12,495	(4,779)
Cash acquired on acquisition		3,353	-
Investments (placed) / realised		(20)	17
Capital element of finance lease rental payments		(50)	207
Cashflow from financing activities		**9,388**	**(11,855)**
Net change in cash and cash equivalents		**(133)**	**(3,676)**
Cash and cash equivalents at 1 April		**5,716**	**9,392**
Cash and cash equivalents at 31 March		**5,583**	**5,716**
Operating surplus		13,806	17,016
Increase in stock		(2,944)	(4,223)
Depreciation of tangible property fixed assets	5	11,349	10,484
Impairment of housing	5	1,142	122
Amortisation of intangible fixed assets	3a/13	(238)	(202)
Pension costs less contributions paid		412	253
Share of operating surplus in joint venture	14	142	112
Development for sale proceeds		6,083	4,189
Surplus on development for sale		(1,432)	(1,120)
Adjustment for investing activities - Disposal of tangible fixed assets	6	(213)	(11)
Taxation Paid		(162)	(165)
(Increase)/Decrease in trade and other debtors		(1,233)	1,370
(Decrease)/Increase in trade and other creditors		(1,417)	2,515
Cashflow from operating activities		**25,295**	**30,340**
Reconciliation of net cashflow to movement in net debt			
Decrease in cash in the period		(133)	(3,676)
Investments realised / (placed)		20	(17)
Change in loans - principal repaid (borrowed)		(12,281)	4,743
Change in loans -amortisation	8/22	521	737
Change in loans - amortisation of borrowing costs		(214)	36
Change in loans - acquisition		(3,660)	-
Cash (used in) / generated by repaying finance lease capital		50	(207)
(Increase) / Decrease in net debt		**(15,697)**	**1,616**
Net debt at 1 April		**(228,057)**	**(229,673)**
Net debt 31 March	27	**(243,754)**	**(228,057)**

The prior period restatement is explained in note 32.

Notes to the financial statements

for the year ended 31 March 2022

1 Accounting policies and basis of accounting

(1) Basis of accounting

Basis of Preparation

The financial statements of the Group are prepared in accordance with Financial Reporting Standard 102 (FRS 102) – the applicable financial reporting standard in the UK and Republic of Ireland and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

In the preparation of these financial statements all requirements set out in the 2018 updated Statement of Recommended Practise (SORP) have been applied. This includes the change that items that precede operating profit must not exclude items clearly related to operations which includes disposals of Property, Plant and Equipment.

The Group has included the requirement of the Accounting Direction that the statement on compliance should specifically cover compliance with the standard during the course of the year and up to the date of signing of the accounts.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Going concern

The Group and Company business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term borrowing facilities which provide adequate resources to finance 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 is able to service debt facilities, whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the Group and company 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. For this reason, it continues to adopt the going concern basis in the financial statements.

Basis of Consolidation

The consolidated accounts incorporate the financial statements of Progress Housing Group Limited and its subsidiaries and also its share of the joint venture, LiLAC. Further details of the subsidiaries are disclosed in note 29. Intra-group transactions are eliminated on consolidation. Subsidiaries' financial statements are made up to 31 March and LiLAC Joint Venture has financial statements made up to 31 December.

Business combinations that are gifts

Where there is a business combination that is in substance a gift, amny excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income.

(2) Turnover

Income is measured at the fair value of the consideration received or receivable. The Company turnover is mainly comprised of corporate recharges to Group companies. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of Low Cost Home Ownership housing properties developed for sale
- Service charges receivable
- Void guarantees
- Revenue and supporting people grants
- Proceeds from the sale of land and property, other than development for sale.

Rental income is recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties are recognised at the point of legal completion of the sale.

Notes to the financial statements

for the year ended 31 March 2022

(3) Housing properties

Housing properties completed prior to 1 April 2014 are stated at 'Deemed cost' as permitted by the transitional arrangements of FRS102 para 35.10d and are accounted for under the cost model. The valuation in place at the transition date, 1 April 2014, was deemed cost. This value is then depreciated each year, and stated at net book value which is equivalent to cost less depreciation. All housing properties acquired after 1 April 2014 are accounted for at cost, and then subsequently depreciated.

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement as set out in the accounting policy 27.

A small number of staff flats included within property, plant and equipment are held at historic cost net book value as these units do not generate any rental cash flows.

Refurbishment or replacement of such a component is capitalised and then depreciated on a straight line basis over the estimated useful economic life of the component as detailed in the accounting policy 27.

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are transferred to housing properties held for letting when completed. Development costs which arise directly
from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

(4) Social Housing Grant and other capital grants

Social Housing Grant (SHG) can be recycled by the Registered Provider under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met.
The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. SHG allocated to lease properties is included in current liabilities and amortised over the lease term.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt. Other capital grants are also repayable under certain conditions and may be secured by first legal charge on the housing property.

Social housing grants received in the year are recognised in current and non-current liabilities based on the accrual model, and are amortised over their useful life which is generally 80 years unless specific conditions apply.

(5) Capitalisation of interest and development overheads

Interest is capitalised on loans financing schemes in development up to the point of practical completion. This is calculated by reference to the Group's cost of borrowing and relevant development costs. Administration costs relating to development activities are capitalised based on an apportionment of the support costs directly incurred on this activity.

(6) Other tangible fixed assets and depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis, at rates considered appropriate to write off the assets over their effective working lives as detailed in the accounting judgements narrative.

Fixtures and Fittings	Straight Line Basis over 3-10 years.
Commercial properties	Straight Line Basis over 30 years.
TECS Equipment	Straight Line Basis over 3-5 years.
Computer Equipment	Straight Line Basis over 3 years.

Notes to the financial statements

for the year ended 31 March 2022

(7) Investment properties

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

All investment properties were measured reliably in the year without undue cost or effort and therefore are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the statement of comprehensive income in the period that they arise.

No depreciation is provided in respect of investment properties applying the fair value model. This treatment, as regards the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Board consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The directors review the investment portfolio every year with a formal valuation being obtained at least every 3 years, with internal assessments being carried out in the interim years.

(8) Pension scheme accounting

The Group participates in Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme defined benefit schemes. For current service, mandatory contributions to the defined benefit pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with actuarial advice. The cost of providing pensions is charged to the period over which the Group benefits from the employee's service, in accordance with FRS102.

The valuation of defined benefit pension scheme obligations has a number of critical underlying assumptions are made when measuring a defined benefit scheme, including standard rates of inflation, mortality, discount rates and anticipation of future salaries.

Variation in these assumptions may significantly impact the net asset/liability and the annual expense.

Both schemes assumptions and calculations are based on independent actuarial reviews. The Directors are satisfied that these assumptions are appropriate.

(9) Major repairs and improvements

Expenditure incurred relating to improvements, defined as an increase in the net rental stream or the life of a property in the SORP, are capitalised as components. The carrying amount of components replaced is written off to operating expenditure.

Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

(10) Taxation

The Group is liable to United Kingdom Corporation Tax. Where applicable, taxation is provided for at the rates prevailing at the Statement of Financial Position date and comprises of current and deferred tax.

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

Provision is made for deferred tax in respect of timing differences that have originated but not reversed at the Statement of Financial Position date where an event has occurred that results in an obligation to pay more or less tax in future. Deferred tax is measured at the average tax rates that are expected to reverse, based on tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Notes to the financial statements

for the year ended 31 March 2022

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

(11) Value Added Tax

The Group is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is therefore subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption calculation is credited to the Statement of Comprehensive Income.

(12) Stock

Stock represents the share of unsold completed shared ownership properties, van stock and work in progress on development of Concert Living Limited.

(13) Bad and doubtful debts

The Group provides against rent arrears of current and former tenants and other trade debtors to the extent that they are considered to be irrecoverable.

(14) Operating leases

Rental payments on operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(15) Interest and finance costs

Interest, agency fees, non-utilisation fees and consent fees are expensed within the financial year. Amortisation relates to loan arrangement fees which are written off over the period of the loan detailed further in accounting policy note 16 below.

Interest is capitalised on loans financing schemes in the course of development as explained in accounting policy note 5.

Also included within finance costs is interest in respect of the defined benefit pension schemes. A pension interest charge is included in respect of scheme liabilities.

(16) Housing loans

Housing loans are classified as creditors and are held at amortised cost using the effective rate of interest.

(17) Service charges and sinking funds

The Group operates both fixed and variable service charges, with the majority being fixed service charges, on a scheme by scheme basis in line with tenancy and lease agreements.

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 residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned they are held as debtors or creditors on the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held on the Statement of Financial Position within creditors. A separate bank account is used to hold these funds separately from the Group's bank accounts.

(18) First tranche shared ownership sales

The Group has adopted the accounting treatment in the SORP 2014 such that:

- Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover; and
- The remaining element of the SO property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

(19) Designated reserves

The designated reserves are in respect of Key Unlocking Futures Limited, a charitable subsidiary. Key works with young people to provide support for young people who are homeless or at risk of becoming homeless. The designated funds cover redundancy, sickness and running costs for a level of three to six months in accordance with the reserve policy.

Notes to the financial statements

for the year ended 31 March 2022

(20) Properties managed on behalf of others

All income and expenditure relating to the management of properties for other agencies is included in the Statement of Comprehensive Income. The assets and liabilities relating to this income and expenditure are included in the Statement of Financial Position.

(21) Properties managed by agents

Where the Group carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Statement of Comprehensive Income. Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Group.

In both cases, the assets and associated liabilities are included in the Statement of Financial Position.

(22) Supporting People

This income includes Supporting People (SP) contract income received from Administering Authorities, plus support charges to individual tenants. When accounted for as part of rent, the income is shown as “charges for support services” in income from Social Housing Lettings. The related costs are shown as “support” expenditure in expenditure from Social Housing Lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are shown as “other supporting people income” in Other Social Housing Activities.

SP contract income received from Administering Authorities and not dealt with as part of the rent, is shown as “Supporting People contract income” in Other Social Housing Activities.

(23) Impairment of fixed assets

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

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. 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 and included in surplus or deficit in the Statement of Comprehensive Income.

The Group estimated the recoverable amount of its housing properties and identified 3 further impairments as a result of annual impairment review (2020: 3)

If an indication of impairment was identified, then the process consisted of reviewing the net book value against a number of factors, ranging from open market value, replacement cost and the net present value of all future cashflow associated with the asset in order to determine the net present value.

Following a review of all assets, with the exception of the 3 properties identified above, there were no further instances identified where the net book value was greater than the recoverable value, and therefore, there was no impairment adjustments required in addition to those that had already been provided in the year. For those 3 properties identified, the assets were impaired down to their recoverable value.

Notes to the financial statements

for the year ended 31 March 2022

(24) Joint Venture accounting

The Group includes a third share of Leeds Independent Living Accommodation Company Holdings Limited (LiLAC), which is a joint venture contracted through a PFI arrangement. To account for this, liabilities are recognised as an investment balance in the accounts of Progress Housing Association Limited and a third share of LiLAC's assets and liabilities in the Group consolidated Financial Statements.

The LiLAC PFI company is the fixed interest rate payer of free-standing interest rate swap. Due to falls in variable interest rates, that swap is 'out of the money' for Lilac Holdings, so the fair value of the swap is a liability. The Group recognises a liability being the difference between its investment in Lilac and its share of the fair value of its share of the liability on the swap.

(25) Service concession arrangements

The Group elected to take the 'first time adopter' exemption permitted by para 35.10(i) of FRS 102 to continue to account for Service Concession Arrangements that were in existence at the date of transition, under the pre 1 April 2014 UK GAAP methodology.

(26) Financial instruments

The Group's loan facilities have been assessed as basic financial instruments and have been treated as such as outlined in FRS 102 section 11.

(27) Depreciation of housing properties – components

Components of housing properties are depreciated over their useful economic lives, determined by the length of time the individual component will be used before it is replaced. They are depreciated on a straight line basis over the estimated useful economic life of the component at the following rates:

Structure	shorter of 80 years or the remaining length of the lease.
Kitchen	10-20 years
Bathrooms	15-30 years
Boilers	15 years
Heating system	30 years
Windows and doors	30 years
Lifts	25 years
Photo Voltaic Installations	25 years

The useful lives were originally determined by reviewing stock condition survey data and component replacement cycles, and also through regular benchmarking of the industry.

(28) Intangible fixed assets and amortisation

Purchased goodwill arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by monthly instalments over the estimated useful life of 5 years.

(29) Significant judgements and estimates

In preparing these Financial Statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset, and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The committee members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost and have also considered impairment based on their assumptions to define cash or asset generating units.
- The anticipated costs to complete on a development scheme are based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, the recoverability of the cost of properties developed for outright sale and/or land held for sale, is determined. This judgement is also based on the best estimate of sales value based on economic conditions within the area of development.

Notes to the financial statements

for the year ended 31 March 2022

- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation, such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- Whether leases entered into by the Group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The basis of bad debt provision was reviewed in the year and a decision was made to continue on the current basis due to increasing arrears among customers in receipt of universal credit.

Other key sources of estimation and assumptions

- Tangible Fixed Assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed periodically and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Turnover, operating expenditure and operating surpluses

Group Consolidated	2022 Turnover £'000	2022 Cost of sales £'000	2022 Operating expenditure £'000	2022 Operating surplus / (deficit) £'000
Social housing lettings (note 3a)	77,584	-	(66,580)	11,004
Other social housing activities (note 3b)				
Charges for support services	305	-	(410)	(105)
Development for sale				
First tranche shared ownership sales	6,083	(4,650)	-	1,433
Activities other than social housing (note 3c)				
Lettings	4,274	-	(3,691)	583
Other	11,594	(3,449)	(7,467)	678
	99,840	**(8,099)**	**(78,148)**	**13,593**
Gain on disposal of property, plant and equipment (note 6)				213
Total				**13,806**

Notes to the financial statements continued

for the year ended 31 March 2022

2. Turnover, operating expenditure and operating surpluses continued

	2021			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus/(deficit) £'000
Social housing lettings (note 3a)	68,293	-	(53,747)	14,546
Other social housing activities (note 3b)				
Supporting people	278	-	(630)	(352)
Development for sale				
First tranche shared ownership sales	4,189	(3,068)	-	1,121
Activities other than social housing (note 3c)				
Lettings	4,217	-	(3,678)	539
Other	9,194	(1,815)	(6,228)	1,151
Total	**86,171**	**(4,883)**	**(64,283)**	**17,005**
Gain on disposal of property, plant and equipment (note 6)				11
Total				**17,016**

Notes to the financial statements continued

for the year ended 31 March 2022

2. Turnover, operating expenditure and operating surpluses continued

Company	2022 Turnover £'000	2022 Operating expenditure £'000	2022 Operating surplus/(deficit) £'000
Activities other than social housing (note 3c)			
Other	12,515	(11,536)	979
	12,515	(11,536)	979
Loss on disposal of property, plant and equipment (note 6)			(1)
Total			978

	2021 Turnover £'000	2021 Operating expenditure £'000	2021 Operating surplus/(deficit) £'000
Activities other than social housing (note 3c)			
Other	11,379	(10,220)	1,159
	11,379	(10,220)	1,159
Loss on disposal of property, plant and equipment (note 6)			(2)
Total			**1,157**

Notes to the financial statements continued

for the year ended 31 March 2022

3(a). Income and expenditure from social housing lettings

Group Consolidated	General needs	Housing for older people	Supported housing	Shared ownership	Total 2022	Total 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charges	23,972	5,275	36,757	787	66,791	57,886
Service charge income	586	1,431	6,138	74	8,229	8,043
Charges for support services	-	276	-	-	276	284
Amortised government grants	207	-	21	-	228	202
Government grants taken to income	-	-	218	-	218	-
Void guarantee and revenue grants	20	-	1,506	-	1,526	1,615
Other income	130	29	157	-	316	263
Turnover from social housing lettings	**24,915**	**7,011**	**44,797**	**861**	**77,584**	**68,293**
Expenditure						
Management	(4,135)	(788)	(7,128)	(137)	(12,188)	(10,504)
Service charge costs and support	(933)	(1,678)	(7,945)	(54)	(10,610)	(9,105)
Routine maintenance	(4,649)	(1,082)	(5,949)	(25)	(11,705)	(9,471)
Planned maintenance	(1,438)	(441)	(1,268)	(7)	(3,154)	(2,937)
Major repairs expenditure	(2,582)	(1,256)	(2,962)	(6)	(6,806)	(6,855)
Bad debts	(115)	(31)	(240)	(1)	(387)	(92)
Property operating lease charges	-	-	(8,232)	-	(8,232)	(3,328)
Depreciation of housing properties	(4,617)	(1,044)	(3,382)	(131)	(9,174)	(8,474)
Impairment of housing properties	-	-	(1,188)	-	(1,188)	(122)
Other costs	(919)	(193)	(2,022)	(2)	(3,136)	(2,859)
Operating costs on social housing lettings	(19,388)	(6,513)	(40,316)	(363)	(66,580)	(53,747)
Operating surplus on lettings activities	**5,527**	**498**	**4,481**	**498**	**11,004**	**14,546**
Void losses (included within turnover)	(232)	(77)	(4,091)	-	(4,400)	(4,408)

A number of the void losses above are subject to agreements where the Group is compensated for its losses. These void guarantees, which are not included in the void losses above, are chargeable to third parties in the year and totalled £1.5m (2021: £1.6m).

Impairment charges include impairment of previously revalued housing properties. There is a transfer from revaluation reserves of £0.3m (2021: £0.1m) which appears as a credit in the Statement of Changes in Reserves. The impairment on a historic cost basis is £0.6m (2021: £0.3m). A previous year's impairment charge of £0.04m has been reversed in the year, as the reasons for this impairment loss have ceased to apply.

Notes to the financial statements continued

for the year ended 31 March 2022

3(b). Turnover from other social housing activities

	Group	
	2022	2021
	£'000	£'000
Other		
Support services contract income	305	278
Total	**305**	**278**

3(c). Turnover from non-social housing activities

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Lettings				
Key worker accommodation	3,866	3,825	-	-
Other rented accommodation	340	348	-	-
Commercial properties	68	44	-	-
	4,274	**4,217**	-	-
Other				
Progress Lifeline services	6,458	5,798	-	-
Support service for young people	820	762	-	-
Corporate services provided to other group companies	-	-	11,977	11,055
Lease income	235	287	-	-
Development for outright sale	3,781	2,068	-	-
Other	300	239	538	324
Other - Government Grants	-	40	-	-
	11,594	**9,194**	**12,515**	**11,379**

Notes to the financial statements continued

for the year ended 31 March 2022

4. Accommodation in management

Group Consolidated

	General Needs - social rent	General Needs - affordable rent	Low Cost Home Ownership	Supported housing	Intermediate rent	Other	Total
	No.	No.	No.	No.	No.	No.	No.
Opening unit numbers	**4,197**	**693**	**229**	**4,331**	**54**	**838**	**10,342**
New stock acquired on merger	-	-	-	1,432	-	-	1,432
New stock acquired	34	96	65	37	-	-	232
New stock into management	-	-	-	-	-	3	3
Disposals to open market	-	-	-	(13)	-	-	(13)
Disposals to tenants freehold	(8)	-	(5)	-	-	-	(13)
Other losses	-	-	-	(119)	-	(5)	(124)
Movement within categories	19	-	-	(40)	-	-	(21)
Net change to stock	**45**	**96**	**60**	**1,297**	**-**	**(2)**	**1,496**
Closing units numbers	**4,242**	**789**	**289**	**5,628**	**54**	**836**	**11,838**

Supported housing units represent the number of tenancies, rather than the number of properties, as some properties are shared by up to four tenants.

Notes to the financial statements continued

for the year ended 31 March 2022

5. Surplus for the year

	Note	Group 2022	Group 2021	Company 2022	Company 2021
Is stated after charging:-		£'000	£'000	£'000	£'000
Auditor's remuneration (excluding VAT)					
In their capacity as auditors		71	42	11	10
In respect of other services		3	3	-	-
Depreciation of tangible fixed assets					
- Housing properties		10,018	9,344	-	-
- Other fixed assets		1,359	1,140	905	878
Amortisation of intangible fixed assets	13	10	-	-	-
Impairment of tangible fixed assets					
- Total Impairment of housing properties		1,141	122	-	-
- Impairment on previously revalued amounts		267	53	-	-
- Impairment on historic cost basis		874	69	-	-
Included within impairment of housing properties above:					
- Reversal of impairment of housing properties		(100)	(42)	-	-
Hire of other assets - operating leases					
- Housing properties		8,232	3,328	-	-
- Other fixed assets vehicles		701	715	-	-

Notes to the financial statements continued

for the year ended 31 March 2022

6. Gain / (loss) on disposal of property, plant and equipment

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Sale proceeds	2,832	685	-	-
Cost of disposals	(2,336)	(501)	(1)	(2)
Operating costs associated with sales	(283)	(173)	-	-
Gain/(loss) on disposals	**213**	**11**	**(1)**	**(2)**

Impairment charges of £0.3m (2021: £0.1m) have been accounted for in current and prior years on housing properties disposed of in the year

7. Interest receivable

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank interest receivable	3	12	1	4
Interest receivable on loan to group companies	-	-	43	65
Interest on loan to joint venture company	206	208	-	-
	209	**220**	44	69

Notes to the financial statements continued

for the year ended 31 March 2022

8. Interest and financing costs

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans	6,259	7,621	-	-
Other loans	708	-	-	-
Amortisation of loan issue costs	214	56	-	-
Pension scheme finance cost	403	255	148	74
Loan remeasurement	(521)	(737)	-	-
	7,063	7,195	148	74
Less : Interest capitalised	(573)	(245)	-	-
	6,490	6,950	148	74

Interest has been capitalised at an average of 4.9% in the year (2021: 5%).

9. Taxation on surplus on ordinary activities

(a) Analysis of the charge in the period

The tax charge on the surplus on ordinary activities for the year was as follows:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current tax:				
UK corporation tax charge for the year	38	69	170	128
Total current tax	38	69	170	128
Deferred tax:				
Origination and reversal of timing differences	166	95	165	95
Tax on surplus on ordinary activities	204	164	335	223

Notes to the financial statements continued

for the year ended 31 March 2022

9. Taxation on surplus on ordinary activities continued

(b) Factors affecting tax charge for the period

Surplus on ordinary activities before tax	27,115	10,412	(226)	1,152
Surplus on ordinary activities multiplied by standard rate				
of corporation tax in the UK of 19% (2021: 19%)	5,133	1,978	(43)	219
Effects of:				
Profits arising in charitable activities	(1,419)	(1,819)	-	-
Items not allowable for tax purposes	67	9	275	8
Change in tax rates	91	-	91	-
Movement in fair value of housing properties	-	-	-	-
Non-taxable gain arising on acquisition	(3,680)	-	-	-
Adjustments in respect of prior periods	12	(4)	12	(4)
	204	164	335	223

(c) Factors that may affect future tax changes

A deferred tax liability has been recognised on the Group's fixed assets, primarily IT assets, pensions, and other temporary timing differences including provisions.

The deferred tax has been calculated at the substantially enacted future rate of tax rate of 25%. The increase in corporation tax rate to 25% was announced by the Chancellor at the Spring 2021 budget, and applies to corporation tax returns from 1st April 2023. It was substantively enacted in May 2021.

Notes to the financial statements continued

for the year ended 31 March 2022

10. Tangible fixed assets – Housing properties

Group	Housing properties completed £'000	Housing properties under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
Cost					
At 1 April 2021	627,330	12,223	12,129	3,197	654,879
Assets arising on acquisition	17,638	-	-	-	17,638
Additions	9,961	17,742	45	8,658	36,406
Transferred on completion	18,815	(18,815)	5,180	(5,180)	-
Transferred to stock	-	-	-	(4,907)	(4,907)
Disposals	(4,277)	-	(235)	-	(4,512)
As at 31 March 2022	**669,467**	**11,150**	**17,119**	**1,768**	**699,504**
Depreciation					
At 1 April 2021	124,353	-	584	-	124,937
Depreciation arising on acquisition	2,057				2,057
Charge for the year	9,538	-	131	-	9,669
Depreciation on disposals	(1,902)	-	(13)	-	(1,915)
Impairment charge for the year	1,141	-	-	-	1,141
Impairment released on disposals	(134)	-	-	-	(134)
As at 31 March 2022	**135,053**	**-**	**702**	**-**	**135,755**
NBV					
As at 1 April 2021	502,977	12,223	11,545	3,197	529,942
As at 31 March 2022	**534,414**	**11,150**	**16,417**	**1,768**	**563,749**

Notes to the financial statements continued

for the year ended 31 March 2022

10. Tangible fixed assets – Housing properties continued

The value of secured properties (including those charged to third parties) is £410.7m (2021: £420.0m).

Completed housing properties above includes £22.5m of assets (2021: £23.2m) which are not social housing properties. These assets consist of key worker accommodation £19.6m (2021: £20.0m) and other rented £2.9m (2021: £3.2m). The related rental income of these properties is presented as 'non-social housing income' as the rent falls outside of the usual rent setting. They are not however investment properties as the nature of their arrangements still fits the definition of social benefit and therefore it is appropriate to account for these assets at historic cost.

The above cost in respect of housing properties completed comprises:

	Housing properties completed		Shared ownership completed	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Freehold properties	480,070	449,188	15,756	10,836
Long-leasehold properties	54,269	53,789	661	709
Short-leasehold	75	-	-	-
Total	**534,414**	**502,977**	**16,417**	**11,545**

The above EUV-SH valuation figures as at March 22, includes key worker accommodation at £29.7m (2021: £29.7m)

Capital additions include £575k (2021: £245k) of interest capitalised at 4.9% in the year. Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £674k (2021: £587k) and on in-house legal costs amounting to £81k (2021: £49k).

Major repairs, renewals and improvements

	2022	**2021**
	£'000	**£'000**
Capitalised components	10,016	5,302
Charged to revenue	8,164	7,075
Total major repairs revenue and capital	**18,180**	**12,377**

Notes to the financial statements continued

for the year ended 31 March 2022

11. Tangible fixed assets - Other

Group Consolidated

	Commercial and Office properties Leasehold	Freehold	Fixtures & fittings	Computer hardware and software	Investment properties completed	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2021	1,290	2,039	2,872	6,610	2,059	-	-	14,870
Assets arising on acquisition		2,030	-		601	609	65	3,305
Additions	1,438	29	1,527	674	-	28	-	3,696
Disposals	(937)	-	(179)	(878)	-	(307)	(13)	(2,314)
Reclassification of assets	-	71	(71)	-	-	-	-	-
Movement in fair value	-	-	-	-	64	-	-	64
At 31 March 2022	**1,791**	**4,169**	**4,149**	**6,406**	**2,724**	**330**	**52**	**19,621**
Depreciation								
At 1 April 2021	770	697	1,092	4,250	-	-	-	6,809
Depreciation arising on acquisition	-	151	8	-	-	474	44	677
Charge for the year	80	80	352	782	-	60	5	1,359
Depreciation on disposals	(697)	-	(178)	(877)	-	(307)	(13)	(2,072)
At 31 March 2022	**153**	**928**	**1,274**	**4,155**	**-**	**227**	**36**	**6,773**
Net Book Value								
At 1 April 2021	520	1,342	1,780	2,360	2,059	-	-	8,061
At 31 March 2022	1,638	3,241	2,875	2,251	2,724	103	16	12,848

Notes to the financial statements continued

for the year ended 31 March 2022

11. Tangible fixed assets – Other continued

Company

	Other Equipment	Office Properties	Fixtures & Fittings	Computer hardware and software	Investment Properties	Investment Properties In Dev	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2021	251	1,171	519	6,602	-	-	-	-	8,543
Additions	-	28	2	674	-	-	-	-	704
Reclassification of Assets	-	71	(71)	-			-	-	-
Disposals	-	-	-	(878)	-	-	-	-	(878)
At 31 March 2022	**251**	**1,270**	**450**	**6,398**	**-**	**-**	**-**	**-**	**8,369**
Depreciation									
At 1 April 2021	21	319	31	4,243	-	-	-	-	4,614
Charge for the year	50	25	49	781	-	-	-	-	905
Depreciation on disposals	-	-	-	(877)	-	-	-	-	(877)
At 31 March 2022	**71**	**344**	**80**	**4,147**	**-**	**-**	**-**	**-**	**4,642**
Net Book Value									
At 1 April 2021	230	852	488	2,359	-	-	-	-	3,929
At 31 March 2022	**180**	**926**	**370**	**2,251**	**-**	**-**	**-**		**3,727**

Group and company

Commercial and office properties, fixtures and fittings, computer hardware and software and other equipment are held at cost less accumulated depreciation.

The investment property portfolio has been valued in the year by Garside Waddingham and Parkinson Real Estate (both professional external valuers). The valuations are based on market value and were undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation, Global Standards 2020 (RICS Global Red Book). This involved the assessment of the market conditions, movement in market values in similar geographical areas and similar build and structure.

Notes to the financial statements continued

for the year ended 31 March 2022

12. Fixed asset investments

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Investments in subsidiaries (Note 28)	-	-	500	500
	-	-	500	500

13. Intangible Fixed Assets - Goodwill

	Group		Company	
	2022	2021	2022	2021
Cost	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
Additions	210	-	-	-
At 31 March	210	-	-	-
Amortisation				
At 1 April	-	-	-	-
For the year	(10)	-	-	-
At 31 March	(10)	-	-	-
Net book value				
At 1 April	-	-	-	-
At 31 March	200	-	-	-

Goodwill arose on the acquisition of the trade and assets of Lifelink services from Gloucester City Homes Technology on 1 November 2021 and Home Care Link business from West Lancashire Borough Council in February 2022. The principal activity is the provision of Technology Enabled Care Services and home responder services. The expected life of goodwill is 5 years from the date of acquisition.

Notes to the financial statements continued

for the year ended 31 March 2022

14. Investment in ordinary shares of joint venture

Group	2022 £'000	2021 £'000
Share of net liabilities	(2,312)	(3,897)
Subordinated debt loaned to joint venture company	1,722	1,711
Provision for share of liabilities	(590)	(2,186)
Share of profit on ordinary activities after tax	142	112
Share of other comprehensive income/(loss)	1,443	(146)

Progress Housing Association Ltd holds 33.3% (£333) of the equity share capital of Leeds Independent Living Accommodation (Holdings) Limited a Private Finance Initiative commissioned by Leeds City Council to fund the reprovision of accommodation for independent living. This is a joint venture with two other shareholders, Civic PFI Investments Limited and Jack Lunn (Properties) Ltd, each holding 33.3% of the equity share capital.

The Lilac PFI company is the fixed interest rate payer of free-standing interest rate swap. Due to falls in variable interest rates, that swap is 'out of the money' for Lilac Holdings, so the fair value of the swap is a liability. As a result the Group has recognised a liability for the difference between its investment in Lilac and its share of the fair value of the liability on the swap.

15. Other provisions

Onerous leases provision	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At the start of the year	-	-	-	-
Acquired on acquisition	204			
Transfer from statement of comprehensive Income	60	-	-	-
Released in the year	-	-	-	-
	264	-	-	-

The brought forward provision consist of two loss making leased properties, where losses are estimated to arise in future periods. These two properties were fully void throughout the year.

Further three leased-in properties were identified in the year, where losses are estimated to arise in future periods. The leases for all five properties were entered into in 2003 and do not have a break clause.

Notes to the financial statements continued

for the year ended 31 March 2022

16. Debt Forgiveness

During the year Progress Housing Group Ltd board agreed the write off of investment start up loans from the company to Concert Living to the value of £1.1m (2021: £nil)

17. Stock

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Property Services - van stock	225	168	-	-
Completed properties held for sale	896	1,420	-	-
Land held for developments	90	1,075	-	-
Work in progress on properties held for sale	8,829	4,432	-	-
	10,040	**7,095**	-	-

18. Debtors

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rent and service charge arrears	4,890	3,433	6	6
Less provision for rental bad debts	(1,113)	(1,069)	(6)	(6)
	3,777	2,364	-	-
Trade debtors	2,324	1,640	3	3
Amounts owed by group companies	-	-	851	2,229
Loans owed by group companies	-	-	420	772
Prepayments and accrued income	4,366	2,479	863	786
Less provision for sundry bad debts	(290)	(130)	(3)	(3)
Other debtors	428	58	200	-
Social housing grant	3,322	-	-	-
Corporation tax	-	10	-	10
	10,150	4,057	2,334	3,797
Total debtors excluding deferred tax	**13,927**	**6,421**	**2,334**	**3,797**
Deferred tax				
Deferred tax - Pension asset	624	1,338	624	1,338
Deferred tax - Fixed asset and other timing differences	(378)	(213)	(378)	(213)
Total debtors	**14,173**	**7,546**	**2,580**	**4,922**

Loans owed by group companies are repayable on demand and interest is charged at 6% and paid quarterly in arrears.

Notes to the financial statements continued

for the year ended 31 March 2022

19. Current asset investments

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Deposits held for leasehold schemes	242	221	-	-
	242	**221**	-	-

20. Creditors: amounts falling due within one year

		Group		Company	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Bank balances		1,170	-	-	-
Loans	22	7,624	7,268	-	-
Obligations under finance leases	22	50	50	50	50
Rent and service charge received in advance		1,635	1,403	-	-
Trade creditors		1,387	2,045	85	418
Accruals and deferred income		7,498	6,478	759	873
Government grants relating to assets	22	281	219	-	-
Corporation tax		42	-	42	-
Other current liabilities		414	427	207	325
Recycled capital grant fund	21	46	-	-	-
Employer liabilities		759	693	243	216
Sinking funds for planned maintenance		271	243	-	-
Grants repayable		-	120	-	-
Loan remeasurement	22	539	424	-	-
		21,716	**19,370**	**1,386**	**1,882**

Sinking funds are deposits held in a separate interest bearing account for any planned maintenance required to leasehold properties, collected through service charges.

Standard payment terms are 30 days from date of invoice.

Notes to the financial statements continued

for the year ended 31 March 2022

21. Recycled capital grant fund

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
Grants recycled	46	-	-	-
At 31 March	46	-	-	-
Amount of grant due for repayment	-	-	-	-

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

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing loans	240,584	224,669	-	-
Housing loans remeasurement	1,191	1,827	-	-
Obligations under finance leases	130	180	130	180
Government Grants	21,167	16,472		
	263,072	**243,148**	**130**	**180**

Notes to the financial statements continued

for the year ended 31 March 2022

22. Creditors: amounts falling due after more than one year continued

Maturity of debt

Loans repayable in instalments as follows:-		Group Bank loans		Group Other loans	
		2022	**2021**	**2022**	**2021**
		£'000	**£'000**	**£'000**	**£'000**
Within one year	20	7,624	7,268	-	-
Between one and two years		23,549	7,623	-	-
Between two and five years		39,667	65,691	-	-
After five years		128,459	151,884	50,000	-
		191,675	225,198	50,000	-
Less loan issue costs		(672)	(529)	(419)	-
Amounts falling due after more than one year		191,003	224,669	49,581	-
Total housing loans		**198,627**	**231,937**	**49,581**	**-**

The company does not hold bank and building society loans or housing loans.

Notes to the financial statements continued

for the year ended 31 March 2022

22. Creditors: amounts falling due after more than one year continued

Loan remeasurement	Note	Group Loan remeasurement 2022 £'000	2021 £'000
As at 1 April		2,251	2,988
Amortisation	8	(521)	(737)
As at 31 March		**1,730**	**2,251**
Due within one year	20	**539**	**424**
Due after one year		**1,191**	**1,827**

The loan remeasurement is amortised over the remaining 11 years of the loan.

Housing Loans are secured by fixed charges on individual properties. The loans payable by instalments are repaid annually at fixed or variable rates of interest ranging from 0.91% to 5.54% (2021: 0.52% to 5.54%). The final instalments fall to be repaid in 2037.

Loans not repayable by instalments are interest only at varying fixed or variable rates from 1.58% to 7.21% (2021: 1.04% to 7.21%). The principal falls due to be repaid in the period 2023 and 2052. During the year, the underlying interest rate used for some variable rate loans transitioned from LIBOR to SONIA. No loans have been remeasured as a result of this transition. At 31 March 2022 the Group has committed undrawn facilities of £125.8m. (2021: £28.45m).

Reserves in the Statement of Financial Position include £102.3m (£97.2m at transition of FRS102 1 April 2014) of Financial Assistance and Government Grants. £1.0m has been recognised in the Statement of Comprehensive Income since transition to FRS102 (2021: £0.8m).

Obligations under finance leases	Note	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Computer hardware lease repayable in instalments as follows:					
Within one year	20	50	50	50	50
Between one and two years		50	50	50	50
Between two and five years		80	130	80	130
		130	180	130	180
Total lease obligations		**180**	**230**	**180**	**230**

Notes to the financial statements continued

for the year ended 31 March 2022

22. Creditors: amounts falling due after more than one year continued

Government grants relating to housing assets

	Note	Group 2022 £'000	2021 £'000
Deferred income - Government grants			
At 1 April		16,691	14,444
Grants receivable		4,985	2,449
Amortisation to Statement of Comprehensive Income		(228)	(202)
		4,757	2,247
At 31 March		**21,448**	**16,691**
Due within one year	20	**281**	**219**
Due after one year		**21,167**	**16,472**

Grants due after one year includes £4.1m in respect of assets under construction (2021: £3.6m).

23. Non-equity share capital

Group Consolidated and Company	**2022 £**	**2021 £**
Allotted issued and fully paid:		
At 1st April	10	12
Issued during the year	4	2
Surrendered during the year	(3)	(4)
At 31st March	**11**	**10**

The shareholders do not have a right to any dividend or distribution upon winding-up. Each shareholder has full voting rights and £1 non-equity shares.

2021-22 saw the retirement of three shareholders and the appointment of four.

Two of the newly appointed shareholders were the formerly independent Chairs of the Group's Audit and Remuneration and Nominations Committees. Two further shareholder appointments came about as a result of the Group's merger with Reside Housing Association.

Notes to the financial statements continued

for the year ended 31 March 2022

24. Capital commitments

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Capital expenditure contracted but not provided for in the financial statements	8,230	9,038	147	-
Capital expenditure that has been authorised by the Board of Directors but has not yet been contracted for	35,451	11,042	-	-
	43,681	**20,080**	**147**	**-**

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Progress Housing Group expects the commitments to be financed with:				
Grants	7,931	674	-	-
Committed loan facilities and free cash flow	35,750	19,406	147	-
	43,681	**20,080**	**147**	**-**

Commitments for payables and receivables in relation to non-cancellable operating leases are analysed below:

	Group Housing, land & buildings 2022 £'000	Group 2021 £'000	Company Housing, land & buildings 2022 £'000	Company 2021 £'000
Leased from external bodies				
Less than 1 year	8,187	2,679	12	15
Within 2-5 years	15,532	4,632	-	-
More than 5 years	6,055	1,024	-	-
	29,774	**8,335**	**12**	**15**

	Group Housing, land & buildings 2022 £'000	Group Housing, land & buildings 2021 £'000
Leased to external bodies		
Less than 1 year	352	340
Within 2-5 years	784	723
More than 5 years	263	338
	1,399	1,401

Notes to the financial statements continued

for the year ended 31 March 2022

24. Capital commitments continued

	Group Other leases	
	2022	**2021**
Leased from external bodies	**£'000**	**£'000**
Less than 1 year	304	292
	304	292

All leases contain permitted user clauses which limits the use to that permitted by the lease. Under FRS102 20.30c, the Group does not have any significant leasing arrangements or unusual or material restrictions.

25. Emoluments of the board and the directors

Analysis of non-executive director emoluments	**2022**	**2021**
	£'000	**£'000**
Non executives remuneration (including expenses) £2k (2021 : £2k)	**124**	**123**

The Group provides emoluments to non-executive directors. During the year there were no benefits, other than wages and salaries and refreshments as part of the normal course of business payable to non-executive directors. Details on individual board member remuneration can be obtained from the Group's website.

Analysis of directors' emoluments	**2022**	**2021**
	£'000	**£'000**
The Directors of the Group are its members and the Executive Officers. All emoluments are contained in the Company.		
Emoluments of the Group's Directors including pension contributions	772	520
Emoluments of the Group's Directors excluding pension contributions	682	467
Emoluments of the Chief Executive, who was the highest paid Director, excluding pension contributions	195	209

The Group Chief Executive was an ordinary member of a pension scheme until 31 December 2016, and no enhanced or special terms applied. There are no other individual pension arrangements to which the Group makes a contribution on behalf of the Group Chief Executive.

Notes to the financial statements continued

for the year ended 31 March 2022

26. Employee information

	Group		Company	
	2022	2021	2022	2021
	No.	No.	No.	No.
The average number of full time equivalent persons employed during the year was:	649	567	120	112

Full time equivalents are calculated based on a standard working week of 36.25 hours for all employees except for 39 hours for property services trades employees and 36.5 hours for Key Unlocking Futures Limited employees.

Employee costs (for the above persons)	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Wages & salaries	22,097	19,376	5,499	5,042
Social security costs	2,007	1,745	568	521
Other pension costs	1,601	1,448	518	479
	25,705	**22,569**	**6,585**	**6,042**

Group: wages and salary cost includes £0.1m (2021: £0.1m) of restructuring costs.

Notes to the financial statements continued

for the year ended 31 March 2022

26. Employee information

	Group 2022	Group 2021	Company 2022	Company 2021
£60,000 - £70,000	5	7	4	4
£70,001 - £80,000	11	5	4	1
£80,001 - £90,000	3	1	-	-
£90,001 - £100,000	4	5	4	4
£100,001 - £110,000	3	3	2	3
£110,001 - £120,000	-	1	-	1
£120,001 - £130,000	1	-	1	-
£130,001 - £140,000	2	1	2	1
£140,001 - £150,000	1	-	-	-
£150,001 - £160,000	1	2	1	2
£160,001 - £170,000	1	-	1	-
£190,001 - £200,000	1	-	1	-
£200,001 - £210,000	-	1	-	1
	33	**26**	**20**	**17**

Remuneration for the above includes salaries, pension, bonuses, benefits in kind and compensation for loss of office. The remuneration bandings for employees earning over £60,000 includes the directors disclosed in note 25.

27. Cash flow statement notes

Group Consolidated

	Notes	31 March 2021 £'000	Cash flow £'000	Other non cash changes £'000	31 March 2022 £'000
Analysis of net debt					
Cash in hand, at bank and overdrafts		5,716	(133)	-	5,583
Current asset investments	19	221	21	-	242
Obligations under finance leases	20	(230)	50	-	(180)
Bank loans	22	(233,764)	(15,942)	307	(249,399)
Total		**(228,057)**	**(16,004)**	**307**	**(243,754)**

Other changes relate to amortisation of borrowing costs £307k (2021: £773k).

Notes to the financial statements continued

for the year ended 31 March 2022

28. Related party transactions

There were no members of the boards who are tenants of the Group (2021: nil). The Group does not report any intercompany transactions under the exemption 33.1a of FRS 102. The membership of Concert Living Limited board by the Group Chief Executive and Executive Director (Finance & Corporate Services) does not amount to a disclosable related party transaction under clause 33.4 of FRS102

During the year the Group and Company had the following intra-group transactions with non-regulated entities:

			Transactions		Balance owed at year end	
Purpose	**Payment from:**	**Payment to:**	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Recharge of service costs incurred in PHG on behalf of subsidiary companies.	Concert Living Ltd	Progress Housing Group Ltd	41	62	-	-
	Key Unlocking Futures Ltd	Progress Housing Group Ltd	24	22	2	4
Support (see below)	Key Unlocking Futures Ltd	Progress Housing Association Ltd	251	109	20	13
Loan	Progress Housing Group Ltd	Concert Living Ltd	1,111	309	420	772
Loan	Concert Living Ltd	Progress Housing Group Ltd	363	1,458	-	-
Interest on loan	Concert Living Ltd	Progress Housing Group Ltd	43	65	-	-

Related party transactions between Progress Housing Association Ltd and Key Unlocking Futures Ltd consist of Critical tenancy support, Community Development project and management fees associated with Single Homeless schemes, Refuge and Income Collection.

Notes to the financial statements continued

for the year ended 31 March 2022

29. Parent undertakings and Group transactions

The Group comprises the following bodies which are 100% wholly owned subsidiaries:	No of Shares Held	Principal Activity
Progress Housing Group Limited	N/A	Provision of corporate services and development
Progress Housing Association Limited	1	Provision of Social Housing, Supported Housing, Key Worker accommodation, property maintenance and Lifeline & Technology Enabled Care Services
Reside Housing Association Limited	1	Provision of Supported Housing
Key Unlocking Futures Limited	N/A	Charitable Registered Provider, providing support for families and the homeless
Concert Living Limited	500,000	Development of homes for outright sale
New Progress Housing Association Limited (Previously PHA (1) Limited and Progress Housing Association Limited)	N/A	Dormant company

The Parent company has the ability to appoint and dismiss subsidiary directors.
Key Unlocking Futures Limited is incorporated as a company limited by guarantee without share capital incorporated under the Companies Act 2006 and is a registered charity under the Charities Act 2011.

30. Acquisition of subsidiary

On 30 September 2021 Reside Housing Association Limited became a subsidiary of Progress Housing Group Limited. There was no consideration and it has been accounted for using the acquisition method of accounting. The assets and liabilities of Reside Housing Association Limited on the date of the acquisition have been brought into Progress Housing Group Limited at fair value and the net gain taken to the Statement of Comprehensive Income. Reside Housing Association Limited generated an operating deficit of £(4k), arising from turnover of £8,182k in the six months since joining the Group. The 12 month position to March 2022 is an operating surplus of £166k arising from turnover of £16,439k.

In calculating the donation arising on acquisition, the fair values of the net assets of Reside Housing Association Limited have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

Notes to the financial statements continued

for the year ended 31 March 2022

30. Acquisition of subsidiary continued

	Net book value on acquisition £'000	Fair value adjustments £'000	Fair value £'000
Fixed assets			
Tangible fixed assets :			
Housing Properties	12,504	3,077	15,581
Other fixed assets	2,592	35	2,627
Investments	1,059	-	1,059
	16,155	**3,112**	**19,267**
Current assets			
Debtors	2,350	-	2,350
Cash at bank and in hand	3,353	-	3,353
	5,703	-	5,703
Creditors: amounts falling due within one year	**(1,802)**	**-**	**(1,802)**
Net current assets	**3,901**	**-**	**3,901**
Total assets less current liabilities	20,056	3,112	23,168
Creditors: amounts falling due after more than one year	(3,496)	(100)	(3,596)
Provisions for Liabilities			
Other Provisions	(204)	-	(204)
Total net assets	**16,356**	**3,012**	**19,368**
Gain on transfer of engagements			**19,368**

Notes to the financial statements continued

for the year ended 31 March 2022

31 Pension obligations

The Group participates in two pension schemes, Lancashire County Council's Superannuation Fund (LCC) and the Social Housing Pension Scheme (SHPS) administered by the Pensions Trust. The LGPS is a defined benefit scheme and SHPS has both defined benefit streams and defined contribution streams within its scheme, detailed regulations govern the rates of pension contribution by both employees and the Group. Benefits are normally in the form of a lump sum retirement grant plus an annual pension.

As a responsible employer, the Group's strategy to proactively manage defined-benefit pension scheme deficits by taking the following steps, whilst ensuring the pension offered is competitive.

- Closing both its multi-employer, defined benefit pension schemes to new membership in 2009. Over the years membership has decreased from 206 employees in 2009 to 92 employees at the 31st March 2022 due to leavers and employees taking retirement.
- Closing LGPS Progress Care Housing Association scheme on 29 March 2018
- Closing the Group's final salary Social Housing Pension Scheme to further accrual in July 2019 and replacing with a career average revalued earnings scheme for the existing employees. As from the 1st April 2022 the Group has now closed this scheme to further accrual and members transferred to the SHPS DC scheme on protected contributions.
- Introducing a very popular salary exchange scheme for employees in SHPS, take up 71% as at 31st March 22
- Increasing employer contributions beyond those actuarially assessed.
- Making additional lump sum payments to the Lancashire Local Government Pension scheme, where indicated by actuarial assessment.
- Introducing a defined contribution Auto Enrolment Scheme with SHPS in 2012 which is available to all new starters with contribution levels in line with the Governments set minimum contribution rates As from the 1st April 2022 the Group has raised the AE contribution rate to a matched contribution of 6%.
- Introduced a higher matched contribution SHPS Defined contribution scheme at 7.5% for both employee and employer contributions available to all staff along with a number of various matched contribution rate options to encourage employee saving and meet affordability from April 22.
- Re-enrolling all eligible employees not in a pension scheme every 3 years, the next re-enrolment date is March 23
- For defined benefits LGPS Employer's contributions are based on percentages of employees' earnings as recommended by the actuary of the fund in their valuation.

The ability of the pension funds to provide statutory benefits is assessed every three years by an independent professionally qualified actuary, and employer's contributions are reviewed in light of the actuary's report.

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Pension liabilities:	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Lancashire County Pension Fund	8,122	1,749	15,461	4,689
Social Housing Pension Scheme	1,380	748	3,941	2,354
	9,502	**2,497**	**19,402**	**7,043**
Actuarial Gains/(Losses):				
Lancashire County Pension Fund	8,342	3,264	(5,124)	(2,025)
Social Housing Pension Scheme	2,404	1,512	(2,659)	(1,634)
	10,746	**4,776**	**(7,783)**	**(3,659)**

Lancashire County pension fund

The most recent full actuarial valuation of the fund was as at 31 March 2019, the results of which were:

Valuation Method	Projected Unit
Value of Assets	£10,504 million

The Group's employers' contributions to the fund during the year were 20.9% of pensionable salary in the year, and amounted to £248k. The following table details the numbers of staff who are members of the fund.

Notes to the financial statements continued

for the year ended 31 March 2022

31 Pension obligations continued

	Employers' Contributions		No. Staff	
	2022 £'000	2021 £'000	2022 Number	2021 Number
Progress Housing Association	457	453	70	66
Progress Housing Group	248	247	22	23
Total Group	705	700	92	89

Actuarial Assumptions	2022	2021
Rate of CPI Inflation	3.30%	2.70%
Rate of Increase in Salaries	4.80%	4.20%
Rate of Increase in Pensions	3.40%	2.80%
Discount Rate	2.80%	2.10%

Asset Information - Group	Market Value at 31 March 2022 £'000	% Split of Assets %	Market Value at 31 March 2021 £'000	% Split of Assets %
Equities	61	0.1	25,812	46.9
Government Bonds	500	0.8	-	-
Other Bonds	-	-	-	-
Property	1,000	1.6	7,815	14.2
Cash/Liquidity	1,563	2.5	1,211	2.2
Other (includes Credit funds, Overseas pooled & Private equity funds, Infrastructure)	59,371	95.0	20,198	36.7
Total Market Value of Assets	62,495	100	55,036	100
Present Value of Scheme Liabilities	70,617		70,497	
Net Pension Liability before tax asset	(8,122)		(15,461)	
Deferred tax asset	624		1,338	
Net Pension Liability after tax asset	(7,498)		(14,123)	
Group parent liability	(1,749)		(4,689)	
Deferred tax asset	624		1,338	
	(1,125)		(3,351)	

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

The following disclosures relate to the Group as a whole

Balance Sheet Items as at 31 March 2022	Group 2022 £000's	Company 2022 £000's	Group 2021 £000's	Company 2021 £000's
Present Value of Funded Benefit Obligations	70,553	26,256	70,428	26,238
Present Value of Unfunded Benefit Obligations	64	-	69	-
Total Present Value of Benefit Obligations	70,617	26,256	70,497	26,238
Fair Value of Plan Assets	(62,495)	(24,507)	(55,036)	(21,549)
Deficit before deferred tax asset	**8,122**	**1,749**	**15,461**	**4,689**

Components of pension cost for period to 31 March	2022	2022	2021	2021
Current Service Cost	1,375	468	1,109	380
Net Interest Cost	318	97	223	56
Admin Expenses	20	7	20	7
Past Service Cost	-	-	-	-
Total pension cost recognised in Income & Expenditure	**1,713**	**572**	**1,352**	**443**

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Statement of recognised total recognised surpluses and deficits

	Group 2022 £000's	Company 2022 £000's	Group 2021 £000's	Company 2021 £000's
Statement of Recognised Total Recognised Surpluses and Deficits				
Remeasurements (liabilities & assets) before deferred tax asset	(8,342)	(3,264)	5,124	2,025
Total Remeasurements included in Statement of Comprehensive Income	**(8,342)**	**(3,264)**	**5,124**	**2,025**

Changes in benefit obligation during period to 31 March 2022

	Group 2022 £000's Unfunded Benefits	Group 2022 £000's All Benefits	Company 2022 £000's All Benefits	Group 2021 £000's Unfunded Benefits	Group 2021 £000's All Benefits	Company 2021 £000's All Benefits
Benefit Obligation at beginning of period	69	70,497	26,238	67	69,948	22,103
Current Service Cost	-	1,375	468	-	1,109	380
Interest on Pension Liabilities	1	1,470	548	2	1,422	525
Member Contributions	-	248	104	-	243	101
Past Service Cost	-	-	-	-	-	-
Remeasurements (gain)/loss on assumptions	(1)	(1,637)	(636)	5	9,371	3,686
Transfer between other group companies	(5)	(870)	-	(5)	(1,039)	-
Benefits/transfers paid	-	(466)	(466)	-	(557)	(557)
Benefit Obligation at end of period	64	70,617	26,256	69	70,497	26,238

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Change in plan assets during period to 31 March 2022

	Group 2022 £000's Unfunded Benefits	Group 2022 £000's All Benefits	Company 2022 £000's All Benefits	Group 2021 £000's Unfunded Benefits	Group 2021 £000's All Benefits	Company 2021 £000's All Benefits
Fair value of plan assets at beginning of period	-	55,036	21,549	-	50,258	19,635
Interest on plan assets	-	1,152	451	-	1,199	469
Remeasurements assets	-	6,705	2,628	-	4,247	1,661
Admin expenses	-	(20)	(7)	-	(20)	(7)
Employer contributions	5	710	248	5	705	247
Member contributions	-	248	104	-	243	101
Benefits/transfers paid	(5)	(1,336)	(466)	(5)	(1,596)	(557)
Fair value of plan assets at end of period	-	62,495	24,507	-	55,036	21,549
Deficit before deferred tax asset	**64**	**8,122**	**1,749**	**69**	**15,461**	**4,689**
Actual Return on Plan Assets		7,845	3,074		5,448	1,131

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Post retirement mortality assumptions

Non-retired members	S3PA CMI_2018 [1.75%] (110% Males, 94% Females)	S2PA CMI_2018 [1.75%] (110% Males, 94% Females)
Retired members	S3PA CMI_2018 [1.75%] (103% Males, 91% Females)	S2PA CMI_2018 [1.75%] (103% Males, 91% Females)
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	23.7 (26.8) years	23.9 (26.9) years
of a male (female) current pensioner aged 65	22.3 (25) years	22.4 (25.1) years
Market value of total fund assets (£ millions)	**10,504**	**9,294**

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Social Housing Pension Scheme

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

	Group 31 March 2022	Company 31 March 2022	Group 31/03/ 2021	Company 31/03/ 2021
	£,000	£'000	£,000	£'000
Fair value of plan assets	12,804	7,375	10,751	6,258
Present value of defined benefit obligation	14,184	8,123	14,692	8,612
Total defined benefit (liability) to be recognised	(1,380)	(748)	(3,941)	(2,354)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Group 31 March 2022	Company 31 March 2022
	£'000	£'000
Defined benefit obligation at start of period	14,692	8,612
Current service cost	238	128
Expenses	11	6
Interest expense	327	192
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	755	278
Actuarial (gains) losses due to changes in demographic assumptions	(205)	(117)
Actuarial (gains) losses due to changes in financial assumptions	(1,488)	(894)
Benefits paid and expenses	(146)	(82)
Defined benefit obligation at end of period	14,184	8,123

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Group 31 March 2022 £'000	Company 31 March 2022 £'000
Fair value of plan assets at start of period	10,751	6,258
Interest income	242	141
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	1,466	779
Contributions by the employer	491	279
Contributions by plan participants	-	-
Benefits paid and expenses	(146)	(82)
Total fair value of plan assets at end of period	**12,804**	**7,375**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £1,240,000, (Company £765,000).

Defined benefit cost recognised in statement of comprehensive income (SOCI)

	Group 31 March 2022 £'000	Company 31 March 2022 £'000
Current service cost	238	128
Expenses	11	6
Net interest expense	85	51
Defined benefit costs recognised in statement of comprehensive income (SOCI)	**334**	**185**

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Defined benefit cost recognised in other comprehensive income.

	Group	Company
	31 March 2022	31 March 2022
	£'000	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	1,466	779
Experience gains and losses arising on the plan liabilities - gain (loss)	(755)	(278)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	205	117
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,488	894
Total amount recognised in other comprehensive income - gain (loss)	**2,404**	**1,512**

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Assets	Group 31 March 2022 £'000	Company 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2021 £'000
Global Equity	2,457	1,415	1,713	997
Absolute Return	514	296	593	345
Distressed Opportunities	458	264	311	181
Credit Relative Value	425	245	338	197
Alternative Risk Premia	422	243	405	236
Fund of Hedge Funds	-	-	2	1
Emerging Markets Debt	373	215	434	253
Risk Sharing	422	243	392	228
Insurance-Linked Securities	299	172	258	150
Property	346	199	223	130
Infrastructure	912	525	717	417
Private Debt	328	189	256	149
Opportunistic Illiquid Credit	430	248	273	159
High Yield	111	64	322	187
Opportunistic Credit	45	26	295	172
Cash	43	25		
Corporate Bond Fund	854	492	635	370
Liquid Credit	-	-	129	75
Long Lease Property	330	190	211	123
Secured Income	477	275	447	260
Liability Driven Investment	3,573	2,058		-
Currency Hedging	(50)	(29)	2,732	1,590
Net Current Assets	35	20	65	38
Total assets	**12,804**	**7,375**	**10,751**	**6,258**

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

Notes to the financial statements continued

for the year ended 31 March 2022

31. Pension obligations continued

Key assumptions	Group 31 March 2022 % per annum	Company 31 March 2022 % per annum	Group 31 March 2021 % per annum	Company 31 March 2021 % per annum
Discount Rate	2.77%	2.77%	2.22%	2.22%
Inflation (RPI)	3.42%	3.39%	3.20%	3.19%
Inflation (CPI)	3.12%	3.11%	2.87%	2.88%
Salary Growth	4.12%	4.11%	3.87%	3.88%
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:

	Group Life expectancy at age 65 (Years)	Company Life expectancy at age 65 (Years)
Male retiring in 2020	21.1	21.1
Female retiring in 2020	23.7	23.7
Male retiring in 2040	22.4	22.4
Female retiring in 2040	25.2	25.2

Notes to the financial statements continued

for the year ended 31 March 2022

32 Prior period restatement

Errors have been identified in the prior period consolidated statement of cash flows. These errors have resulted in a prior period restatement as explained below:

Within cashflows from operating activities the "Pension cost less contributions paid" row was incorrectly stated as an outflow of £1,564k, this has been restated to an inflow of £253k. This is an overall cash inflow adjustment of £1,817k. The other side of this error was within cashflows from operating activities "(Decrease)/increase in trade and other creditors" where the previously stated inflow of £4,331k has been reduced to a cash inflow of £2,515k.

Within cash flows from investing activities "Development for sale proceeds" cash inflows were understated by £3,069k and has therefore been increased from an inflow of £1,120k to an inflow of £4,189k. The other side of this error was again on the within cashflows from investing activities "Purchase of housing properties" which has been restated from a cash outflow of £14,684k to a cash outflow of £17,753k.

Finally it was identified that the "Development for sale proceeds" noted above was incorrectly classified within investing activities rather than operating activities, the impact of this restatement is to increase the cashflow used in investing activities by £4,189k and increase the cashflow from operating activities by £4,189k.

33 Post balance sheet event

On 15 June 2022 Progress Housing Association received £50m of deferred private placement funding originally agreed in July 2021.

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