

PROVIDENCE ROW HOUSING ASSOCIATION

**Report and Financial Statements
For the year ended 31 March 2023**

**The Regulator of Social Housing: Number L0695
Co-operative and Community Benefit Societies
Act 2014: Number 19322R**

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Contents

Page:

2	Executive and Advisors
3	Report of the Board and Strategic Review
26	Independent Auditor's Report to the members of Providence Row Housing Association
30	Statement of Comprehensive Income
31	Balance Sheet
32	Statement of Changes in Reserves
33	Statement of Cash Flows
34 - 54	Notes on the Financial Statements

PROVIDENCE ROW HOUSING ASSOCIATION

EXECUTIVE AND ADVISORS

Year ended 31 March 2023

BOARD OF MANAGEMENT

John Giesen (Chair)
Andrew Disley (Vice Chair)
Fahad Abdi
Mo Ali
Denise Kent
Helen New
Sue Stevens
Pippa Fleetwood-Read (Appointed March 2023)
Nazir Hafezjee (Appointed March 2023)
Ed Knox (Appointed March 2023)
Thomas Albohm (Resigned Sept 2022)
Rebecca Bowden (Resigned Nov 2022)
Serena Braggiotti (Resigned Sept 2022)

AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

SOLICITORS

Devonshires Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

DIRECTORS

Fiona Humphrey BA(Hons), Diploma in Housing, MCIH
Chief Executive

Karen Stuart BA(Hons), PG Cert in Leadership and
Management: Homelessness and Housing
Director of Operations

Layo Salako BA(Hons), MBA, FCCA
Director of Finance

SOLICITORS

Trowers & Hamblins LLP
3 Bunhill Row
London
EC1Y 8YZ

SECRETARY AND REGISTERED OFFICE

Fiona Humphrey
15A Kelsey Street
London
E2 6HD

PRINCIPAL BANKER

HSBC Bank plc
Poultry and Princes Street
London
EC2P 2BX

REGISTERED NUMBER

Regulator of Social Housing: Number L0695
Co-operative and Community Benefit Societies Act 2014:
Number 19322R

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW **Year ended 31 March 2023**

The Board presents their report and the audited financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITY

The principal activity of Providence Row Housing Association (PRHA) is the provision of accommodation, ancillary and social care services for single homeless people and others in housing need.

OVERVIEW OF THE BUSINESS

PRHA made an operating surplus for the year of £575,000 (2022: £655,000) before net interest charges, a surplus and total comprehensive income for the year of £1.0 million (2022: £303,000) and generated a turnover of £9.795 million (2022: £9.824 million). Like the rest of the country we have been managing the challenges of rising costs. With high inflation, rising borrowing costs, stagnant social care income and increasing demands for investment in our existing housing stock, PRHA has seen a fall in its operating surplus by 12.2%. PRHA however outperformed its budget in the year generating sufficient income to meet its operating costs, loan interest payments and investments in its properties.

PRHA has seen a significant improvement in its surplus and total comprehensive income figure from £303,000 in the previous year to £1.0 million this year. The results were boosted by the £793,000 revaluation gain of our investment property, arising on a reclassification of its previous head office 458 Bethnal Green Road, from housing office buildings to investment property. The property was initially recognised at cost but has been re-measured at fair value at the year end. Excluding the impact of the investment property, the surplus and total comprehensive income for the year is £207,000 compared with £303,000 in 2022.

During the year we continued our investment in property assets, in fire safety and building maintenance, spending £592,000 on component replacement, major repairs and work to existing properties. Higher than budget void losses and increased costs meant tighter controls over costs and a reprioritising of expenditure were implemented during the year.

In the year PRHA received contract income, revenue grants and donations from various bodies including the London Borough of Tower Hamlets, the London Borough of Hackney, Tower Hill Trust and the Corporation of London.

PRHA borrows from the banks, mainly at fixed rates of interest, to finance our housing development programme. Total housing loans outstanding were £6.8 million at the year end (2022: £7.2 million).

The year under review

This year PRHA has faced significant challenges in common with other social landlords. These relate to two main factors: the national cost of living crisis and the issue of the condition of our properties and services to residents.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

The national cost of living crisis has impacted on nearly all areas of our operations. It has affected our residents and their ability to pay for rent, fuel and living costs. As a social landlord it has affected PRHA through the cost of building supplies and contractor services. As an employer we have seen our staff struggling with bills despite the fact that our wage bill is rising above the rate of our income. Our agency staff costs (exacerbated by the national recruitment shortage) have also increased. As a hostel provider we pay all of the bills in those services so have to meet the increases in food prices, cleaning material costs etc. The upside of this is that our hostel residents have been protected against some of these cost increases.

We have therefore been focusing on tightening the controls over expenditure. We aim to ensure that this does not affect services to residents. Thankfully our fuel contracts were fixed before prices began to escalate. This has helped those residents on PRHA communal heating systems.

Currently funding for homelessness services remains a declared Government priority, with a continuing Government commitment to end rough sleeping by 2024. Despite this we have been working with other supported housing providers throughout the year to campaign for more funding for homelessness services. These campaigns highlight the fact that for several years the funding has not increased at the same rate as costs (especially staffing costs which absorb most of the income). Many providers feel that with the cost of living crisis and increases to London Living Wage, a tipping point has been reached whereby many schemes will not continue to be viable. The Board and Senior Leadership Team have been monitoring this closely and engaging in discussions with our commissioners. In particular the Board reviewed our financial projections twice during the year to take account of shifting factors. PRHA has limited exposure to increasing interest rates as most of its borrowing is on a fixed term basis but there was additional expenditure on the variable rate elements.

PRHA has also been reviewing the condition of our properties and quality of related services to residents. This is partly a reflection of the ongoing revelations of failings by some social housing landlords. It has caused everybody in the sector to pause and reflect on how these have been able to occur and whether there are any weaknesses in our own systems. PRHA has the advantage of being a small landlord, therefore knowing all of its stock, and having staff on site at most locations. Nevertheless we do have a number of old Victorian buildings which by definition are at risk of damp mould and condensation. We have developed systems to monitor these closely and respond when issues become apparent.

The Board and Senior Leadership Team are closely monitoring all aspects of building safety and disrepair. This includes servicing programmes and fire risk assessment compliance. We have improved our data collection and reporting systems to provide assurance on compliance.

We have also commissioned a stock condition survey to review the current state of our stock and plan for future improvements. The reports from this will inform the Board's strategic plan discussions.

We were successful in our bid (through the North River Alliance consortium) for Social Housing Decarbonisation funding for 2024-25, for five of our properties. We intend to use this as a pilot project to inform our decarbonisation strategy.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

PRHA retained its Investors in People Gold status following an intensive review and staff survey. We were pleased to see yet again how the commitment of the staff teams to our services is so evident in the review.

We have also relaunched our resident engagement strategy. This has always been really important to PRHA and we have been saddened by the fall off in engagement during the pandemic. This is partly because many of our services rely upon face-to-face involvement and group activities rather than digital engagement. Although it is still early days the Service Users Advisory Panel and Maintenance Advisory Panel have resumed and our supported housing schemes' residents' meetings are gathering momentum.

Alongside this we have focused on resident complaints both in terms of individual responses and resultant potential for service improvements. Oversight now sits with our compliance team and regular reports are received by residents, staff, senior managers and Board.

We also finally completed on the grant of the lease for 458 Bethnal Green Road (our old offices) which had been delayed by the pandemic. This will bring in some much-needed commercial income.

The Board agreed a succession strategy to meet the guidance in the NHF Code of Governance. This includes a transitional period to phase out three terms of office while new members are inducted. This provides a balance of continuity and renewal. There was a successful recruitment process for three new Board members as lead members for risk, finance and resident engagement.

The Board reaffirmed our corporate objectives to:

- ensure that we provide safe, decent homes for our residents;
- help more people to avoid or survive homelessness and recover from the causes/effects of homelessness;
- develop areas of specialism/expertise for our core resident groups to ensure our services provide the best possible outcomes;
- ensure we listen to our residents and continue to involve them in the running of PRHA;
- develop more services that contribute to strengthening the local community especially around employment, training and volunteering for excluded groups;
- diversify our financial base to increase our resilience to changing financial pressures; and
- make best use of our assets, staff, housing, offices, finance and partnerships.

During 2023/4 we achieved progress towards all of these corporate objectives:

- we continued to provide housing for 622 households including 520 supported housing residents in Tower Hamlets, Hackney and Southwark. Within this figure we provided additional support services funded by the Corporation of London for 75 rough sleepers in temporary accommodation (the City Inn Express Service);
- we retendered our responsive repairs contract, involving residents in the selection process. We focussed on achieving responsiveness and better communication for residents as well as quality of services;

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

- we continued to meet targets for fire risk assessments and remedial actions;
- we started to prepare for the introduction of the Tenant Satisfaction Measures;
- we also continued working with a range of partner agencies on initiatives that are aimed at improving the quality of life for our residents;
- we supported nine staff to develop their leadership potential and enter management roles through mentoring and internal promotions;
- we consulted on our Managers/Leaders charter and updated it. We also reviewed our leadership structures to strengthen them;
- we undertook a review of fundraising options for our social care activities; and
- we improved our cyber resilience carrying out testing and introducing new security measures.

The year ahead – challenges and opportunities

In 2023-2024 we will continue to focus on our core objectives of providing safe decent homes and good quality support services for vulnerable residents.

In particular we will be taking forward the Better Social Housing Review action plan whose key themes are:

- every housing association should refocus on their core purpose (decent safe homes) and deliver against it;
- work with all tenants to ensure that they have a voice and influence at every level of decision making across the organisation, through both voluntary and paid roles;
- audit all social housing;
- work with tenants, contractors and frontline staff to develop new standards for an excellent maintenance and repairs process;
- professionalisation of staff teams; and
- develop a proactive local community presence which fosters greater multi-agency working.

We have already commenced discussions at our staff conference and will develop our own detailed action plan in line with the new National Housing Federation plan.

This will include taking forward the resident engagement strategy agreed last year aimed at strengthening our engagement structures. It will also include implementation of the new Tenants Satisfaction Measures (TSMs).

Diversity is a key strength of our organisation and we will be looking to develop further our understanding of what this means for our staff, residents and stakeholders and how we can ensure increased opportunities for all within PRHA. We will continue to develop opportunities for our staff to develop their careers and professional skills through training, mentoring and other developmental activities.

In relation to asset management we will be:

- reviewing the stock condition survey data, incorporating into our financial projections and asset management programmes;
- auditing all properties not recently inspected by our staff or as part of the stock condition survey;

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

- developing a carbon reduction strategy and planning for the pilot programme that has funding through the Social Housing Decarbonisation Fund. This will include planning our approach to replacing gas boilers; and
- continuing to regularly monitor properties that have experienced past damp and mould issues.

The fire and building safety programmes will remain a key focus in terms of human and financial resources. We will continue to respond to the annual fire risk assessments, the new requirements of the Building Safety Act 2022 and any new legislation.

We will also be responding to a number of changes in regulation and legislation. These include: the Supported Housing (Regulatory Oversight) Bill, Social Housing (Regulation) Bill and Renters (Reform) Bill.

In relation to our support services for vulnerable residents provided through adult social care contracts, we are reviewing these and engaging in discussions with our commissioners about the sustainability of the funding. We are also discussing with the commissioners the escalating support needs of our residents and the implications of this both for support service delivery and for the cost of maintaining those homes. We will continue to engage in a range of active partnerships to ensure that our vulnerable residents receive the statutory services that they require.

We will continue to campaign for sustainable social care contracts. In particular we will continue to participate in national campaigns/consultations around supported housing/homelessness funding including Homeless Link's "Keep Our Doors Open" campaign.

We will continue to monitor the state of the economy, closely scrutinising costs across a range of supplies and services to enable staff to manage budgets efficiently. The Board will continue to closely review revised financial projections and will integrate these into a new strategic plan. The Board risk review process will also assist with this.

Financial results

PRHA demonstrates strong financial management. Our healthy financial reserves built over the years is evidence of our stability. These have allowed us to make significant investments in our housing stock and in the provision of services to our residents. A summary of the results for the year are as follows:

- turnover decreased to £9.795 million from £9.824 million in 2022;
- operating surplus decreased from £655,000 in 2022 to £575,000;
- surplus and total comprehensive income for the year was £1.0 million (2022: £303,000);
- reserves increased from £10.922 million in 2022 to £11.922 million;
- the net book value of the housing properties totalled £39.6 million (2022: £39.8 million);
- housing loans stood at £6.8 million at the end of the financial year a decrease of £378,000 or 5.3%; and
- loan covenants for the loan facilities, primarily determined by interest cover, gearing ratios and asset cover were met throughout the year and at year end.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)
Year ended 31 March 2023

	2023 £'000	2022 £'000
Turnover	9,795	9,824
Operating costs	(9,220)	(9,169)
	<hr/>	<hr/>
Operating surplus	575	655
Interest receivable	15	-
Interest and financing costs	(383)	(352)
Increase in valuation of investment property	793	-
	<hr/>	<hr/>
Surplus and total comprehensive income for the year	1,000	303
	<hr/>	<hr/>

	2023 £'000	2022 £'000
Consolidated balance sheet		
Housing properties	39,593	39,784
Other property, plant and equipment	1,570	2,388
Investment property	1,625	-
Net current assets	1,898	2,355
	<hr/>	<hr/>
	44,686	44,527
Creditors: amounts falling due after more than one year	(32,764)	(33,605)
	<hr/>	<hr/>
	11,922	10,922
	<hr/>	<hr/>
Capital and reserves		
Share capital	-	-
General reserves	11,922	10,922
	<hr/>	<hr/>
	11,922	10,922
	<hr/>	<hr/>

VALUE FOR MONEY

Our commitment to Value for Money

Achieving Value for Money remains a fundamental business strategic objective for PRHA, ensuring that we provide an efficient and cost-effective service to our residents. This means aiming to achieve high levels of resident satisfaction whilst also fully contributing to the achievement of wider outcomes for the community and maintaining financial stability. This has been highlighted this year by the pressures of rapidly increasing costs for all areas of our operation. We have responded by ensuring that we are monitoring this carefully and making decisions to control expenditure without damaging the quality of services.

Meeting our strategic objectives

PRHA aims to strike a balance through its Value for Money decision making which takes into account the seven corporate objectives outlined above.

The Board has reaffirmed its commitment to providing accommodation for people who are vulnerable and need ongoing social care/support. This reflects our long history of providing these services to our local communities, the skills of our staff team and the increasing demand for these services. This is subject to ongoing review given the pressures on adult social care funding and rising costs associated with these services. Whilst we have not delivered any new homes this year we have invested in our current stock to meet changing needs and significantly increased fire safety requirements.

Our Value for Money approach

PRHA aims to deliver a robust Value for Money approach in order to meet its overall strategic objectives, provide good quality services to its residents and to meet the requirements of its commissioners and regulators. It also enables us to maintain financial viability and manage risk within an uncertain and challenging external environment. This strategy is embedded in a number of other PRHA strategies including those for procurement, asset management, human resources and quality. We aim to deliver our strategy by achieving the following objectives:

- Involving residents in decisions about service provision and scrutiny of services.

The resident engagement strategy was launched to restart some of the activities that were so severely affected by the pandemic. As many of our residents have low literacy/digital literacy levels the return of face to face meetings has started to boost engagement along with specific partnership initiatives including the Triple Aims project.

Our resident-led Maintenance Advisory Panel has now also reformed and is starting scheme visits.

Complaints are a key source of feedback from our tenants, helping to ensure that the services we provide are delivered efficiently and that action is taken to improve service delivery shortfalls. They form a key strand in our strategy to focus on delivering quality of service to our tenants, and also help to identify areas of service delivery which could be made more cost efficient.

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)
Year ended 31 March 2023

Our Complaints Policy was updated in early 2022 and this year's focus has been on complying with new timescales and monitoring the number and type of complaints received. Complaints monitoring now sits within the compliance team, who are responsible for analysing them to identify service improvements. They engage staff at all levels in these discussions and report regularly to the Board and to residents.

- PRHA has a continuing emphasis on comparing performance with other landlords and support providers via the use of benchmarking data. Benchmark data relating to smaller national providers (sourced from the Acuity benchmarking group that PRHA participates with) is shown against PRHA's own performance data in the tables within this report.
- Carrying out reviews of catering and property services functions and re-tendering our responsive repairs contract.
- Understanding our costs, managing our assets and our resources efficiently through effective cost controls and monitoring. This has been a close focus throughout the year especially given the rapidly escalating cost of both labour and materials especially for our repairs service and fire safety works.
- Ensuring our business plans and departmental/service/staff work plans deliver value for money and quality services and that staff understand the role they can play in delivering value for money.
- Ensuring that we meet the requirements and standards of our commissioners. We have implemented extensive new quarterly monitoring requirements for the majority of our projects.
- Ensuring that we maintain organisational cohesion and positive staff relations; we retained investors in People Gold status this year and implemented new leadership structures.
- Challenging how we deliver services and understanding how this relates to quality and cost. The challenge in this case has been to manage costs and at the same time to maintain quality. In particular the rising costs of repairs, staffing, agency and security cover.
- PRHA has seen a significant increase in voids and tenant damage especially in our hostels. This is being addressed through ongoing senior team oversight and ongoing review of all aspects of the void repair/ redecorating and refurnishing process. There have also been discussions with commissioners aiming to address some of the underlying factors within their control.
- We have restructured some of our central teams to reduce costs and refocus roles to allow, for instance, to create a post focussed on building safety compliance.
- PRHA negotiated new fuel contracts just before the outbreak of war in Ukraine. This has provided good value for money not only for PRHA but also for the many residents whose fuel supply we provide.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

- By letting out our old offices and moving into smaller premises we have created a source of commercial income from 2023-2024 onwards.

Delivery of our Value for Money Strategy

Governance – The Board approves the strategy and reviews the efficiency of our operations through key performance indicators. It has a clear strategic view of Value for Money related to our objectives and understands how the resources available are best used to achieve these objectives. It is responsible for ensuring we have a comprehensive and strategic approach to achieving Value for Money. It keeps a number of key strategies under ongoing review in the light of changes to funding and economic factors. These include development, treasury and asset management strategies as well as loan financing.

Financial – We are committed to produce efficiency savings and quality gains which will translate into value for money. Approximately 24.8% of our turnover relates directly to support service contracts and the majority of this is spent directly on the costs of staffing. Income remains fixed under these contracts and is likely to remain fixed or reduce in future years whilst costs are rising due to the concomitant commitment to pay the London Living Wage.

The table below showing the metrics is required to be published in accordance with the Regulator of Social Housing (RSH) Value for Money standard. The standard applies to all registered providers, setting out key sector metrics which providers are required to report on. These metrics helps us understand our performance against other social housing providers in our selected peer group.

Regulator of Social Housing – Value for Money (VFM) metrics

Metrics	PRHA March 2022-23	PRHA March 2021-22	RSH Supported Housing Providers 2022
Re-investment %	0.67	0.50	6.10
New supply delivered (Social housing units) %	0.00	0.00	1.20
New supply delivered (Non-social housing units) %	0.00	0.00	0.00
Gearing %	3.23	4.49	12.50
Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest cover %	109.03	157.80	203.00
Headline social housing cost per unit £	9,662	9,466	8,400
Operating Margin (Social housing lettings only) %	4.97	6.94	10.00
Operating Margin (Overall) %	5.87	6.67	5.20
Return on capital employed (ROCE)	1.29	1.47	2.90

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

We are committed to delivering and demonstrating Value for Money (VfM) in all we do for our customers and the communities we serve. The Board regularly reviews all of its key performance indicators and sets the strategy for managing its finances and assets as efficiently as possible.

We have used the Regulator of Social Housing's 2022 data for supported housing providers defined as providers with at least 30% supported housing stock. These figures are extracted from the Regulator of Social Housing (RSH) "Value for money metrics and reporting 2022: Annex to Global accounts March 2023". Although this predominantly reflects returns from registered providers owning/managing more than 1,000 homes, it does provide a good comparison for supported housing focussed organisations.

Re-investment % – measures the investment in properties (existing as well as new supply) as a percentage of the net book value of total properties held. Our re-investment percentage outcome of 0.67% compares less favourably against the peer group (RSH supported housing) median as we are not currently developing new stock. It is however an improvement on the previous year reflecting the increased rate of investment into capitalised major repairs and maintenance expenditure. We continue to invest in improving our properties and maximising our returns over the long term, in line with our Asset Management Strategy. PRHA reinvested £265k in replacing components and work to existing properties, ensuring we meet our strategic objectives and comply with legislation. Our focus continues to be on fire safety, carrying out improvements on void properties, planned maintenance and major repairs.

New supply delivered % – sets out the number of new social housing units acquired or developed in the year as a proportion of our total social housing units. PRHA has not developed or acquired any new properties this year. The key reason for this is the lack of availability of financially viable schemes in our key areas of operation. The higher costs and lower operating margins associated with supported housing mean that the levels of subsidy required and risk associated with new development are generally unsustainable. This is combined with the fact that smaller providers in London find it difficult to develop because of high land and labour costs. Nevertheless the Board continues to appraise potential opportunities and continues to be open to future development.

Gearing % – assesses how much of the assets are funded by debt and the degree of dependence on debt finance. It is often used as a key indicator for the organisations appetite for growth. Our ratio of net debt to the carrying value of housing properties decreased to 3.23% from 4.49%. At 3.23% we are below the RSH supported housing gearing median of 12.50% as we have done little development in recent years. PRHA has used loan finance to develop and refurbish properties over the past 16 years whilst staying well within its loan covenants. As we are not currently developing stock for general needs or supported housing, there has not been a need to raise further finance. Gearing remains within our funders requirements. As we are well within our covenant requirements we are able to demonstrate our ability to take on more debt to support the improvements to existing stock quality, to cover ongoing finance costs from operating activities and for any future development if our development strategy changes.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI)
Interest cover % – is a key indicator for liquidity and investment capacity as it seeks to measure the level of surplus generated compared to interest payable.

The EBITDA MRI ratio for this year was 109.03% compared to the prior year's ratio of 157.80%. This is mainly due to the fall in operating surplus to £575k from £655k the previous year. Although below the RSH supported housing median of 203.00% it is in line with our prior years' results. The median has also seen a fall in EBITDA MRI from 309.00 to 203.00 reflecting lower surplus across the sector as headline costs increase particularly in increased expenditure on repairs and maintenance and wages. The interest cover metric in our loan agreements differs from the RSH measure.

Headline social housing cost per unit – measures the cost per unit of managing and maintaining our social housing stock. Our headline social housing cost per unit has increased to £9,662 from £9,466 which takes us over the RSH median of £8,400. The increase of £196 per unit is driven by economic factors such as wages, shortage of labour, supply of goods and increased cost on repairs and maintenance.

Supported housing providers costs also typically run higher than those of general needs providers. In PRHA's case this is because we provide predominantly temporary supported housing with high turnover rates, significant wear and tear and extensive services. We also provide higher levels of housing management in order to ensure that tenancies are sustained and bad debts minimised.

Operating margin (social housing lettings only) and (overall) % – measures the profitability of the organisational operating assets before exceptional expenses are taken into account. PRHA's operating margin of 4.97% fell against the previous year of 6.94%. Although our core revenue stream remains strong, we have seen higher operating and material costs and repair volumes. RSH benchmarking data shows that associations with large proportions of supported housing tend to record lower operating margins by around 10% compared to those with smaller proportions.

Return on capital employed (ROCE) % – measures the efficient investment of capital resources by comparing the operating surplus to total assets, less current liabilities. Our ROCE fell to 1.29% from 1.47% for the previous year. ROCE is affected by both changes in total asset value and operating surplus. As with operating margins, we have seen a fall in ROCE given that cost performance feeds into the calculation. We have seen a fall in operating margins which has resulted in the reduction in profitability in the total assets position. This reflects the fact that although we have a strong asset base we are a provider of lower margin support services.

Managing Performance

We continue to review our performance and benchmark ourselves against similar sized organisations working in social housing and support services. We also provide performance information to our tenants and review it with them.

Our key objectives which measure efficiency and economy in our landlord related activities relate to voids and arrears. Both did not reach their target levels with voids performance worsening from the year before and arrears performance improving.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

Mid-year reviews were undertaken for both areas with resulting improvement plans being implemented and closely monitored. This resulted in improvements in the second part of the year that are continuing into the new financial year.

Voids

PRHA has experienced a cluster of challenges this year in relation to voids performance including sustained increased rates of turnover / referral issues in our hostels and contractor delays due to labour and materials shortages. In particular turnover has increased significantly in our supported housing, almost doubling in three years (111 departures in 2022-23, 93 in 2021-22, and 69 in 2020-21). This means that the team are having to carry out necessary repairs and redecoration to approximately a third of the supported housing stock every year.

This was also the final year of our void repairs contract and performance did dip. A new contract was put in place from March 2023. Finally some properties were held for use as decant where tenants were experiencing severe leaks or other property related issues.

The cumulative impact of all of these factors was a significantly worse voids performance than the previous year (7.18% against 5.65%). Towards the end of the year the property turnaround times were much improved but in some hostels referral delays continued to be an issue.

Arrears

These showed an improvement on the previous year (10.2% v 11.04%) but remained above the target of 6%. The position has started to improve from last year when some residents coming off the streets during the pandemic were unable/unwilling to engage in the welfare benefits support available to them. The cost of living crisis also adversely affected a number of our residents financially and the housing management team maintained close contact, assisting with benefits and other financial advice. Strategies are in place to try to recover some of this debt and where possible tenants have signed up for long term arrears repayment plans that are slowly reducing the debt balances. Where residents are not engaging with PRHA staff, there are still delays with the courts in processing possession orders.

There have also been delays with payment of Housing Benefit with the processes around supported housing having been tightened this year. This caused a hiatus in payments midyear that has largely been resolved but still delays some new applications (and therefore our ability to identify and manage any problems in new residents' claims).

Combined general needs and supported	Target	Performance 2022-23	Performance 2021-22	Performance 2020-21
Void levels average	5.45%	7.18%	5.65%	3.60%
Current arrears	6.00%	10.20%	11.04%	8.64%

Tenant focus

Improved resident satisfaction with our services and positive engagement are absolute priorities for the teams at PRHA. The past three years have negatively affected our relationship with our residents primarily because of the challenges in providing a good repairs service and in engaging directly with residents. The pandemic challenged our mechanisms for resident involvement as many of our residents are not able to engage with digital /written media and instead prefer face to face meetings. Despite efforts to rebuild this through the new Resident Engagement strategy, there has been slow progress generally.

In our supported housing schemes residents' meetings have recommenced and are providing input especially into the day-to-day running of the services. In our other housing, residents have been contacted by the housing team both to check on their welfare and to receive any feedback. A key focus has been on helping residents to manage the challenges presented by the cost of living crisis by providing information and signposting to relevant services.

There has been a strong focus on managing complaints with the given timescales, listening to residents and feeding this into service improvement.

During the year the resident Board member stood down following nine years' service. It is hoped that as the resident engagement structures strengthen a replacement will come forward for this role. Meanwhile, Board members have been meeting with our Service Users' Advisory Panel which reviews policies and key initiatives. It also sets the standards that residents expect from PRHA and then monitors areas of performance. Scrutiny panels for specific topics such as Anti- Social Behaviour are planned for next year.

Our Maintenance Advisory Panel has also been reintroduced. This consists of PRHA residents who review all aspects of the repairs and maintenance service and carry out inspections of our properties.

Reviewing our satisfaction data forms an essential part of ensuring that our services meet the expectations of our residents and this includes the use of SPBM Smaller Housing Association benchmark data to compare performance with other organisations within the sector. The benchmark data shown in the tables below relates to last year's benchmark results, which are the most recent currently available. We know that others in the sector are experiencing similar drops in satisfaction but there are no 2023 figures yet available for comparison. Housemark estimates that there has been a 7 to 8% drop in satisfaction across the sector over the past two years caused by a combination of repairs backlogs/pressure on budgets, staff shortages and residents grappling with cost of living pressures.

The data shown below is used as part of the VFM review process and improvements are targeted through departmental work plans.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

Benchmarking data is taken from the Acuity 2022 Annual Report for Smaller Housing Providers.

General needs (GN) and supported (SH)	Survey 2023	SPBM 2022 SH	SPBM 2022 GN	Survey 2022	Survey 2021
Overall satisfaction with services	84%	90%	89%	92%	88%
Satisfied that landlord listens to/acts upon tenant's views	82%	87%	78%	86%	85%
Satisfaction that rent provides value for money	76%	87%	90%	85%	85%
Satisfaction with the standard of cleaning	82%	N/A	N/A	89%	89%
Satisfaction with repairs and maintenance services	63%	86%	86%	77%	72%
Satisfaction with estate services	81%	N/A	N/A	82%	80%
Satisfaction with the overall quality of home*	84%	87%	86%	87%	86%
Satisfaction that service charges provide value for money	74%	87%	75%	84%	84%

*In our surveys this is phrased as satisfaction with the quality of accommodation overall.

The outcomes of the 2023 survey will be discussed with residents and recommendations incorporated into the departmental work plans, particularly where performance requires improvement:

- Our 2023 survey shows that overall satisfaction with our services has decreased to 84% from 92% in 2022. This is a significant drop from last year and represents in particular the difficulties of providing good maintenance and repair services (see below) and very high levels of staff turnover in our customer facing teams. The latter is symptomatic of general recruitment shortages and high turnover rates across the UK over the past year and has a particular impact on PRHA as we have very small teams. The relevant teams and our new responsive repair contractors are working hard to rebuild relationships with our residents and provide improved services.
- Satisfaction that PRHA listens to/acts upon tenants' views also decreased by 4% at 82%. Although a lower drop than the overall satisfaction statistic, this appears to reflect the same issues mentioned above.
- Satisfaction that rent provides value for money shows a large drop of 9% (and service charges 10%). This may reflect overall pressures on residents because of the cost of living crisis. When other areas of expenditure are under pressure, larger items such as rent become a greater concern.
- Satisfaction with the standard of cleaning fell to 82% from 89%. This mainly reflects one site where residents requested weekend cleaning - this is now being provided. Also, to a lesser extent, two sites where residents' hoarding issues are being addressed. Additional monitoring is underway and resident led inspections are in place.
- Satisfaction with the repairs service fell significantly from 77% to 62%. See the section below reviewing this.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

- Satisfaction with estate services has continued to hover around 81% (82% in 2021-22 and 80% in 2020-21). No benchmarking data is available for this metric.
- Satisfaction with the overall quality of home fell by 3% from 87% to 84%.

Repairs Service

Performance in repairs is one of the most important aspects of our service for residents. This year has presented a wide range of challenges, some internally driven and some external. Contractor performance generally was below target and in some cases affected by the national shortages of labour and some materials. This meant that there were issues with failed appointments, failure of the first fix target, delays whilst materials were sourced and generally insufficient communication with residents. The latter was exacerbated by the fact that there was significant turnover in the PRHA repairs team and on one occasion a totally new team. Residents therefore did not experience continuity of service. These issues have now been addressed with a new restructured team in place and new responsive repairs contractors. We have also refocused our in-house operative team on minor repairs and their performance is being monitored separately. This currently shows performance to target timescales is good.

The factors outlined above also resulted in a drop in performance in all categories of repair and the percentage of appointments kept.

	Target	Performance 2022-23	Benchmark 2021-22 (SPBM)	Performance 2021-22
Emergency repairs – completed within timescales	100.00%	96.0%	99.9%	99.5%
Urgent repairs – completed within timescales	98.00%	78.2%	95.0%	93.2%
Routine repairs – completed within timescales	98.00%	90.8%	95.0%	92.9%
Appointments kept as a percentage of those made	98.00%	74.5%	N/A	97.6%

For emergency repairs performance it should be noted that no tenant was left in an unsafe situation. Staff worked closely with tenants to ensure that any risk was fully mitigated while parts were on order.

Despite the performance issues shown above for repairs, PRHA was compliant with its responsibilities in relation to building and fire safety, gas servicing and other statutory requirements. These are monitored closely and reported weekly to senior managers and at every Board meeting.

Community Benefit

In our social care role PRHA works with the most vulnerable residents within our local communities providing not just housing and support but also opportunities to rebuild life's, develop skills and reintegrate with the wider community. During 2022-2023 we provided accommodation and services to 417 people with additional support needs, including 79 new residents either directly leaving the streets or from temporary / emergency accommodation. Our staff teams have helped them to stabilise their lives and address key obstacles to rehousing such as addiction and mental ill health. This in turn benefits our local communities and local public services by addressing health deterioration, anti-social behaviour and crime. We also continued to provide 89 homes for local families.

We also work closely with a wide range of local statutory and voluntary agencies to provide strong local partnerships supporting community safety, safeguarding and community health facilities.

As a locally based employer, PRHA aims to benefit its local communities. We work closely with local employment agencies/ jobcentres to offer employment and work experience opportunities for local residents.

We also benefit our local economy by engaging contractors and suppliers based locally wherever possible.

In addition our Grounded Ecotherapy project has worked on a number of projects that improve local open spaces and community gardens involving their residents in their local environment.

Recently we have let our old office premises in Bethnal Green to a women backpackers' hostel. Facilitating local tourism will benefit local businesses especially as the area has yet to experience some of the regeneration that other local areas have in the last decade.

RISK MITIGATION

The Board usually reviews the risk register annually at the Risk and Audit Scrutiny Group, during Awayday discussions and when any risk issues emerge or circumstances change.

For the first time in over a decade there were four identified level one risks:

- Health and safety.
- Loss of business /erosion of operating surplus and central costs.
- Income maximisation.
- Economic pressures.

Most of these were driven by factors largely outside of PRHA's control. The main area of risk was the economy. Factors including the war in Ukraine, soaring cost of living including fuel prices, ongoing post Brexit stabilisation issues especially in relation to the labour market and the cost of materials (as well as ongoing materials shortages).These severe economic challenges have also impacted on adult social care funding and homelessness services.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

In relation to health and safety there are specific risks relating to fire safety, pandemics and the escalating support needs of our vulnerable residents. Whilst there are strong frameworks in place to mitigate risk it cannot be eliminated altogether and therefore remained the highest risk.

Our key risk areas were:

KEY RISKS SUMMARY	
Level 1	Health and safety
	Loss of business /erosion of operating surplus and central costs
	Income maximisation
	Economic pressures
Level 2	Support services (ability to fulfil contracts within income, risk to residents/staff)
	Staff (recruitment/retention costs)
Level 3	Regulatory compliance and governance including GDPR
	Disaster recovery
	Government policy in relation to funding streams

The rating assesses not just the likelihood of these factors occurring but also the severity of the consequences if they do. Each of these areas is broken down into key components and then assigned mitigating actions. These actions aim to minimise the impact on residents and other stakeholders. This process provided a clear focus on the key risks to control and is an ongoing priority for the Senior Leadership Team.

Throughout the year the Senior Leadership Team and Board reviewed the risk register in conjunction with the Business Continuity Plan. The Board also reviews a number of these areas as part of its ongoing monitoring cycles for financial controls and performance, building and fire safety and regulatory compliance. There are also specific reviews around GDPR and cyber security.

COMPLIANCE WITH GOVERNANCE AND FINANCIAL VIABILITY STANDARD

PRHA ensures compliance with the requirements of the Regulator of Social Housing's Governance and Financial Viability Standards through regular review of governance arrangements, risk review and financial planning. The Board considers that PRHA complies with all requirements of the Regulatory Framework.

THE BOARD AND DIRECTORS

The Board and Directors of PRHA are listed on page 2. Each member of the Board holds one fully paid share of £1 in PRHA. The Directors hold no interest in PRHA's share capital.

STATEMENT OF THE BOARD'S RESPONSIBILITIES

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

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) **Year ended 31 March 2023**

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

GOING CONCERN

After reviewing the Annual Budget and Business Plan in March 2023 and financial projections in November 2022 and July 2023, the Board considers that PRHA has adequate resources to continue in operational existence for the foreseeable future. Despite the national economic pressures, PRHA exceeded its budgeted surplus.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) **Year ended 31 March 2023**

Throughout the year, the Board has also reviewed five and 30 year financial projections. These projections include annual outturns, cashflow and stress testing for scenarios relating to inflation, voids and bad debts and adult social care contracts. After factoring into account these possible scenarios, PRHA remains compliant with loan covenants and the Board considers that sufficient funds are in place for the ongoing running of the business. PRHA does not currently have an active development or sales programme with their associated risks.

The Board and Senior Management Team will continue to closely monitor the external environment and review the financial implications of any new events and factors such as the rising cost of living and interest rates. They will also regularly review performance against the budget and stress test any emerging risks.

Given the strength of the balance sheet and cash flow projections the Board believe that, while uncertainty continues to exist, this does not pose a material uncertainty that would cast doubt on PRHA's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

CORPORATE GOVERNANCE

The National Housing Federation's (NHF) "Code of Governance 2020" is intended for the guidance of housing associations, so that they can continue to follow the highest standards of governance, accountability and probity while responding to an environment of change and risk. The Code is the embodiment of the values underlying the voluntary housing movement. The Code aims to assist associations to be competent, accountable, independent and diverse.

The Board has adopted this Code of Governance and has self-assessed itself against the Code. It has set out a plan to ensure ongoing compliance with the requirements. In particular it has adopted a Board succession strategy to address one area where it is not yet compliant (the new requirement for Board terms of office not to exceed six years except in exceptional circumstances). Given the need to balance continuity and stability in governance with this requirement, the Board has agreed to aim to achieve this by the end of 2025.

The planned recruitment drive has commenced with new Board members with specifically identified skills and experience incrementally taking over from longer standing ones. There will also be a focus on ensuring a diverse membership with the collective skills and attributes to govern effectively. A recruitment process was undertaken during the year and three new members were approved in March 2023. An appraisal process for all current Board members was undertaken and reported back to the Board.

The second area of non-compliance has been the delay to the formal review of the external auditors. This process was delayed by the pandemic. The Board is keeping it under review.

The other areas are all compliant and the action plan identifies further actions for improvement. The Board will continue discussion of issues such as how to influence culture, how to demonstrate that resident/stakeholder feedback is influencing decision - making and how to gain assurance on the information that is presented to it.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) **Year ended 31 March 2023**

The strategic plan review will include consideration of whether and how active cooperation, collaboration, joint working or partnership with other organisations could enable it to deliver its social purpose and strategies more effectively and economically. There will also be a review of the CEO's appraisal process.

The Board has also adopted the NHF Code of Conduct 2022. This sets out standards for housing associations and is intended to be used alongside the 2020 Code of Governance. It is for use by individual housing association staff, Board members and certain involved residents, and sets out guidance according to four key themes:

1. acting in the best interest of the housing association and its residents;
2. behaving with integrity;
3. conducting yourself professionally and treating others well; and
4. protecting yourself, others and the environment

STATEMENT ON INTERNAL CONTROLS ASSURANCE

INTERNAL CONTROLS STATEMENT

The Board has overall responsibility for establishing and maintaining the whole system of internal controls and for reviewing its effectiveness.

The Board recognises that no system of internal controls can provide absolute assurance or eliminate all risk. The system of internal controls is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of PRHA's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the PRHA is exposed.

The process adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some of the key elements of the controls framework includes:

- *Identification and evaluation of key risks*

The Board is responsible for overseeing the process of identifying, managing and evaluating risks. It reviews PRHA's risk map and action plan annually (and whenever necessitated by external or internal change). The twice yearly annual Risk and Audit Scrutiny group reviews identify and monitor key risks throughout the year and ensure that the Board is aware of these.

This year the focus has shifted from the pandemic to include the impact of economic pressures on both the organisation and on our residents. Building and fire safety have been reviewed at every Board meeting to ensure that members have assurance that our homes are safe.

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)
Year ended 31 March 2023

The Board also receives information from a range of sources to gain assurance that risks are being identified and that controls procedures are working. The internal controls framework and risk management process are subject to regular review by The Internal Audit Association, who are employed to provide independent assurance to the Board. No reviews were carried out during the year but the action plans from the three reviews that took place last year (payroll, procurement and contractor payments) were signed off. Other sources of assurance include: the external auditors report, the annual internal controls assurance report, regular performance indicator reporting, reports from external regulators, reports on fire and building safety matters and quality assurance reviews, in particular commissioning team reviews for vulnerable adults' services, Care Quality Commission and Investors in People reviews. This year we retained investors in People Gold standard.

Management responsibility has been clearly defined for the identification, evaluation and controls of significant risks. There is a formal and ongoing process of management review in each area of PRHA's activities. This process is co-ordinated through a regular reporting framework by the Senior Leadership Team. The Senior Leadership Team regularly consider reports on significant specific risks facing PRHA and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

- *Monitoring and corrective action*

PRHA has instigated a continuous improvement process for strengthening internal controls. This takes the form of an internal controls action plan outlining key controls areas within the six main controls framework areas: Procedures; Regular Internal Auditing; Separation of functions; Monitoring of authorisation and expenditure; Training, induction and supervision of staff and review by the Senior Leadership Team and Management Board. This is monitored by the Senior Leadership Team, the Risk and Audit Scrutiny Group and the Finance Scrutiny Group.

This ensures that corrective action is taken in relation to any significant controls issues, particularly those with a material impact on the financial statements. Work is continuing on maintaining awareness of internal controls at all levels of staff teams.

- *Controls environment and controls procedures*

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and all new investment projects. The Board has adopted the National Housing Federation Code of Governance 2022 (see above).

The Board disseminates its requirements to all employees through PRHA's policies with regard to the quality, integrity, culture and ethics of its employees. It is supported by a framework of policies and procedures with which all employees must comply. These cover issues including delegated authority, tendering and procurement, Disclosure and Barring Service checks, treasury management, health and safety, safeguarding, data and asset protection, GDPR, cyber security, whistleblowing and fraud prevention and detection. All new staff are required to acknowledge understanding of key policies during their probationary period.

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)
Year ended 31 March 2023

- *Regulator of Social Housing (RSH)*

The Board has responsibility for ensuring that PRHA complies with its regulatory obligations. The RSH generally focuses on the robustness of PRHA's finance and risk strategies and the effectiveness of its corporate governance. PRHA has less than 1,000 properties and therefore is not subject to the same level of scrutiny as larger Registered Providers. Nevertheless the Board has taken the view that the standards as previously applied constitute good practice which PRHA will continue to aim to comply with. The Board of PRHA are subject to the Regulatory Framework for Social Housing in England 2015 (as updated in 2017 and 2023).

The Regulator of Social Housing has amended the framework requirements in relation to consumer standards in 2023 to include the requirements of the tenant satisfaction measures. PRHA is working to ensure compliance with these. The Association has a significant commitment to co-regulation and is working to implement its Resident Engagement strategy action plan. This year the resident Board member stood down after three terms of office and a recruitment process is underway. Having experienced a reduction in engagement during the pandemic the focus currently is in strengthening resident involvement in our scrutiny panels as a basis for fostering further engagement. We have continued to communicate with residents on key issues including complaints feedback and "lessons learnt". There is also regular review with residents of our customer service standards.

Residents are surveyed regularly on key service performance and this along with an improvement plan is fed back to the Board to inform decision making. Residents are also involved in inspection and audit processes across PRHA's activities, staff recruitment and recently the tender process for our new responsive repairs contractors

PRHA has complied with the revised Value for Money standard in the text of these accounts.

- *Information and financial reporting systems*

Financial reporting procedures for PRHA include detailed budgets for the year ahead and forecasts for the subsequent years. These are reviewed and approved by the Board.

Detailed five and 30 year financial projections enable the Board to review and discuss accurate forecasting and scenario planning especially given the particular risks inherent in managing a large number of social care contracts. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The Board has received the Chief Executive's annual report and has considered any changes needed to maintain the effectiveness of the risk management and controls process.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2023

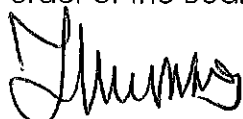
SHAREHOLDING MEMBERSHIP

The shareholding membership consists mainly of current and past Board members, but not any of the senior staff. Each member holds one fully paid share of £1 of PRHA. The holding of shares confers no beneficial entitlement. There are 11 shares in issue.

APPOINTMENT OF AUDITORS

A resolution to reappoint BDO LLP as auditors of PRHA will be put to the Annual General Meeting.

By order of the Board



F. HUMPHREY

Secretary and Chief Executive
20 July 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE ROW HOUSING ASSOCIATION

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Providence Row Housing Association ("the Association") for the year ended 31 March 2023 which comprise the Association statement of comprehensive income, the Association balance sheet, the Association statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

PROVIDENCE ROW HOUSING ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE ROW HOUSING ASSOCIATION (Continued)

Other information

The board are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information. We do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Report of the Board and Strategic Review, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the statement of board's responsibilities set out on page 19-20, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

PROVIDENCE ROW HOUSING ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE ROW HOUSING ASSOCIATION (Continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Based on our understanding of the Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- reading minutes of meeting of those charged with governance, and reviewing correspondence with HMRC;
- challenging assumptions made by management in their significant accounting estimates in particular in relation to the impairment of housing properties, depreciation on tangible fixed assets (including component accounting); and bad debt provision; and
- in addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.

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

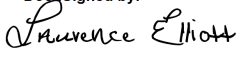
PROVIDENCE ROW HOUSING ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE ROW HOUSING ASSOCIATION (Continued)

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

Use of our report

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

DocuSigned by:

C9A7C7386A35456...

Laurence Elliott (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 20 September 2023

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

PROVIDENCE ROW HOUSING ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	9,795	9,824
Operating costs	3	(9,220)	(9,169)
		<hr/>	<hr/>
Operating surplus	3/5	575	655
Interest receivable		15	-
Interest and financing costs	8	(383)	(352)
Increase in valuation of investment property	12	793	-
		<hr/>	<hr/>
Surplus and total comprehensive income for the year		1,000	303
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 34 to 54 form part of these financial statements.

PROVIDENCE ROW HOUSING ASSOCIATION

BALANCE SHEET
At 31 March 2023

	Note	2023 £'000	2022 £'000
FIXED ASSETS			
Housing Properties	10	39,593	39,784
Other property, plant and equipment	11	1,570	2,388
Investment Property	12	1,625	-
		<hr/>	<hr/>
		42,788	42,172
CURRENT ASSETS			
Debtors	13	386	208
Cash and cash equivalents		5,540	5,412
		<hr/>	<hr/>
		5,926	5,620
CREDITORS: amounts falling due within one year	14	(4,028)	(3,265)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,898	2,355
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		44,686	44,527
CREDITORS: amounts falling due after more than one year	15	(32,764)	(33,605)
		<hr/>	<hr/>
NET ASSETS		11,922	10,922
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	18	-	-
General reserves		11,922	10,922
		<hr/>	<hr/>
		11,922	10,922
		<hr/>	<hr/>

These financial statements were approved and authorised for issue by the Board and signed on its behalf by:



J. GIESEN
Chair



A. DISLEY
Vice Chair



F. HUMPHREY
Secretary and Chief Executive

Date of approval: 20 July 2023

The notes on pages 34 to 54 form part of these financial statements.

PROVIDENCE ROW HOUSING ASSOCIATION

STATEMENT OF CHANGES IN RESERVES For the year ended 31 March 2023

	Share Capital £'000	General Reserves £'000	Total £'000
Balance at 1 April 2021	-	10,619	10,619
Total comprehensive income for the year	-	303	303
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	-	10,922	10,922
Total comprehensive income for the year	-	1,000	1,000
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2023	-	11,922	11,922
	<hr/>	<hr/>	<hr/>

The notes on pages 34 to 54 form part of these financial statements

PROVIDENCE ROW HOUSING ASSOCIATION

STATEMENT OF CASH FLOWS
Year ended 31 March 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Surplus for the financial year	1,000	303
Adjustments for:		
Depreciation of fixed assets – housing properties	456	447
Depreciation of fixed assets - other	17	17
(Increase) in fair value of investment property	(793)	-
Amortised grant	(359)	(363)
Interest paid and finance costs	383	352
Interest received and income from investments	(15)	-
(Increase)/decrease in debtors	(178)	32
Increase in creditors	659	35
Net cash generated from operating activities	1,170	823
Cash flow from investing activities		
Purchase of tangible fixed assets	(296)	(226)
Interest received	15	-
Net cash (used in) investing activities	(281)	(226)
Cash flow from financing activities		
Interest paid	(383)	(352)
Repayment of borrowings	(378)	(274)
Net cash (used in) financing activities	(761)	(626)
Net increase/(decrease) in cash and cash equivalents	128	(29)
Cash and cash equivalents at beginning of year	5,412	5,441
Cash and cash equivalents at end of year	5,540	5,412

The notes on pages 34 to 54 form part of these financial statements.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS

Year ended 31 March 2023

1 LEGAL STATUS

PRHA is a regulated charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014 (No. 19322R). PRHA is registered with the Regulator of Social Housing as a social landlord (No. L0695) and public benefit entity.

The Registered office address and principal place of business is Providence Row Housing Association, 15A Kelsey Street, London E2 6HD.

2 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable law and UK accounting standards and the Statement of Recommended Practice for Accounting by Registered Social Housing Providers (SORP 2018) under the historic cost convention and comply with the Accounting Direction for private registered providers of social housing 2022 ("the Direction").

The financial statements are presented in Sterling (£'000).

The principal accounting policies of PRHA are set out below.

Turnover

Turnover represents rental income receivable, fees receivable and grants from local authorities, the Regulator of Social Housing and other agencies.

Turnover is recognised as follows:

- Rental income and service charges receivable after deducting rent and service charge losses from void properties available for letting;
- Revenue grants are recognised in the Statement of Comprehensive Income in the same period as the expenditure to which they relate;
- Capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight line basis over the expected life of the asset which they have funded; and
- Charges for support services funded under adult social care are recognised as receivable under the contractual agreement with Administering Authorities.

Property, plant and equipment

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefits. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2023

ACCOUNTING POLICIES (Continued)

Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period and directly attributable administration costs.

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Depreciation is calculated on the cost of properties and their major components and is charged on a straight line basis over their expected useful economic lives as shown below. Freehold land is not depreciated.

• Structure	100 years
• Roof and coverings	70 years
• Electrics	40 years
• Bathroom	30 years
• Mechanical systems	30 years
• Windows and Doors	30 years
• Lift	25 years
• Kitchen	20 years
• Boilers	15 years

Where assets are leased the depreciation term is the lower of the periods above or the lease term.

Assets are not depreciated in the year of acquisition/completion.

Capital items having a cost of less than £1,000 are immediately expensed to the Statement of Comprehensive Income.

Other property, plant and equipment and depreciation

Other property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful lives of the assets at the following rates:

Furniture	-	20% per annum on cost
Computer equipment	-	20% per annum on cost

Impairment

Annually housing properties are assessed for impairment indicators. For the purposes of impairment assessments, PRHA defines cash generating units as properties. Units and bed spaces are grouped together into properties and treated as cash generating units.

At each statement of financial position date, each property is assessed to determine if there are indicators that the property may be impaired in value; if there are such indicators of impairment, then a comparison of the property's carrying value is made to its recoverable amount.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) **Year ended 31 March 2023**

ACCOUNTING POLICIES (Continued)

Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Income; the carrying value is reduced appropriately.

The assessment of the recoverable amount takes account of the service potential of the assets or the present value of future cash flows to be derived from them adjusting for any costs or restrictions. The use of depreciated replacement cost is taken as a suitable measurement model.

Investment properties

Investment properties are accounted for at fair value and changes in value are taken annually to the Statement of Comprehensive Income. Fair value is determined by independent valuers registered with Royal Institute of Chartered Surveyors (RICS), in accordance with RICS Valuation – Professional Standards.

Amortisation of government grants

Government grants received for housing properties are recognised in income over the useful life (as identified for the depreciation charge) of the housing property structure.

Recycled capital grant fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing can direct PRHA to recycle capital grants or to make repayments of the recoverable amount. PRHA adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the Regulator of Social Housing with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Where there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Agencies

The transactions incurred directly by agencies managing the supported housing projects are not consolidated in the financial statements where the related risks and rewards are with the agency.

Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when PRHA becomes a party to the contractual provisions of the instrument.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) **Year ended 31 March 2023**

ACCOUNTING POLICIES (Continued)

Trade (including rental) and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank and short-term bank deposits with an original maturity of three months or less.

Interest bearing bank loans which meet the criteria to be classified as basic financial instruments are initially recorded at the value of the cash payable to the bank, which is ordinarily equal to the proceeds, received net of direct issue costs. Subsequent measurement of the bank loans are recorded at the value of the cash payable to the bank. PRHA loans meet the definition of basic financial instruments.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Bad debt provision

The bad debt provision is based on 100% of former tenant rent arrears and between 5% - 100% of current tenant rent arrears. We deem this as reasonable. We will however consider reviewing this policy if we see a considerable rise in rental debtors.

Social housing grant

Social Housing Grant (SHG) is a capital grant made towards the cost of acquiring and/or building additional housing for rent or sale.

SHG is repayable unless formally abated or waived. (See recycled capital grant fund above). On the occurrence of certain relevant events, primarily following the sale of property, the SHG repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Regulator of Social Housing's right to recover SHG to their own loans.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) **Year ended 31 March 2023**

ACCOUNTING POLICIES (Continued)

Social housing grant (SHG) is receivable from the Regulator of Social Housing and is recognised in income over the expected useful life of the housing property structure under the accruals model. SHG due from the Regulator of Social Housing or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Going concern

After reviewing the Annual Budget and Business Plan in March 2023, the Board considered that PRHA has adequate resources to continue in operational existence for the foreseeable future. Despite the challenges of rising costs, PRHA exceeded its budgeted surplus.

Throughout the year, the Board has also reviewed 5 and 30 year financial projections. These projections include a treasury management review, annual outturns, cashflow and stress testing for scenarios relating to inflation, voids and bad debts and adult social care contracts. This included considering the potential impact of future pandemics. After factoring into account these possible scenarios, PRHA remains compliant with loan covenants and the Board considers that sufficient funds are in place for the ongoing running of the business. PRHA does not currently have an active development or sales programme with their associated risks.

The Board and Senior Management Team will continue to closely monitor the external environment and review the financial implications of any new events and factors such as the rising cost of living and interest rates. They will also regularly review performance against the revised budget and stress test any emerging risks.

Given the strength of the balance sheet and cash flow projections the Board believe that, while uncertainty continues to exist, this does not pose a material uncertainty that would cast doubt on PRHA's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of the staff directly engaged on the operations dealt with in these financial statements.

Pension costs

PRHA operates a number of Stakeholders' Pension Schemes where PRHA's liability is limited to the contracted employer's contribution rate.

Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

ACCOUNTING POLICIES (Continued)

Adult social care grant accounting policy

Turnover includes adult social care grant income received from administering authorities, plus support charges to individual tenants. The related expenditure is included in operating cost.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. The Board members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value – Social Housing (EUV-SH) or depreciated replacement cost.

Other key sources of estimation uncertainty are as follows:

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual value are assessed annually and may vary depending on factors such as future market conditions, the remaining life of the asset and the disposal values.

In assessing impairment of assets an estimate of the rebuild cost is applied and depreciation is calculated based on the age of the existing property to arrive at a depreciated replacement cost.

- *Rental and other trade receivables (debtors)*

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- *Revenue recognition around particular contracts – for example, adult social care*

Charges for services provided and adult social care income, are recognised as income when PRHA has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred.

- *Bad debt provision*

The trade debtors balances recorded in the statement of financial position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS year ended 31 March 2023 (Continued)

3 TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS						
	2023			2022		
	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings (Note 4)	9,164	(8,709)	455	9,197	(8,559)	638
Other social housing activities	631	(511)	120	627	(610)	17
TOTAL	9,795	(9,220)	575	9,824	(9,169)	655

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

4 LETTING ACTIVITIES

	Supported Housing £'000	General Needs £'000	Agency Managed £'000	2023 Total £'000
Income				
Rent receivable net of identifiable service charges	2,240	607	-	2,847
Service charge income	2,887	208	-	3,095
Amortised government grants	255	92	12	359
Supported housing	2,433	-	-	2,433
Other	31	23	376	430
Turnover from Social Housing Lettings	7,846	930	388	9,164
Expenditure				
Management	1,240	132	66	1,438
Service charge costs	2,238	222	125	2,585
Routine maintenance	636	105	50	791
Major repairs expenditure	277	59	13	349
Bad debts	231	9	-	240
Depreciation of housing properties	311	124	21	456
Supported housing	2,850	-	-	2,850
Operating expenditure on Social Housing Lettings	7,783	651	275	8,709
Operating surplus on Social Housing Lettings	63	279	113	455
Void losses	(446)	(12)	-	(458)

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

4 LETTING ACTIVITIES (CONTINUED)

	Supported Housing £'000	General Needs £'000	Agency Managed £'000	2022 Total £'000
Income				
Rent receivable net of identifiable service charges	2,173	651	-	2,824
Service charge income	2,805	215	-	3,020
Amortised government grants	257	94	12	363
Supported housing	2,436	-	-	2,436
Other	118	31	405	554
Turnover from Social Housing Lettings	7,789	991	417	9,197
Expenditure				
Management	1,420	207	68	1,695
Service charge costs	2,169	148	86	2,403
Routine maintenance	595	129	63	787
Major repairs expenditure	106	107	59	272
Bad debts	148	19	-	167
Depreciation of housing properties	310	127	13	450
Supported housing	2,785	-	-	2,785
Operating expenditure on Social Housing Lettings	7,533	737	289	8,559
Operating surplus on Social Housing Lettings	256	254	128	638
Void losses	(335)	(14)	-	(349)

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

5 OPERATING SURPLUS

Is stated after charging:

	2023 £'000	2022 £'000
Depreciation		
- Social housing properties held for lettings	451	447
- Other property, plant and equipment	17	17
- Accelerated depreciation	5	3
	<u>473</u>	<u>467</u>
Auditors' remuneration		
- External – audit services current year (excluding VAT)	37	30
	<u>37</u>	<u>30</u>

6 DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS

The key management personnel are defined as the Board of Management, the Chief Executive and the Executive Management Team. None of the Board members received any emoluments in either year. The Board members, received £2,081 (2022: £1,209) for board expenses during the year.

The total emoluments paid to Directors (who for the purpose of this note include the members of the Board and the executive management team) were as follows:

	2023 £'000	2022 £'000
Gross salary	317	267
Social security costs	39	32
Employer's pension contributions	14	12
	<u>370</u>	<u>311</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

6 DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (CONTINUED)

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was as follows:

	2023 £'000	2022 £'000
Highest paid Director		
Aggregate remuneration (excluding pension)	83	92
Pension contribution	4	5
	<hr/>	<hr/>
Emoluments (including pension contributions and benefits in kind)	87	97
	<hr/>	<hr/>

During the year pension contributions of £4,500 (2022: £4,500) were paid by PRHA for the benefit of the Chief Executive. The Chief Executive is an ordinary member of the scheme. The scheme to which they were paid is the Legal and General Assurance Society Stakeholders Pension.

Salary bandings for all employees earning over £60,000 (including pension)

	2023 No.	2022 No.
£60,000 to £70,000	2	1
£80,001 to £90,000	1	-
£90,001 to £100,000	-	1

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

7 EMPLOYEE INFORMATION

The average number of persons (including the Chief Executive) employed during the year, expressed in full time equivalent members of staff, was 113 (2022: 111).

	2023 £'000	2022 £'000
Staff costs were as follows:		
Wages and salaries	3,394	3,429
Social security costs	341	327
Pension costs (note 19)	102	102
	<u>3,837</u>	<u>3,858</u>

Staff costs of £440,642 (2022: £447,196) were paid to various agencies.

Staff costs include redundancy payments amounting to £47,126 (2022: £22,751).

Full time equivalents are calculated for full time and part time staff based on a standard working week of 35 – 40 hours.

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2023 £'000	2022 £'000
On bank loans	383	352
	<u>383</u>	<u>352</u>

9 TAX

PRHA is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly PRHA is exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge arose in the period.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

10 TANGIBLE ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting £'000	
Cost		
At 1 April 2022		46,825
Additions		
- replaced components		232
- work to existing properties		33
Disposals		
- replaced components		(22)
At 31 March 2023		47,068
Depreciation		
At 1 April 2022		7,041
Charge for year		451
Disposals		
- replaced components		(17)
At 31 March 2023		7,475
Net book value at 31 March 2023		39,593
Net book value at 31 March 2022		39,784
	2023 £'000	2022 £'000
Expenditure on works to existing properties		
Amount expensed to the income and expenditure account (included in routine maintenance)	349	272
Amounts capitalised in fixed asset housing properties (as above)	265	201
	614	473

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

10 TANGIBLE ASSETS – HOUSING PROPERTIES (CONTINUED)

The net book value of housing properties may be further analysed as:

	2023 £'000	2022 £'000
Freehold	16,490	18,430
Long Leasehold	20,022	18,217
Short Leasehold	3,081	3,137
	<u>39,593</u>	<u>39,784</u>

Impairment

During the year, PRHA has not recognised any impairment loss (2022: £Nil) in respect of social housing properties.

PRHA undertook an impairment loss review as follows:

- determined the level at which the recoverable amount is to be assessed;
- estimated the recoverable amount of the properties;
- calculated the carrying amount of the properties; and
- compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

PRHA calculated the Depreciated Replacement Cost (DRC) of each social housing property with a 4.1 percent rent increase in 2022, using the rebuild costs and land prices depreciated based on the age of the existing property. This was then compared to the carrying amount of each asset.

Properties held for security

PRHA had property with a net book value of £25.1 million pledged as security at 31 March 2023 (2022 £25.2 m).

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

11 TANGIBLE ASSETS - OTHER PROPERTY, PLANT AND EQUIPMENT

Cost	Office Buildings £'000	Computer equipment £'000	Furniture and equipment £'000	Total £'000
At 1 April 2022	2,601	285	622	3,508
Additions	14	-	17	31
Transfer to investment properties	(947)	-	-	(947)
Disposals	(2)	-	-	(2)
At 31 March 2023	1,666	285	639	2,590
Depreciation				
At 1 April 2022	256	285	579	1,120
Charge for year	10	-	7	17
Disposals	-	-	-	-
Transfer to investment properties	(115)	-	-	(115)
Disposals	(2)	-	-	(2)
At 31 March 2023	149	285	586	1,020
Net book value at 31 March 2023	1,517	-	53	1,570
Net book value at 31 March 2022	2,345	-	43	2,388

The net book value of office buildings may be further analysed as:

	2023 £'000	2022 £'000
Freehold	1,517	2,345
	1,517	2,345

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

12 Investment Property

Fair Value	2023 £'000	2022 £'000
At 1 April 2022	-	-
Transferred from other properties	832	-
Increase in fair value	793	-
	<hr/>	<hr/>
At 31 March 2023	1,625	-
	<hr/>	<hr/>

During the period PRHA rented out its former head office on a long term lease. PRHA reclassified the property with a net book value of £832,000 (2022: £Nil) from other property to investment property at 31 March 2023. The property was then revalued.

The 2023 valuation was performed by Jones Lang Lasalle Limited in accordance with the current RICS valuation – Global Standards, incorporating the IVS and the RICS Valuation – Global Standards – UK National Supplement published by the RICS commonly known as the “Red Book”.

The valuation approach is a rent capitalisation methodology, (rent and yield approach) coupled with what an owner-occupier might pay on a £ per sq. ft. basis. This is with reference to respective rental and capital value market data/sentiment. Yield, capital value and rental data were obtained from commercial agents, auction sale data and commercial property databases.

13 DEBTORS

Amounts receivable within one year:	2023 £'000	2022 £'000
Gross rental debtors	662	692
Less: Provision for bad debts	(650)	(676)
	<hr/>	<hr/>
	12	16
Other debtors and prepayments	374	192
	<hr/>	<hr/>
	386	208
	<hr/>	<hr/>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£'000	£'000
Bank loans (note 16)	378	274
Rent received in advance	591	482
Trade creditors	373	345
Grants received in advance	56	27
Tax and Social Security	74	90
Accruals and other creditors	2,171	1,662
Deferred capital grant less than 1 year (note 17)	385	385
	<u>4,028</u>	<u>3,265</u>

Grants received in advance relate to social housing grants for works to existing properties. Grants received in advance are transferred to deferred capital grants when the asset starts to be depreciated. Grants will then be amortised and released to income in accordance with the amortisation of Government grants policy.

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2023	2022
	£'000	£'000
Loans (note 16)	6,441	6,923
Deferred government grant (note 17)	26,323	26,682
	<u>32,764</u>	<u>33,605</u>

Loans from Orchardbrook Limited, Cooperative Bank Plc and Lloyds Bank Plc are secured by specific charges on PRHA's housing properties and are repayable at varying dates. The loans bear interest at various rates ranging from 1.65% to 8.75%. (2022: 0.73% to 8.75%).

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

16 LOANS

Instalments are due as follows:

	2023 £'000	2022 £'000
Housing loans repayable by instalments		
Within one year	378	274
Between two and five years	1,563	1,550
Due after five years or more	4,878	5,373
	<u>6,819</u>	<u>7,197</u>

17 DEFERRED GOVERNMENT GRANTS

	2023 £'000	2022 £'000
At 1 April	27,067	27,430
Release to income in the year	(359)	(363)
Grants recognised in the year	-	-
Balance at 31 March	<u>26,708</u>	<u>27,067</u>

Classified as:

	2023 £'000	2022 £'000
Amounts to be released within one year (note 14)	385	385
Amounts to be released in more than one year	26,323	26,682
	<u>26,708</u>	<u>27,067</u>

18 SHARE CAPITAL

	2023 £	2022 £
At 31 March 2023	<u>10</u>	<u>11</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

The share capital consists of 10 shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of PRHA. Therefore all shareholdings relate to non-equity interests; there are no equity interests in PRHA.

19 PENSION COSTS

PRHA operates a number of stakeholders' pension schemes where PRHA's liability is limited to the contracted employer's contribution rate.

During the year PRHA made contributions to individuals' personal pension schemes of £101,669 (2022: £101,745) covering 123 employees (2022: 124).

20 LEGISLATIVE PROVISIONS

PRHA is incorporated under the Co-operative and Community Benefit Societies Act 2014, Registration Number 19322R. PRHA is an exempt charity and is registered with the Regulator of Social Housing, Number L0695.

21 UNITS UNDER MANAGEMENT

The number of units of accommodation at 31 March were as follows:

	2022	Disposals	2023
Units of housing stock			
General needs housing			
- social	89	-	89
- affordable	-	-	-
Supported housing	384	-	384
Total social housing units	473	-	473
Total owned and managed	473	-	473
Accommodation managed for others	28	11	17
Total managed accommodation	501	11	490
Units managed by other associations	44	-	44
Total owned and managed accommodation	545	11	534

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

22 RELATED PARTY TRANSACTIONS

The Board included one tenant member who holds a tenancy agreement on normal terms and could not use their position to their advantage. The tenant Board member resigned in September 2022. The rent charged for the period was £3,498 (2022: £6,793) and the tenant had an arrears balance of £820 at 30 September 2023 (2022: Pre-payment balance of £304).

23 CONTINGENT LIABILITIES

PRHA received grant from the Regulator of Social Housing which is used to fund the acquisition and development of housing properties. At 31 March 2023, the value of grant recognised as deferred government grants relating to properties that had not been disposed of was £26.7 million (2022: £27.1 million). (See note 17). In addition grant received have been amortised to the general reserve of £8.4 million (2022: £8.0 million). PRHA has a future obligation to recycle such grant should, in certain circumstances, the relevant properties be disposed of.

24 CAPITAL COMMITMENT

	2023 £'000	2022 £'000
Commitments approved by the Board but not contracted for:		
Construction	93	193
	<u>93</u>	<u>193</u>
Capital commitments will be funded as follows:		
Social Housing Grant	-	-
Existing reserves	93	193
	<u>93</u>	<u>193</u>
Net Commitment	<u>93</u>	<u>193</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2023

25 OPERATING LEASES

PRHA had minimum lease receipts under non-cancellable operating leases as set out below:

	2023 £'000	2022 £'000
Amounts receivable as Lessor		
Not later than one year	16	16
Later than one year and not later than five years	66	66
Later than five years	242	255
Total	<u>324</u>	<u>337</u>

26 FINANCIAL INSTRUMENTS

Financial assets comprise trade receivables, cash and cash equivalents, measured at historical costs.

Financial liabilities comprise loans payable measured at historical cost as an approximate for amortised cost as the difference between historical cost and amortised cost is not deemed material and trade creditors and other creditors are measured at historical cost.

27 NET DEBT RECONCILIATION

	1 April 2022 £'000	Cashflows £'000	31 March 2023 £'000
Cash at bank and in hand	5,412	128	5,540
Bank overdrafts	-	-	-
Obligations under finance leases	-	-	-
Bank loans	(7,197)	378	(6,819)
Convertible loan	-	-	-
Net Debt	<u>(1,785)</u>	<u>506</u>	<u>(1,279)</u>