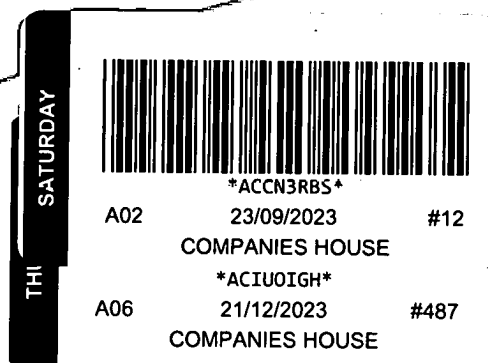




Two Rivers Housing

Annual Report and Financial Statements

For the year ended
31 March 2023



Registered number: 04263691
Regulator Registration Number L4385
Charity Registration Number 1104723

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

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Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Company information

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

Executive Directors

Garry King BA (Hons), MBA (Dip), DIP Housing Admin. FCIH (Chief Executive)
Carol Dover BA (Hons), ACMA (Corporate Director - Resources)
Suzanne Hemmingway, MA, FCIH (Corporate Director - Operations), contract expired November 2022)

Group Board Members

Chair: Yvonne Leishman OBE BA FCIH
Vice Chairs: Susan Holmes, Tim Jackson FCA BSc

Rita Jones
Edward Pearce BA (Hons) FRICS FRSA FRGS
Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI, retired 31 December 2022
Jonathan Higgs
Charlotte Marshall, appointed 2 February 2023

Co-opted Members

Tim Sharpe, appointed 2 February 2023
Sharon Wilkins, appointed 9 March 2023

Subsidiary Board Members

Two Rivers Developments Limited

Chair: Edward Pearce
Company Secretary: Carol Dover
Neil Sutherland, retired 31 December 2022
Kevin Shaw, resigned 15 June 2022
Susan Holmes, appointed 28 July 2022
Yvonne Leishman, appointed 28 July 2022

Centigen Facilities Management Limited

Chair: Neil Sutherland
Company Secretary: Carol Dover
Tim Sharpe
Stephen Pippard
Richard Chappell
Charlotte Marshall

Two Rivers Initiatives

Chair: Rita Jones
Company Secretary: Garry King
Christopher Hillidge
Sara Beven
Susan Holmes, appointed 27 July 2022
Yvonne Leishman, appointed 27 July 2022

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Company Secretary: Garry King

Registered office Rivers Meet
Cleeve Mill Lane
Newent
Gloucestershire
GL18 1DS

**Company Registration
Number** 04263691

**Charity Registration
Number** 1104723

External Auditor: Beever and Struthers
150 Minorities
London
EC3N 1LS

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

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

Wright Hassall LLP
Olympus Avenue
Royal Leamington Spa
CV34 6BF

Trowers & Hamlins
10 Colmore Row
Birmingham
B3 2QD

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Statement from the Chair and Chief Executive

As a social housing provider, Two Rivers Housing plays a pivotal role in supporting the communities in which it works. We are committed to working with other agencies to support the thousands of families that live in our homes and the wider community that we serve.

As the UK headed into the worst cost-of-living crisis for a generation, the links, and connections we have forged over the last 20 years have enabled us to reach more people and provide additional support to those who need it most.

There are too many to mention here, but we would like to express our gratitude to the many local agencies, voluntary organisations, and community groups that have helped support both our tenants and others that live in our communities over the last year.

The cost-of-living crisis has brought significant financial pressures to families across the UK, and we have been working hard to do what we can to help our tenants during this difficult time. Our Cost-of-Living Group has been working with tenants and partners to understand what additional support tenants need and what we can do to provide more help.

We established a 'Tenant Hardship Fund', obtained a grant from the Garnett Foundation to support those in need, and provided information and support to tenants and the wider community to help reduce energy bills and make budgets stretch further.

Naturally, we have seen an increase in demand for our welfare, benefit, and debt advice services and other areas of the organisation that support tenants in maintaining their tenancy.

In July 2022, we restructured our operations teams to help ensure that we are using these resources effectively. This has helped ensure that we can work more closely with those that need additional support and helped us get back out and about in our communities.

The operations restructure also looked to drive efficiencies in our assets teams. Through this we identified the resource we need to deliver against our current organisation objectives and future proof the team to enable us to tackle regulatory changes and the challenge of reaching net zero carbon.

We are confident that as we continue to embed these changes, our organisation is in a strong position to deliver on its regulatory commitments and continue to improve and increase the availability of affordable housing in Gloucestershire and the surrounding areas.

Although the COVID-19 pandemic was largely over by the start of the financial year, the impact it has left on communities and our organisation was still being felt. We have been working hard to reinstate our community activities, get back out into our communities and talk to tenants face to face.

However, the biggest impact has been on our repairs and maintenance service. We understood the frustration this caused for those waiting for a repair in their homes and put together a plan to address this in the first half of the year. We are pleased to report that the repairs backlog created by the pandemic was cleared in August 2022 – a month ahead of schedule. We would like to thank our Centigen Operatives and the wider team who pulled together to make this happen.

We were pleased to see a 2% increase in our repairs and maintenance satisfaction scores during 2022/2023. That being said, we recognise that we still have some work to do in strengthening this service and improving flexibility and performance in this area.

In March 2023, we appointed Ian Atkinson to the new position of Corporate Director of Property. Ian has extensive knowledge and a proven track record for delivering repairs and maintenance service improvements and will be working with the Centigen and property services teams to improve our performance in this area.

Our Overall Tenant Satisfaction scores remain good however, we have seen a drop of 3% in overall satisfaction to 81% for the financial year.

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Statement from the Chair and Chief Executive

We believe this has been driven by the disruption to our planned maintenance and repairs programmes, which has not only impacted the perceived quality of our homes but how easy we are to deal with as our team struggled to resource the large number of repairs effectively in the first half of the year.

As a result, we saw dips in satisfaction for the 'Quality of our homes' (from 83% in 2021/2022 to 78% in 2022/2023) and 'Being Easy to deal with' (from 85% in 2021/2022 to 83% in 2022/2023). It should however be noted that we saw an increase in satisfaction scores in most areas during the second wave of satisfaction surveys, which were completed in Q4 of 2022/2023.

In preparation for reporting to the Regulator for Social Housing (RSH), our tenant satisfaction surveys included the new Tenant Satisfaction Measures (TSM) for the first time. We will be reporting on these in line with the regulatory requirements going forward.

While our satisfaction scores are good, we have an aspiration to provide a great customer experience. With that in mind, we will use our satisfaction survey scores to identify key service drivers and collaborate across the Group to deliver continuous improvements to push our satisfaction scores even higher.

To support this, we have codesigned a Customer Experience Strategy with tenants, that sets out our customer promise and how we will work together to ensure we remain focussed on providing a great service to all of our customers. This was approved by the Group Board in May 2023 and will be embedded during 2023/2024.

A fundamental part of the organisation's purpose is its ability to provide affordable housing. During 2022/2023, we took handover on 99 new affordable homes and commenced building work on a further 125. We also hit the halfway point in our target to delivering 1,000 new affordable homes by 2028 and have a healthy pipeline of development opportunities to enable us to meet this ambition.

We have £4.544m in our homes throughout the year, delivering energy saving improvements such as heating systems, new windows and doors, and full retrofit projects. Alongside this we installed 152 new kitchens and 105 bathrooms in our homes.

We remain committed to reducing our carbon footprint and ensuring that our homes are affordable to heat. Following the success of our decarbonisation retrofit demonstrator project, we have secured funding from the Social Housing Decarbonisation Fund Wave 1 and Wave 2.1. The funding from Wave 1 was used to complete similar retrofit work at 18 of our homes in 2022/2023. Funding from Wave 2.1 will be used to fund retrofit works at a further 36 homes between 2023 and 2025.

In 2022/2023, the Group experienced record high colleague turnover. This has been seen across the UK job market and was largely led by the 'Great Resignation' driven by the pandemic.

Recruitment and retention has been challenging throughout the year, as many other local providers facing similar issues entered the recruitment market at the same time. We recognise the pivotal role that colleagues play in helping us achieve our mission and have reviewed and enhanced our offering across the Group to enable us to retain and attract the best people. This has resulted in a slowdown in turnover and improved our ability to recruit into new and vacant roles.

At the beginning of the last financial year, the RSH completed an In Depth Assessment (IDA) for the Group. It assessed the Group's performance against its organisation plan and spoke with members of the Group Board and executive team. The IDA recognised the disruption caused by the pandemic and the need to focus on recovery for the short-term but remained assured that Two Rivers Housing was well governed and financially strong.

As a result, we are pleased to confirm that we maintained our G1/V1 status for the eighteenth year running. This puts the Group in a strong position to continue its important work and ensures that it remains a good option for current and future investments.

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Statement from the Chair and Chief Executive

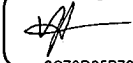
The leadership team has also taken steps to improve the quality of and access to business information. Through its Data and Performance Project, the Group will seek to ensure that the information used to make business decisions is accurate, up to date and consistent. This is a significant investment, which will deliver improved data reporting, analysis and visibility across the Group and help drive the Group's strategic direction over the coming years.

Despite another challenging year, we are pleased to report that the Group delivered a surplus of £2.9m (£2.8m in 2021/2022). Our financial performance remains in the upper quartile within in our peer group and mid/upper quartile compared to national providers and in the upper median for delivering Value for Money metrics.

These strong results are a testament to the continued hard work and dedication of our people. They are the foundation of our success and on behalf of the Group Board, we would like to thank them for everything they have and continue to do for our tenants and our organisation.

In May 2023, Garry King announced that he would be stepping down as Chief Executive in January 2024. On behalf of the Group Board and the organisation we would like to thank him for everything he has done over the last 20 years. Under his leadership, our organisation has continued to grow, and he leaves us in a strong position to continue on our mission to ensure that everyone has a warm, safe, affordable home when they need it.

DocuSigned by:



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Yvonne Leishman OBE
Chair

DocuSigned by:



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Garry King
Chief Executive

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

Report of the Board of Management and Strategic Report

Report of the Board of Management

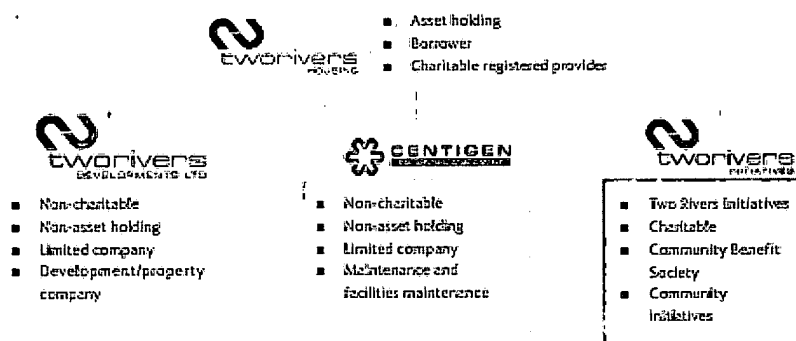
Principle activities

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

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

On 31 March 2023, it managed 4,450 homes including 4,394 social housing properties with related support, twelve market rent properties, and 44 leasehold properties.

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



Two Rivers Development Limited designs, builds, and sells homes for both Two Rivers Housing and open market sales. Any profits it generates are gift-aided to the parent company. It also includes the Tandem Living brand, which sells properties on the open market on behalf of Two Rivers Developments.

Centigen Facilities Management Limited (Centigen FM) delivers maintenance and facilities management to Two Rivers Housing and external organisations. Centigen Facilities Management also includes the TwoCan brand, which provides estate agent services for homeowners and other housing associations.

Two Rivers Initiatives is a charitable and community benefit society providing support and funding for community activities and initiatives within the communities that the Group operates.

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

Centigen Facilities Management TRH limited was consolidated into Centigen Facilities Management in July 2021 and struck off from Companies House on 3 May 2022.

Public benefit

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

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

- The provision of social housing.
- Ensuring that rents are charged within the parameters of the Group's rent policy and in accordance with the Regulator's Rent Standard and guidance.

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

- Ensuring that housing is let on the basis of need.
- Ensuring that it serves and represents its tenants, whatever their circumstances or background, in line with its Equality, Diversity, and Inclusion Policy.

Details of the Group's performance in achieving this in the year to 31 March 2023 are included in the strategic report of this Annual Report and Accounts.

Partnerships

The Group's performance is boosted by strong partnerships with its key stakeholders. These include community groups, specialist organisations, and other local and national associations. These relationships enable Two Rivers Housing to deliver on its promises and meet its objectives and commitments to its customers in an efficient and effective manner.

Working with customers

In preparation for the new Consumer Regulation laid out by the Regulator for Social Housing (RSH) and to ensure that tenants have meaningful input in the design, review, and development of the Group's services, Two Rivers Housing has been working with tenant engagement experts the Tenant Participation Advisory Service (Tpas).

During 2022/2023, the Group undertook several activities to further strengthen the link between tenants and the organisation. These included:

- A review and co-design of the Group's customer engagement framework with changes due to be adopted in 2023/2024.
- A new Customer Experience Strategy, which sets out how the organisation will ensure colleagues remain customer focussed and improve tenant satisfaction, which will be embedded across the Group in 2023/2024.
- The Challenge & Change Group conducted a review of the Group's ground's maintenance service. Their recommendations are being taken forward and implemented throughout the organisation.
- Independently run surveys using the STAR methodology (in 2022/2023 these also included the new Tenant Satisfaction Measures) to enable tenants to provide anonymous feedback on its services. This allows the Group to monitor and benchmark its performance in key service areas.
- External benchmarking drawing comparisons with similar organisations, which help drive improvements and Value for Money initiatives.
- Several internally run surveys were sent to all tenants throughout the year asking them to feedback on its repairs and maintenance service, proposed customer engagement framework and what else could be done to support them through the cost of living crisis. The feedback from these is being used to review and make changes to these key services.
- The Group's closed Facebook group (Your Views), which has 451 active members, was also used to collect real-time feedback on smaller issues and as a place for tenants to raise issues and share ideas for solutions.
- Established a Cost-of-Living Working Group to better understand the difficulties faced by its tenants and work together to deliver additional support to those in need.

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

Working with colleagues

The Group Board also recognises the importance of ensuring that colleagues can share concerns, voice opinions, and have direct access to the leadership team. As part of its commitment to creating a great place to work and enabling colleagues to do this, the following activities were undertaken in 2022/2023:

- Regular briefings, discussions, team meetings, and events held by the leadership team.
- A Colleague Forum with representation from across Two Rivers Housing.
- The establishment of 'Tool Talk' a new group representing the interests of Centigen Operatives.
- A review and relaunch of the Group's Senior Management Group.

In 2023/2024, the Group will be creating an Internal Communications Strategy to further strengthen the link between the organisation and the team.

Through these initiatives, the Group Board can be assured that both customers and colleagues are able to play an active role in reviewing and shaping the Group's policies and services.

Working with partners

Two Rivers Housing is committed to supporting the communities in which it works. Its partnerships with other organisations strengthen its ability to do this in a way that makes the most of its resources.

The Group is an active member of PlaceShapers, The Cinderford Regeneration Board, the GFirst Local Enterprise Partnership, the Gloucestershire Homes and Communities Partnership, and the Forest Economic Partnership. It also works with the police, health services, and local authorities to support safe, healthy, sustainable communities.

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

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

In 2020, the Group formed a Consortium with Stroud District Council and Cheltenham Borough Homes to bid for funding from the Social Housing Decarbonisation Fund (SHDF). The Consortium was successful in its bid for funding and has also been successful in two further rounds of bidding – Gloucester City Homes joined the Consortium in 2022 and because of this partnership more homes across the County will benefit from this funding.

Following the successful reinstatement of its community activity programme at the end of the 2021/2022 financial year, the Group has continued to work with partners to hold events in its communities.

It has worked with Adult Education Gloucester to host and promote educational and social wellbeing activities including the ever popular armchair yoga sessions, Christmas themed activities, and book clubs.

It has partnered with the Forest Voluntary Action Forum, supporting events in the local community, and using its own communication channels to share the support and information available and also supported several 'CommuniTea' events run by the Forest of Dean District Council's Community Building team.

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

The Group's Holiday Club event was relaunched in 2022/2023. Working with local organisation Beezee Bodies, these events are free for local families and provide a free healthy lunch, a cheesecake making masterclass for the children and free arts and crafts. These were trialed in different areas during 2022/2023 following feedback that some tenants would like to see them in other parts of our communities.

Alongside these partnerships, the Group has continued to work with Homes England, local planning agencies and its development partners to ensure it delivers on its promise to build 1,000 new homes by 2028.

Corporate governance

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

The subsidiaries have been established by the Group Board to support the achievement of the corporate objectives. The responsibilities and delegated authority of each subsidiary is agreed by the Group Board. The Chair and membership of each Subsidiary Board will be determined by the Group Board. The Chair shall either be a Group Board Member or a co-opted member of the Group Board.

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

The Funding Committee, established to support the refinancing project, was suspended in March 2022 but re-instated in April 2023 to consider the extension of an existing funding facility.

A Task and Finish Group to support the Group Board with considering the investment priorities for asset management and development was established and met three times during the year. This group is managed by an executive management team headed by the Group Chief Executive.

Executive Directors are not Group Board members and act as executives within the authority delegated to them by the Group Board.

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

Compliance with the regulatory standards

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

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

Following an In-Depth Assessment in August 2022, the Regulator of Social Housing (RSH) concluded that Two Rivers Housing meets the requirements set out in the Governance and Financial Viability standard of the 2015 Regulatory Framework with the top ratings of G1 (The provider meets the requirements on governance set out in the Governance and Financial Viability Standard) and V1 (The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively).

Social Housing Regulation Bill

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

The Social Housing (Regulation) Bill will soon become law and subject to the Bill being passed by Parliament in 2023 there is an expectation that new consumer regulation will come into force in April 2024. The Bill provides the legal basis for many of the measures set out in the 2020 social housing white paper, which presented a charter setting out seven commitments that social housing tenants should be able to expect from their landlord. The overarching themes are building and tenant safety, and tenant voice. It also aims to deliver the improvements in transparency and accountability.

The intention is to deliver “transformational change” for social housing tenants, to empower tenants, provide greater redress, better regulation, and improve the quality of social housing.

The core objectives of the Bill are to:

- Facilitate a new, proactive consumer regulation regime.
- Refine the existing economic regulatory regime.
- Strengthen the Regulator’s powers to enforce the consumer and economic regimes.

Regulation is being re-designed with a renewed focus on addressing the concerns of tenants living in social housing, with a clear commitment to transform the experiences of social housing tenants, ensuring landlords deliver safe and decent homes and good-quality services that all tenants should be able to expect.

The Bill will set out in law a series of economic and consumer objectives, which will include safety, transparency, and energy efficiency. The Regulator of Social Housing (RSH) will also be consulting with landlords, tenants, and other stakeholders on the standards that will underpin proactive consumer regulation.

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

We are actively considering what actions can be taken now to prepare for the new regulatory regime.

The Bill also contains provisions to empower the HOS to issue a code of practice on complaint handling and monitor compliance with the code; and to formalise and strengthen the relationship between the Regulator and the Housing Ombudsman.

Housing Ombudsman Service

The Housing Ombudsman’s (HOS) Complaint Handling Code was revised with effect from 1st April 2022 and providers had to be compliant with the updated guidance by 1 October 2022. These revisions were incorporated into the Group’s Complaints Policy and approved by the Group Board in May 2022.

The Group’s approach to handling complaints evolved further during the year, with a renewed focus on ensuring it handles complaints effectively for its customers.

National Housing Federation Code of Governance 2020

The Group Board adopted the National Housing Federation’s Code of Governance 2020 with effect from April 2022. The Group has been working towards full compliance during the year, but further work is required to deliver full compliance with this in relation to:

- Making publicly available annually information regarding equality, diversity and inclusion (ED&I).
- Managing risk through the testing of the business continuity plan.

Progress has been made with the Equality, Diversity and Inclusion Policy and statement being approved by the Group Board. Training has also been delivered to both the Group Board and

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

Senior Management Group. Colleague data has been collated and the Group is using its Tenant Census research to gather ED&I data on its tenants.

The business continuity arrangements have been reviewed with a comprehensive business continuity plan approved by the Group Board in Q3 2022/2023. The Group Board recognised that, while the plan has principally been tested throughout the COVID-19 pandemic there is an ongoing requirement for this to be tested and this is planned for Q3 2023/2024.

In accordance with the constitution, The Group Board has approved, in accordance with the constitution, a policy which permits Board Members to serve up to seven years normally with a maximum of nine years. Whilst this is an alternative approach to the recommendation, the Group Board are satisfied it is in the organisation's best interests as it provides stronger governance for the organisation whilst complying with the overarching principle within the Code.

Internal controls assurance

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

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

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

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

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

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

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

- Accounting and treasury policies.
- Financial regulations.
- Standing orders relating to contracts.
- Annual budgets.
- 30-year financial plan.
- Data strategy
- Fraud policy.

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

- Probity policy.
- Whistleblowing policy
- Risk strategy and policy setting out the risk management framework and risk appetite.
- Health and safety management framework.

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

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

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

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

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

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

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

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

Two Rivers Housing is committed to the proper and appropriate use of data held regarding customers and colleagues, storing it securely and only retaining it while there is valid reason to do so. The Group ran an internal campaign throughout 2022/2023, to inform colleagues of their role in ensuring that data is handled correctly. The Dealing with Data campaign covered a number of topics throughout the year including, what is personal data, subject access requests, and data minimisation.

Health and safety

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

In 2023, the Group celebrated receiving a President's Award from the Royal Society for the Prevention of Accidents (RoSPA). This is in recognition of achieving ten or more consecutive RoSPA Gold Medals. The Gold Medal is awarded by RoSPA to organisations sustaining high standards of health and safety over consecutive years and demonstrating a commitment to continuous improvement in the prevention of accidents and ill health at work. The RoSPA awards scheme receives entries from organisations around the world and recognises achievements in health and safety management systems, including practices such as leadership and workforce involvement.

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023
Report of the Board of Management and Strategic Report

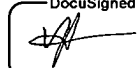
Events after the end of the reporting period

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

Independent Auditor

Beever and Struthers were appointed in August 2021.

The Report of the Board was approved by the Group Board on 20 July 2023 and signed on its behalf by:

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Yvonne Leishman
Chair

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

Strategic report

Founded on the belief that everyone should have a warm, safe, affordable home, the Two Rivers Housing Group remains committed to improving and increasing the availability of affordable housing in its communities.

To ensure that it stays focussed on its purpose, the Group Board and leadership team has identified four strategic pillars. These provide the foundation for its strategic and operational delivery plans. The four pillars represent the key areas that will help ensure it continues to deliver on this purpose. In 2022/2023, the four pillars were further expanded to include the Group's aspirations under each of these.

Provide quality, sustainable homes

- We understand our assets and manage them effectively.
- We are investing in improving our homes.
- We provide a great repairs service.
- We are reducing our carbon footprint.
- We have a healthy pipeline of new developments.

Deliver a great customer experience

- We understand who our customers are, what they need and respond to them effectively.
- We provide services that are inclusive, fair, and accessible for all.
- We are engaging with our customers in new ways.
- We invest in our colleagues to deliver excellent service.

Be a great place to work

- We are engaged, passionate and feel valued and trusted.
- We feel empowered to make a difference.
- We have the opportunity to develop and grow.
- We are committed to being diverse and inclusive.

Be a strong, viable organisation

- We understand and manage our costs.
- We use data to monitor and manage performance.
- We are growing our organisation.
- We are financially strong and well governed.
- We make the best use of technology to drive improvements.

Together, these provide guidance for the Senior Management Group, which is responsible for setting operational plans that support the strategic direction of the Group and enable it to deliver its core purpose.

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Group financial performance

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

Income and expenditure account	2023	Target 2023	2022	2021
Turnover	28,333	26,806	24,928	28,057
Operating surplus	6,886	6,403	7,657	8,676
Interest receivable, other income and taxation	893	73	47	34
Interest payable and similar charges	(4,901)	(4,996)	(4,876)	(4,506)
Surplus for the year	2,878	1,480	2,828	4,204
Statement of Financial Position				
Net book value of housing properties	184,086	200,727	171,631	161,913
Total assets less current liabilities	217,460	227,590	225,066	181,923
Cash and short term investments	43,984	22,682	51,588	17,892
Outstanding loan balance	147,850	147,850	147,850	107,565
Retained surplus	65,265	55,814	57,788	52,754
Cashflow				
Net cash from operating activities	14,779	9,264	13,779	15,436
Cash from property sales	1,839	742	2,180	1,036
Acquisition and construction of properties	(20,116)	(30,793)	(17,558)	(7,711)
Grants received	398	966	396	70
Net funding requirement	-	-	39,899	39,019

This has been a challenging year for the Group and the sector. In the first half of the year, the aftereffects of the global pandemic were still being felt and the second half saw the start of the worst cost-of-living crisis in a generation.

Alongside this there have been significant rises in costs and inflation, challenges in recruitment and retention of colleagues, and pressure to meet the demands of new regulation.

Despite these challenges the Group achieved a surplus of £2.9m for the year (2021/2022: £2.8m) with the Association also producing a surplus of £2.8m (2021/2022: £3.0m).

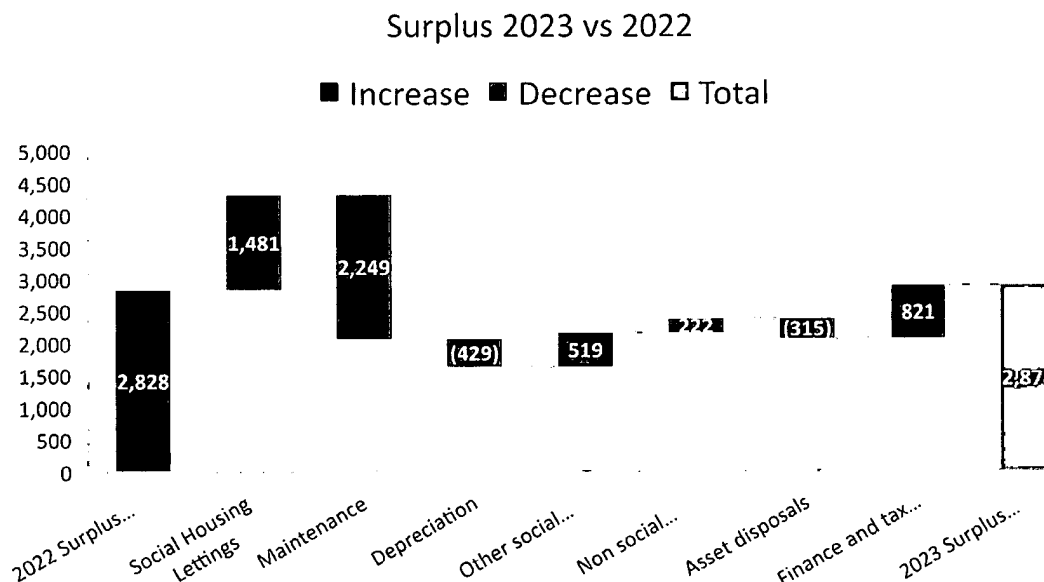
The total comprehensive income for the Group is £7.5m (2021/2022: £5.4m) and at an Association level this is £7.4m (2021/2022: £5.5m).

The operating surplus overall reduced by £0.8m to £6.9m in 2022/2023 (2021/2022: £7.7m)

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The key movements in delivering the 2022/2023 results relative to 2021/2022 are presented in the chart below:



The key drivers of performance relative to 2021/2022 are set out below:

- Social housing turnover has increased by £1.6m. This was generated from 99 newly developed additional properties coming into management and a 4.1% rent increase being applied to social housing properties.
- Management costs have remained similar to 2021/2022 at £5.1m. Excluding FRS 102 pension charges of £166,000, there has been a small reduction of £118,000 mainly due to staff vacancies. Management costs were £0.3m lower than the allocated budget. The resulting overall management cost per property for 2022/2023 is £1,159 relative to £1,188 for 2021/2022 and £1,264 budgeted.
- Maintenance costs have increased by £2.2m overall, driven by a number of factors:
 - A higher volume of repairs completed to clear the backlog built up through the pandemic
 - A substantial increase in material costs
 - A higher volume of jobs outsourced to contractors to help clear the backlog
- The surplus generated from other social housing activities has increased by £0.5m as a result of increased first tranche Shared Ownership sales.
- Other asset disposals have generated nearly £0.8m of surpluses following Right to Buy and Right to Acquire disposals, Shared Ownership staircasing and voluntary disposals were £0.3m more than in 2021/2022.
- Finance costs have remained in line with 2021/2022 at £4.9m as 100% of the borrowing is at fixed rates. Higher cash balances combined with the substantial increase in investment rates has generated a positive increase of £0.8m in interest receivable.

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In summary, the positive impact of higher sales income and interest receivable have enabled the exposure from higher maintenance costs to be absorbed.

Reserves

The Group surplus on reserves at the end of the financial year was £65.3m (2021/2022: £57.8m). This is after the transfer of the comprehensive income for the financial year of £7.5m (2021/2022: £5.4m).

COVID-19

The aftereffects of the global pandemic continued to impact service delivery during the first half of the year. The government enforced restrictions and lockdowns left the Group with a significant repairs backlog.

The Group Board made additional funds available to increase resourcing within the Centigen team to tackle the backlog and reduce the number of outstanding repairs as quickly as possible. This repairs backlog was eliminated in August 2022.

The inability to access its properties during restrictions, has left a gap in the Group's stock condition reports. To combat this a Stock Condition Survey programme was started in the third quarter of 2022/2023. This will run throughout 2023/2024 and will ensure that every property is visited, and that the Group's asset management data is up to date and accurate.

As anticipated, the Group continued to experience higher capital spend during the year. This was largely driven by repairs and maintenance costs caused by the backlog and delays to planned works that could not be completed during government restrictions. The Group Board will continue to monitor the impact of this and ensure the Group continues to meet its funding covenants. The leadership team and Senior Management Group will continue to seek savings elsewhere to offset this exposure.

During the year, the Group also reinstated its community events programme. Working with partners such as Adult Education Gloucestershire, the Forest Voluntary Action Forum, local authorities, and other agencies to provide a wide range of activities and events for tenants and the wider community. Further work to start the process of reconnecting with tenants has also been undertaken and is detailed in the 'great customer experience' section of this report beginning on page 31.

Cost-of-living crisis

In 2022/2023, record inflation, soaring energy bills and rising costs of food and materials, saw the Country enter the worst cost-of-living crisis for a generation. This has had a significant impact on the Group, its colleagues, and tenants.

It has also impacted the Group's ability to attract and retain colleagues. The Group experienced a record high level of colleague turnover during the year, exacerbated by a lack of supply of skilled resource in the local market. This not only significantly increased recruitment and salary costs during 2022/2023, but also caused disruption to services. To combat this and help retain and attract experienced colleagues the Group reviewed its reward offering in the second half of the year. More details of this can be found on page 35.

To offset some of the cost pressures caused by the cost-of-living crisis, the Group Board took the difficult decision to set the annual rent increase for 2023/2024 in line with the government's 7% cap. However it also recognised that, for some tenants, this increase would be unattainable as those on lower incomes were forced to make difficult choices as they tried to make their incomes stretch further.

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To help support its most vulnerable tenants, the Group set up a Cost-of-Living Group with the sole purpose of understanding the impact on its tenants and looking for ways it could provide additional support where it was needed.

The Cost-of-Living Group used feedback from tenants to understand what tenants needed support with and put together a package of advice and guidance to sign-post them to organisations that could help. It also helped the Group establish a targeted Hardship Fund, which is available to tenants through its welfare, benefit, and debt advice team. It also obtained a £2,000 grant from the Garnett Foundation to provide small grants to tenants to help with the cost-of-living.

Damp and mould

Two Rivers Housing is committed to working with tenants to ensure that cases of damp and mould are investigated, and where required, work is undertaken to eliminate damp and mould and make improvements to the property to reduce the risk of it coming back.

It will support and advise tenants to help them use their home in a way that minimises the risk of damp and mould appearing and work with them to eradicate damp and mould in its properties.

The Group has taken a proactive approach to tackling damp and mould within its homes and set up a Damp and Mould Group to review its processes, policies, and the information it provides to tenants. It has made changes to its website and encouraged tenants to report any damp and mould issues in their homes quickly, so that they can be dealt with.

It has also used its current stock condition survey programme to ensure that any damp and mould issues that have not been reported by tenants are captured. It prioritised properties that had previously reported damp and mould or that might be more susceptible to damp and mould issues in the early stages of this survey work.

All frontline colleagues have also been asked to report any signs of damp and mould that they spot while out on patch.

Together, this has resulted in a significant increase in the number of damp and mould cases reported to the Group. A restructure of the operations directorate was undertaken in quarter two, this has ensured that there is clear ownership of damp and mould within the organisation.

Alongside this, the Group has bought in additional resource to its property services and repairs and maintenance teams to help manage the increase in reported cases. The Damp and Mould Group are also working on systems improvements, to ensure that cases are managed and closed off effectively.

Value for Money (VfM) management sector metrics

Two Rivers Housing undertakes a range of benchmarking to assess its performance, predominantly using the information published by the Regulator of Social Housing (RSH) in the information extracted from the 2022 Global Accounts Annex.

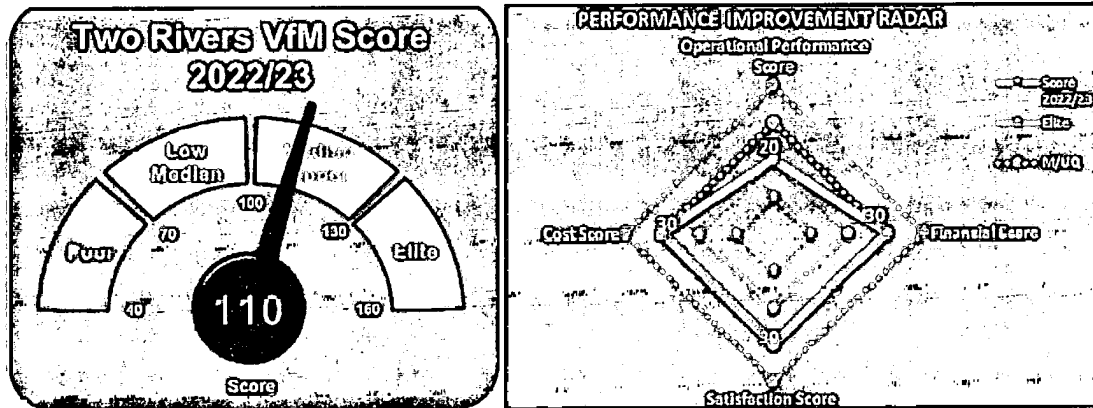
It engages with consultants i4H to provide an external assessment of its performance for the year. In addition to this, it undertakes internal benchmarking against the PlaceShapers group of members which are aligned to the values and operations of the Group.

Performance has therefore been assessed relative to the forecast target, with reference to the prior year performance relative to that year's sector position. The Group also looks back at the prior years' performance to compare against the relevant financial year Global Accounts for further assurance.

The benchmarking results conclude that overall, Two Rivers Housing is achieving mid/upper quartile performance against its peer group.

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VfM Measure	Results 2022/23	Median 2022/23	Score 2022/23
Total Cost Per Unit	£3,818	£4,018	30
Total Operational Performance Score	210	250	20
Total Customer Satisfaction Score	110	100	10
Total Financial Score	260	200	30
Total VfM Score	110	100	100

The Group continues to deliver strong financial performance and remains a low cost organisation, and although operational performance is mid/lower quartile, overall satisfaction is median and repairs satisfaction has improved.

The biggest challenge is in improving operational performance which remains at the lower median. The objectives set out in the 2023/2024 organisational plan seek to address this and are set out on page 27 of this report.

Sector metrics

The table below details the Group's performance against the metrics published in the 2022 Global Accounts relative to the sector and PlaceShaper members:

	Two Rivers Housing			Whole sector	PlaceShapers
	Actual 2023	Target *2023	Actual ** 2022	(Median) ***2022	(Median) ****2022
Reinvestment	11.00%	15.10%	10.20%	6.50%	6.80%
New supply delivered % (Social housing)	2.25%	1.74%	1.95%	1.40%	1.60%
New supply delivered % (Non-social housing)	-	-	-	-	-
Gearing	56.40%	62.40%	55.90%	44.10%	44.50%
EBITDA MRI / Interest cover %	162.50%	155.90%	158.40%	145.70%	143.10%
Headline social housing cost per unit	£3,952	£3,666	£3,472	£4,150	£3,960
Operating margin % - Social Housing	18.50%	20.60%	25.10%	23.30%	21.90%
Operating margin % - Overall	21.20%	22.30%	25.90%	20.50%	21.00%
Return on Capital Employed	3.20%	2.80%	3.40%	3.20%	3.20%

RAG Rating: Actual 2022/2023 vs *Target; **Actual 2021/2023, ***Sector Median 2021/2022, ****PlaceShapers 2021/2022

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The table below demonstrates Two Rivers Housings' performance against the i4H Benchmarking peer group:

FY23 - Financial Indicators	FY22	FY23	Median
Reinvestment%	10.16%	11.05%	6.40%
New Supply Delivered% (Social Housing)%	1.93%	2.25%	1.50%
Gearing Ratio %	55.89%	56.40%	50.40%
EBITDA MRI Interest Cover %	158.40%	162.47%	141.00%
Headline social housing cost per unit £	£3,472	£3,952	£4,797
Operating Margin % (Overall)	25.89%	21.62%	20.50%
Operating Margin % (SHL)	25.12%	18.48%	22.00%
Return on capital employed (ROCE)	34.0%	29.7%	2.90%
Total Score	250	260	200

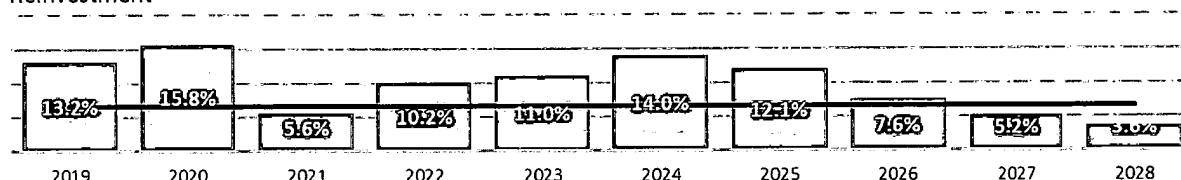
The Group's overall financial position compared to the peer group is upper quartile and mid/upper quartile compared to all national providers, with only gearing at mid/lower quartile. It delivers excellent financial performance given the size of the organisation.

It is also evident that financial performance is reflective of the strategic objectives of investing in and developing new homes.

A commentary in relation to actual performance for 2022/2023 for each of the Value for Money (VfM) sector metrics in turn, along with a brief description of the metric, is contained below, with the future metrics based on our business plan projections.

Reinvestment

Reinvestment



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

It shows investment levels have remained robust, increasing marginally relative to 2021/2022 performance, but have missed the target for 2022/2023. This is due to a delay to a number of development schemes. However, performance is ahead of the sector and its peer group based on the benchmarking analysis.

The global accounts analysis indicates that reinvestment has returned to pre-pandemic levels, reflecting the increased rate of investment into capitalised major repairs and maintenance expenditure, as well as new supply and acquisitions since the lifting of COVID-19 restrictions.

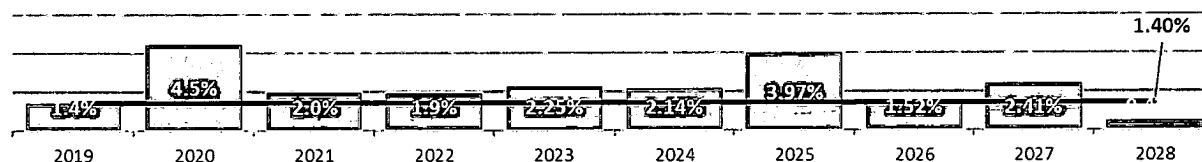
In 2022/2023 major repairs investment increased to £1,034 per property from £921 in 2021/2022 and will continue to rise steadily for the five-year period up to 2028, reflecting the desire to maintain the quality and improve the energy efficiency of its homes.

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New supply delivered

New supply delivered % (Social housing)



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

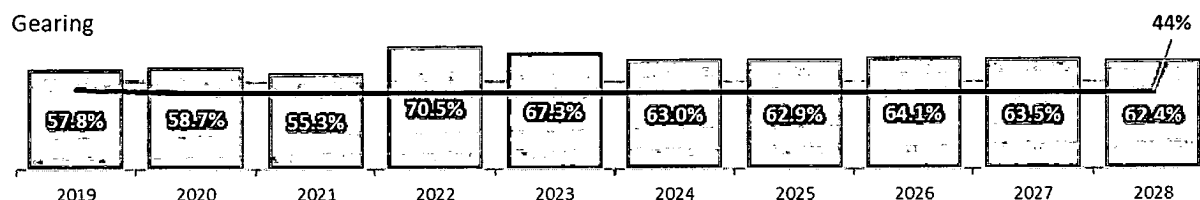
In terms of social housing new delivery, performance is at upper quartile and is better than both the sector and peer performance.

New supply continues to increase with the delivery of 99 new homes in the year and a three-year average of 89 units. As above, the 2022/2023 performance is less than target due to delays to a handful of schemes in the development programme. For 2021/2022, the percentage of new social housing delivered was ahead of the sector median and the benchmarking group.

It is acknowledged that a variety of drivers affect the delivery of new homes including developer and planning delays, legal issues and programme delivery spanning multiple financial years, can all have an impact on delivery. Given the continued impact of the pandemic, Brexit, and the current economic environment it is not unexpected that there is a shortfall relative to the target. Despite these challenges, the pipeline of development looking forward remains healthy and the Group remains on track to deliver 1,000 homes by 2028.

Two Rivers Housing is not planning any supply of non-social housing.

Gearing



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

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

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

This metric does not permit the inclusion of short-term investments in its calculation. To take advantage of preferential interest rates, the Group's funds have been invested in short-term fixed-rate investments permitted under its Treasury Policy, which delivers greater VfM. If these investments were permitted in the metric, given the amount invested is £20m the gearing metric

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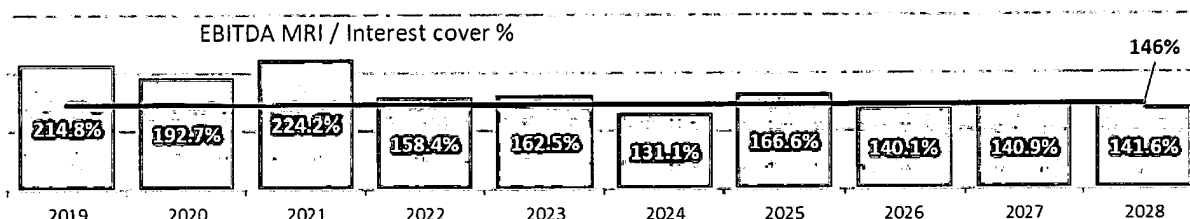
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would be 56.4% relative to a target of 62.4% target. The position is better than anticipated due to higher levels of cash being held as a result of delays to the development programme.

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

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

EBITDA MRI interest cover



The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.

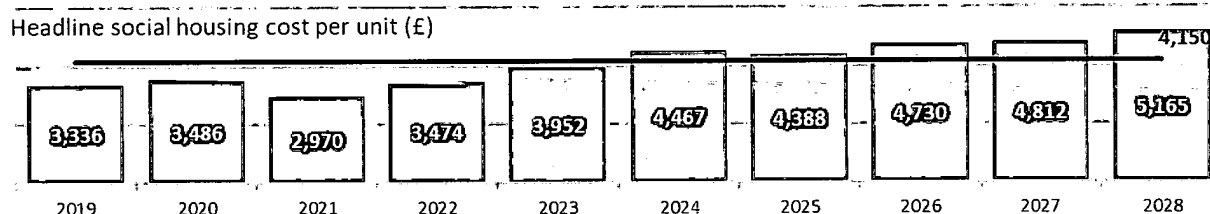
Strong interest cover is required to service existing debt and support continued investment. A high interest cover ratio is not automatically a good thing as it may indicate that there is capacity to borrow further to develop, although it does need to be taken into context with the other financial indicators.

The Group Board set the strategic objective to deliver 1,000 new homes by 2028. To support this additional funding was secured, which has resulted in higher interest payable costs. The increased borrowing is driving the downward trend which continues. While the forecast position for this ratio is weaker, it is in line with the tolerances set by the Group Board and the strategic objective to fund the substantial development pipeline and continued investment in existing homes.

Despite the substantially higher maintenance expenditure, there has been an improvement in the EBITDA MRI interest cover relative to 2021/2022. This is due to the level of cash and short-term investments held during the year combined with higher interest rates generating higher interest receivable and reducing net interest costs.

For 2022/2023, performance against this metric is ahead of the sector average and both the PlaceShapers and the benchmarking peer group.

Headline social housing cost per unit



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

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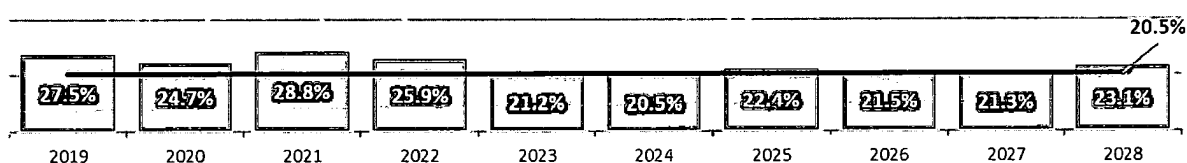
The Group's cost per property is marginally higher than the target for 2022/2023 and relative to 2021/2022, the cost per unit has increased by £496 (+15%). The largest increase of £312 per unit (75%) was driven by routine repairs spend. Management costs have been relatively contained at 2021/2022 levels, minimising this exposure.

For 2022/2023, Two Rivers Housing performs substantially better than the sector median, PlaceShapers and, relative to the benchmark peer group, it is placed at upper quartile performance.

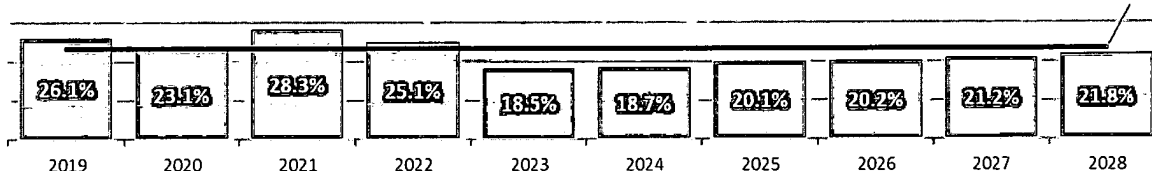
Looking ahead, this metric sees a steady increase linked to the higher levels of investment in improving the energy performance and quality of its homes.

Operating margin

Operating margin %



Operating margin % - Social Housing



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

The operating margin overall and social housing operating margin are in the median compared with the peer group and the national median. The increased repair costs incurred have resulted in the target set for the year, but reflect the commitment agreed by the Group Board to recover from the post-pandemic backlog of repairs. Two Rivers Housing's performance is in line with the national trend for increasing costs and deteriorating margins.

Relative to the Placeshaper peer group, the global accounts indicate that performance was substantially better than both the sector and PlaceShaper median.

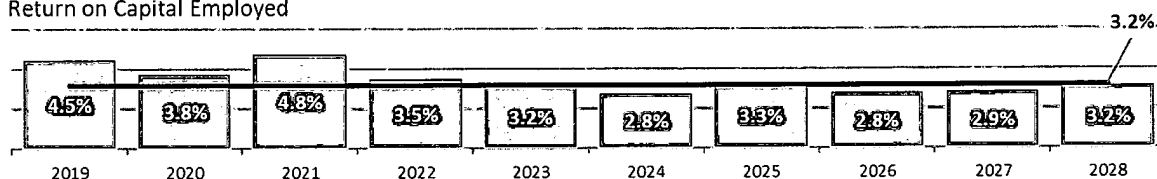
Two Rivers Housing understands that its housing management costs are high due to higher expenditure incurred in supporting its communities through debt and welfare advisory services, managing anti-social behaviour, intensive housing management of its sheltered homes and maintaining the quality of, and investing in the safety of its homes. With the cost of providing support services to its HomePlus tenants removed from the analysis (these are covered by service charges), the Group's costs are more aligned to the median position.

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Return on capital employed (ROCE)

Return on Capital Employed



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

Two Rivers Housing performs well against this metric and has surpassed the 2022/2023 target, but this is lower than for 2021/2022. Performance in 2021/2022 was ahead of the sector and PlaceShaper's median for 2021/2022 and was in the upper quartile relative to the benchmarking national position.

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Performance against Group metrics

Annually, the Group Board reviews the Group's Key Performance Indicators (KPIs) to ensure they align to its strategic priorities for delivery in the year. The performance against the bespoke measures for 2022/2023 are detailed below.

Strategic Priority	Strategic Performance Indicator	2022-2023 Target	2022-2023 Achievement
Deliver a great customer experience.	% Overall (STAR)	86%	81%
	% Safe & secure home (STAR)	90%	83%
	% Easy to deal with (STAR)	88%	83%
	Customer complaints (Stage two)	<10%	16%
	Complaints dealt within time	97%	99%
	Repairs undertaken within target	90%	67.9%
	Void turnaround time	30 days	33.8 days
Provide quality, affordable homes.	% Quality of Home (STAR)	86%	78%
	Decent Homes Standard achieved	100%	99.92%
	Overall growth of stock	100pa 3yr average	2023: 99 89 pa 3yr average
Be a great place to work.	% Voluntary leavers	14%	21.3%
	% Sickness absence	4%	2.85%
	Completion of Mandatory Training 2022/2023: E Learning Compliance Training	90%	95%
	Current Employee Accreditation	IIP Gold	IIP Gold
Be a strong, viable organisation.	Operating margin (EBITDA MRI)	31.9%	31.4%
	Management cost per property	£1,264	£1,159
	Rent void loss	£342k 1.5%	£257k 1.1%
	Current rent arrears	1.5%	0.96%
	Landlord compliance (5 areas)	100%	99.85%
	Regulatory Judgement (G/V)	G1/V2 or above	G1/V1

In addition to the activities detailed above, savings delivered through department-led initiatives totalled £469,000 (2021/2022: £714,000) with further procurement efficiencies totalling £569,000 (2021/2022: £289,000) delivered through the CHIC framework.

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The objectives set out for delivery in the Group's 2023/2024 Organisational Plan seek to address the areas where performance has been weaker.

The agreed Key Performance Indicators (KPIs) for the 2023/2024 Organisation Plan are set out below. These were agreed by the Group Board in March 2023 and are monitored by the Senior Management Group. Monthly updates will be provided to the leadership team and the wider organisation to ensure that the Group remains focussed on delivering its 2023/2024 organisational plan.

Strategic Priority	Strategic Performance Indicator	2023/2024 Target
Deliver a great customer experience.	Overall Customer Satisfaction % (TSM)	86%
	Customer service training delivered to colleagues	95%
	% of callbacks completed on time	85%
	'You said, we did' actions completed	6
	% repairs 'Right First Time'	91%
Provide quality, affordable homes.	Complete Stock condition survey programme	100%
	Void turnaround time	<30 days
	% of homes with EPC rating of C or above	60%
	% of agreed planned programme completed	90%
	No. of new homes delivered three-year average.	100
Be a great place to work.	% Voluntary colleague turnover	<14%
	% colleague sickness	<4%
	% PDP completions	95%
	Maintain external people accreditation	IIP Gold or similar
Be a strong, viable organisation.	Operating Margin EBITDA MRI	23.47%
	Management cost per unit	£1,325
	Regulatory ratings	G1 / V2
	% Rent arrears	<1.5%
	% Void rent loss	<1.5%
	Landlord compliance	100%

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Operational indicators

Two Rivers performance has remained at the mid lower quartile for 2022/2023. Although the quartile position has not changed there has been an improvement in overall performance of 12%.

Performance Indicator	2021/22 Result	2022/23 Result	Peer Median
Rent Collected (including arrears b/f)	100.06%	100.09%	95.04%
Current Tenant Arrears (Excluding Voids)	0.98%	0.96%	3.24%
Rent Loss Due to Voids - GN & HfOP	1.68%	1.17%	1.17%
Average Time to Complete Repairs (Days)	28.25	22.00	13.00
Average Relet Time (Days)	43.16	33.8	34.20
Percentage of Repairs Completed at the First Visit	88.42%	90.64%	91.85%
Satisfaction With the Last Repair (Transactional)	83.28%	88.30%	93.28%
Appointments kept %	70.18%	76.08%	95.90%
Gas Safety Certificate %	99.00%	99.98%	N/A
SAP Rating	68.63	69.48	73.63
Total Score	180	210	250

Rent arrears performance for the Group remains upper quartile in terms of collection and arrears. This has been a consistent trend and demonstrates strong internal controls and procedure.

Rent loss and relet time performance has improved significantly. In particular, rent loss due to voids which has moved from lower quartile to mid upper quartile for 2022/2023.

Average relet times have also improved from mid lower quartile to mid upper quartile but continue to be higher than target at 33.8 days against a target of 30 days. This is the result of a combination of delays to void repairs, major works being required to a number of properties, and delays in being able to access properties when they have become void.

Repairs performance has improved and is a reversal of the trend seen in previous years. Average days to complete repairs, percentage of repairs complete at the first visit, satisfaction with the last repair and appointments kept performance have all improved. This has led to improved performance for satisfaction from tenants, however there is still room for improvement in carrying out routine repairs.

Providing quality, affordable homes

Two Rivers Housing is built on the belief that everyone should have a warm, safe, affordable home. It is committed to increasing the availability of affordable housing in its communities, investing in improving its homes, and understanding and managing its assets effectively.

The organisation's performance demonstrates that it delivers strong landlord safety compliance, and the quality of its homes is good. Full compliance in relation to gas safety certification has been impacted where tenants have prevented access. Tenant safety is the Group's top priority, and these are currently being addressed under its 'no access' procedure to ensure that this can be resolved as quickly as possible.

Alongside this, it is committed to reducing its carbon footprint and improving the energy efficiency of its homes. This commitment not only helps the organisation do its part in protecting the environment, but it also reduces the amount of energy needed to heat its properties – keeping its homes affordable to run as well as to rent.

In 2018, the Group pledged to build 1,000 new affordable homes in its communities by 2028. During 2022/2023, the group took handover of 99 new homes (67 for rent and 32 Shared Ownership Properties). It also started building work on a further 125 properties (77 for rent and

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48 Shared Ownership) and has delivered an average of 89 homes per year over the last three years.

While this is lower than its target of an average of 100 homes per year, this can be attributed to the slowdown in building during the pandemic and the consequent delays to development programmes. In the last quarter of 2022/2023, it announced partnerships with Cotswold Oak and David Wilson Homes to provide more than 100 new homes between now and 2026. The Group has a healthy pipeline of development opportunities with more than 160 property handovers expected in the next financial year.

In 2022, the Group successfully secured planning permission to redevelop its site at Johnstone Close, which will provide 20 new affordable homes. It also obtained planning for a further 17 homes on a land-led development in Coleford and is continuing to work with its development partners to secure further opportunities.

Just as important as increasing the availability of affordable housing in its communities, is the ability to invest in its existing homes. In 2022/2023, the Group invested £4.54m in improving its homes, through its planned maintenance programme. This work included the installation of new doors and windows in 137 properties, 125 new boiler installations and 10 new electrical heating systems.

The kitchen and bathroom replacement programme stalled towards the end of the year. This was due to performance issues with the appointed contractor. Having reviewed the contract against agreed performance, the Group decided to terminate and retender for the works. Despite this, the Group installed 152 new kitchens and 105 bathrooms during 2022/2023. The tender process began at the end of Q4, and the Group expects to appoint a new contractor in Q1 2023/2024.

The Group's planned maintenance programme is driven by its asset management data. During the pandemic, its ability to enter and survey its homes was severely restricted leaving a gap in the accuracy of its stock condition data. To rectify this, the Group reinstated the Stock Condition Survey programme in November 2022, which had previously been paused due to the pandemic. This will continue throughout 2023/2024 and will mean that a Two Rivers Housing Surveyor will have visited every single one of its homes by the end of that financial year. At the end of the 2022/2023 financial year, the survey team had already visited almost 2,000 homes as part of this work.

The cost-of-living crisis has highlighted the need to ensure that UK homes are as energy efficient as possible. Not only will this help reduce carbon emissions, it will also ensure that homes more affordable to heat and run. This is of particular importance in the social housing sector where many tenants are on low incomes and increasing costs are leading many to many having to make difficult choices on how they use their budget.

As part of the Consortium, which was established in 2020, Two Rivers Housing was able to participate in the Social Housing Decarbonisation Fund (SHDF) Pilot Scheme. This saw the Group undertake a full retrofit programme in a small number of its homes in Blakeney in the Forest of Dean. Work was completed at these properties in the summer of 2023.

This was a significant learning curve for the Group both in terms of the potential work needed across its property portfolio, costs of delivery, technical difficulties, and the impact it has on the tenants living in these properties.

It is fair to say that the impact on tenants during the work was significant. This was largely due to the nature of the work, the fact that this was a pilot scheme with lots of unknowns, the limited resource available in the UK to undertake the work and the new technology being used. These factors did result in dissatisfaction among some tenants taking part in the project and the Group has used this experience to improve engagement, communication, and how it works with tenants on this type of project going forward.

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Having said that, the results that have been achieved through the pilot scheme have been very positive. Anecdotally, tenants have reported a significant reduction in their energy bills and have identified other benefits resulting from the work including to the appearance and feel of their homes.

The retrofit works improved the Energy Performance Certificate (EPC) rating of the properties, taking them from a D to an A rating. Continued monitoring of the homes has also recorded a significant decrease in humidity within the properties – reducing the risk of damp and mould and an average 50% reduction in the energy consumption.

The pilot scheme was also featured in a BBC documentary for its We Are England series, which was exploring how landlords could retrofit properties to help protect tenants from the rising energy costs that the Country experienced in 2022/2023.

Since the pilot project, the Consortium has made two additional bids for funding to support similar projects in more homes in the County. Both bids have been successful, and Two Rivers Housing began similar retrofit works at a further 18 homes at the end of 2022/2023. This work is due to be completed in early 2023/2024.

Funding from the government's Wave 2.1 grant, will be used to complete works at 36 more of its properties between 2023 and 2025.

Alongside retrofit work on existing homes, the Group also took steps to review its approach to new builds. It worked with consultants to understand how it could work with its development partners to future proof new build properties to ensure that any retrofit work that may be required in the future would be easy and cost effective, minimising the impact on the Group's financial plan. This is particularly important on Section 106 properties where it has little control over the design of these homes.

The Group Board and leadership team recognises the need to ensure that the business comprehensively understands the assets under its management and manage these effectively. With changing regulation, the need to deliver against the government's net zero targets, a significant repairs backlog and a challenging recruitment market, the Group undertook a restructure of its asset management and housing teams. This has enabled the functions to redeploy existing resources in key areas to ensure that it can make the most of the experience and expertise in the existing teams, clarify roles and responsibilities, and identify any gaps that need to be filled in order to ensure the Group can continue to meet its commitments going forward.

The Group experienced a record high percentage of colleague turnover during the financial year. This coupled with a challenging recruitment landscape and embedding the structural changes has caused some disruption to its services.

Delivering Value for Money

Investing in new and existing homes requires considerable investment both in terms of the financial value and the amount of resource required to deliver this effectively. Like all areas of the organisation, delivering Value for Money (VfM) through these activities is considered at all levels of decision making.

These are recorded by the organisation and reported to the Group Board quarterly. This helps ensure that VfM is considered by everyone in the organisation and that all savings are captured. During the 2022/2023 financial year, the Group delivered significant savings and undertook activities that ensure that future spending can be based on sound information and that resources were deployed effectively.

- It negotiated with the Local Authority to stop paying Council Tax on its vacant properties at Johnstone Close while it remains empty, saving £39,000.

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- It achieved a VAT saving of £10,200 by bringing its rewiring programme in-house utilising the Centigen electrical team – this has also allowed it to bring in two new electrical apprentices and further develop capability within the Centigen team.
- The rollout of the Group's Stock Condition Survey programme will be used to inform future planned maintenance programmes – this will ensure that investment in its homes is undertaken in a strategic manner and help to shape its Asset Management Strategy, which is due to be reviewed in 2023/2024.
- It completed retrofit works on 16 homes in the summer of 2022, partially funded by government grants from the Social Housing Decarbonisation Fund, saving £526k on the cost of these improvement works. Alongside the savings to the Group, the completed work has delivered significant savings for tenants living in those properties.
- It also successfully secured an additional grant of £280k from the government's Wave 1 funding and used this to start similar work on 18 more properties at the end of 2022.
- It has used what it has learned from the retrofit projects to inform part of its future planned works programme and to seek opportunities for other funding and grants to support the cost of this programme.

Delivering a great customer experience

Customers remain at the heart of the organisation.

As a result of the global pandemic, opportunities to engage directly with tenants were severely impacted. Many of the Group's tenants live in rural locations, with poor quality or limited access to the internet, which created a challenging environment for the Group to maintain relationships with tenants during lockdowns and other restrictions.

During 2022/2023, the Group has taken steps to rebuild and strengthen its relationship with tenants. It has worked with partners across the community to re-establish a programme of events, which provide opportunities for tenants to access its colleagues as well as teams from other services across the community.

As part of the work undertaken by its Cost-of-Living Group, it held several events where tenants and other members of the community could talk to its Welfare, Benefit, and Debt Advisors, find information on how they could save energy or simply sit in a warm, safe space with a hot drink for a few hours.

While these events are an important part of the Group's engagement programme, it also recognised the need to review and improve the ways in which its tenants could get involved in decision making and the development of its services.

With the support of tenant engagement specialists, the Tenant Participation Advisory Service (Tpas), the Group worked with tenants to review and co-design a new approach to tenant engagement. After initial discussions and using tenant feedback, the Group developed a new engagement model that demonstrates how tenants can engage with the organisation, share their views, and work with the organisation to deliver service improvements.

The proposed changes were shared with all tenants in the Spring 2023 edition of Tenant Topics the Group's quarterly tenant magazine. The article also provided the opportunity for tenants to feedback via an online survey or by contacting the Group's community engagement team directly.

The survey results came in at the beginning of the new financial year, with 87%* of tenants agreeing that the proposed changes would improve tenant engagement. As a result, the new framework will be adopted in 2023/2024.

This will involve disbanding the Group's Challenge & Change Group and replacing it with a new 'Tenant's Voice Group' that will be provided training and support to enable members to constructively challenge the Group and hold it to account on behalf of its tenants. It will also see

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the introduction of Tenant Inspectors, who will be asked to attend estate walkabouts within the community and reassure tenants that issues raised are being dealt with effectively.

To ensure that it delivers a great customer experience, the Group conducts regular tenant satisfaction surveys. It works with an independent research agency to conduct the survey and analyse the results. In previous years, the survey has used the Housemark STAR survey methodology.

In preparation for the new Tenant Satisfaction Measures (TSM) that will be applied by the Regulator of Social Housing (RSH) from 2023/2024, the Group incorporated the new TSM questions into its annual satisfaction surveys during 2022/2023.

The surveys were conducted in two waves, with the first wave being completed in October 2022 and the second wave in February 2023. The two waves combined provide the overall annual results and take in the views of around 800 tenants.

In its annual customer satisfaction survey results, the Group achieved an 'overall satisfaction' score of 81%. While this is a good result, it is a 3% reduction on 2021/2022 and 5% below its target of 86%.

This was largely driven by a decline in the Group's scores in response to the question 'How satisfied or dissatisfied are you with the overall quality of your home?', which dropped from 83% in 2021/2022 to 78% in 2022/2023. The research indicated that key drivers behind this were the condition of the property, day to day repairs, and the perceived need for home improvements such as kitchens, bathrooms, and heating systems.

The Group Board believes that much of this stems from restrictions in place during the pandemic, which caused a halt to planned maintenance programmes, home inspections, and repairs for almost 18 months.

During the year, the Group has taken steps to rectify these issues, clearing the backlog of repairs, reviewing and improving its approach to dealing with damp and mould, commencing a full stock condition survey to identify current issues and enable it to effectively plan its future improvement works programme and making improvements to its repairs service.

The Group Board recognises that there is more work to be done here, but these changes have already started to positively impact some of the satisfaction scores related to its homes. Satisfaction that their home is well maintained had increased from 75% to 76% during the year and satisfaction that their home is safe has increased from 81% to 84% during the year.

These are early indications that the Group is doing the right things in these areas, but the Group Board and the leadership team will monitor performance in this area closely and continue to make improvements in these areas during 2023/2024.

To strengthen satisfaction scores and improve future results, the Group has worked with tenants to codesign a new Customer Experience Strategy. This sets out the Group's approach to delivering a great customer experience and includes a new customer promise. It was approved by the Group Board in March 2023 and will be embedded across the organisation in 2023/2024.

The Group will also be providing customer service training for all colleagues starting in 2023/2024 with the Senior Management Group.

As to be expected, given the decrease in overall satisfaction, the Group experienced an increase in complaints during the year. In 2022/2023, eight complaints were escalated to the Housing Ombudsman Service with outcomes still to be determined as at 31 March 2023. One further case from 2021/2022 was also still waiting for review after an initial determination was provided on 16 March 2023.

The Group has been working with the Housing Ombudsman Service and tenants to resolve the outstanding complaints and at the time of writing this report two of the cases had been

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determined, both with maladministration, five had been fully resolved and two remained outstanding, including the one from 2021/2022.

Learning from complaints

The Group welcomes feedback from its tenants and customers. It sees customer complaints as an opportunity to improve its approach, processes, and systems and, wherever possible, uses feedback to make positive changes across the organisation.

Having recognised that an increasing number of complaints were escalating to Stage Two of its complaints handling process, the Group reviewed its approach to complaints handling at the end of 2022/2023. Through this review, it was able to determine the root cause of the escalation issue and has since made changes to the way in which complaints are managed.

It also implemented a new complaints tracker, which includes agreed actions and deadlines. This is managed by its customer insight team to ensure agreed actions are being completed and customer expectations are managed where delays occur.

As a result of these changes, the Group streamlined its approach to claims handling. It has also helped to ensure that the correct people with the right skills and knowledge are involved from the offset to provide a prompt and efficient resolution for customers.

The Group has used customer feedback and complaints to make improvements to its scripting process, so that it can provide better, more effective advice to customers during calls. Alongside this it has made changes to how calls and jobs are raised within its systems to improve record keeping and provide better audit trails. This means that the Group has a fuller picture of any issues raised by customers at a later date helping it find a resolution more effectively.

Following feedback on its Out of Hours provision, the Group has worked closely with its provider to ensure that it meets its own customer service standards and improve response times for out of hours calls.

Feedback from tenants that had been supplied with temporary heating or dehumidifiers during the winter months, had raised issues around the Group's process for claiming compensation for the cost of running these items in tenant's homes. The Group took this feedback and reviewed its approach to dealing with compensation claims of this nature and was able to agree a standard set amount that would be provided to tenants going forward. This brought clarity to customers and reduced the need for them raise a complaint with the Group in order to be reimbursed.

As part of its commitment to delivering a great customer experience, the Group will continue to monitor complaints closely and use this feedback to make improvements to its approach and processes on an ongoing basis. It regularly shares information on its own complaints process and the Housing Ombudsman Service in its communication with customers and continues to encourage tenants to share feedback through its customer engagement framework.

Understanding customers

A fundamental part of ensuring that the Group remains customer focussed, lies in understanding who its customers are and what they need from the organisation both now and in the future.

In the second half of 2022/2023, the Group partnered with independent research agency IFF, to complete a full Tenant Census. This piece of research has been designed to enable the Group to update the information it holds on its tenants and collect additional information in line with the equality, diversity, and inclusion (ED&I) requirements of the NHF Code of Governance 2020.

The data collection part of this project started in March 2023 and the general needs element will conclude in August 2023, although work will continue to gather data from non-respondents. Surveys of the Group's HomePlus tenants will be completed over the summer.

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Through this piece of work, the Group will gain a better understanding of its current customers and will be in a better position to fulfil the ED&I requirements under the NHF Code of Governance 2020. It will also ensure that decisions made by the Group Board and leadership team on core organisation activity are robust and based on accurate business information – leading to better informed plans and strategies that deliver the best results for the organisation and its customers.

The Tenant Census also supports the Group's wider Data and Performance Project, which will enable the organisation to access, present, and interrogate business information more effectively. More details on this project can be found in the 'Be a strong, viable organisation' section of this report.

The cost-of-living crisis has driven increased demand for the Group's support services. The housing team has seen an increase in demand for both welfare, debt, and benefit advice and income collection services. As part of the operations directorate restructure, the Group took steps to ensure that this function was sufficiently resourced to compensate for the increase in demand.

The restructure, which was delivered in Q2 2022/2023, created several new roles, and utilised the skills and capability within the existing team to ensure resources were deployed in the most effective way possible. Naturally this led to role changes within the existing team and new opportunities for people to join the organisation.

Due to the challenging recruitment environment, it took longer than anticipated to fill some of these vacancies, however at the end of Q3 2022/2023 these had been filled and the Group was able to begin the process of implementing these changes in full. So far, these changes have had a positive impact in key areas of the housing team providing clarity on roles and responsibilities and ensuring that resources are in place to help the Group deliver against future regulatory requirements.

Delivering Value for Money

The resource required for delivering a great customer experience crosses every part of the Group. As a local, community-focussed housing provider, ensuring that resources are utilised effectively to provide services to and support its tenants in the right areas form a key part of ensuring the Group delivers Value for Money (VfM).

This is considered across all activities relating to delivering a great customer experience. In 2022/2023, the Group undertook the following activities to ensure that resources were being deployed effectively and VfM was delivered through its commitment to delivering a great customer experience:

- It's welfare, benefit, and debt advice team helped tenants obtain £1.7 million in financial support throughout the year.
- Obtained additional grant funding from the Garnett Foundation to help support tenants that were struggling with the cost-of-living.
- Restructured the housing team to ensure that resources were deployed in the most efficient way possible and prepare for the upcoming regulatory changes.
- Utilised digital channels to support and encourage customer feedback – including online surveys, polls and its Facebook Group to reduce postage costs and make it easier for a broader range of tenants to engage with surveys.
- Reviewed its decorating voucher scheme and agreed terms with a new provider that provides better value and service for tenants.

Being a great place to work

Fundamental to its success are the skills, knowledge, and expertise of its people. To support its core purpose of delivering warm, safe, affordable homes it needs to attract and retain the best talent, which is why it is committed to creating a great place to work.

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This means empowering colleagues to make a difference, providing opportunities for people to develop and grow and ensuring that its people are passionate, engaged and feel valued.

During 2022/2023, the Group has continued to progress the key deliverables set out in the People Strategy, to help it build on its aspiration to be a great place to work and strengthen the relationship between the organisation and colleagues.

The Group is operating in a challenging recruitment environment and like many similar organisations in the local area, it has seen a significant increase in resignations. In response to this, the leadership team took time to review the Group's offering across all areas of the organisation.

After a successful 12 month trial, the Group adopted its Agile Working Policy, providing greater flexibility for colleagues and enabling frontline facing teams to work with tenants in different ways that suit them.

Following feedback from the assets and housing teams, it undertook a restructure of these resources to provide greater clarity on roles and responsibilities and address some of the resourcing issues raised by redeploying colleagues with the right skills to specific areas. This increased capability within some areas without the need to recruit additional team members and allowed the Group to focus recruitment efforts on areas where skills gaps were identified.

Alongside the restructure, the Group worked with an external consultant to develop and embed a levelling framework across the organisation. The purpose of this was to ensure that all roles have the right level of responsibility and that there is consistency and fairness across the Group. This was achieved by reviewing and standardising all job profiles, to identify and group similar roles together.

This also enabled the Group to review its Senior Management Group (SMG) which is responsible for ensuring that operational plans align to the Group's strategic objectives and that these are delivered effectively and within agreed timescales.

To combat the increasing pressure on recruitment and retention, the Group reviewed its reward offering. The changes made to terms and conditions, pensions enhancements and other changes has made the overall offering more competitive in the local market, and as a result the Group has been able to successfully fill vacancies and retain colleagues.

When it comes to being a great place to work, first impressions count. With this in mind the Group has digitalised its onboarding process to ensure that information needed to onboard new recruits was gathered in a consistent and timely manner and that the initial experience of people joining the organisation was smooth and positive.

In Q4 2022/2023, the Group also reviewed its e-learning platform and is working with a new provider, to install a new system in Q1 2023/2024. It will also develop a new Learning and Development Strategy in 2023.

The Group also became accredited as a Real Living Wage employer, having committed to delivering against this since April 2020.

The Group Board is committed to strengthening the organisation's culture and creating an inclusive environment where colleagues and tenants feel accepted, respected, and able to be themselves.

It has pledged to support colleagues and through its own equality, diversity, and inclusion (ED&I) journey, help them understand and value people's differences, understand the importance of trust, and create an environment where they can raise concerns without fear.

It also recognises that the organisation is at the start of its ED&I journey. During 2022/2023, the Group took steps to ensure that it can deliver against its commitments under the NHF Code of Governance and its desire to be inclusive and ensure that it represents and reflects the diversity of its communities.

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During the year, it reviewed and refreshed its Equality, Diversity, and Inclusion Policy, developed its ED&I Statement and has been working with the Housing Diversity Network (HDN) to understand and raise awareness of diversity across the Group.

HDN provided training to the Group Board and Senior Management Group in the first half of the year and has helped deliver an internal survey, which sought to identify the ED&I challenges within the organisation and understand the Group's current position. This has been used to develop an ED&I delivery plan for 2023/2024.

As part of this plan, it will work with colleagues to gather and update the ED&I information within its MyZone platform, use its Tenant Census to ensure the data it holds on tenants is up to date and accurate, use storytelling and national diversity celebrations to share information and raise awareness of the Group's ED&I commitment with key stakeholders.

Central to the success of this project is the Group's Colleague Forum, which represents colleague views and opinions and has direct access to the leadership who attend its bi-monthly meetings. The Colleague Forum was established in 2021 and has been a valuable sounding board for the organisation.

Alongside this, the Group has a dedicated Health and Wellbeing Group, which are committed to working with the leadership to enhance its health and wellbeing initiatives. This group works alongside the people team to provide information, health and wellbeing activities and other support materials to colleagues throughout the year.

Delivering Value for Money

Its people are the Group's greatest resource, and it is committed to ensuring that it makes the most of the skills, expertise, and knowledge that they bring to the organisation. This will not only deliver the best results for the organisation but ensure that it gets greater value for the investment it makes in developing and supporting colleagues.

The Group has sought to deliver against this throughout 2022/2023, key Value for Money activities undertaken in this area are detailed below:

- The restructure of the operation's directorate has ensured that resources are being used effectively across the organisation. It has also delivered operational efficiencies, improved accountability, and improvements in customer service.
- The introduction of Salary Sacrifice for the Group's pension and electric vehicle schemes will see a reduction in the Group's National Insurance Contributions. This will be used to offset the cost of other enhancements to the Group's reward offering.
- The Group's Agile Working Policy has reduced costs for colleagues during the cost-of-living crisis.
- The Group's new onboarding platform has reduced administration work within the people team and streamlined internal processes. Freeing up resource that can be redeployed elsewhere.

Being a strong, viable organisation

As a registered charity and social housing provider, the Group Board has a duty to ensure the organisation understands and manages its costs effectively. It takes a long-term approach to financial planning and sets the objective of meeting the regulatory requirements to achieve a minimum of G1/V2 rating from the Regulator of Social Housing (RSH).

In June 2022, the RSH conducted an In-Depth Assessment (IDA) of the Group's operations. The Regulator met with the leadership team and members of the Group Board to scrutinise the Group's operations and delivery against its organisation plan.

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Following the IDA, the Regulator confirmed the Group's regulatory status as G1/V1, which means that Two Rivers Housing has maintained the highest ratings from the Regulator for the last 18 years.

Good governance is the foundation of a well-run organisation. In 2022, the Group Board adopted the NHF Code of Governance 2020. This clearly sets out the standards required in order for the Group to comply with the Code. In Q1 2022/2023, the governance team undertook a gap analysis and created an action plan to ensure that the Group can meet its commitments under the Code. Good progress has been made against this, but there is still work to be done. More details on this action plan can be found on page 11 of this report.

To help the Group improve control of its purchasing processes, it installed purchase to pay software across the Group. The software will ensure that those with budget responsibility have better control and oversight of spending and reduce the administration that needs to be undertaken by the finance team – freeing up resource in this area that can be deployed elsewhere.

Alongside its purchasing process, the Group employed an external consultant to review its procurement framework to bring the Group's policies in line with best practice and delivered a detailed training programme to those with purchasing responsibilities within the organisation.

The Group also undertook an exercise to create a Record of its Processing Activities (RoPA). This has ensured that all processes involving the collection, use, and manipulation of business information and tenant data are recorded centrally. Not only does this provide confidence that our processes are robust, but it also protects the Group from loss of critical systems and process knowledge when people leave the organisation.

In the current economic climate, understanding and managing costs continues to be an important factor in delivering against the Group's financial plans. High inflation and increased material and recruitment costs coupled with a 7% cap on rent increases have created significant pressure on the Group's finances. Despite this, the Group has delivered a surplus of £2.9 million (£2.8 million 2021/2022), which is above its target of £1.5 million.

The key variances relative to the 2022/2023 budget have been driven by positive variances on first tranche sales (£0.6 million), other property sales (£0.4 million), management and other costs (£0.4 million) and interest receivable (£0.8million) offset by pressures in maintenance (£1.0m).

Management of arrears remains strong, with current rent arrears at 0.96%, however the cost-of-living crisis is continuing and there is likely to be further financial difficulty to come due to continued inflationary pressure and energy prices remaining high. The hard work of the Association's income collection and welfare, debt, and benefits teams has placed the Group in a good position.

Future regulatory pressures and new legislation such as the Building Safety Act, Social Housing Regulation Bill and changes to the Housing Ombudsman's Complaints Code, will increase pressure on the Group's budget. The Group Board is monitoring this to ensure that funding and resource is available to meet its commitments in this space and changes to the structure of the operation's directorate have already been made in preparation for these changes.

To ensure that decision making is robust and based on accurate information, the Group has undertaken several data-based projects to update and improve the data it holds on tenants and colleagues. Alongside this it has started a new Data and Performance Project. This will improve the accuracy of the Group's business information and put structures in place to manage this going forward.

The Group has also commenced a project to introduce the use of Microsoft Power BI to effectively monitor performance, enabling reports to be run centrally and provide greater control and consistency. This will ultimately lead to quicker, more robust management information on which the Group can base its decision making and effective management of performance against

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objectives. It will also increase the availability of key resources, as reports will be created instantly through Power BI without the need for manual changes or manipulation.

Delivering Value for Money

By managing and understanding its costs, improving its ability to use data to monitor and manage performance and using technology to drive improvements to its services, the Group delivers Value for Money (VfM) throughout this strategic pillar.

Value for Money efficiencies delivered under this pillar during 2022/2023 include:

- The Group's energy scheme, which enables it to purchase energy in bulk for the running of communal spaces delivering cost savings to tenants and the organisation. Several more schemes were added to this in 2022/2023.
- The completion of the purchase of new vans for the Centigen team, which will see a saving of £20,000 per year plus any residual value beyond the typical lifecycle of the vehicles.
- The purchase to pay system will provide efficiencies within the Group's invoice and payment processes and reduce the risk of fraud. It also enables resource within the finance team to be redeployed to income collection and cash management.
- The Group's fixed-term investments have generated £348,000 in interest receivable and £846,000 in total through active treasury management.
- The Group undertook a review of the tax it pays, which resulted in a £10,000 rebate and will generate future tax efficiencies.
- Utilising technology to hold committee meetings virtually has reduced Board Member expenses. The same technology has been used to meet with tenants at more convenient times for them – enabling more tenants to attend.
- The Group reviewed its Depreciation Policy to ensure that all relevant components related to new energy efficiency drives can be depreciated.

Looking forward to 2023/2024

The Group Board approved the 2023/2024 Organisation Plan in March 2023. This sets out the Group's ambitions under each of its four strategic pillars and what it will deliver in the next financial year. Details of the 2023/2024 Organisation Plan are set out below:

Provide quality, sustainable homes

- Complete Stock Condition Survey programme.
- Deliver agreed EPC improvements
- Complete Wave 1 funded decarbonisation project
- Agree and begin delivery of Wave 2.1 funded decarbonisation project (two-year programme)
- Continue to deliver agreed development and regeneration programme
- Deliver improvements to the repair and maintenance service
- Improve and embed the Group's Damp and Mould Policy

Deliver a great customer experience

- Improve customer satisfaction through service improvements using customer feedback and learnings.
- Use tenant census data to understand customer needs and deliver an inclusive accessible service.
- Improve customer engagement by embedding customer service standards and customer engagement framework.
- Deliver customer service training across the Group.

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Be a great place to work

- Be externally recognised as a great place to work.
- Review and implement a new induction process.
- Develop our learning and development offering including professional standards.
- Build an effective apprenticeship programme.
- Deliver the agreed ED&I plan – metrics, training and policy.

Be a strong, viable organisation

- Provide monthly financial information to all budget holders.
- Successfully deliver and embed power BI (Data and performance project)
- Deliver improvements to our core IT systems and technology to drive organisational efficiencies.
- Deliver against our commitments under the NHF code of governance and health and safety.

The Group will provide regular updates on the progress of these activities to tenants, colleagues, and other key stakeholders throughout the year.

Forecast financial performance

The Group produces a 30-year financial forecast, which is reviewed on an annual basis. The following tables set out a five-year picture of its forecast targets:

Statement of Comprehensive Income £' 000	Actual 2023	Target 2024	Target 2025	Target 2026	Target 2027	Target 2028
Turnover	28,333	28,505	36,023	33,388	35,192	36,072
Operating costs	(22,530)	(22,669)	(27,968)	(26,215)	(27,707)	(27,730)
Other surplus/(deficit)	1,083	513	5	4	-	-
Operating surplus	6,886	6,349	8,060	7,177	7,485	8,342
Transfer to reserves	2,878	1,966	3,009	2,026	1,948	2,839

	Actual 2023	Target 2024	Target 2025	Target 2026	Target 2027	Target 2028
Reinvestment	11.0%	14.0%	12.1%	7.6%	5.2%	3.6%
New supply delivered %	2.25%	2.14%	3.97%	1.52%	2.41%	0.47%
- Social housing						
- Non-social housing	-	-	-	-	-	-
Gearing	67.3%	63.0%	62.9%	64.1%	63.5%	62.4%
EBITDA MRI / Interest cover %	162.5%	131.1%	166.6%	140.1%	140.9%	141.6%
Headline social housing cost per unit	3,952	4,467	4,388	4,730	4,812	5,165
Operating margin % - Social Housing	18.5%	18.7%	20.1%	20.2%	21.2%	21.8%
Operating margin % - Overall	21.2%	20.5%	22.4%	21.5%	21.3%	23.1%
Return on Capital Employed	3.2%	2.8%	3.3%	2.8%	2.9%	3.2%

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023
Report of the Board of Management and Strategic Report

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

Risk management

Two Rivers Housing has a comprehensive risk management framework.

During 2022/2023, the Group Board and management reviewed and updated the risk management framework, strategy, policy, and risk appetite in line with the recommendations from its risk advisors. This is also reviewed externally by its risk advisors annually. This review provided substantial assurance with recommendations to further enhance the framework during 2023/2024.

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

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

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

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

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

Stress testing has been undertaken and specific actions have been identified should any major risk exposures crystallise through 2023/2024, which would require corrective action to be undertaken to ensure Two Rivers Housing remains in a sustainable position.

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

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

The following are the key strategic risks that the Group Board considers, and the actions that have been taken to mitigate these and strengthen controls:

Strategic risk	Controls and actions
1. Data security / confidentiality	<ul style="list-style-type: none"> • Cyber security, systems and data strategy and management controls and practices in place. • Well established data protection/ iGovernance system, iGov group and dedicated roles in place. • Cyber Essentials Plus certification. • Cyber insurance. • Data protection and cyber security training for colleagues. • Penetration testing conducted on a rolling basis. • Data Strategy and Governance Framework in place.
2. Repairs	<ul style="list-style-type: none"> • Effective procurement for key works programmes with regular meetings with contractors to discuss performance. • Repairs review completed in 2019/2020, with action identified for improving processes. • Regular monitoring and Board oversight of repairs backlog and level of work in progress. • Customer survey to monitor satisfaction with the service.

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

Strategic risk	Controls and actions
3. Quality homes/asset management	<ul style="list-style-type: none"> • Asset management strategy in place. • External validation of stock condition (five-yearly). • Programme of internal stock condition surveys with target to achieve 100% by March 2024 • Disposal Strategy in place.
4. Development	<ul style="list-style-type: none"> • Development Strategy in place. • Prudent development assumptions benchmarked annually. • Selective engagement of employers agents and contractors. • Limits on exposures to planning/funding risk. • Contractor risk monitored through Experian.
5. Building safety and landlord compliance	<ul style="list-style-type: none"> • Specialist team in place with subject experts embedded across the Group. • Oversight of activity by Board, Leadership Forum, and Health and Safety Working Group. • Regular monitoring and quarterly reporting via Health & Safety Dashboard and Assets Directorate Performance Dashboard. • Management plans in place for key risk areas – fire, asbestos, etc. • Independent external deep dive audit across all areas of landlord compliance undertaken in 2022/2023. • Internal audit assessments.
6. Rent receivable	<ul style="list-style-type: none"> • Planning and monitoring of rent increase process. • Policies and procedures for rent increases. • Rent valuations are carried out by independent RICS qualified valuers where an affordable rent property becomes void. • Regular review of the actual rental level achieved compared to budget. • Prudent assumptions. • Financial planning and scenario stress testing.
7. Customer Satisfaction	<ul style="list-style-type: none"> • Customer Experience Strategy in place (approved March 2023). • Independent annual tenant surveys undertaken to assess satisfaction levels. • Complaints management training delivered to key colleagues. • Monthly reporting of complaints identifying key learnings to inform service delivery changes.
8. Tenant engagement	<ul style="list-style-type: none"> • Responding to the changes to regulations / Consumer Standards. • Co designed Tenant Engagement Strategy in place. • Dedicated engagement roles in place. • Harnessing digital technology for engagement.
9. Maintenance	<ul style="list-style-type: none"> • Prudent assumptions on maintenance costs in financial plan. • Contractor meetings. • Feedback from tenants (Tenant Satisfaction Surveys – Accuity). • Effective procurement of major repairs programmes. • Robust action on properties suffering from leaks / damp / mould.
10. Staff recruitment / retention	<ul style="list-style-type: none"> • People strategy developed with input from specialist advisors. • Reward and remuneration strategy completed and implement from April 2023. • Benchmarking of reward and remuneration benefits. • Monitoring of equality, diversity, and inclusion in place. • IIP accreditation.

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

The Group Board is continuing to monitor the dynamic operating environment and implement further actions to ensure that the risks arising are managed appropriately and activities remain within the agreed risk appetite.

Treasury management

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

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

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

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

The Group's interest rate policy for borrowings is to be between 60% and 100% fixed. As at 31 March 2023, 96% of borrowings were at fixed rates. The interest rate strategy aims to ensure that movements in interest rates will not significantly impact on the surplus before tax.

One loan with Barclays worth £5.85m includes an embedded swap. This includes termination rights giving the right to convert the debt to variable on set dates each quarter and is therefore treated as variable, not fixed. There are no plans at this time to convert this to variable debt.

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

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

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

As at the 31 March 2023, the Group has funding in place in the form of a fully drawn bank loan, with phased repayments over the next 13 years, and a fully drawn £80m Private Placement. In addition to this, there is an undrawn five-year £50m revolving credit facility. In total, on 31 March 2023, borrowings stood at £147.9m (2021/2022: 147.9m) with 96% of borrowing at fixed rates. These rates range from 2.45% for the private placement to 6.18% for the older loans.

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Report of the Board of Management and Strategic Report

Cash flow

Cash inflows and outflows for the year ended 31 March 2023 are set out in the cash flow statement on page 53.

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

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

The Group generated net cash from operating activities of £14.8m (2021/2022: £14.2m). After investing and financing activities cash and bank balances for the year ended 31 March 2023 stood at £44.0m (2021/2022: £51.6m), a reduction of £7.6m during the year.

Current liquidity

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

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

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

The annual review of the strategy and funding requirement confirmed that the Group had sufficient liquidity in place to last until at least 2025. The proposed extension of the existing revolving credit facility will provide further assurance of the liquidity position.

The Group Board does not consider there to be any seasonal effects on the borrowing requirements.

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

Reserves Policy

The Group's Reserves Policy requires it to have six months of operating cost in reserves in order to meet our short-term obligations. This equates to £9.1m. Total reserves for the Association at 31 March 2023 were £65.87m (2021/2022: £58.44m), which was all unrestricted funds. As such the Association is in line with its Reserves Policy. The Reserves Policy is reviewed on an annual basis by the Group Board.

Accounting policies

The principal accounting policies are set out in Note 2 to the financial statements on pages 54 to 67.

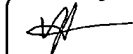
**Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023**

Report of the Board of Management and Strategic Report

Statement of compliance

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

DocuSigned by:

A handwritten signature in black ink, appearing to be 'Yvonne Leishman'.

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Yvonne Leishman
Chair

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Statement of the Board responsibilities

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

The Companies Act 2006 and Registered Social Housing Legislation require the Group Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and Association and of the income and expenditure of the Group and Association for that period. In preparing these financial statements the Group Board is required to:

- select suitable accounting policies and then apply them consistently.
- make judgments and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Group Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It has general responsibility for taking reasonable steps to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

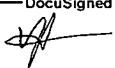
Disclosure of information to the auditors

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

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

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

The Report of Board, the Strategic Report and the Financial Statements were approved by the Group Board on 20 July 2023 and signed on its behalf by:

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Yvonne Leishman
Chair

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

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

Opinion

We have audited the financial statements of Two Rivers Housing (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2023, which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in Note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2023, and of the Group's income and expenditure and the parent company's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

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

Responsibilities of the Group Board

As explained more fully in the Group Board Members' responsibilities statement set out on page 45, the Group 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 Group 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 Group Board is responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group Board either intends to liquidate the Group or the parent Company or to cease operations, or has no realistic alternative but to do so.

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of laws, regulations and guidance that affect the Group and parent Company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, Tax Legislation, Health and Safety Legislation, and Employment Legislation.
- We enquired of the Group Board and reviewed correspondence and Group Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Group Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Group Board have in place to prevent and detect fraud. We enquired of the Group Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Group Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Use of the audit report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Tourville FCA
Senior Statutory Auditor

For and on behalf of
Beever and Struthers
Chartered Accountants and Statutory Auditor
150 Minorities
London
EC3N 1LS

Date:

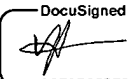
Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Consolidated and Association Statement of Comprehensive Income

	Note	Group		Association	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Turnover	3	28,333	24,928	28,523	25,041
Cost of sales	3	(2,994)	(1,707)	(2,994)	(1,707)
Operating expenditure	3	(19,536)	(16,767)	(19,775)	(16,770)
Gain/(loss) in respect of investment properties	14	195	-	195	-
Surplus on disposal of property, plant and equipment	4	888	1,203	866	1,203
Operating surplus	3	6,886	7,657	6,815	7,767
Interest receivable	5	893	47	915	61
Interest and financing costs	6	(4,901)	(4,876)	(4,900)	(4,874)
Surplus before tax	7	2,878	2,828	2,830	2,954
Taxation	10	-	-	-	-
Surplus for the year		2,878	2,828	2,830	2,954
Actuarial gain in respect of pension scheme	19	4,599	2,551	4,599	2,551
Total comprehensive income for the year		7,477	5,379	7,429	5,505

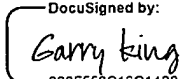
The Association has no other recognised gains or losses. The notes on pages 54 to 93 form an integral part of these financial statements.

The financial statements were approved by the Group Board on 20 July 2023 and signed on its behalf by:

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 Miss Yvonne Leishman
 Chairman

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 Mrs Rita Jones
 Group Board Member

DocuSigned by:

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 Mr Garry King
 Chief Executive and Secretary

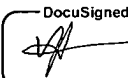
Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Consolidated and Association Statement of Financial Position

	Note	Group		Association	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed assets					
Housing properties	11	184,086	171,631	184,286	171,830
Other tangible fixed assets	12	3,951	3,791	3,651	3,762
Intangible assets	13	50	28	50	28
Investment properties	14	485	290	485	290
		188,572	175,740	188,472	175,910
Current assets					
Properties held for sale	15	1,404	2,319	1,404	2,319
Inventories		-	2	-	2
Debtors	16	934	792	1,558	1,557
Short term investments		20,000	25,000	20,000	25,000
Cash and cash equivalents		23,984	26,588	23,766	26,130
		46,322	54,701	46,728	55,008
Creditors: Amounts falling due within one year	17	(17,434)	(11,225)	(17,138)	(11,052)
Net current assets		28,888	43,476	29,590	43,956
Total assets less current liabilities		217,460	219,216	218,062	219,866
Creditors: Amounts falling due after more than one year	18	(156,845)	(161,641)	(156,845)	(161,641)
Defined benefit pension asset	19	4,650	213	4,650	213
Net assets		65,265	57,788	65,867	58,438
Capital and reserves					
Revenue reserve		65,265	57,788	65,867	58,438
Total reserves		65,265	57,788	65,867	58,438

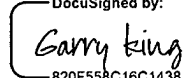
The notes on pages 54 to 93 form an integral part of these financial statements.

The financial statements were approved by the Group Board on 20 July 2023 and signed on its behalf by:

DocuSigned by:

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 Miss Yvonne Leishman
 Chairman

DocuSigned by:

 20E8D41F98224B9...
 Mrs Rita Jones
 Group Board Member

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 Mr Garry King
 Chief Executive and Secretary

Registered number: 04263691

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Consolidated and Association Statement of Changes to Reserves

	Group		Association	
	Revenue reserve	Total	Revenue reserve	Total
	£'000	£'000	£'000	£'000
At 31 March 2021	52,409	52,409	52,933	52,933
Surplus for the year	2,828	2,828	2,954	2,954
Actuarial gain in respect of pension schemes	2,551	2,551	2,551	2,551
At 31 March 2022	57,788	57,788	58,438	58,438
Surplus for the year	2,878	2,878	2,830	2,830
Actuarial gain in respect of pension schemes	4,599	4,599	4,599	4,599
At 31 March 2023	65,265	65,265	65,867	65,867

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Consolidated Statement of Cash Flows

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	21	14,779	13,779
Cash flows from investing activities			
Purchase of property, plant, and equipment		(20,116)	(17,558)
Purchase of investment properties		-	(9)
Purchase of intangible assets		(50)	2,180
Proceeds from sale of property, plant, and equipment		1,839	396
Grants received		398	-
Interest received		893	47
Net cash flows from investing activities		(17,036)	(14,944)
Cash flows from financing activities			
Interest paid		(5,347)	(5,038)
New funding		-	39,899
Repayment of borrowings		-	-
Net cash flows from financing activities		(5,347)	34,861
			33,696
Net (decrease) / increase in cash and cash equivalents		(7,604)	33,696
Cash and cash equivalents at beginning of year	21	51,588	17,892
Cash and cash equivalents at end of year	21	43,984	51,588

Cash and cash equivalents comprise:

	2023 £'000	2022 £'000
Cash at bank	23,984	26,588
Short term deposits	20,000	25,000
Total	43,984	51,588

The notes on pages 54 to 93 form an integral part of these financial statements.

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

Notes to the Financial Statements

1. Legal status and principal activities

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

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

Two Rivers Housing has three subsidiaries; Two Rivers Development Limited and Centigen Facilities Management Limited are both registered under the Companies Act 2006, Two Rivers Initiatives is registered under the Cooperative and Community Benefit Societies Act 2014.

2. Accounting policies

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

Basis of accounting

The financial statements of the Group and Association have been prepared under the historical cost convention, modified where appropriate to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Companies Act 2006, Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

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

Basis of consolidation

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

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

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

Disclosure exemptions

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

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Going concern

The Group's business activities, its current financial position, and factors likely to affect its future development are set out within the Report of the Board. The Group has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day-to-day operations. The Group also has a long-term business plan, which shows that it can service these debt facilities while continuing to comply with lenders' covenants. As at 31 March 2023, the Group had available cash balances of £24.0m, short-term investments of £20.0m and a further £14.5m of secured but undrawn loan facilities that could be drawn at short notice.

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

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

The stress testing is based on scenarios provided by the Group's funding advisors and risk management advisors including indices on consumer prices, house prices, and interest rates.

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

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

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

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

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

Significant management judgements and key sources of estimation uncertainty

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

Classification of loans as basic

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

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

Estimation uncertainty

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

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

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

Impairment of social housing properties

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

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

Management has considered the detailed criteria set out in the SORP and the triggers listed above in order to assess whether an indicator of impairment exists. Their judgement is that there is no evidence of impairment and therefore the value of impairment charge in 2022/2023 is £zero (2021/2022: £zero).

Useful lives of depreciable assets

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

Accumulated depreciation of housing properties, as at 31 March 2023, was £56.1m. The carrying amount of the housing properties was £184.1m at the year ended 31 March 2023.

Defined benefit pension schemes

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

The net defined benefit pension asset at 31 March 2023 was £4.65m.

Fair value measurement

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

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

Provisions

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

Turnover

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

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

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

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

Where major works have been financed wholly or partly by capital works grants, the income is recognised in turnover (using the accruals model) over the estimated useful life of the components which it funds.

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

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

Gift Aid income

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

Taxation

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

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

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

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

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

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

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

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Value Added Tax

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

Short-term debtors and creditors

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

Provisions

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

Employee benefits

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

Property, plant, and equipment – housing properties

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

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

Improvements

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Major components

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

Traditional housing structure	100 years
Roofs	60 years
Non-traditional housing structure and garages	30 years
Electrics	30 years
Solar panels	30 years
External wall insulation	30 years
Doors and windows	20 years
Kitchens	20 years
Bathrooms	20 years
Heating and ventilation systems	15 years

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

Leaseholders

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

Impairment of social housing properties

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

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

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Investment properties

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

Other tangible fixed assets

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

The expected useful economic lives are as follows:

Freehold offices:

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

Intangible assets

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

Computer software	5 years
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Leased assets

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

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

Operating leased assets.

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

Stock and properties held for sale

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

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

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

Shared Ownership property sales

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

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

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

Cash and cash equivalents

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Investments

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

Social Housing Grant and other government grants

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

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

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

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

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

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

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

Recycling of grants

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

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

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Service charge sinking funds and service costs

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

Loans

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

Loan finance issue costs

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

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

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

Interest payable

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

Capitalisation of interest and administration costs

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Financial instruments

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

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

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

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

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

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

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

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

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

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Financial instruments held by the Group are classified as follows:

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

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

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

Pensions

Multi-employer defined benefit pension schemes

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

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

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

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Defined contribution scheme

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

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

2023	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal and investment gains	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	23,884	-	(19,471)	-	4,413
Other social housing activities						
First tranche property sales		4,167	(2,994)	-	-	1,173
Other activities		51	-	-	-	51
Garages		150	-	(50)	-	100
		4,368	(2,994)	(50)	-	1,324
Activities other than social housing activities						
Market rent		42	-	-	-	42
Open market sales		-	-	-	-	-
Other		39	-	(15)	-	24
		81	-	(15)	-	66
Surplus on disposal of property, plant, and equipment					888	888
Gain in respect of investment properties					195	195
Total		28,333	(2,994)	(19,536)	1,083	6,886

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

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

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

2023	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal and investment gains	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	23,884	-	(19,471)	-	4,413
Other social housing activities						
First tranche property sales		4,167	(2,994)	-	-	1,173
Other activities		306	-	(254)	-	52
Garages		150	-	(50)	-	100
		4,623	(2,994)	(304)	-	1,325
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	-	-	-	-
Other		-	-	-	-	-
		16	-	-	-	16
Surplus on disposal of property, plant, and equipment					866	866
Gain in respect of investment properties					195	195
Total		28,523	(2,994)	(19,775)	1,061	6,815

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

There was no gift aid received from subsidiary companies (2021/2022: £169,000).

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023
Notes to the Financial Statements (continued)

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

	General needs housing	Supported housing and housing for older people	Low cost home ownership	2023 Total	2022 Total
	£'000	£'000	£'000	£'000	£'000
Income					
Rents receivable	19,036	2,745	926	22,707	21,281
Service charge income	256	615	38	909	829
Amortised government grant	238	-	-	238	219
Other grants	30	-	-	30	-
Turnover from social housing lettings	19,560	3,360	964	23,884	22,329
Expenditure					
Management	4,071	697	326	5,094	5,125
Service charge costs	600	431	-	1,031	976
Routine maintenance	3,896	667	-	4,563	2,913
Planned maintenance	1,777	304	-	2,081	1,930
Major repairs expenditure	1,001	172	-	1,173	725
Bad debts	161	27	13	201	152
Abortive development	11	-	-	11	10
Depreciation of housing properties	4,248	728	341	5,317	4,888
Operating costs	15,765	3,026	680	19,471	16,719
Operating surplus social housing lettings	3,795	334	284	4,413	5,610
<i>Void losses</i>	161	79	15	255	344

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Sale of subsequent tranche Shared Ownership properties and other properties	1,839	2,180	1,817	2,180
Costs of sale	(503)	(243)	(503)	(243)
Carrying value of fixed assets	(448)	(734)	(448)	(734)
Surplus on disposal of property, plant and equipment	888	1,203	866	1,203

5. Other finance income

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank interest receivable	893	47	893	47
Interest due from Group companies	-	-	22	14
	893	47	915	61

6. Interest and financing costs

		Group		Association	
		2023	2022	2023	2022
	Note	£'000	£'000	£'000	£'000
Bank loans and overdrafts		5,352	5,038	5,351	5,036
Loan amortisation		120	221	120	221
Unwinding of discounts on provisions		(45)	(169)	(45)	(169)
Net interest on defined benefit liability	19	(4)	44	(4)	44
		5,423	5,134	5,422	5,132
Interest capitalised		(522)	(258)	(522)	(258)
		4,901	4,876	4,900	4,874

Since the refinancing project completed in 2020/2021, there have been no further changes to the funding arrangements. Facilities available total £197.85m, of which £147.85m is currently drawn.

The funding is measured at fair value, net of transaction costs using the effective interest method. The fair value adjustment of the loan facilities in place during the year is (£45,000) (2021/2022: £169,000).

Borrowing costs have been capitalised based on a capitalisation rate of 3.45% (2021/2022: 3.53%), which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year.

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023
Notes to the Financial Statements (continued)

7. Surplus on ordinary activities before taxation

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Depreciation of housing stock	5,317	4,888	5,317	4,888
Depreciation of property, plant and equipment	184	185	173	173
Amortisation of intangible assets	28	24	28	24
Amortised government grants	(238)	(219)	(238)	(219)
Surplus on disposal of fixed assets	(888)	(1,203)	(888)	(1,203)
Auditors' remuneration (excluding VAT)	36	38	27	27
Fees payable to the company's auditors for other services				
- Other services	2	2	2	2
- Tax compliance services	5	5	1	-
Operating lease rentals	198	153	-	-

8. Employee costs

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Wages and salaries	5,191	4,728	3,661	3,426
Social security costs	543	466	391	346
Pension costs	390	365	326	314
	6,124	5,559	4,378	4,086

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

	2023	2022
	Number	Number
Salary Band (£)		
60,000 – 69,999	5	5
70,000 – 79,999	1	1
80,000 – 89,999	-	-
90,000 – 99,999	-	-
100,000 – 109,999	-	-
110,000 – 119,999	2	1
120,000 – 129,999	-	-
130,000 – 139,999	-	-
140,000 – 149,999	-	-
150,000 – 159,999	1	1
Total	9	8

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

8. Employee costs (continued)

The average number of employees (including executive directors) expressed as full time equivalents:

	Group		Association	
	2023	2022	2023	2022
	Number	Number	Number	Number
Administration	73	74	66	68
Property management	28	24	21	16
Housing for older people and housing management	20	24	20	24
Repairs team	33	31	-	-
Office cleaners	6	9	-	-
	160	162	107	108

Average number of full time equivalent staff employed during the year (including executive directors):

	Group		Association	
	2023	2022	2023	2022
	Number	Number	Number	Number
	150	146	100	99

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

9. Directors' remuneration and transactions

Directors who are executive staff members

	2023	2022
	£'000	£'000
Wages and salaries	388	357
Social security costs	53	46
Other pension costs	58	58
	499	461
	2023	2022
	£'000	£'000
Remuneration of the highest paid director, excluding pension contribution		
Emoluments	150	147

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

Non-executive Board Members

The following Non-executive Board Members received the following remuneration during the financial year.

	2023 £'000	2022 £'000
Mr John Bloxsom	-	2
Ms Susan Holmes	5	5
Mr Neil Sutherland	4	5
Mrs Rita Jones	4	4
Mr Tim Jackson	5	5
Miss Yvonne Leishman	9	8
Mr Ted Pearce	5	5
Mr Tim Sharpe	3	3
Mr Kevin Shaw	1	2
Mr Jonathan Higgs	4	2
Charlotte Marshall	1	-
	41	41

10. Taxation

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Corporation Tax:				
Current tax on surplus for the year	14	13	-	-
Adjustments in respect of previous years	(14)	(13)	-	-
	-	-	-	-
Deferred Tax	-	-	-	-
Total tax	-	-	-	-
Reconciliation of the total tax charge				
Surplus on ordinary activities before tax	3,085	2,828	3,037	2,954
Tax charged at standard rate of 19% (2022: 19%)	586	537	577	561
Effect of:				
Utilisation of tax losses	(14)	(13)	-	-
Surplus arising with charitable status	(572)	(524)	(577)	(561)
Deferred tax not recognised	-	-	-	-
	-	-	-	-

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

11. Tangible fixed assets – housing properties – Group

	Completed properties	Properties under construction	Completed Shared Ownership	Shared Ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2022	197,532	5,423	18,934	1,568	223,457
Additions	-	10,915	-	6,008	16,923
Components capitalised	3,371	-	-	-	3,371
Disposals	(1,109)	-	(516)	-	(1,625)
Schemes completed in the year	10,539	(10,539)	3,298	(3,298)	-
Tenure changes	(164)	-	164	-	-
Transfers from properties held for sale	244	-	255	-	499
Transfer to properties held for sale	-	-	-	(2,404)	(2,404)
At 31 March 2023	210,413	5,799	22,135	1,874	240,221
Depreciation					
At 1 April 2022	(50,249)	-	(1,577)	-	(51,826)
Charge for the year	(4,931)	-	(386)	-	(5,317)
Eliminated on disposals	964	-	44	-	1,008
Tenure changes	38	-	(38)	-	-
At 31 March 2023	(54,178)	-	(1,957)	-	(56,135)
Net book value					
At 31 March 2023	156,235	5,799	20,178	1,874	184,086
At 31 March 2022	147,283	5,423	17,357	1,568	171,631

	2023	2022
Works to existing properties in year		
Revenue	7,817	5,568
Capital	3,371	3,245
Total	11,188	8,813
New homes	16,923	14,176
Total	28,111	22,989

All property is freehold. Additions in the year include £522,000 of capitalised interest (2021/2022: £258,000) and £272,000 of capitalised development overheads (2021/2022: £280,000).

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

11. Tangible fixed assets – housing properties – Association

	Completed properties	Properties under construction	Completed Shared Ownership	Shared Ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2022	197,532	5,622	18,934	1,568	223,656
Additions	-	10,916	-	6,008	16,924
Components capitalised	3,371	-	-	-	3,371
Disposals	(1,109)	-	(516)	-	(1,625)
Schemes completed in the year	10,539	(10,539)	3,298	(3,298)	-
Tenure changes	(164)	-	164	-	-
Transfers from properties held for sale	244	-	255	-	499
Transfer to properties held for sale	-	-	-	(2,404)	(2,404)
At 31 March 2023	210,413	5,999	22,135	1,874	240,421
Depreciation					
At 1 April 2022	(50,249)	-	(1,577)	-	(51,826)
Charge for the year	(4,931)	-	(386)	-	(5,317)
Eliminated on disposals	964	-	44	-	1,008
Tenure changes	38	-	(38)	-	-
At 31 March 2023	(54,178)	-	(1,957)	-	(56,135)
Net book value					
At 31 March 2023	156,235	5,999	20,178	1,874	184,286
At 31 March 2022	147,283	5,622	17,357	1,568	171,830

	2023	2022
Works to existing properties in year		
Revenue	7,817	5,568
Capital	3,371	3,245
Total	11,188	8,813
New homes	16,924	14,180
Total	28,112	22,993

All property is freehold. Additions in the year include £522,000 of capitalised interest (2021/2022: £258,000) and £272,000 of capitalised development overheads (2021/2022: £262,000).

Freehold land and buildings with a carrying amount of £130m (2021/2022: £130m) 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.

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

12. Property, plant, and equipment – other

Group	Office premises	Motor vehicles	Computer equipment	Fixtures and fittings	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2022	4,748	-	503	109	227	5,587
Additions	-	274	62	-	8	344
Disposals	-	-	(152)	-	(106)	(258)
At 31 March 2023	4,748	274	413	109	129	5,673
Depreciation						
At 1 April 2022	(1,095)	-	(393)	(109)	(199)	(1,796)
Charge for the year	(130)	-	(44)	-	(10)	(184)
Disposals	-	-	152	-	106	258
At 31 March 2023	(1,225)	-	(285)	(109)	(103)	(1,722)
Net book value						
At 31 March 2023	3,523	274	128	-	26	3,951
At 31 March 2022	3,653	-	110	-	28	3,791

Group	Office premises	Motor vehicles	Computer equipment	Fixtures and fittings	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2022	4,748	-	499	100	78	5,425
Additions	-	-	63	-	-	63
Disposals	-	-	(151)	-	-	(151)
At 31 March 2023	4,748	-	411	100	78	5,337
Depreciation						
At 1 April 2022	(1,094)	-	(391)	(100)	(78)	(1,663)
Charge for the year	(131)	-	(43)	-	-	(174)
Disposals	-	-	151	-	-	151
At 31 March 2023	(1,225)	-	(283)	(100)	(78)	(1,686)
Net book value						
At 31 March 2023	3,523	-	128	-	-	3,651
At 31 March 2022	3,654	-	108	-	-	3,762

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

13. Intangible fixed assets – Group and Association

	Computer software £'000	Total £'000
Cost		
At 1 April 2022	499	499
Additions	50	50
Disposals	(52)	(52)
As at 31 March 2023	497	497
Amortisation		
At 1 April 2022	(471)	(471)
Charge for the year	(28)	(28)
Eliminated on disposals	52	52
As at 31 March 2023	(447)	(447)
Net book value		
As at 31 March 2023	50	50
As at 31 March 2022	28	28

14. Investments

14a. Investment properties

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Investment properties as at 1 April 2022	290	290	290	290
Gain from adjustment in fair value	195	-	195	-
Investment properties as at 31 March 2023	485	290	485	290

Market rented properties are treated as investment properties. Changes in the value of market rented properties are taken to the Statement of Comprehensive Income. The last market valuation, which resulted in a positive adjustment of £195k, was carried out in March 2023 by a qualified valuer in accordance with the RICS Valuation – Professional Standards 2014.

14b. Principal Group investments

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

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

The Group Board intends to strike off Two Rivers Initiatives during the year ended 31 March 2024.

Two Rivers Housing
Report and Financial Statements for the Year Ended 31 March 2023
Notes to the Financial Statements (continued)

15. Inventories and properties held for sale

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Inventories				
Maintenance stock	-	2	-	2
Properties held for sale				
Shared Ownership first tranche sale properties - completed	349	1,327	349	1,327
Shared Ownership first tranche sale properties - under construction	1,055	992	1,055	992
	1,404	2,319	1,404	2,319

16. Debtors – amounts falling due within one year

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rent arrears	1,229	1,154	1,229	1,154
Provision for bad debts	(1,106)	(990)	(1,106)	(990)
Trade debtors	95	248	73	245
Amounts owed by Group undertakings	-	-	687	783
Other debtors	292	9	286	3
Other taxation and social security	-	5	-	-
Prepayments and accrued income	424	366	389	362
	934	792	1,558	1,557

17. Creditors – amounts falling due within one year

		Group		Association	
		2023	2022	2023	2022
	Note	£'000	£'000	£'000	£'000
Bank loans		10,850	5,850	10,850	5,850
Rents received in advance		850	718	848	718
Trade creditors		507	1,102	378	964
Amounts owed to Group undertakings		-	-	43	132
Other taxation and social security		148	148	108	118
Other creditors		1,212	965	1,202	959
Government grants	18	236	200	236	200
Accruals and deferred income		3,631	2,242	3,473	2,111
		17,434	11,225	17,138	11,052

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

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

	Group		Association	
	2023	2022	2023	2022
		Restated		Restated
	£'000	£'000	£'000	£'000
Other creditors				
Bank loans	136,741	141,666	136,741	141,666
Government grants	19,847	19,699	19,847	19,699
Recycled capital grant fund	257	276	257	276
	156,845	161,641	156,845	161,641

The loans are secured on freehold housing properties. Interest is payable at rates ranging from 2.45% to 6.18% (2021/2022: 2.45% to 6.18%).

The total accumulated amount of capital grant received or receivable at the Statement of Financial Position date is £20.340m (2021/2022: £20.175m).

	Group		Association	
	2023	2022	2023	2022
		Restated		Restated
	£'000	£'000	£'000	£'000
Bank loans				
Due within one year	10,850	5,850	10,850	5,850
Due between one and two years	-	5,000	-	5,000
Due between two and five years	27,000	12,000	27,000	12,000
After five years	110,000	125,000	110,000	125,000
	137,000	142,000	137,000	142,000
Effective interest rate adjustment	130	175	130	175
Less: Facility arrangement fee	(389)	(509)	(389)	(509)
Due after one year	136,741	141,666	136,741	141,666
Total loans	147,591	147,516	147,591	147,516

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Deferred income - government grants				
At 1 April 2022	19,899	19,844	19,899	19,844
Grants receivable	398	396	398	396
Grant Recycled	48	23	48	23
Transfer to RCGF	(24)	(36)	(24)	(36)
Transfer to other creditors	-	(23)	-	(23)
To loss on disposal	-	(86)	-	(86)
Amortisation to Statement of Comprehensive Income	(238)	(219)	(238)	(219)
At 31 March 2023	20,083	19,899	20,083	19,899
Due within one year	236	200	236	200
Due after one year	19,847	19,699	19,847	19,699

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Notes to the Financial Statements (continued)

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Recycled capital grant fund				
At 1 April 2022	276	263	276	263
Inputs to RCGF	24	36	24	36
Recycling of grant	(48)	(23)	(48)	(23)
Interest accrued	5	-	5	-
At 31 March 2023	257	276	257	276

19. Retirement benefit schemes

Defined contribution schemes

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

Defined benefit schemes

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

The total net expense charged to Statement of Comprehensive Income in the year ended 31 March 2023 was £162,000 (2021/2022: £299,000) broken down as follows:

	2023	2022
	£'000	£'000
SHPS DB Scheme	(78)	(45)
LGPS DB Scheme	240	344
Total cost relating to defined benefit scheme	162	299

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

	2023	2022
	£'000	£'000
SHPS DB Scheme	(307)	(312)
LGPS DB Scheme	4,957	525
Total cost relating to defined benefit scheme	4,650	213

1) The Gloucestershire County Council Pension Fund

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

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

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Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

19. Retirement benefit schemes (continued)

	Valuation at	
	2023	2022
Key assumptions used:		
Discount rate	2.95%	3.20%
Salary increase rates	3.45%	3.50%
Future pension increases (CPI)	4.75%	2.70%

Mortality assumptions:

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

	Males	Females
Current Pensioners:	21.2 years	24.0 years
Future Pensioners:	23.4 years	26.1 years

* Figures assume members aged 45 as at the last formal valuation date

Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements are shown below:

Current pensioners

CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.

Future Pensioners

CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.

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

A commutation allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

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

	2023	2022
	£'000	£'000
Current service cost	434	501
Net interest cost	(11)	33
	423	534
Recognised in other comprehensive income		
Income (OCI)	(4,672)	-2368
Total (income) / cost relating to defined benefit scheme	(4,249)	(1,834)

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Notes to the Financial Statements (continued)

19. Retirement benefit schemes (continued)

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

	2023 £'000	2022 £'000
Present value of defined benefit obligations	(13,710)	(18,879)
Fair value of scheme assets	18,667	19,404
Net asset recognised in the Statement of Financial Position	4,957	525

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

	2023 £'000	2022 £'000
At 1 April	18,879	19,671
Service cost	434	501
Interest cost	511	396
Actuarial (gains) and losses	84	91
Contributions from scheme participants	(381)	(314)
Benefits paid	(5,817)	(1,466)
At 31 March	13,710	18,879

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

	2023 £'000	2022 £'000
At 1 April	19,404	18,172
Interest income	522	363
Actuarial gains and (losses)	84	91
Contributions from the employer	183	190
Contributions from scheme participants	(381)	(314)
Benefits paid	(1,145)	902
At 31 March	18,667	19,404

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

	Fair value of assets	
	2023 %	2022 %
Equities	66	71
Bonds	21	19
Property	12	9
Cash	1	1

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

19. Retirement benefit schemes (continued)

Projected pension expense for the year to 31 March 2024

Period ended 31 March 2024	Assets	Obligations	Net asset/(liability)	
	£'000	£'000	£'000	% of Pay
Projected current service cost	-	241	(241)	(23.8%)
Total service cost	-	241	(241)	(23.8%)
Interest income on plan assets	882	-	882	87.2%
Interest cost in defined benefit obligation	-	648	(648)	(64.1%)
Total net interest cost	882	647	234	23.1%
Total included in Statement of comprehensive Income	882	889	(7)	(0.7%)

The current service cost includes an allowance for administration expenses of 0.7% of payroll. The monetary value is based on a projected payroll of £1,011,000.

The contributions paid by the employer are set by the Fund Actuary at each triennial valuation, or at any other time as instructed to do so by the Administering Authority. The estimated employer contributions for the period to 31 March 2024 will be approximately £183,000.

Sensitivity

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

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate Monetary amount (£000)
0.1% decrease in real discount rate	2%	259
One year increase in life member expectancy	4%	548
0.1% increase in salary increase rate	0%	37
0.1% increase in the pension increase rate	2%	226

Two Rivers Housing

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Notes to the Financial Statements (continued)

19. Retirement benefit schemes (continued)

2) The Pensions Trust – Social Housing Pension Scheme

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

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

The last published triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1.522bn. A Recovery Plan was put in place with the aim of removing this deficit by 30 September 2026.

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

However, due to market movements being worse than expected since 2017 (in part but not entirely from the impact of COVID-19), we are in a downside scenario at this valuation, and the funding level at 30 September 2020 when measured on a 2017 consistent basis is estimated to be broadly around 77%, with a deficit of broadly around £1.5bn.

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

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

CONTINGENT LIABILITY – SOCIAL HOUSING PENSION SCHEME

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

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

19. Retirement benefit schemes (continued)

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)	31 March 2023	31 March 2022
	£'000	£'000
Fair value of plan assets	1,401	2,276
Present value of defined benefit obligation	1,708	2,588
Surplus (deficit) in plan	(307)	(312)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(307)	(312)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION	Period ended 31 March 2023	Period ended 31 March 2022
	£'000	£'000
Defined benefit obligation at start of period	2,588	2,718
Current service cost	14	24
Expenses	3	3
Interest expense	71	59
Member contributions	16	9
Actuarial losses (gains) due to scheme experience	(130)	88
Actuarial losses (gains) due to changes in demographic assumptions	(4)	(39)
Actuarial losses (gains) due to changes in financial assumptions	(767)	(225)
Benefits paid and expenses	(83)	(49)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	1,708	2,588

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT ASSETS	Period ended 31 March 2023	Period ended 31 March 2022
	£'000	£'000
Fair value of plan assets at start of period	2,276	2,178
Interest income	64	48
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(974)	7
Contributions by the employer	102	83
Contributions by plan participants	16	9
Benefits paid and expenses	(83)	(49)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	1,401	2,276

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

19. Retirement benefit schemes (continued)

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was (£910,000) (2021/2022: £55,000).

Contribution by the employer includes a past service deficit payment of £72,812 (2021/2022: £68,661).

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Current service cost	14	24
Expenses	3	3
Net interest expense	7	11
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	24	38

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)	Period ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(974)	7
Experience gains and losses arising on the plan liabilities - gain (loss)	130	(88)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	4	39
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	767	225
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(73)	183
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	(73)	183

Two Rivers Housing

Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

19. Retirement benefit schemes (continued)

ASSETS	Period ended 31 March 2023	Period ended 31 March 2022
	£'000	£'000
Global equity	26	437
Absolute return	15	91
Distressed opportunities	42	81
Credit relative value	53	76
Alternative risk premia	3	75
Fund of Hedge Funds	-	-
Emerging markets debt	8	66
Risk sharing	103	75
Insurance-linked securities	35	53
Property	60	61
Infrastructure	160	162
Private debt	62	58
Opportunistic illiquid credit	60	77
High yield	5	20
Opportunistic credit	-	8
Cash	10	8
Corporate Bond Fund	-	152
Liquid credit	-	-
Long lease property	42	59
Secured income	64	85
Liability driven investment	646	635
Currency hedging	3	(9)
Net current assets	4	6
Total assets	1,401	2,276

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

Key assumptions

	31 March 2023	31 March 2022
	% per annum	% per annum
Discount rate	4.85%	2.79%
Inflation (RPI)	3.18%	3.51%
Inflation (CPI)	2.78%	3.16%
Salary growth	3.78%	4.16%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	2023	2022
	Life expectancy at age 65 (Years)	Life expectancy at age 65 (Years)
Male retiring in 2023	21	21.1
Female retiring in 2023	23.4	23.7
Male retiring in 2043	22.2	22.4
Female retiring in 2043	24.9	25.2

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

20. Financial instruments

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

		Group		Association	
	Note	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Financial assets					
Measured at undiscounted amount receivable					
Rent arrears and other debtors	16	123	164	123	164
Amounts due from related undertakings	16	-	-	687	783
Trade debtors	16	95	248	73	245
Short-term investments		20,000	25,000	20,000	25,000
Cash and cash equivalents		23,984	26,588	23,766	26,130
		44,202	52,000	44,649	52,322
Financial liabilities					
Measured at amortised cost					
Loans payable	17,18	147,591	147,516	147,591	147,516
Pension deficit funding liability	19	(213)	2,039	(213)	2,039
Measured at undiscounted amount payable					
Bank overdraft	17	-	-	-	-
Rent received in advance	17	850	718	850	718
Trade creditors	17	507	1,102	378	964
Corporation tax	17	-	-	-	-
Amounts owed to related undertakings	17	-	-	43	132
Other taxation and social security	17	148	148	108	118
Other creditors	17	1,212	965	1,202	959
		150,095	152,488	149,959	152,446

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

	Group	
	2023 £'000	2022 £'000
Interest income and expense		
Total interest income for financial assets at undiscounted amount	892	47
Total interest expense for financial liabilities at amortised cost	4,890	4,909

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Notes to the Financial Statements (continued)

21. Statement of cash flows

	2023	2022
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	2,878	2,828
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	5,501	5,073
Amortisation of intangible assets	28	24
Decrease/(increase) in inventories	2,991	1,697
Decrease/(increase) in debtors	(142)	(203)
Increase/(decrease) in creditors	670	654
Corporation tax	-	-
Adjustments relating to pension scheme	166	299
(Gain)/loss in respect of investment properties	(195)	-
Adjustments for investing or financing activities:		
Gain on sale of property, plant and equipment	(888)	(1,117)
Government grants utilised in the year	(238)	(305)
Interest payable	4,901	4,876
Interest received	(893)	(47)
Taxation	-	-
Cash generated by operations	14,779	13,779
Cash and cash equivalents		
Cash at bank and in hand	43,984	51,888
Cash and cash equivalents	43,984	51,888

21a. Analysis of changes in net debt

	As at 1 April 2022	Cashflows	Other changes	As at 31 March 2023
	£'000	£'000	£'000	£'000
Cash	1,588	(104)	-	1,484
Money market deposits	25,000	(2,500)	-	22,500
Fixed term investments	25,000	-	-	20,000
Banks loans due less than one year	(5,850)	(5,000)	-	(10,850)
Bank loans due more than one year	(141,666)	5,000	(75)	(136,741)
Finance lease commitments	(766)	201	-	(565)
Total net debt	(96,694)	(2,403)	(75)	(104,172)

Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2023

Notes to the Financial Statements (continued)

22. Financial commitments

Capital commitments are as follows:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Contracted for but not provided for	23,963	4,452	23,963	4,452
Approved by the Directors but not contracted for	18,821	38,590	5,602	26,882
Total capital commitments	42,784	43,042	29,565	31,334
Met by existing cash and short term investments	42,784	43,042	29,565	31,334

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Payments due:-				
- within one year	201	201	3	3
- between one and five years	364	565	-	3
- after five years	-	-	-	-
Total operating leases	565	766	3	6

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

23. Housing stock

	Group		Association	
	2023	2022	2023	2022
	Units	Units	Units	Units
Social housing accommodation				
General needs housing accommodation	2,861	2,860	2,861	2,860
Housing accommodation at affordable rent	595	595	595	595
Housing accommodation at intermediate rent	11	12	11	12
Housing for older people accommodation	649	594	649	594
Shared Ownership accommodation	278	250	278	250
	4,394	4,311	4,394	4,311
Non-social housing accommodation				
Leaseholders	44	44	44	44
Market rent	2	2	2	2
Managed on behalf of others	10	-	-	-
	56	46	46	46
Total	4,450	4,357	4,440	4,357

Two Rivers Housing

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Notes to the Financial Statements (continued)

23a. Housing stock reconciliation

	31 March 2022	Additions	Disposals	Conversions	31 March 2023
Social housing					
General needs housing accommodation	2,860	13	(11)	(1)	2,861
Housing for older people	595	-	-	-	595
Intermediate rent	12	-	-	(1)	11
Affordable rent	594	54	-	1	649
Shared Ownership accommodation	250	32	(5)	1	278
	4,311	99	(16)	-	4,394
Non-social housing					
Market rent	2	10	-	-	12
Units owned and managed	4,313	109	(16)	-	4,406

During the year, 99 new homes came into management. In addition, the Group entered into an arrangement with Forest of Dean District Council to manage seven properties on a long-term lease and provide housing management services for a further three properties.

In addition to the housing properties, Two Rivers Housing owns 788 garages.

24. Related party transactions

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

The aggregate amount of rent and service charges received from Tenant Board Members in the year was £15,780 (2021/2022: £14,997). The value of rent arrears at year-end from Tenant Board Members was £nil (2021/2022: nil).

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

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

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Notes to the Financial Statements (continued)

24. Related party transactions (continued)

The table below details the intra-group transactions:

Non-regulated subsidiary	Transfers	Cost in year £'000	Income in year £'000	Balance at year end £'000
Two Rivers Developments Limited	Recharge of development staff and admin costs from Two Rivers Housing. Provision of design and build services from Two Rivers Developments to Two Rivers Housing in accordance with contract fees. Intercompany loan interest payable to Two Rivers Housing.	47	47	-
	Intercompany creditor	-	-	3
Centigen Facilities Management Limited	Recharge of minor set up costs for Centigen Facilities Management Ltd. Intercompany loan interest payable to Two Rivers Housing.	249	4,136	-
	Intercompany debtor	-	-	647

Two Rivers Housing has taken the exemption in section 33.1A of Financial Reporting Standard 102 not to disclose any further transactions with other Group members aside from those disclosed above in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2022.