Arches Housing Limited

Annual Report and Financial Statements

For the year ended 31 March 2024

Registered Number: 21451R

Arches Housing Limited
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Arches Housing Limited
The Board, Executives and Advisors

Board of Management

Alan Long - Chair
Ian Falconer – Deputy Chair
Kay Dickinson (Retired 11 September 2023)
Ajman Ali
Lisa Bradley
Andrea Brough
Terry Gallagher
Brian Hamlin (Resigned 11 September 2023)
Mohammed Jamil (Retired 11 September 2023)
Andrew Liles
Mahara Haque
Adam Collin (Appointed 11 September 2023)
Alison Knowles (Appointed 11 September 2023)
Martyn Broadest (Appointed 11 September 2023)
Tracy Watterson (Appointed 11 September 2023)

Executive Team

Paul Common - Chief Executive
John Hudson - Operations Director
Bill Truin – Strategic Financial Advisor

Secretary and registered office

P Common
122 Burngreave Road
Sheffield
S3 9DE

Auditor

Forvis Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Solicitors

Taylor & Emmet
20 Arundel Gate
Sheffield
S1 2PP

Bankers

Co-operative Bank plc
84-86 West Street
Sheffield
S1 3SX

Arches Housing Limited
Strategic Report

An organisation with a business head and a social heart – Our vision

Arches exists to bring affordable housing to diverse communities across the South Yorkshire Mayoral Combined Authority and north Derbyshire, contributing to people's wellbeing by providing safe, secure, warm homes that meet their needs.

We believe our values, which are a set of statements of shared beliefs and principles, are authentic and reflect our unique nature.

Our Values:

Steel | Choosing to do the right thing over the easy thing; being determined to see things through and staying true to our roots.
Momentum | Being responsive to people and opportunities; generating solutions swiftly as a consequence of having the trust and freedom to take decisions.
Simplicity | Sticking to what actually matters; to make it easier to do a good job and achieve positive outcomes.
Connections | Recognising that we can achieve more with others than alone; building honest and supportive relationships inside Arches and beyond.
Individuality | Appreciating the life experience, skills and insights of others; listening with empathy, seeking to dignify everyone involved.

Corporate long term goals and strategic priorities to 2026

During 2021 we agreed a set of 5 year strategic priorities taking us to 2026, which give focus to our corporate long-term goals.

The priorities and commitments are costed within the long term financial plan and reviewed by Arches Board through an annual delivery plan taking account of the dynamics of current, economic, financial and social factors.

Long term goals:

- Putting customers at the heart of what we do.
- Providing homes that people want to live in.
- Playing our part in increasing the number of affordable homes in the South Yorkshire Mayoral Combined Authority and north Derbyshire.
- Maintaining a sustainable and balanced business model.
- Being a well-run organisation.

Our strategic priorities for 2021-26

For **Customers**, we will deliver:
- Homes, services, and support that are inclusive, easily accessible and recognise the differing needs and aspirations of our individual customers and their diverse communities.
- Properties and neighbourhoods where people are proud to live.
- Energy efficient homes that contribute to carbon reduction targets.
- More high-quality affordable homes for rent and sale.

As a **Business**, we will be recognised as being well governed, ambitious, and financially resilient, with a strong Board that listens to and acts on what customers tell us.

Our commitments for 2021-26

- Overall customer satisfaction across all customer groups is better than at least 75% of our peers.
- 100% of our properties meet the enhanced Arches Homes Standard.
- A continuous improvement in customer's satisfaction with the quality of their homes and neighbourhoods.
- All planned actions to 2026 of the Arches Carbon Neutral Plan are complete.
- At least 200 more affordable homes for rent and sale.
- A lower average operating cost per unit than our peers.
- An average operating margin of 20% available for reinvestment.
- Achieve IIP Gold and Investors in Diversity Accreditation.
- Maintain our G1/V1 rating from the Regulator of Social Housing.
- A Board and employee profile that better reflects that of our customers and their communities.

Business Model

Arches has been a social landlord providing affordable homes since the organisation was formed in 1975. Arches works in diverse neighbourhoods and more than half of our tenants are from a rich mix of ethnic minority communities.

Key achievements in 2023/24 include:

- Continued to deliver robust operational performance in a demanding operating environment reducing total arrears to 3.08% and void loss to 0.32%, and achieving an overall Tenant Satisfaction Measure of 77%.
- Invested a total of £3,557k (2022/23: £3,207k) in property maintenance and improvements and maintained substantial compliance with the Arches Home Standard.
- Completed the development of 14 new rented properties into management in Rotherham and Chesterfield, with a significant uptick in new business and the creation of a pipeline of a further 117 properties.
- On-going implementation of the delivery plan to bring all properties to EPC level 'C' by 2026. 25 properties underwent significant energy efficiency works and over 95% of properties are now at EPC level C or higher .
- Continued to implement a proactive programme of Damp, Mould and Condensation surveys and works, progressing cases using enhanced risk assessment matrix and specialist software to identify and resolve root causes.
- Completion of a comprehensive stock condition survey programme, 82% of properties were surveyed internally and 100% externally
- Retained IIP Gold standard through the annual review following the accreditation gained in 2022.
- During the year we had an In Depth Assessment from the regulator of Social housing, this resulted in us maintaining our G1/V1 status, the highest rating for governance and financial viability.
- Caretaking Service launched and operating across numerous developments. Customer feedback has been positive and there is a visible improvement in the areas where the service is operating.
- New web site launched in November 2023 with upgraded content and design and significantly improved accessibility.
- Arches Neighbourhood Network launched. Two scrutiny projects completed in the year – Repairs & Maintenance and Allocations and Lettings - ensuring residents are at the heart of our strategic decision making.

Key challenges in the year

- On-going high interest rates have continued to impact on lending costs for the business, as well as reducing headroom for our interest cover bank covenant. As always, we have actively managed our expenditure throughout the year using our resilience plan golden rules and triggers to ensure tolerable levels of headroom on loan covenants and overall good financial governance.
- The Cost of Living crisis, including soaring energy prices, has continued to bring difficulties for our customers and staff. We have invested more into tenant at risk budgets to ensure housing staff have the ability and means to help customers as and when they see the need arise.
- Damp, mould and condensation continues to be a key challenge for the housing sector. Following the stock condition survey undertaken during 2023 we have increased expenditure and staffing to ensure cases of damp and mould are treated promptly and effectively and the root causes of the problems are identified.
- High inflation rates, particularly differential inflation for some goods and services, continue to be a challenge for the business, in particular for maintenance and new development costs.
- Understanding and preparing for the high volume of significant regulatory and legal changes effecting the housing sector has proved demanding.

Summary of Annual Results

Statement of Comprehensive Income	**2023/24 £'M**	**2022/23 £'M**
Turnover	7.5	6.9
Operating Surplus	2.0	1.5
Surplus for the year before taxation	0.8	0.5

Statement of Financial Position	**2023/24 £'M**	**2022/23 £'M**
Fixed Assets	65.2	64.0
Net Current Liabilities	(1.0)	(0.5)
Long term creditors	47.4	47.4
Reserves	16.8	16.1

Accommodation (units)	**2023/24**	**2022/23**
Total owned and managed	1,324	1,316

Ratios	**2023/24**	**2022/23**
Operating Margin	21.8%	19.9%
Covenant Interest Cover	1.33	1.35
Covenant Historic cost Gearing	27%	27%

Performance

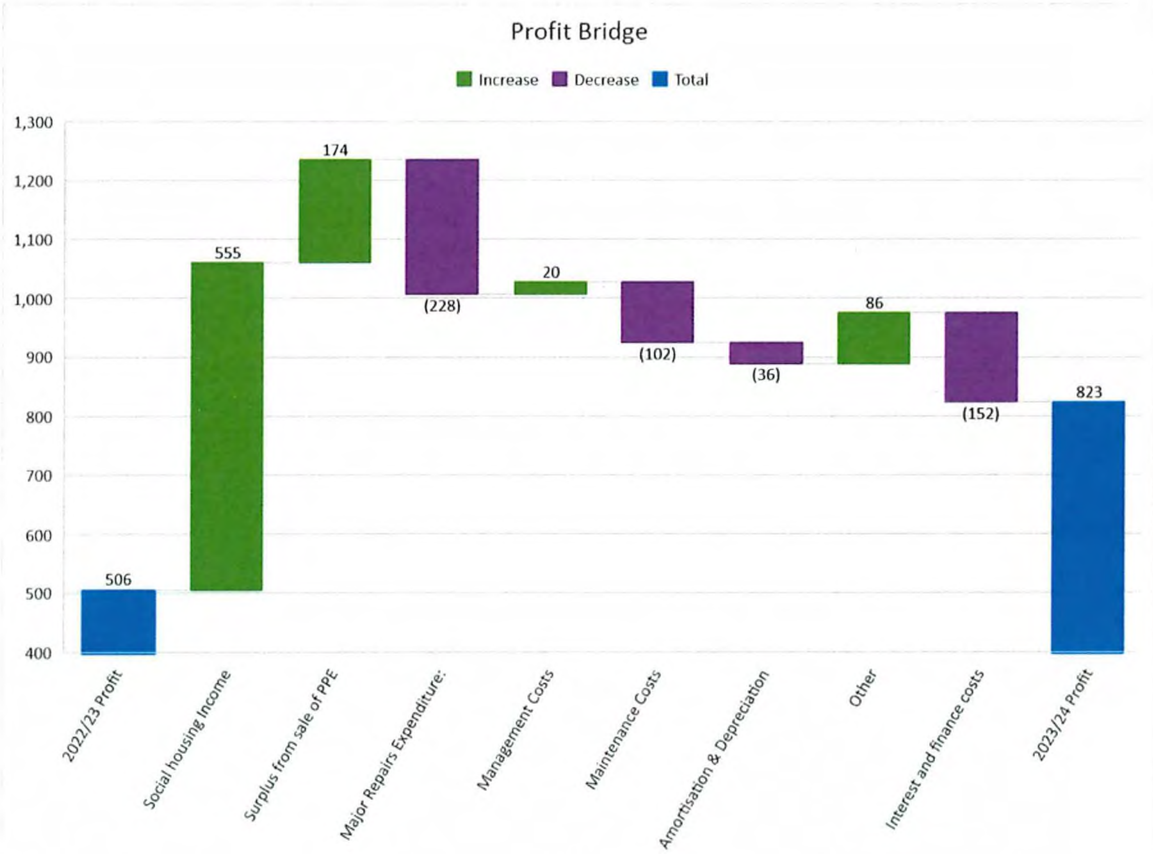
Arches has maintained steady financial performance throughout the year. Overall surplus and underlying operating surplus have improved from the prior year, but interest cover remains low due to the increased interest rates during the last few years. The graph overleaf shows the primary movements in income and expenditure from the prior year.

Social Housing income continued to grow, with general needs rents increasing in line with the rent settlement. In addition, during the year we developed 14 new rented properties which have contributed to the overall increase in rental income.

Profit from first tranche sales increased as we sold 6 units in 23/24 compared to 0 in 22/23. These disposals were through a mix of RTA, market disposal and staircasing of shared ownership. Major repairs expenditure has increased significantly as we continue to invest in our existing stock.

The revenue element of maintenance costs increased by £102k in the year this was primarily due to works carried out to bring properties to an EPC C level, works following our Stock condition programme and general price increases in the sector. Depreciation has increased as we continue to reinvest in our stock and develop new properties.

Interest costs increased from the prior year, as variable rates remain high. In addition we fixed a proportion of our long term loans during the period and drew down more of our agreed financing.



Loan Covenant Compliance

Our loan covenants primarily consist of interest cover and gearing. All covenants within the year have been met. Covenants are monitored monthly through management accounts and reported to Board quarterly and also through the long-term financial plan. The plan shows that we are able to operate within our covenants under a number of risk-based scenarios.

Arches Housing Limited
Strategic Report

Going Concern

Arches is affected by uncertainty from government policy, economic factors and the regulatory environment. Despite all of this, the Association continues to deliver a healthy annual turnover and growth in property numbers. Our long-term financial plan has been created to provide flexibility and resilience to address challenges in the operating environment and retain headroom to deal with any negative impacts as they occur.

Stress testing of the long-term financial plan allows us to understand the factors that could present extreme circumstances for the Association. Additionally, the Board has in place a Resilience Plan that includes agreed golden rules, triggers and operational responses to ensure a planned approach to any recovery. Our risk management activities provide a thorough review of all of our strategic risks (including financial ones) and enable the Association to develop strategies to mitigate the impact should risks crystallise.

On this basis the Board of Arches has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months after the date on which the report and financial statements are signed. For this reason, we continue to adopt the going concern basis in the financial statements.

Investing in the future

Our Delivery Plan for 2024/25 includes:

Homes, services and support that are inclusive, easily accessible and recognise the differing needs and aspirations of our individual customers and their diverse communities.

- Develop an Arches Customer Service Strategy
- Develop a methodology for utilising tenant data to tailor services as appropriate
- Review/Redesign the operational delivery of the Arches Repair Service
- Develop and implement plan to deliver compliance with Housing Ombudsman statutory code on complaints
- Develop and implement a plan that evidences compliance with revised consumer standards including outcomes for customers and assurance from customers.

Properties and neighbourhoods where people are proud to live

- Review Arches Home Standard
- Play one key supporting role in a project that benefits all neighbourhoods
- Expand pilot caretaking service to other parts of North Sheffield stock and undertake feasibility of bringing in house
- Review specifications with customers and then reprocure grounds maintenance contract

Energy efficient homes that contribute to carbon reduction targets

- Deliver annual EPC C improvement works
- Review and Develop management of damp, mould and condensation approach
- Investigate ECO and other funding opportunities for decarbonisation works to home

More high quality affordable homes for rent and sale

- Deliver 2024/2025 development programme
- Deliver one new development in core area
- Procure forward pipeline of developments and growth to meet Growth Strategy targets

As a business we will be recognised as being well governed, and financially resilient, with a strong Board that listens to and acts on what customers tell us.

- Deliver year 2 of IT Strategy improvements to IT systems
- Implement a Treasury Strategy that support Arches growth and investment
- Undertake corporate plan refresh
- Develop methodology for Corporate Plan Development from 26/27 onwards
- Undertake a review of staff terms and conditions

Key Performance Indicators

Key operational performance indicators that we use to monitor delivery of our aspirations are:

Key Performance Indicators	2023/24	2022/23	2023/24 Target
Property Turnover (%)	7.09%	7.30%	8.50%
Average Re-let Time (days)	15	16	13
Void Rent Loss (%)	0.32%	0.39%	0.33%
Rent Collection as a % of Rent Charged	100.24%	100.00%	100.00%
Overall Customer Satisfaction	76.74%	80.00%	82.00%
Arrears as a % of Annual Rent – Current and former tenants	3.08%	3.14%	3.5%

Overall, 2023/24 was a positive year for Arches in terms of its operational performance. We met all of our targets in respect of operational performance with the exception of customer satisfaction, which was reduced in the year. We believe that our approach to repairs delivery is a key driver of customer satisfaction for our tenants and improving this will be a focus in 2024/2025 and will be led by a working group of the Board. Notwithstanding this issue, our underlying operational performance was strong for the year when compared to our peers.

Value for Money

Housing associations are regulated against a number of standards, one of which is the Value for Money Standard. The Standard includes the requirement to link Board agreed strategic objectives to achieving VfM. The Standard also includes an expectation of a robust approach to VfM across the business and the setting of targets and the introduction of 'metrics' which associations are expected to report against.
The regulator metrics are:

- Reinvestment %
- New supply delivered %
- Gearing %
- EBITDA major repairs included interest cover %
- Headline social housing cost per unit
- Operating margin %
- Return on capital employed

In addition, Arches has added two more metrics:
- Customer satisfaction
- Rent as Value for Money

Our overarching VfM Metric Objectives for 2021/22 – 2023/24 are:

1. Keep total social housing cost per unit (CPU) below Housemark peer group median.
2. Maintain 'core' CPU at the same or reduced level, producing real terms savings.
3. Maintain major works CPU above peer group median, to deliver higher level of reinvestment in our stock than our peers, enhanced energy efficiencies and carbon reduction in our properties
4. Add 20 new properties per year to our stock, this is the bottom end of the growth strategy range of 20-40 units.
5. Increase customer satisfaction

2023/24 performance against overarching VfM objectives

1. The overall cost per unit is £3,965 for 2023/24, £453 below the 2022/23 peer group median. We have continued to invest heavily in our social housing stock and in 2023/24 brought 95.3% up to EPC level C or above. Going forward we are continuing to invest in the energy efficiency of our properties and planning to bring them all up to EPC level C by 2026, even with this investment we are projecting that we will remain below this peer group next year.

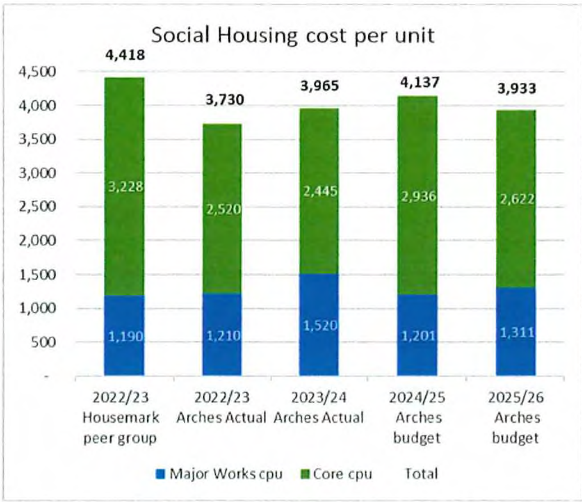
2. Our 'Core CPU' of £2,445 remained below our peer groups median of £3,228, as we continue to maintain a handle on our overall costs. These figures can be seen in the graph below.

3. Our 'major works CPU' is £1,520, £330 above the 2023 peer group median. We aim to spend more that the peer group median on major works and have done so again this year. We are projecting to continue to spend more than the peer group going forward as we make a concerted effort to spend on improving our properties.

4. We delivered 14 new homes in the 2023/24 year, 6 below the targeted 20 homes. This is due to issues around securing new business, this is the impact of previous years new business challenges. The challenges have included the financial stability and viability of contractors, construction inflation being greater than market inflation, high land value aspirations and changes to the house and rental values occurring in the past 12 months. Officers as at year end were working to secure more opportunities, that would contract in 2024/25. This means Officers are positive that historical shortfalls will be recovered in 2024/25 and beyond, against a target of at least 20 homes per year.

5. Customer satisfaction for the year was 76.74% this is based on the new TSM methodology for collecting satisfaction data. This figure is below the 2022/23 peer group median of 85.71% and below our ambitious target of 82%. We continue to focus on improving this area with increased activity in customer engagement programmes and continued investment in people's homes.

Arches Housing Limited
Strategic Report



Value for Money Metrics

	VfM finance metrics	2022/23 Housemark peer group (median)	2022/23 Arches Actual	2023/24 Arches Actual	2024/25 Arches Forecast	2025/26 Arches Forecast	Target
1	Reinvestment% (including development spend)	6.50%	5.29%	4.71%	7.65%	12.72%	>6.50%
2	New social housing units supply delivered %	1.28%	1.90%	1.05%	1.48%	5.00%	>1.48%
3	Gearing %	41.99%	37.98%	37.62%	38.08%	45.00%	37%
4	Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	134%	144%	140%	167%	181%	>134%
5	Headline social housing cost per unit	£4,418	£3,730	£3,965	£4,097	£3,933	<£4,418
6a	Operating Margin (social housing lettings only)	17.52%	18.29%	18.98%	19.91%	29.13%	>20%
6b	Operating Margin (overall)	18.00%	19.92%	21.84%	20.32%	28.56%	>20%
7	Return on capital employed (ROCE)	2.61%	2.43%	3.10%	2.33%	3.52%	>2.2%

	Arches Metrics						
8	Customer Satisfaction	85.71%	80.00%	76.74%	77.00%	77.00%	82.00%
9	Rent as Value for Money	88.16%	88.24%	88.16%	93.41%	93.41%	93.41%

Metrics commentary

The targets above were agreed when the Value for Money Strategy 2021/22 – 2023/24 was agreed by board. The forecasted figures represent the outturn of the 2024/25 budget and year two of the business plan. Our peer group is northern based traditional housing associations. The targets presented move each year based on the latest peer group and internal arches data.

The basis of each target remains the same and can be seen in the Value for Money Strategy document.

1) Our reinvestment in both existing stock and development schemes is short of achieving target and peer group median. The split in the year was 1.63% on reinvestment in existing stock and 3.08% for development spend. The target figure is based on our growth strategy of developing at least 20 units a year and due to the challenges within the construction and housing delivery sector we have not been able to deliver at least 20 homes as we targeted to. Next year we expect the reinvestment metric to increase significantly as we are due to deliver 20 homes. We are projecting a reinvestment figure of 7.65% (2.31% on reinvestment in existing stock and 5.34% on development).

2) Our target is to develop at least 20 homes a year over a 5-year growth plan from 2023. Our target of 1.48% is based on delivering at least 20 units a year. This target was not achieved in the current year with 14 new units developed. This was due to the pipeline of developments not being secured as expected, due to challenges in the sector. We are actively seeking sites to build up the pipeline, as we work to deliver on our growth strategy. Currently we are forecasting to meet the goal in 2024/25, and looking to deliver on target years going forward. We are projecting to maintain supply above the peer group next year, which demonstrates how ambitious our growth plan is.

3) Gearing remains below peer group median and consistent with our target. We have increased our asset base without largely increasing our borrowings in the year which has led to a slight decrease in the current year figure. We anticipate that we will increase our gearing over the next few years as we continue to fund the growth plan.

4) The EBITDA MRI has decreased from the prior year as interest costs have increased in the year. This result is above our target and our peer group. We plan to increase our EBITDA MRI to well above target levels in 23/24 and 24/25 as we manage our cost base to ensure increased interest cover.

5) The Social Housing cost per unit has increased from the prior year, with inflationary pressures and continued investment in our social housing stock. We remain below the target and peer group levels. Going forward we are investing in the energy efficiency of our properties and planning to bring them all up to EPC level C by 2026, even with this investment we are projecting that we will remain below this peer group median next year.

6) Overall Operating Margin has increased from the prior year. This is primarily due to increased rental income in the year. We are forecasting to maintain operating margin above target levels over the next two financial years, which will also keep us above peer group for overall operating margin.

7) The ROCE target is to maintain the business plan average, we are above our target and our peer group. Our underlying operating surplus has increased 29%, whilst our asset base has increased but by a more modest 1.2%, causing our ROCE to increase from the prior year, we are forecasting to maintain above target surplus levels for the next two years which will in turn increase the ROCE to above the current and target levels.

8) Customer satisfaction is below our target of 82% and below the peer group median, our figure is based on the new TSM methodology for calculating satisfaction. Our target is to be top quartile in our peer group. Going forward this top quartile has dropped to 77%, which reflects our own drop in satisfaction under the new methodology. Our forecast figures are therefore to be in the top quartile at 77% going forward. We continue to focus

on increasing customer engagement programmes and continuing to invest in existing homes and services, which we hope will bring our customer satisfaction up to target.

9) The Rent as Value for Money metric is below target but level with our peer group. As with customer satisfaction we hope that our increased investment in services, customer engagement and people's homes will increase this metric in the coming few years. We recognise that with the cost of living crisis and focus on inflationary linked rent increases it will become increasingly important to demonstrate rent as value for money to our tenants.

Environmental, Social and Governance Measures

For the first time this year we have compiled Environmental, Social and Governance Measures. Below we have set out a selection of the results which show the performance of the organization against our peers.

Measure	Arches 2023/24	Peer group 22/23 (Median)
Percentage of homes that have an EPC rating of C or above	95.3%	71%
Rent compared to median Private Rental Sector (PRS) rent across the local authority	64.6%	65%
Gender pay gap	12.0	11.8
CEO to worker pay ratio	2.9	8.1
Percentage of Board members who are women	42%	42%
Percentage of Board members who are BAME	17%	17%
Average age of Board members	55	57
Average tenure of Board	3.34	3.3

Arches Housing Limited
Statement of responsibilities of the Board of Management

Internal Control

The Board has overall responsibility for the system of internal control and risk management and for reviewing its effectiveness.

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide the Board with reasonable, and not absolute, assurance against material misstatement or loss.

The key features of the Association's system of internal control include:

Audit and Risk Assurance Committee assurance – this Committee meets regularly with members of the Executive team, the internal and external auditors to review specific reporting and internal control matters to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Assurance Committee also reviews any follow up actions to correct identified weaknesses. All Board members receive the minutes of the Audit and Risk Assurance Committee;

Internal audit assurance - the internal audit function has a direct reporting line to the Audit and Risk Assurance Committee. The internal audit programme is designed to review the key areas of risk and adherence to relevant law;

Assurance from external advisors – The Audit and Risk Assurance Committee and Board commission assurance reports from specialist advisors. These reports, with the internal audit programme, form the Annual Assurance Plan;

External audit assurance – the work of the external auditor provides some further independent assurance of the internal control environment, as described in its audit report. The Association also receives a management letter from the external auditors identifying any internal control weaknesses. In accordance with best practice, the Audit and Risk Assurance Committee and the Board consider this letter;

The preparation and monitoring of budgets and long-term financial plans. The Board reviews performance throughout the year and the reports it receives ensure variances are identified and acted upon;

A process for approving all investment decisions – all major investment decisions are subject to review and recommendation by the Investment Committee for approval by the Board and comply with the Delegation Framework and Financial Regulations.

The Audit and Risk Assurance Committee and Board have reviewed the executive report on the internal controls framework and confirmed reasonable assurance that the system of internal controls is operating effectively.

Risks and Assurance

The identification and assessment of key risks is undertaken through the review of strategic risks at Board and Committee meetings. The Board reviews its risk appetite periodically.

The Executive team regularly reviews the risk register and also review individual risks when there are material changes of circumstances relating to identified risks and in the wider operating environment. "Deep dives" are undertaken by the Board and committee's dependent on the relevant risk and there is appropriate challenge to officers on the management of key risks as part of this process.

The Board applies the "three lines of defence" model for assurance and this supports the Board's annual assurance plan which in turn enables appropriate assurance to be sought, where needed, from the most appropriate source during the year. This approach is the foundation for the Board's annual assurance plan. The Audit and Risk Assurance Committee monitor the delivery of the plan through the year and commission additional assurance as required.

The Association continues to utilise the Pentana Risk Management System which facilitates a comprehensive overview of risk management. The system enables transparency of risk management across the Association, including the history of the assessment of risks and an audit trail, and allows the Board to take a holistic view of risk including internal controls, sources of assurance, indicators of potential effect and mitigating actions.

Governance

The Board of Arches Housing Limited is committed to upholding the highest standards of corporate governance and has adopted the NHF Code of Governance 2020.

Annually the association assessed itself against the Regulator of Social Housing (RSH) regulatory standards and the NHF Code of Governance and confirmed it was compliant with all standards and the code, including the RSH Governance and Financial Viability Standard.

During the year we had an In Depth Assessment from the regulator of Social housing, this resulted in us maintaining our G1/V1 status, the highest rating for governance and financial viability.

Board

A Board of twelve non-executive directors currently governs the Association, with day-to-day management delegated to the Executive team. Twelve members hold one fully paid up £1 share in the Association.

The role of the Arches' Board is to direct and determine strategic direction and business critical policies and to ensure the Association meets all legal and regulatory requirements.

The Board delegates certain governance responsibilities to committees, which have their own approved terms of reference:

Audit and Risk Assurance Committee

The role of this committee is to oversee arrangements for considering how the organisation ensures value for money, maintains a sound system of internal controls and manages risk. It is also charged with reviewing the organisations financial statements and maintaining an appropriate relationship with its internal and external auditors.

Investment Committee

The purpose of this committee is to examine in detail investment proposals, both in terms of new development and investment in existing stock and to make recommendations to the Board. It is also to scrutinise new funding proposals and to make recommendations to the Board.

HR and Governance Committee

The role of this committee is to oversee the remuneration and appraisal of non-executive directors and the Chief Executive as well as overseeing the delivery of the People Strategy and governance arrangements.

Attendance

A register of attendance for the Board and committees is maintained to ensure that members are committing sufficient time to allow them to be effective in their roles. Attendance for the Board and committees for financial year 2023/24 is set out below:

Member	Attendance 2023/24
Alan Long	100%
Ian Falconer	85%
Ajman Ali	75%
Lisa Bradley	100%
Andrea Brough	100%
Terry Gallagher	73%
Brian Hamlin	17%
Mohammed Jamil	83%
Andrew Liles	92%
Mahara Haque	75%
Kay Dickinson	100%
Adam Collin	100%
Martyn Broadest	100%
Alison Knowles	71%
Tracy Watterson	100%

Financial Responsibilities

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102. The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the income and expenditure of the organisation for that period.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice has been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Association will continue in business.

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

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

The Board has undertaken a review of the requirements of its chosen code of governance, the NHF Code of Governance (2020) and the Board certifies compliance with the Code.

The Board has undertaken a review of the requirements of the Governance and Financial Viability Standard published by the Regulator of Social Housing, together with the Associations assessment of compliance against this Standard. Based on this review, the Board certifies its compliance with the Standard.

Board members liability insurance
The Association maintains insurance against the liabilities of all members of Arches Housing Limited in relation to their duties.

Disclosure of information to the Auditor
Each of the Board Members, as at the date of this report, have confirmed that:

- As far as they are aware, there is no relevant audit information of which the Association's auditor is unaware.
- They have taken all the 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 auditor is aware of that information.

By order of the Board:

....
Alan Long
Chair

Date: 22 July 2024

Independent auditor's report to the members of Arches Housing Limited

Opinion

We have audited the financial statements of Arches Housing Limited (the 'Association') for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2024 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report.

We have nothing to report in respect of the following matters in relation to which the Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board's remuneration specified by law are not made; 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 Board's responsibilities statement set out on page 14, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Association and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation and Regulator of Social Housing requirements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Association is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the association which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

In addition, we evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 the audit report

This report is made solely to the Association's members as a body in accordance with Part 7 of the Co- operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Forvis Mazars LLP

Forvis Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date: 7/8/24

Arches Housing Limited
Statement of Comprehensive Income
For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	3	7,527	6,864
Operating expenditure	3	(5,883)	(5,496)
Surplus on disposal of property, plant and equipment	5	348	174
Operating surplus		1,992	1,542
Interest receivable	7	30	12
Interest and financing costs	6	(1,199)	(1,048)
Surplus before tax		823	506
Taxation		-	-
Surplus for the year	8	823	506
Other comprehensive income			
Actuarial gains and losses on multi- employer defined benefit scheme	19	(102)	(77)
Total comprehensive income for the year		721	429

Arches Housing Limited
Statement of Financial Position
At 31 March 2024

	Note	2024 £'000	2023 £'000
Fixed assets			
Intangible assets	11	112	59
Housing properties	12	64,475	63,515
Other property, plant and equipment	13	582	405
		65,169	63,979
Current assets			
Stock	14	60	3
Debtors	15	295	236
Investments	16	495	1,009
Cash		636	326
		1,486	1,574
Creditors: Amounts falling due within one year	17	(2,434)	(2,075)
Net current (liabilities)		(948)	(501)
Total assets less current liabilities		64,221	63,478
Creditors: Amounts falling due after more than one year	18	(47,070)	(47,083)
Defined benefit pension liability	19	(326)	(291)
Net assets		16,825	16,104
Capital and reserves			
Share capital	20	-	-
Revenue reserve		16,825	16,104
Total reserves		16,825	16,104

The financial statements of Arches Housing Limited were approved by the Board on 22 July 2024 and signed on its behalf by:

Alan Long
Chair

Ian Falconer
Deputy Chair

Paul Common
Company Secretary

Arches Housing Limited
Statement of Changes in Reserves
For the year ended 31 March 2024

	Income and expenditure reserve 2024 £'000	Income and expenditure reserve 2023 £'000
At 1 April	16,104	15,675
Surplus for the year	823	506
Other comprehensive income	(102)	(77)
At 31 March	16,825	16,104

Arches Housing Limited
Statement of Cash Flows
For the year to 31 March 2024

	Note	2024		2023	
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	21		3,196		2,584
Cash flows from investing activities					
Purchase of property, plant and equipment		(3,342)		(3,440)	
Proceeds from sale of property, plant and equipment		-		-	
Proceeds from sale of housing properties		901		915	
Grants received		-		-	
Grants paid		(233)		(213)	
Interest received		30		12	
Net cash flows from investing activities			(2,644)		(2,726)
Cash flows from financing activities					
Interest paid		(1,199)		(1,048)	
Decrease in deposits		514		142	
New loans		5,500		1,500	
Repayments of borrowings		(5,057)		(529)	
Net cash flows from financing activities			(242)		65
Net (decrease)/increase in cash and cash equivalents			310		(77)
Cash and cash equivalents at beginning of year			326		403
Cash and cash equivalents at end of year			636		326

1. Accounting policies
The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting
The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2022.

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

Going concern
Arches is affected by uncertainty from government policy, economic factors and the regulatory environment Stress testing of the long-term financial plan informs us of the combination of factors that could present extreme circumstances for the Association. Additionally, the Board has approved a Resilience Plan that includes agreed golden rules, triggers and operational responses to ensure a planned approach to any recovery. Our risk management activities provide a thorough review of all of our strategic risks (including financial ones) and enables the Association to develop strategies to mitigate the impact should risks crystallise.

On this basis the Board of Arches has every expectation that the Association has adequate resources to continue as a going concern.

Property, plant and equipment - housing properties
Housing properties are stated at cost (including finance costs), or deemed cost for assets held at valuation at the date of transition to FRS 102, less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

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

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

Structure	80 years
Roofs	60 years
Doors and windows	30 years
Kitchens	20 years
Bathrooms	30 years
Heating systems	30 years
Boilers	15 years
Electrical wiring	40 years

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

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

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

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

Freehold offices	50 Years
Furniture, fixtures & fittings	3 years
Computer equipment	3 years

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

Computer software	3 years

Impairment of social housing properties
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.

Social Housing Grant and other Government grants
Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Donation or acquisition of land or other asset at below market value
Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where a donation of land and/or other assets is received or acquisitions of land and/or other assets at below their market value from a third party that does not meet the definition of a government source the transaction is recognised as an asset in the Statement of Financial Position at fair value, taking account of any restrictions on the use of the asset and income equivalent to the difference between any amounts paid or payable for the asset and the fair value of the asset is recognised in surplus or deficit in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

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

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

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

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

Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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

Taxation
The Association has Charitable status for taxation purposes and is not recognised for VAT.

SHPS Accounting policy
Defined benefit pension plan (SHPS)
The entity operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at the end of the reporting period (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the entity engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with fair value hierarchy and in accordance with the entities policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as a 'finance expense'.

Turnover
Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes and Communities Agency and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

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

Shared ownership property sales
Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or noncurrent assets.

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

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

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

Financial instruments
Financial assets and financial liabilities are recognised when Arches becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost
Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

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

Financial liabilities carried at amortised cost
These financial liabilities include trade and other payables and interest bearing loans and borrowings.

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

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

Financing transactions – rent arrears
For rent arrears where the arrangement constitutes, in effect, a financing transaction because of extended credit arrangements the arrears are derecognised as a financial asset and a new financial asset measured at the present value of the future payments discounted at an appropriate market rate of interest. The present value adjustment is recognised in surplus or deficit in the Statement of Comprehensive Income.

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

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Impairment of social housing properties
Arches has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

In accordance with paragraphs 14.43 to14.45 of the Housing SORP 2014, Arches is required to make the following disclosure:

(a) Judgements made in defining the CGU (cash generating unit)
(b) Estimation technique and judgement used in measuring recoverable amount
(c) When VIU-SP is used to estimate the recoverable amount, the key assumptions used and details of the method used.

Arches estimated the recoverable amount of its housing properties as follows:

(a) Determined the level at which the recoverable amount is to be assessed (i.e. the individual asset level or at cash-generating unit (CGU) level. The CGU was determined to be an individual property
(b) Estimated the recoverable amount of the CGU
(c) Calculated the carrying amount of the CGU and
(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

2. Significant management judgements and key sources of estimation uncertainty (continued)

Impairment
Based on this assessment, Arches calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, there was deemed to be no increase in impairment of social housing properties. The carrying value of any associated balances are disclosed in note 12.

Capitalisation of property development costs
Amounts capitalised within works to existing properties include the cost of replacing components of housing properties. This involves judgement and estimation around areas such as which costs to include in the amount capitalised, how much cost to de-recognise as a replacement, the number of different components and their assigned useful economic lives. The carrying value of any associated balances are disclosed in note 12.

Estimation uncertainty
The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Determining asset lives (housing property components)
Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The entity considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate. The carrying value of any associated balances are disclosed in note 12.

Defined benefit pension scheme
The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. The carrying value of any associated balances are disclosed in note 19.

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

2024

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other income £'000	Operating surplus £'000
Social Housing Lettings (Note 4)	7,214	-	(5,845)	-	1,369
Other Social Housing activities					
1st tranche property sales	-	-	-	-	-
Charges for support services	207	-	(34)	-	173
Developments	-	-	(4)	-	(4)
	7,421	-	(5,883)	-	1,538
Activities other than social housing activities	106	-	-	-	106
Surplus on disposal of property, plant and equipment	-	-	-	348	348
	7,527	-	(5,883)	348	1,992

2023

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other income £'000	Operating surplus £'000
Social Housing Lettings (Note 4)	6,664	-	(5,445)	-	1,219
Other Social Housing activities					
1st tranche property sales	-	-	-	-	-
Charges for support services	146	-	(43)	-	103
Developments	-	-	(8)	-	(8)
	6,810	-	(5,496)	-	1,314
Activities other than social housing activities	54	-	-	-	54
Surplus on disposal of property, plant and equipment	-	-	-	174	174
	6,864	-	(5,496)	174	1,542

4. Particulars of Income and Expenditure from social housing lettings

	Total 2024 £'000	Total 2023 £'000
Income		
Rents receivable	6,711	6,159
Service charge income	88	85
Amortised government grant	415	420
Turnover from social housing lettings	7,214	6,664
Expenditure		
Service charge costs	182	135
Management	1,496	1,516
Routine maintenance	1,536	1,369
Planned maintenance	630	695
Major Repairs Expenditure	340	111
Bad debts	51	40
Depreciation of housing properties	1,610	1,579
Operating costs	5,845	5,445
Operating surplus social housing lettings	1,369	1,219
Void losses	21	16

5. Surplus on disposal of property, plant and equipment

	2024 £'000	2023 £'000
Sale of subsequent tranche shared ownership properties	19	307
Costs of Sale	(21)	(217)
	(2)	90
Other disposal proceeds	882	608
Costs of Sale	(532)	(524)
	350	84
Surplus on disposal	348	174

6. Interest and financing costs

	2024 £'000	2023 £'000
Bank loans and overdrafts	1,289	1,080
Unwinding of discounts on provisions	13	7
Capitalised Interest	(103)	(39)
	1,199	1,048

7. Interest receivable

	2024 £'000	2023 £'000
Bank interest receivable	30	12
	30	12

8. Surplus for the year

Surplus for the year is stated after charging/(crediting):

	2024 £'000	2023 £'000
Depreciation of property, plant and equipment and Housing properties	1,684	1,638
Amortisation of government grants	(415)	(420)
Surplus on disposal of fixed assets	348	174
Audit fees:		
- Statutory audit	24	23
- Audit-related assurance services	-	-
- Tax advisory services	-	-
Operating lease rentals	11	10

9. Staff costs

	2024 £'000	2023 £'000
Wages and salaries	1,321	1,238
Social security costs	123	121
Other pension costs (see note 19)	115	107
	1,559	1,466

The Full Time Equivalent number of staff who received emoluments, including pension contribution, in excess of £60,000 were as shown below.

Salary Band	2024 Number	2023 Number
70,000 – 79,999	-	-
80,000 – 89,999	1	1
90,000 – 99,999	1	1

The average full time equivalent number of employees was:

	2024 Number	2023 Number
	32	31

The basis of the calculation of the full time equivalents was equivalent hours. The average is measured on a monthly basis.

10. Directors' remuneration and transactions

Key management personnel remuneration

	2024 £'000	2023 £'000
Directors who are executive staff members		
Wages and salaries	221	205
Social security costs	18	19
Other pension costs	15	16
Board members		
Wages and salaries	35	30
	289	270

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management team.

10. Directors' remuneration and transactions (continued)

	2024 £'000	2023 £'000
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	91	87

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. The organisation contributed £8,203 to the Chief Executives pension within the year (2023: £8,941).

Board Member remuneration

Member	Remuneration £	Social security £	Total £
Alan Long (Chair)	3,958	-	3,958
Ian Falconer (Deputy Chair)	3,792	-	3,792
Lisa Bradley (Committee Chair)	3,292	-	3,292
Andrew Liles (Committee Chair)	3,292	-	3,292
Terry Gallagher (Committee Chair)	2,843	-	2,843
Ajman Ali	2,292	-	2,292
Andrea Brough	2,292	-	2,292
Mahara Haque	2,292	-	2,292
Kay Dickinson	2,231	-	2,231
Adam Collin	1,394	-	1,394
Alison Knowles	1,394	-	1,394
Martyn Broadest	1,394	-	1,394
Tracy Watterson	1,394	-	1,394
Mohammed Jamil	1,344	-	1,344
Brian Hamlin	901	-	901
	34,105	-	34,105

11. Intangible assets

	Computer software £'000
Cost	
At 1 April 2023	129
Additions	96
Disposals	(56)
As at 31 March 2024	169
Amortisation	
At 1 April 2023	70
Charge for the year	39
Eliminated on disposals	(52)
As at 31 March 2024	57
Net book value	
As at 31 March 2024	112
As at 31 March 2023	59

12. Tangible fixed assets – housing properties

	Completed Properties £'000	Completed Under Construction £'000	Shared Ownership £'000	Total £'000
Cost				
At 1 April 2023	85,128	269	7,067	92,464
Additions	-	1,988	-	1,988
Schemes completed	1,642	(1,642)	-	-
Disposals	(614)	-	(37)	(651)
Components capitalised	1,051	-	-	1,051
Component disposals	(386)	-	-	(386)
At 31 March 2024	86,821	615	7,030	94,466
Depreciation				
At 1 April 2023	27,827	-	1,122	28,949
Charge for the year	1,476	-	83	1,559
Component depreciation written back	(334)	-	-	(334)
Eliminated on disposals	(171)	-	(12)	(183)
At 31 March 2024	28,798	-	1,193	29,991
Net book value				
At 31 March 2024	58,023	615	5,837	64,475
At 31 March 2023	57,301	269	5,945	63,515

Freehold land and buildings with a carrying amount of £41,752,302 (2023: £48,055,316) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

13. Property, plant and equipment - other

	Freehold offices £'000	Furniture fixtures and fittings £'000	Total £'000
Association			
Cost			
At 1 April 2023	603	78	681
Additions	192	14	206
Disposals	-	(6)	(6)
At 31 March 2024	795	86	881
Depreciation			
At 1 April 2023	245	31	276
Charge for the year	13	16	29
Eliminated on disposal	-	(6)	(6)
At 31 March 2024	258	41	299
Net book value			
At 31 March 2024	537	45	582
At 31 March 2023	358	47	405

Freehold land and buildings are held at cost.

14. Stock

	2024 £'000	2023 £'000
Work In Progress	57	-
Materials	3	3
	60	3

15. Debtors

	2024 £'000	2023 £'000
Amounts falling due within one year:		
Rent arrears	238	200
Other debtors	65	55
Provision for bad debts	(204)	(181)
Prepayments	151	136
Accrued income	45	26
	295	236

16. Current asset investments

	2024 £'000	2023 £'000
Unlisted investments – at cost less impairment	217	510
Ring fenced cash balance held as security	278	499
	495	1,009

The Association has a debt instrument for £5.1m drawn from The Housing Finance Corporation, repayable in October 2043. Under this funding agreement the Association is required to maintain an escrow account with THFC with a minimum cash balance equal to one years interest payments.

17. Creditors – amounts falling due within one year

	2024 £'000	2023 £'000
Housing loans (see note 18)	824	692
Rents received in advance	328	349
Trade creditors	467	376
Other taxation and social security	39	34
Growth Plan Pension deficit provision	8	10
Government grants	415	420
Accruals and deferred income	336	179
Bond Premium	17	15
	2,434	2,075

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

	2024 £'000	2023 £'000
Loans	24,066	23,755
Sinking funds	35	31
Bond premium	483	502
Recycled Grant Fund (RCGF) - National	688	317
Recycled Grant Fund (RCGF) – Rotherham MBC	63	63
Growth Plan Pension deficit provision	-	7
Government grants	21,725	22,368
Recycled other grants	10	40
	47,070	47,083

The loans are secured on freehold housing properties. Interest is payable at between 1% and 11.5%.

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

The total accumulated amount of capital grant received or receivable at the balance sheet date is £41,148,854 (2023: £41,481,648).

	2024 £'000	2023 £'000
Deferred income - Government grants		
At 1 April	22,861	23,494
Grants receivable	-	-
Grants payable	(230)	(213)
Amortisation to Statement of Comprehensive Income	(415)	(420)
At 31 March	22,216	22,861
Due within one year	415	420
Due after one year	21,801	22,441

	2024 £'000	2023 £'000
Recycled Capital Grant Fund		
At 1 April	317	49
Inputs to RCGF	341	264
Recycling of grant	-	-
Interest accrued	30	4
At 31 March	688	317

There is nil (2023: £nil) which is outstanding for three or more years and therefore potentially due for repayment to Homes England.

Borrowings are repayable as follows:

	2024 £'000	2023 £'000
Bank loans		
Between one and two years	856	690
Between two and five years	2,789	4,102
After five years	20,602	19,119
Set up costs	(181)	(156)
	24,066	23,755
On demand or within one year	824	692
	24,890	24,447

The Association does not hold any finance leases.

19. Retirement benefit schemes

Defined contribution scheme - Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2022 to 31 January 2025	£3,312,000 per annum (payable monthly)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2025	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

19. Retirement benefit schemes (continued)

Present value of provision

	2024 £'000	2023 £'000
Present value of provision	8	17

Reconciliation of opening and closing provisions

	2024 £'000	2023 £'000
Provision at start of period	17	27
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(10)	(10)
Remeasurements – impact of any change in assumption	-	(1)
Remeasurements – amendments to the contribution Schedule	-	-
Provision at end of period	**8**	**17**

Income and expenditure impact

	2024 £'000	2023 £'000
Interest expense	1	1
Remeasurements – impact of any change in assumption	-	(1)
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service	-	-
Costs recognised in income and expenditure account	**1**	**-**

Assumptions	**31 March 2024**	**31 March 2023**
Rate of discount	5.31	5.52

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

19. Retirement benefit schemes (continued)

Deficit contribution schedule

Year ending	31 March 2024 £s	31 March 2023 £S	31 March 2022 £S
Year 1	8,317	9,981	9,981
Year 2	-	8,317	9,981
Year 3	-	-	8,317
Year 4	-	-	-
Year 5	-	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

The Pensions Trust – Social Housing Pension Scheme

Present values of defined benefit obligation, fair value of plan assets and defined benefit asset (liability)

	2024 £'000	2023 £'000
Fair value of plan assets	1,421	1,483
Present value of defined benefit obligations	(1,747)	(1,774)
Defined benefit (liability) to be recognised	**(326)**	**(291)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2024 £'000	2023 £'000
Defined benefit obligation at startof period	1,774	2,695
Current service cost	-	12
Expenses	5	5
Interest expense	85	74
Member contributions	-	7
Actuarial losses (gains) due to scheme experience	(3)	(113)
Actuarial losses (gains) due to changes in demographic assumptions	(21)	(4)
Actuarial losses (gains) due to changes in financial assumptions	(17)	(826)
Benefits paid and expenses	(76)	(76)
Defined benefit obligation at end of period	**1,747**	**1,774**

19. Retirement benefit schemes (continued)

Reconciliation of opening and closing balance of the fair value of plan assets

	2024 £'000	2023 £'000
Fair value of plan assets at start of period	1,483	2,405
Interest income	72	67
Experience on plan assets – gain/(loss)	(143)	(1,020)
Employer contributions	85	100
Member contributions	-	7
Benefits paid and expenses	(76)	(76)
Fair value of plan assets at end of period	**1,421**	**1,483**

The actual return on the plan assets (including any changes in share of assets) over the period from 01 April 2023 to 31 March 2024 was (£71,000), (2023: £953,000).

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

	2024 £'000	2023 £'000
Current service cost	-	12
Expenses	5	5
Net interest expense	13	7
Defined benefit costs recognised in statement of comprehensive income (SOCI)	**18**	**24**

Defined benefit costs recognised in other comprehensive income

	2024 £'000	2023 £'000
Experience on plan assets- gain/(loss)	(143)	(1,020)
Experience gains and losses arising on the plan liabilities – gain/(loss)	3	113
Effects of changes in the demographic assumption underlying the present value of the defined benefit obligation – gain/(loss)	21	4
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	17	826
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	**(102)**	**(77)**
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain/(loss)	**(102)**	**(77)**

19. Retirement benefit schemes (continued)

Assets

	2024 £'000	2023 £'000
Absolute return	56	16
Alternative risk premium	45	3
Corporate bond fund	-	-
Credit relative value	47	56
Distressed opportunities	50	45
Emerging markets debt	18	8
Fund of hedge funds	-	-
Global equity	142	28
Infrastructure	144	169
Insurance-linked securities	7	37
Liability driven investment	579	683
Long lease property	9	45
Net current assets	2	4
Over 15 year gilts	-	-
Private debt	56	66
Private equity	1	-
Property	57	64
Risk sharing	83	109
Secured income	42	68
Opportunistic liquid credit	-	63
Liquid credit	-	-
High yield	-	5
Opportunistic credit	56	-
Cash	28	11
Currency Hedging	(1)	3
Total assets	1,421	1,483

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

Key assumptions

	31 March 2024 %per annum	31 March 2023 % per annum
Discount Rate	4.91	4.85
Inflation (RPI)	3.12	3.18
Inflation (CPI)	2.79	2.78
Salary Growth	3.79	3.78

Allowance for commutation of pension for cash at retirement is 75% of maximum allowance (2023 75% of maximum allowance).

19. Retirement benefit schemes (continued)

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2024	20.5
Female retiring in 2024	23.0
Male retiring in 2044	21.8
Female retiring in 2044	24.4

Contributions Breakdown

Employer contributions breakdown for the period from 31 March 2023 to 31 March 2024

Month Received	Expenses (£s)	Deficit Contributions (£s)	Total (£s)
Apr-23	-	-	-
May-23	843	13,384	14,227
Jun-23	421	6,692	7,113
Jul-23	421	6,692	7,113
Aug-23	421	6,692	7,113
Sep-23	421	6,692	7,113
Oct-23	421	6,692	7,113
Nov-23	421	6,692	7,113
Dec-23	-	-	-
Jan-24	843	13,384	14,227
Feb-24	421	6,692	7,113
Mar-24	421	6,692	7,113
Total	**5,054**	**80,304**	**85,358**

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities	Impact on liability £'000
Discount rate	Increase of 0.1%p.a.	Decrease by 1.5%	(26)
Rate of inflation	Increase of 0.1% p.a.	Increase by 1.5%	26
Rate of salary growth	Increase of 0.1% p.a.	Increase by 0.0%	-
Rate of mortality	Probability of surviving each year increased by 10%	Increase by 1.8%	31

The sensitivities shown above are approximate. Each sensitivity considers once change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth where appropriate.

20. Share capital

	2024 £	2023 £
At beginning of year	11	11
Issued during the year	4	2
Reclaimed in the year	(3)	(2)
At end of year	12	11

Each share has a nominal value of £1.

The shares provide members with the right to vote at general meetings but do not have a right to any dividend or distribution in a winding-up, and are not redeemable.

21. Net cash generated from operating activities

	2024 £'000	2023 £'000
Cash flow generated from operating activities		
Total comprehensive income	721	429
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	1,588	1,539
Amortisation of intangible assets	39	34
Amortisation of government grants	(415)	(420)
(Increase) in Stock and Work in progress	(57)	2
(Increase) in debtors	(59)	(73)
(Decrease)/increase in creditors	574	298
Increase in provisions	4	4
Pension costs less contributions payable	(9)	(76)
Carrying amount of property, plant & equipment disposals	1	-
Profit on Sale of fixed assets	(348)	(174)
Impairment loss on property, plant and equipment	4	-
Interest payable	1,183	1,033
Interest received	(30)	(12)
Cash generated by operations	3,196	2,584

Cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank and in hand	636	326

22. Analysis of changes in net debt

	At 1 April £'000	Cash flows £'000	Other changes £'000	At 31 March £'000
Cash	326	310	-	636
Debt due <1 Year	(692)	(132)	-	(824)
Debt due >1 year	(23,755)	(311)	-	(24,066)
Current asset investment	510	(293)	-	217
Total	(22,264)	(426)	-	(24,037)

23. Financial commitments

Capital commitments are as follows:

	2024 £'000	2023 £'000
Contracted for but not provided for	3,173	1,365
Approved by the directors but not contracted for	9,303	3,456
	12,476	4,821

These commitments are to be funded by existing funding.

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

	2024 £'000	2023 £'000
Payments due:		
- within one year	11	10
- between one and five years	13	13
- after five years	-	-
	24	23

24. Units of housing stock

Owned and managed	**2023**	**Developed**	**Sold**	**2024**
General needs housing	683	-	(3)	680
Housing at affordable rent	478	14	(2)	490
Housing at intermediate rent	3	-	-	3
Supported housing accommodation	44	-	-	44
Shared ownership accommodation	108	-	(1)	107
	1,316	14	(6)	1,324

25. Contingent commitments

Historic grant funding
In 2017/18 Arches Housing Limited entered into a stock transaction with another social landlord. Housing properties with a fair value of £586,000 were received in exchange for a cash payment. This transaction includes the transfer of the original government grant funding of £1,171,000 which has an obligation to be recycled in accordance with the original grant funding terms and conditions. Arches Housing Limited is responsible for the recycling of the grant in the event of the housing properties being disposed.

Pension scheme liability

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

26. Related party transactions

There were no related party transactions carried out in the current year or prior year.