

Arches Housing Limited
Annual Report and Financial Statements
For the year ended 31 March 2021

Registered Number: 21451R

Arches Housing Limited

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Arches Housing Limited The Board, Executives and Advisors

Board of Management

Kay Dickinson – Chair
Ian Falconer – Deputy Chair
Ajman Ali
Lisa Bradley
Andrea Brough
Iain Campbell
Terry Gallagher
Brian Hamlin
Mohammed Jamil
Tony Jervis
Andrew Liles
Joice Rennie

Executive Team

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

Secretary and registered office

J Hudson
122 Burngreave Road
Sheffield
S3 9DE

Auditor

Mazars LLP
1st Floor
2 Chamberlain Square
Birmingham
B3 2AX

Solicitors

Taylor & Emmet
20 Arundel Gate
Sheffield
S1 2PP

Bankers

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

Arches Housing Limited

Statement of responsibilities of the Board of Management

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

Arches exists to bring affordable housing to diverse communities across the Sheffield City Region, 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 2021-2026

During 2020 and early 2021 we refreshed our business plan and agreed a set of 5 year strategic priorities, listed below, which give focus to our corporate long-term goals.

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 Sheffield City Region.
- 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.

Arches Housing Limited

Statement of responsibilities of the Board of Management

Our commitments for 2026

- 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.
- Achieved IIP Gold and Investors in Diversity Accreditation
- Maintained 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 2020/21 include:

- Managed smooth transition to flexible service provision to meet government COVID - 19 requirements, maintaining responsive repairs, asset health and safety and other essential services to residents throughout the pandemic
- Provided support and outreach services to residents as needed including wellbeing, financial advice and home delivery throughout lockdowns and COVID-19 restrictions
- Provided support for staff welfare throughout the COVID-19 pandemic including an additional two days' annual leave for each member of staff, flexible working for parents and carers and mental health support through internal mental health first aiders and outside support agencies.
- Delivered strong operational performance in challenging circumstances achieving overall customer satisfaction of 88%, total arrears of 3.73% and void loss of 0.52%
- Invested a total of £2,194k (2019/20: £2,631k) in property maintenance and improvements to deliver the third year of the Arches Home Standard programme.
- Delivered 40 new rented properties into management, utilising £639k of new and recycled grant for new developments
- Took handover of 13 new properties for shared ownership, all sales completed or properties sold subject to contract
- Moved IT and telephony services to the cloud and a hosted server environment to significantly strengthen security and resilience of systems
- Implemented new 5-year repairs and maintenance contract arrangements across responsive and planned maintenance and for electrical and gas contractors
- Undertook data cleansing and other preparatory work and began programme of energy efficiency works to bring all properties to EPC level C minimum by 2026
- In partnership with three other Yorkshire based housing associations, procured specialist support to produce high level roadmap to achieving carbon neutrality

Arches Housing Limited

Statement of responsibilities of the Board of Management

Summary of Annual Results

Statement of Comprehensive Income	2020/21 £'M	2019/20 £'M
Turnover	6.6	6.2
Operating Surplus	2.2	1.8
Surplus for the year before taxation	1.5	1.1

Statement of Financial Position	2020/21 £'M	2019/20 £'M
Fixed Assets	61.3	57.2
Net Current Assets	(0.6)	1.8
Long term creditors	46.2	45.5
Reserves	14.5	13.5

Accommodation (units)	2020/21	2019/20
Total owned and managed	1,282	1,229

Ratios	2020/21	2019/20
Operating Margin	34.5%	28.6%
Covenant Interest Cover	3.22	2.05
Covenant Net worth Gearing*	43%	44%
Covenant Historic cost Gearing	25%	27%

*This gearing ratio is the total loans repayable as a % of our tangible net worth. Tangible net worth in this case is the public sector grant on our balance sheet and our capital and reserves.

Performance

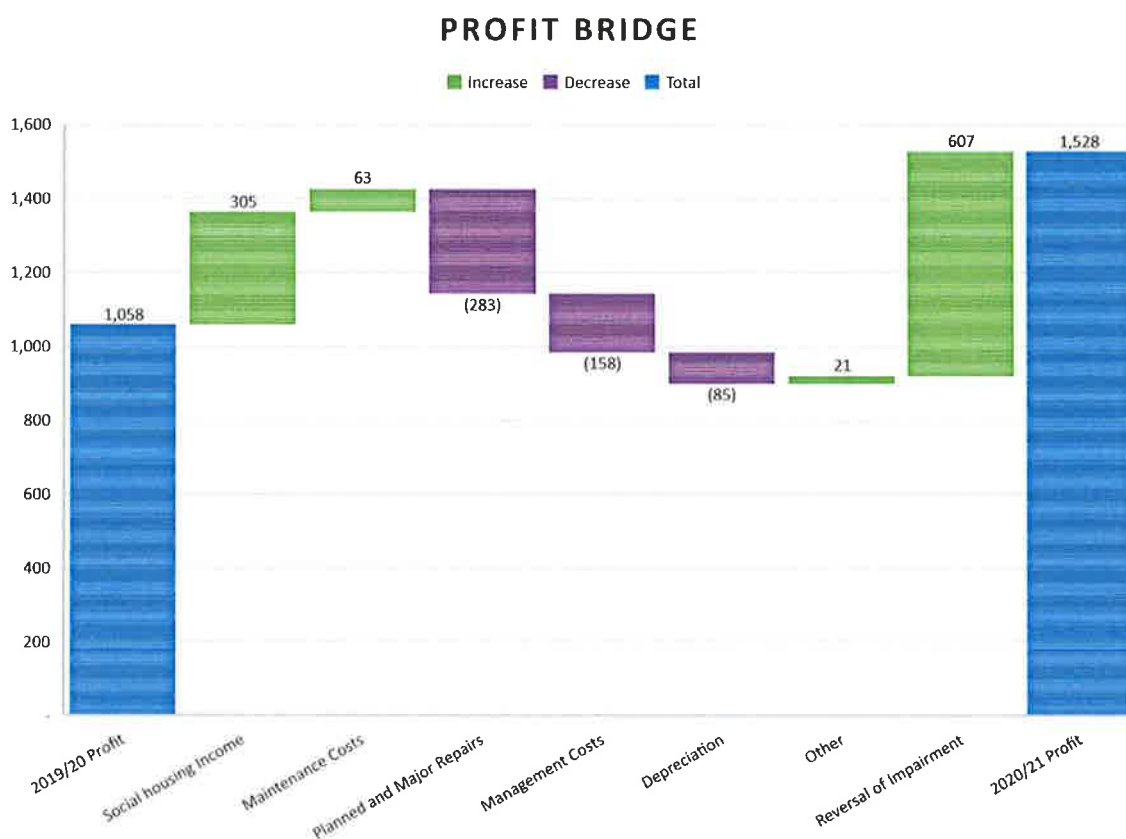
Arches has maintained steady financial performance despite the COVID-19 pandemic and accompanying economic shock. Underlying operating surplus and total surplus for the year both fell slightly from prior year (before the impairment reversal is factored in). The graph below shows the primary movements in income and expenditure from the prior year.

Social Housing income continued to grow, with the new rent settlement in place for the 2020/21 financial year allowing us to increase rents for the first time in four years on our general needs housing stock. In addition, during the year, we developed 40 new rented properties and 13 shared ownership which have increased our overall rental income.

Planned and Major repairs (revenue) expenditure has exceeded prior years spend as we have employed a more targeted and proactive approach to property maintenance. This has subsequently resulted in a drop in responsive routine maintenance. Our overall spend on planned maintenance (capital and Revenue) has decreased to £776k (2019/20: £1,265k) due to restricted access to properties during the COVID-19 pandemic, however our revenue element of this cost increased to £470k (2019/20: £302k) as we focused on areas such as fencing and window replacement. Management costs have increased primarily due increased staff costs.

We have reviewed a historic impairment of some of our housing property and concluded that the specific conditions that were relevant at the time, are no longer applicable. The Impairment has therefore been reversed.

Arches Housing Limited
Statement of responsibilities of the Board of Management



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 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.

Going Concern

Arches is affected by uncertainty from government policy, economic factors and the regulatory environment. These include the impact of the COVID-19 pandemic. 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.

Arches Housing Limited

Statement of responsibilities of the Board of Management

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 2021/22 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.

- Embed the 2021/26 Equality and Diversity Plan
- Implement and embed Together with Tenants Charter
- Develop and launch Customer Engagement Strategy 2021/26
- Implement Building Safety Review Action Plan

Properties and neighbourhoods where people are proud to live

- Implement actions from Supported Housing Review
- Develop Neighbourhood Plans for 13 Neighbourhoods
- Deliver Year 4 of the Arches Home Standard
- Develop and launch Asset Management Strategy 2021/26

Energy efficient homes that contribute to carbon reduction targets

- Develop a costed delivery plan to bring all properties to EPC level 'C' and begin Year 1 implementation
- Establish a carbon baseline and high level decarbonisation plan to reach net zero carbon

More high quality affordable homes for rent and sale

- Deliver Year 4 of the Arches Growth Strategy

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.

- Review and refresh people strategy
- Engage in triennial Investors in People review to achieve silver standard
- Implement NHF Code of Governance (2020)
- Negotiate treasury facility amendments to achieve updated loan agreements and release security for future borrowing
- Develop a new VFM Strategy 2021-2024
- Implementation of year 2 of the IT infrastructure strategy

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Statement of responsibilities of the Board of Management

Key Performance Indicators

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

Key Performance Indicators	2020/21	2019/20	Target
Property Turnover (%)	6.16%	7.12%	8.50%
Average Re-let Time (days)	23	12.8	13.0
Void Rent Loss (%)	0.52%	0.33%	0.32%
Rent Collection as a % of Rent Charged	100.66%	101.0%	100.5%
Overall Customer Satisfaction	87.86%	88.55%	89.00%
Arrears as a % of Annual Rent – Current and former tenants	3.73%	4.2%	3.9%

2020/21 was a positive year for Arches in terms of its operational performance, despite the challenges presented by the COVID -19 pandemic. We did not meet our target times for letting our empty homes in the year because the pandemic meant we were unable to let homes for a significant period of time. Notwithstanding this issue, our underlying performance in this area was strong for the remainder of the year. We have also seen a slight decline in our overall customer satisfaction in the year and we will refocus our efforts on improving in this area in the coming year as part of the launch of our new corporate plan.

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

Arches approach to VfM is guided by the five long-term Corporate Plan priorities which are set out on page 2 and 3.

To achieve our long-term priorities our key VfM actions are:

- Deliver the Arches Homes Standard
- Deliver the Growth Strategy
- Secure new funding
- Review and procure a new repairs service
- Improve the experience of our customer by implementing the better ways of working strategy

Arches Housing Limited

Statement of responsibilities of the Board of Management

Our overarching VfM objectives for 2018/19 – 2020/21 are:

1. Keep total social housing cost per unit (CPU) below peer group median – ensuring overall costs are kept down. Maintain 'core' CPU (i.e. costs not investing in stock) at the same or reduced level - producing real terms savings on central costs
2. Maintain major works CPU above peer group median, in line with the Arches Home Standard programme – prioritising spend on improving our properties
3. Add 40 new properties per year to our stock, as per Arches Growth Strategy – prioritising spend on new properties
4. Increase customer satisfaction – keeping customers at the heart of what we do

2020/21 performance against overarching VfM objectives

1. The overall cost per unit is £2,703, £981 below the 2019/20 peer group median. COVID-19 has seen a reduction in our investment programme (and likely that of our peer group, but this will not be seen in the 2020 median shown here). We will continue to invest heavily in our social housing stock in the coming years including bringing all our properties to the Arches Standard. Even with this investment we are projecting that we will remain below this median for the next two years.
2. Our 'Core CPU' is up £167 per unit on the prior year. This is due to higher than anticipated employee costs and maintenance costs outlined in the performance section above. These figures can be seen in the graph below.
3. Our 'major works CPU' is £239, £462 below the 2020 peer group median, again this is due to the COVID -19 pandemic. We are projecting to spend more than the peer group as we catch up with our investment program next year. This is a concerted effort to spend on improving our properties.
4. We delivered 53 new homes in the 2019/20 year, 13 above the targeted number.
5. Customer satisfaction for the year was 87.86%. This was above the peer group but below our ambitious target of 89%. We continue to focus on this area with increased activity in customer engagement and continued investment in people's homes.



Arches Housing Limited
Statement of responsibilities of the Board of Management

Value for Money Metrics

		2019/20 Housemark peer group (median)	2019/20 Arches Actual	2020/21 Arches Actual	2021/22 Arches Forecast	2022/23 Arches Forecast	Target
VfM finance metrics							
1	Reinvestment% (including development spend)	6.53%	10.05%	8.33%	6.79%	3.12%	>8%
2	New social housing units supply delivered %	1.42%	2.52%	4.13%	1.99%	1.14%	>3.3%
3	Gearing %	38.2%	38.82%	36.10%	41.77%	37%	35%
4	Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	184%	219%	277%	187%	199%	>198%
5	Headline social housing cost per unit	£3,684	£3,081	£2,703	£3,376	£3,505	<£3,291
6a	Operating Margin (social housing lettings only)	24.13%	25.21%	32.08%	21.34%	14.19%	>24%
6b	Operating Margin (overall)	28.50%	28.34%	34.49%	21.75%	15.73%	>25%
7	Return on capital employed (ROCE)	3.23%	3.00%	3.72%	2.30%	1.62%	>3%

Arches Metrics						
8	Customer Satisfaction	85.35%	88.55%	87.86%	89.00%	89.00%
9	Rent as Value for Money	87.40%	91.49%	89.51%	91.00%	91.00%

Metrics commentary

The targets presented were agreed when the Value for Money Strategy 2018/19 – 2020/21 was approved in 2018. The forecasted figures represent the outturn of the 2020/21 budget and year two of the business plan. Our peer group is northern based traditional housing associations. A new VfM strategy will be formulated in 2021 with revised targets.

- 1) Our reinvestment in both existing stock and development schemes has achieved target despite the COVID-19 pandemic and its impacts on both the development and investment programmes. Our growth plan for development has achieved 53 new units this year, 13 above our targeted 40. 2021/22 and 2022/23 have planned units of 23 and 21 respectively at present. This is something we will be looking to increase if the right opportunities are presented. Whilst we are forecasting to stay above peer group in 2021/22 additional development will be key if we are to maintain our targeted 8% in the next two years.
- 2) Our target is to develop 40 homes a year. This was achieved in the current year with 53 new units developed. We are not currently forecasting to meet this goal in the next two years with our current development plan, though we are hoping to increase these projected units if an opportunity arises. We are however 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 significantly increasing borrowings which has led to a

Arches Housing Limited

Statement of responsibilities of the Board of Management

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 improved from the prior year as a result of our underspend on major repairs due to the COVID-19 pandemic, this underspend will not be replicated in the coming years. We also anticipate finance costs will grow going forward as additional loans facilities are drawn down, this will cause a reduction in the metric next year, we still expect to outperform our target and the peer group median.
- 5) The Social Housing cost per unit has reduced significantly as COVID-19 has resulted in a reduction in our investment programme (and likely that of our peer groups, but this will not be seen in the 2020 median shown here). We will continue to invest heavily in our social housing stock in the coming years including bringing all our properties upto the Arches Standard. Even with this investment we are projecting that we will remain below this median for the next two years.
- 6) Overall Operating Margin has increased due to the reversal on a historic impairment, without this it would be 25.27% in 2020/21. This is down on the prior year surplus primarily due to the increased costs in maintenance and employee costs for the year. Operating Margin for social housing lettings would have been 21.76% before the impairment reversal. This mirrors the decrease in the overall surplus. We are forecasting a reduction in surplus in the next few years as we factor in anticipated costs of EPC works and reduced shared ownership sales.
- 7) ROCE without the reversal of the impairment would be 2.72%. This is below our target and our peer group. Our underlying operating surplus has reduced slightly, whilst our asset base has increased, causing our ROCE to fall from the prior year. We are forecasting reduced surplus levels for the next two years which will in turn reduce the ROCE below the targeted level.
- 8) Customer satisfaction is below our ambitious target of 89% but above that of the peer group. We will continue to focus on customer engagement and investment in existing homes and services. The forecasted figure of 89% is the operations target for 2021/22.
- 9) Rent as Value for Money while below our target in the year remains above the peer group median. The forecasted figure of 91% is the current operations target.

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:

Review of compliance with the NHF's Code of Governance 2015;

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;

Arches Housing Limited

Statement of responsibilities of the Board of Management

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 delegations framework and financial regulations.

The Audit and Risk Assurance Committee and Board have reviewed the executive report on the internal controls framework and confirmed with 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 defense" model for assurance and this supports the Boards 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 Boards 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 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 2015.

During the year under review, the association assessed itself against the Regulator of Social Housing (RSH) regulatory standards and the NHF Code of Governance and confirmed it was

Arches Housing Limited

Statement of responsibilities of the Board of Management

compliant with all standards and the code, including the RSH Governance and Financial Viability Standard. In addition, as part of the annual assurance plan, external assurance of compliance with the RSH Rent Standard was provided by the association's internal auditors.

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 for 2020/21 is set out below:

Member	Attendance 2020/21
Ajman Ali	91%
Andrea Brough	92%
Andrew Liles	91%
Iain Campbell	100%
Ian Falconer	100%
Brian Hamlin	91%
Joice Rennie	100%
Kay Dickinson	100%
Lisa Bradley	100%
Mohammed Jamil	100%
Terry Gallagher	100%
Tony Jervis	82%

Arches Housing Limited

Statement of responsibilities of the Board of Management

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 2019. 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 (2015) 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.

By order of the Board:



Kay Dickinson
Chair

Date: 19 July 2021

Arches Housing Limited

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 2021 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, 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 2021 and of the Association's 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 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board

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

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.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the association has not kept proper books of account; or
- a satisfactory system of control over transactions has not been maintained; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 11, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the 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 intends 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

Arches Housing Limited

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

expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Association, and its sector, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, Regulator of Social Housing requirements and implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019.

We evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to capitalisation of development expenditure and works to existing properties, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Board and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our 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.

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.

Arches Housing Limited

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

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.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
1st Floor
2 Chamberlain Square
Birmingham
B3 2AX

Date *4/8/2021*

Arches Housing Limited
Statement of Comprehensive Income
For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	3	6,579	6,209
Operating expenditure		(4,925)	(4,442)
Impairment of housing properties		608	-
Total Operating expenditure	3	(4,317)	(4,442)
Surplus on disposal of property, plant and equipment	5	8	8
Operating surplus		2,270	1,775
Interest receivable	7	3	17
Interest and financing costs	6	(745)	(734)
Surplus before tax		1,528	1,058
Taxation		-	-
Surplus for the year	8	1,528	1,058
Other comprehensive income			
Actuarial gains and losses on multi- employer defined benefit scheme	19	(471)	565
Total comprehensive income for the year		1,057	1,623

Arches Housing Limited
Statement of Financial Position
At 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	11	52	58
Housing properties	12	60,843	56,697
Other property, plant and equipment	13	430	451
		<u>61,325</u>	<u>57,206</u>
Current assets			
Stock	14	198	136
Debtors	15	182	202
Investments	16	673	2,512
Cash		414	611
		<u>1,467</u>	<u>3,461</u>
Creditors: Amounts falling due within one year	17	(2,044)	(1,700)
Net current (liabilities)/assets		<u>(577)</u>	<u>1,761</u>
Total assets less current liabilities		60,748	58,967
Creditors: Amounts falling due after more than one year	18	(45,604)	(45,288)
Defined benefit pension liability	19	(616)	(208)
Net assets		<u>14,528</u>	<u>13,471</u>
Capital and reserves			
Share capital	20	-	-
Revenue reserve		14,528	13,471
Total reserves		<u>14,528</u>	<u>13,471</u>

The financial statements of Arches Housing Limited were approved by the Board on 19 July 2021 and signed on its behalf by:



Kay Dickinson
Chair

Ian Falconer
Deputy Chair



John Hudson
Company Secretary

Arches Housing Limited
Statement of Changes in Reserves
For the year ended 31 March 2021

	Income and expenditure reserve 2021 £'000	Income and expenditure reserve 2020 £'000
At 1 April	13,471	11,848
Surplus for the year	1,528	1,058
Other comprehensive income	(471)	565
At 31 March	<u>14,528</u>	<u>13,471</u>

Arches Housing Limited
Statement of Cash Flows
For the year to 31 March 2021

		2021		2020	
	Note	£'000	£'000	£'000	£'000
Net cash generated from operating activities	21		2,897		2,590
Cash flows from investing activities					
Purchase of property, plant and equipment		(4,984)		(5,280)	
Proceeds from sale of property, plant and equipment		8		8	
Grants received		439		-	
Grants paid		-		(45)	
Interest received		3		17	
Net cash flows from investing activities			(4,534)		(5,300)
Cash flows from financing activities					
Interest paid		(741)		(734)	
Decrease in deposits		1,839		1,847	
New loans		1,181		2,500	
Repayments of borrowings		(839)		(555)	
Net cash flows from financing activities			1,440		3,058
Net (decrease)/increase in cash and cash equivalents			(197)		348
Cash and cash equivalents at beginning of year			611		263
Cash and cash equivalents at end of year			414		611

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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 2019.

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, 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.

Major components

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

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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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
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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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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 to 14.45 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.

We have reviewed a historic impairment of housing property that was held within the accounts. This impairment arose from specific conditions at the time, these conditions are no longer applicable and as such the impairment has been reversed.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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

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 18.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

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

2021					
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Other Income £'000	Operating Surplus £'000
Social Housing Lettings (Note 4)	5,880	-	3,953	-	1,927
Other Social Housing activities					
1 st tranche property sales	524	315	-	-	209
Charges for support services	158	-	39	-	119
Developments	-	-	10	-	(10)
	<u>6,562</u>	<u>315</u>	<u>4,002</u>	<u>-</u>	<u>2,245</u>
Activities other than social housing activities	17	-	-	-	17
Surplus on disposal of property, plant and equipment	-	-	-	8	8
	<u>6,579</u>	<u>315</u>	<u>4,002</u>	<u>8</u>	<u>2,270</u>
	=====	=====	=====	=====	=====
2020					
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Other Income £'000	Operating Surplus £'000
Social Housing Lettings (Note 4)	5,572	-	4,137	-	1,435
Other Social Housing activities					
1 st tranche property sales	470	259	-	-	211
Charges for support services	152	-	25	-	127
Developments	-	-	21	-	(21)
	<u>6,194</u>	<u>259</u>	<u>4,183</u>	<u>-</u>	<u>1,752</u>
Activities other than social housing activities	15	-	-	-	15
Surplus on disposal of property, plant and equipment	-	-	-	8	8
	<u>6,209</u>	<u>259</u>	<u>4,183</u>	<u>8</u>	<u>1,775</u>
	=====	=====	=====	=====	=====

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

4. Particulars of Income and Expenditure from social housing lettings

	Total 2021 £'000	Total 2020 £'000
Income		
Rents receivable	5,345	5,058
Service charge income	127	109
Amortised government grant	408	405
Turnover from social housing lettings	<u>5,880</u>	<u>5,572</u>
Expenditure		
Service charge costs	107	115
Management	1,159	1,000
Routine maintenance	1,303	1,366
Planned maintenance	470	302
Major Repairs Expenditure	115	-
Bad debts	16	48
Depreciation of housing properties	1,391	1,306
Impairment of housing properties	(608)	-
Operating costs	<u>3,953</u>	<u>4,137</u>
Operating surplus social housing lettings	<u>1,927</u>	<u>1,435</u>
Void losses	<u>28</u>	<u>11</u>

5. Surplus on disposal of property, plant and equipment

	2021 £'000	2020 £'000
Sale of subsequent tranche shared ownership properties	24	59
Costs of Sale	(16)	(57)
	<u>8</u>	<u>2</u>
Other disposal proceeds	-	7
Costs of Sale	-	(1)
	<u>-</u>	<u>6</u>
Surplus on disposal	<u>8</u>	<u>8</u>

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

6. Interest and financing costs

	2021	2020
	£'000	£'000
Bank loans and overdrafts	859	823
Unwinding of discounts on provisions	3	2
Capitalised Interest	(121)	(91)
	<u>741</u>	<u>734</u>
	=====	=====

7. Interest receivable

	2021	2020
	£'000	£'000
Bank interest receivable	3	17
	<u>3</u>	<u>17</u>
	=====	=====

8. Surplus for the year

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

	2021	2020
	£'000	£'000
Depreciation of property, plant and equipment	1,450	1,360
Impairment of property, plant and equipment	(608)	-
Amortisation of government grants	(408)	(405)
Surplus on disposal of fixed assets	(8)	(8)
Audit fees:		
- Statutory audit	22	22
- Audit-related assurance services	-	-
- Tax advisory services	-	-
Operating lease rentals	4	5
	<u>4</u>	<u>5</u>
	=====	=====

Arches Housing Limited
Notes to the financial statements
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9. Staff costs

	2021	2020
	£'000	£'000
Wages and salaries	1,094	955
Social security costs	83	81
Other pension costs (see note 19)	82	72
	<u>1,259</u>	<u>1,108</u>
	=====	=====

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

	2021	2020
	Number	Number
Salary Band £'000		
60,000 – 69,999	1	1
70,000 – 79,999	1	1
80,000 – 89,999	-	-

The average full time equivalent number of employees was:

	2021	2020
	Number	Number
	26	26
	<u>=====</u>	<u>=====</u>

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

	2021	2020
	£'000	£'000
Directors who are executive staff members		
Wages and salaries	147	146
Social security costs	17	18
Other pension costs	13	13
Board members		
Wages and salaries	32	27
	<u>209</u>	<u>204</u>
	=====	=====

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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

10. Directors' remuneration and transactions (continued)

	2021 £'000	2020 £'000
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	78	77

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. The organisation contributed £7,023 to the Chief Executives pension within the year (2020: £6,600)

Board Member remuneration

Member	Remuneration £	Social Security £	Total £
Kay Dickinson (Chair)	5,000	-	5,000
Ian Falconer (Deputy Chair)	3,500	-	2,808
Iain Campbell (Committee Chair)	3,000	-	3,000
Tony Jervis (Committee Chair)	3,000	-	3,000
Lisa Bradley (Committee Chair)	2,485	-	2,485
Mohammed Jamil	2,522	-	2,522
Andrew Liles	2,000	-	2,000
Terry Gallagher	2,000	-	2,000
Joice Rennie	2,000	-	2,000
Ajman Ali	2,000	-	2,000
Andrea Brough	2,000	-	2,000
Brian Hamlin	2,000	-	2,000

11. Intangible assets

**Computer software
£'000**

Cost	
At 1 April 2020	454
Additions	26
Disposals	-
As at 31 March 2021	480
Amortisation	
At 1 April 2020	396
Charge for the year	32
Eliminated on disposals	-
As at 31 March 2021	428
Net book value	
As at 31 March 2021	52
As at 31 March 2020	58

Arches Housing Limited
Notes to the financial statements
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12. Tangible fixed assets – housing properties

	Completed Properties £'000	Completed Under Construction £'000	Shared Ownership £'000	Total £'000
Cost				
At 1 April 2020	74,568	2,184	6,189	82,941
Additions	-	4,640	-	4,640
Schemes completed	4,633	(5,706)	1,073	-
Disposals	-	-	(16)	(16)
Components capitalised	306	-	-	306
Component disposals	(155)	-	-	(155)
At 31 March 2021	79,352	1,118	7,246	87,716
Impairment				
At April 2020	454	-	154	608
Charge for the year	(454)	-	(154)	(608)
At 31 March 2021	-	-	-	-
Depreciation				
At 1 April 2020	24,737	-	899	25,636
Charge for the year	1,280	-	83	1,363
Component depreciation written back	(126)	-	-	(126)
Eliminated on disposals	-	-	-	-
At 31 March 2021	25,891	-	982	26,873
Net book value				
At 31 March 2021	53,461	1,118	6,264	60,843
At 31 March 2020	49,377	2,184	5,136	56,697

Freehold land and buildings with a carrying amount of £48,258,164 (2020: £41,384,689) 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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

13. Property, plant and equipment - other

	Freehold offices £'000	Furniture Fixtures and fittings £'000	Total £'000
Association			
Cost			
At 1 April 2020	603	294	897
Additions	-	6	6
	<u>603</u>	<u>300</u>	<u>903</u>
At 31 March 2021	603	300	903
	<u>603</u>	<u>300</u>	<u>903</u>
Depreciation			
At 1 April 2020	207	239	446
Charge for the year	13	14	27
	<u>220</u>	<u>253</u>	<u>473</u>
At 31 March 2021	220	253	473
	<u>220</u>	<u>253</u>	<u>473</u>
Net book value			
At 31 March 2021	383	47	430
	<u>383</u>	<u>47</u>	<u>430</u>
At 31 March 2020	396	55	451
	<u>396</u>	<u>55</u>	<u>451</u>

Freehold land and buildings are held at cost.

14. Stock

	2021 £'000	2020 £'000
Completed first tranche shared ownership properties	191	136
Work In Progress	7	-
	<u>198</u>	<u>136</u>
	<u>198</u>	<u>136</u>

15. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Rent arrears	172	182
Other debtors	43	11
	<u>215</u>	<u>193</u>
Provision for bad debts	(186)	(177)
Prepayments and accrued income	153	186
	<u>182</u>	<u>202</u>
	<u>182</u>	<u>202</u>

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

16. Current asset investments

	2021	2020
	£'000	£'000
Unlisted investments – at cost less impairment	673	2,512
	<u>673</u>	<u>2,512</u>
	=====	=====

17. Creditors – amounts falling due within one year

	2021	2020
	£'000	£'000
Housing loans (see note 19)	554	539
Rents received in advance	311	248
Trade creditors	540	204
Other taxation and social security	30	28
Growth Plan Pension deficit provision	33	31
Government grants	408	404
Accruals and deferred income	168	246
	<u>2,044</u>	<u>1,700</u>
	=====	=====

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

	2021	2020
	£'000	£'000
Other creditors		
Loans	21,462	21,135
Sinking funds	24	22
Bond premium	547	561
Recycled Grant Fund (RCGF) - National	119	319
Recycled Grant Fund (RCGF) – Rotherham MBC	63	63
Growth Plan Pension deficit provision	96	122
Government grants	23,283	23,056
Recycled other grants	10	10
	<u>45,604</u>	<u>45,288</u>
	=====	=====

The loans are secured on freehold housing properties. Interest is payable at between 0.5% and 12.25%.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

19. 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 £41,717,738 (2020: £41,078,988).

	2021	2020
	£'000	£'000
Deferred Income - Government grants		
At 1 April	23,533	23,987
Grants receivable	639	-
Grants payable	-	(49)
Amortisation to Statement of Comprehensive Income	(408)	(405)
	<u>23,764</u>	<u>23,533</u>
At 31 March	<u>23,764</u>	<u>23,533</u>
Due within one year	408	404
Due after one year	<u>23,356</u>	<u>23,129</u>
	2021	2020
	£'000	£'000
Recycled Capital Grant Fund		
At 1 April	319	319
Inputs to RCGF	-	-
Recycling of grant	(200)	-
Interest accrued	-	-
	<u>119</u>	<u>319</u>
At 31 March	<u>119</u>	<u>319</u>

There is £82,773 which is outstanding for three or more years and therefore potentially due for repayment to Homes England.

Borrowings are repayable as follows:

	2021	2020
	£'000	£'000
Bank loans		
Between one and two years	521	554
Between two and five years	1,708	1,567
After five years	19,414	19,076
Set up costs	(181)	(62)
	<u>21,462</u>	<u>21,135</u>
On demand or within one year	554	539
	<u>22,016</u>	<u>21,674</u>

The Association does not hold any finance leases.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

19. Retirement benefit schemes

Defined contribution schemes

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 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 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 has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025	£11,243,000 per annum (payable monthly and increasing by 3% each on 1 st April)
--------------------------------------	--------------------------------------------------------------------------------------------

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 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. 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 2016 to 30 September 2025	£12,945,440 per annum (payable monthly and increasing by 3% each on 1 st April)
From 1 April 2016 to 30 September 2028	£52,460 per annum (payable monthly and increasing by 3% each on 1 st 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.

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

19. Retirement benefit schemes (Continued)

Present value of provision			
	2021 £'000	2020 £'000	2019 £'000
Present value of provision	129	152	185
Reconciliation of opening and closing provisions			
	2021 £'000	2020 £'000	
Provision at start of period	152	185	
Unwinding of the discount factor (interest expense)	3	2	
Deficit contribution paid	(31)	(31)	
Remeasurements – impact of any change in assumption	5	(4)	
Remeasurements – amendments to the contribution Schedule	-	-	
Provision at end of period	129	152	
Income and expenditure impact			
	2021 £'000	2020 £'000	
Interest expense	3	2	
Remeasurements – impact of any change in assumption	4	(4)	
Remeasurements – amendments to the contribution schedule	-	-	
Contributions paid in respect of future service	-	-	
Costs recognised in income and expenditure account	(7)	(2)	
Assumptions			
	31 March 2021	31 March 2020	31 March 2019
Rate of discount	0.66	2.53	1.39

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:

Arches Housing Limited
Notes to the financial statements
For the year to 31 March 2021

19. Retirement benefit schemes (Continued)

Deficit Contribution Schedule

Year Ending	31 March 2021 £s	31 March 2020 £s	31 March 2019 £s
Year 1	32,586	31,637	30,715
Year 2	33,563	32,586	31,637
Year 3	34,570	33,563	32,586
Year 4	29,673	34,570	33,563
Year 5	-	29,673	34,570
Year 6	-	-	29,673
Year 7	-	-	-
Year 8	-	-	-

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.

The Pensions Trust – Social Housing Pension Scheme

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

	2021 £'000	2020 £'000
Fair value of plan assets	2,178	1,929
Present value of defined benefit obligations	2,794	2,137
(Deficit) in plan	(616)	(208)
Defined benefit (liability) to be recognised	(616)	(208)

Arches Housing Limited
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19. Retirement benefit schemes (Continued)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2021	2020
	£'000	£'000
Defined benefit obligation at start of period	2,137	2,935
Current service cost	38	86
Expenses	4	4
Interest expense	51	64
Contributions by plan participants	36	35
Actuarial losses (gains) due to scheme experience	7	(122)
Actuarial losses (gains) due to changes in demographic assumptions	10	(21)
Actuarial losses (gains) due to changes in financial assumptions	566	(301)
Benefits paid and expenses	(55)	(543)
Defined benefit obligation at end of period	2,794	2,137

Reconciliation of Opening and Closing Balance of the Fair Value of Plan Assets

	2021	2020
	£'000	£'000
Fair value of plan assets at start of period	1,929	2,163
Interest income	47	46
Experience on plan assets - gain	112	121
Contributions by the employer	109	107
Contributions by plan participants	36	35
Benefits paid and expenses	(55)	(543)
Fair value of plan assets at end of period	2,178	1,929

The actual return on the plan assets (including any changes in share of assets) over the period from 01 April 2020 to 31 March 2021 was £159,000(2020: £167,000).

Arches Housing Limited
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19. Retirement benefit schemes (Continued)

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

	2021	2020
	£'000	£'000
Current service cost	38	86
Expenses	4	4
Net interest expense	4	18
Defined benefit costs recognised in statement of comprehensive income (SOCl)	46	108

Defined Benefit Costs Recognised in Other Comprehensive Income

	2021	2020
	£'000	£'000
Experience on plan assets- gain	112	121
Experience gains and losses arising on the plan liabilities - gain (loss)	(7)	122
Effects of changes in the demographic assumption underlying the present value of the defined benefit obligation - gain (loss)	(10)	21
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(566)	301
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(471)	565
Total amount recognised in other comprehensive income - gain (loss)	(471)	565

Arches Housing Limited
Notes to the financial statements
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19. Retirement benefit schemes (Continued)
Assets

	2021	2020
	£'000	£'000
Absolute Return	120	101
Alternative Risk Premium	82	135
Corporate Bond Fund	129	110
Credit Relative Value	69	53
Distressed Opportunities	63	37
Emerging Markets Debt	88	58
Fund of Hedge Funds	-	1
Global Equity	347	282
Infrastructure	145	144
Insurance-Linked Securities	52	59
Liability Driven Investment	554	640
Long Lease Property	43	33
Net Current Assets	13	8
Over 15 Year Gilts	-	-
Private Debt	52	39
Property	45	43
Risk Sharing	79	65
Secured Income	91	73
Opportunistic Liquid Credit	55	47
Liquid Credit	26	1
High Yield	65	-
Opportunistic Credit	60	-
	-----	-----
Total assets	2,178	1,929
	=====	=====

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 2021	31 March 2020
	%per annum	% per annum
Discount Rate	2.20	2.36
Inflation (RPI)	3.25	2.58
Inflation (CPI)	2.87	1.58
Salary Growth	3.87	2.58

Allowance for commutation of 75% of maximum allowance 75% of pension for cash at retirement maximum allowance

Arches Housing Limited
Notes to the financial statements
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19. Retirement benefit schemes (Continued)

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

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 2.2%	(62)
Rate of inflation	Increase of 0.1% p.a.	Increase by 2.2%	62
Rate of salary growth	Increase of 0.1% p.a.	Increase by 0.1%	3
Rate of mortality	Probability of surviving each year increased by 10%	Increase by 2.9%	81

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

	2021 £	2020 £
At beginning of year	10	10
Issued during the year	2	1
Reclaimed in the year	-	(1)
	<u>12</u>	<u>10</u>
At end of year	12	10

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.

Arches Housing Limited
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21. Net cash generated from operating activities

	2021	2020
	£'000	£'000
Cash flow generated from operating activities		
Total comprehensive income	1,057	1,623
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	1,420	1,319
Amortisation of intangible assets and government grants	(208)	(409)
(Increase) in Stock and Work in progress	(62)	(136)
(Increase) in debtors	20	34
(Decrease)/increase in creditors	731	(624)
Increase in provisions	2	3
Pension costs less contributions payable	(24)	(33)
Carrying amount of property, plant & equipment disposals	45	110
Impairment loss on property, plant and equipment	(608)	-
RCGF recycled	(200)	-
Interest payable	727	720
Interest received	(3)	(17)
	<u>2,897</u>	<u>2,590</u>
Cash generated by operations		
	<u>414</u>	<u>611</u>
Cash and cash equivalents		
Cash at bank and in hand	<u>414</u>	<u>611</u>

22. Analysis of changes in net debt

	At	Cash	Other	At
	1 April	flows	changes	31 March
	£'000	£'000	£'000	£'000
Cash	611	(197)	-	414
Debt due <1 Year	(539)	(15)	-	(554)
Debt due >1 year	(21,135)	(327)	-	(21,462)
Current asset investment	2,247	(1,840)	-	407
	<u>(18,816)</u>	<u>(2,379)</u>	<u>-</u>	<u>(21,195)</u>
Total				

Arches Housing Limited
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23. Financial commitments

Capital commitments are as follows:

	2021	2020
	£'000	£'000
Contracted for but not provided for	2,968	6,464
Approved by the directors but not contracted for	3,492	2,532
	<u>6,460</u>	<u>8,996</u>
	<u>=====</u>	<u>=====</u>

These commitments are to be funded by a mixture of existing funding.

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

	2021	2020
	£'000	£'000
Payments due:		
- within one year	4	5
- between one and five years	3	3
- after five years	-	-
	<u>7</u>	<u>8</u>
	<u>=====</u>	<u>=====</u>

24. Units of housing stock

Owned and managed	2020	Developed	Sold	2021
General needs housing	670	-	-	670
Housing at affordable rent	399	40	-	439
Housing at intermediate rent	3	-	-	3
Supported housing accommodation	48	-	-	48
Shared ownership accommodation	97	13	-	110
Housing for older people	12	-	-	12
	<u>1,229</u>	<u>53</u>	<u>-</u>	<u>1,282</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

25. Contingent commitments

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.

26. Related party transactions

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