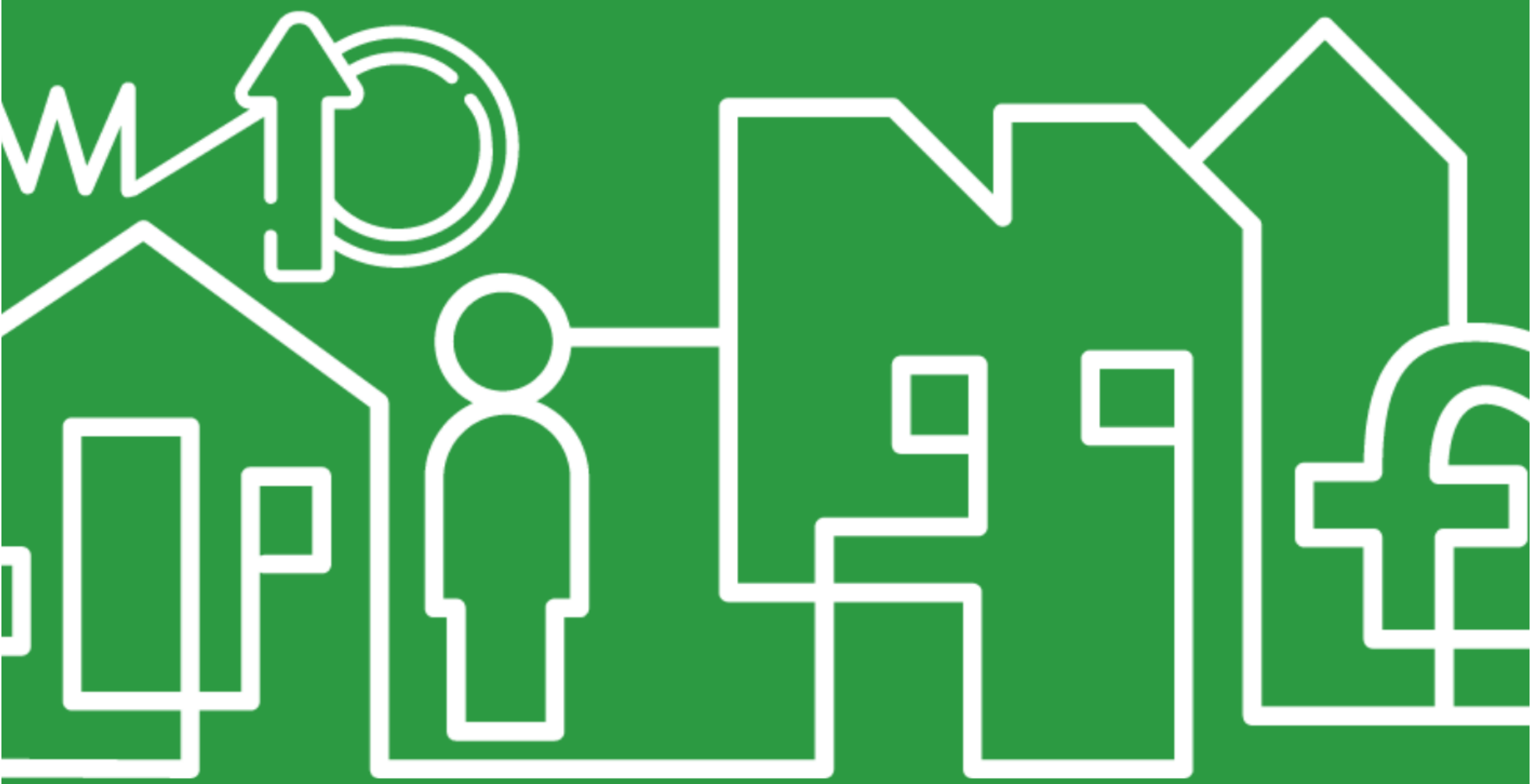
values

Connect housing



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2023

Contents

ASSOCIATION INFORMATION

Co-operative and Community Benefit Society registration number	17445R
The Regulator of Social Housing registration number	L2285
Registered office	205 Roundhay Road, Leeds, LS8 4HS www.connecthousing.org.uk

Current Board Members

Diane French	Alicia Ridout
(Chair)	(Deputy Chair / Senior Independent Director)
David Wilmshurst	Sharon Gillott
Joe Bradley	Joel Owen
Karen Ratcliffe	Shaeen Azam
Leah Montia Thomas (from 21 September 2022)	

Former Board Members

Hasan Karolia (to 21 September 2022)

Tahir Idris (to 11 July 2023)

Leadership Team

Chief Executive and Secretary	Helen Lennon BA (Hons) MBA MCIH
Director of Finance and Resources	Guy Millichamp BSc (Hons) ACA
Director of Customer and Community Services	Christine Fox BA (Hons)
Director of Home	Martyn Broadest BSc (Hons) DipHE (Hsg)

ASSOCIATION INFORMATION (continued)

Bankers:

Virgin Money
2 Infirmary Street
Leeds
LS1 2UL

Legal Advisors:

Bevan Brittan
King Orchard
1 Queen Street
Bristol
BS2 0HQ

Ward Hadaway
Sandygate House
102 Quayside
Newcastle Upon Tyne
NE1 3DX

Devonshires
30 Finsbury Circus
London
EC2M 7DT

External Auditors :

Crowe U.K LLP
3rd Floor, The Lexicon
Mount Street
Manchester
M2 5NT

Internal Auditors :

Beever and Struthers
St George's House
225 -229 Chester Road
Manchester
M15 4JE

STRATEGIC REPORT AND REPORT OF THE BOARD

The Board of Connect Housing is pleased to present the annual report and financial statements for the year ended 31 March 2023.

Our purpose:
"We invest in homes and relationships that connect people and build futures."

Our principal activities:
Connect is a not-for-profit community-based housing and support provider with over 3,500 homes across Leeds, Kirklees, Calderdale, Wakefield and Bradford. We develop new affordable housing and provide, albeit on a small scale, some non-social housing, namely premises leased for commercial purposes and accommodation for students in higher education. However, our focus remains on social housing and community activities and these are expected to continue to constitute over 90% of Connect's activities by turnover.

Our vision:
"A sustainable and just society where good homes, neighbourhoods and opportunities help people enjoy happy, healthy lives."

Our strategic objectives:
Our strategy runs from 2021 to 2024 under the strapline of "*fairer, greener, smarter*". Its five themes, and progress, are set out below.

We will …	In 2022/23, we have …
Create a place where everyone can be their best Offering support services where they can have a positive impact and are affordable. Preventing and responding to homelessness and working with tenants to secure their tenancies. Having a happy culture that naturally drives towards learning and high-performance, growing our own through training and development. Championing diversity in tenant involvement, governance and at all levels within Connect.	Successfully tendered to retain the North Kirklees Women's Refuge service. Via our Money Matters team had 369 referrals (2022: 321) of whom 79% (2022: 60%) engaged with the team resulting in: • Secured additional rent payments of £1.4m (2022: £1.2m), including direct rent payments • Annual tenant savings of £0.8m pa (2022: £0.6m) Supported 263 people through supported accommodation services in Kirklees with 89% having a positive move on to more independent living. Supported 872 customers through visiting support in Kirklees, supported 137 people into education, training or employment, prevented or relieved homelessness for 91 people and achieved 477 accommodation sustainment outcomes. Supported 1,751 customers through visiting support in Leeds with 93% achieving independent living or a positive move on, and a net promotor score of +80. Despite working in a challenging HR environment with increased sickness levels and recruitment pinch points nationally our performance has met expectations: • A colleague Net Promoter Score of plus 26 (2022: +30).

STRATEGIC REPORT AND REPORT OF THE BOARD

	• Staff sickness rising to an average of 8.7 days (2022: 7.5 days) • Staff turnover within target range (10 to 15%) at 14% (2022: 15%)
Act on the belief that a safe home is the foundation for life Safety is high on the agenda and our investment continues to improve performance. Our Asset Management approach has been revised in light of the Building Safety Bill and will reflect the new consumer standards and revisions to Decent Homes Standard. We already balance our investment in new and existing homes to give an attractive offer to customers, improve our environmental impact and supply more affordable warmth to tenants. The plan is to add up to 50 new homes a year and have a clear roadmap to achieve net-zero carbon homes by 2050, including investing in renewable energy generation and introducing smart home technology. Investing in existing homes will include carbon reduction retrofits to achieve EPC standard of C or above on all homes by 2025 and using our in-house estates team to increase biodiversity and increase tenant satisfaction with communal services.	Added 199 new homes over the past three years, although this 3rd year of our plan has only seen 24 completed. We have 164 homes in our pipeline. Continued to deliver all building safety services. At the end of March 2023: • 100.0% of homes with a gas appliance had a safety certificate • 99.9% of domestic properties had an electrical inspection that was less than 5 years old. • 100.0% of properties requiring a fire inspection were up to date. • 100.0% of properties requiring an asbestos survey were up to date. • 97.7% of properties requiring a legionella assessment were up to date. • 100.0% of lift inspections were up to date. • 77% of properties requiring a Carbon Monoxide (CO) detector had one fitted and 100% of properties had received at least two attempts to fit, following the government's new requirement during the year. Smoke detectors were already in place. We have implemented a new system of recording fire risk assessments and resulting actions to make sure that we deal with all recommendations coming through form external assessors.
Support neighbourly places In challenging times, people need to help each other. Resilience, support and strength lie within communities and we want to build on this to create lasting connections. Change isn't achieved by imposed intervention but finding what is important to people and joining them to achieve the things they are working towards. We aim to ensure everyone has a voice of equal value and the same access to any decision-making that affects them. We are working to shift more decision-making power to residents and customers, giving people clarity about	Working with tenants, reviewed the Connect Commitments we make to our tenants who assessed our current performance as acceptable but with some areas in need of improvement for 2022/23. • Largely maintained satisfaction levels: • Overall tenant satisfaction was 74%, unchanged from 2022. • Net Promoter Score was plus 26 (2022: +30) • Tenant satisfaction with the neighbourhood averaged 74% for the period (2022: 73%). • Tenant satisfaction with their views being taken into account was 66% (2022: 63%) • We have implemented a new transparency framework to allow stakeholders more access to key information that affects them.

STRATEGIC REPORT AND REPORT OF THE BOARD

what we must do and where there is flexibility to do things differently. We are increasingly using intelligence and insights to prepare our Neighbourhood Plans and make them living documents, shared with the community.	• Became part of the warm spaces network in West Yorkshire for people struggling with heating • Continue to provide homes to house Afghan refugees in partnership with our Local Authorities. • Our maintenance response times and complaint response times are still not where we want them to be, and we hope to improve during 23/24.
Take action to protect the planet Housing is responsible for a large proportion of greenhouse gas emissions, so we are in a privileged position to make a big difference Aligning to the UN Sustainable Development Goals, we will improve long-term environmental and social sustainability, using local suppliers and considering their sustainability and ethics during procurement. We will reduce fleet emissions by at least 50% by 2025 and reduce non-recyclable waste through intelligent purchasing and promote 'reduce, reuse, recycle' We pledge to support tenants to adapt to the changes in their homes and promote community-led biodiversity projects.	Achieved a 22% reduction in our Carbon Footprint between 2019 and 2021. Completed our SHDF Wave 1 retrofit scheme at Commercial Street, Heckmondwike with predicted fuel bill savings of £265/yr per household on average. Successfully accessed funding and commenced work on a retrofit scheme at Yew Tree Court. This will make homes more comfortable and heating more affordable through installation of insulation (completed) and improved heating technology (in progress). A flood prevention project was also completed in collaboration with Calderdale Council to protect this scheme. Published a second ESG (Environment, Social, Governance) report following the framework set out by The Good Economy in "The Sustainability Reporting Standard for Social Housing". Our third report will be published on our website alongside this report. Trained 60 colleagues who successfully achieved Carbon Literacy certification, and 10 colleagues successfully gained qualifications in retrofit from level 2 through to level 5. Completed three biodiversity projects in partnership with residents and Conservation Volunteers. Our estates team are working to increase biodiversity, and established an orchard at a fourth location. These projects also addressed concerns raised by residents including noise and dust pollution.
Maintain a resilient business to feed a strong social purpose Our business transformation programme focuses on building trust through reliability, by doing the basics brilliantly and reducing customer effort. We are implementing new software, refining our processes, and challenging ourselves to reduce customer effort at each step. We are agile in our approach as expectations and ways of working are changing at a rapid pace.	(Further value for money detail is included later in this report). Customer service transactions are not yet taking place digitally as our planned new housing systems have been completed during 22/23, and our customer portal follows on in 23/24. Following the strengthening of our cyber security we have been awarded "Cyber Essentials" accreditation. Penetration testing results were positive, and we are aiming for "Cyber Essentials Plus" during 23/24 following the move of more of our infrastructure to the cloud.

STRATEGIC REPORT AND REPORT OF THE BOARD

Our offer to customers will remain digital by choice but we will make it an accessible, efficient, and convenient choice and we will target communications, contacting customers before they need to contact us.	Delivered a new HR self-service system Which is more user-friendly and efficient than the former system. Implemented a revised service charge increase process to add in automation of some elements.
We will reduce cost to serve by automating activity where we can and build data analysis capability to deliver real-time, user-accessible performance reporting to inform our decision making.	Completed a management restructure to deliver £150k of savings pa. Closed the defined benefit pension scheme to future accrual and boosted the defined contribution scheme to manage future risk.
And we will build cyber resilience on a secure platform, enabling us to adapt to changing business needs with ease.	Kept total arrears within Business Plan targets at 3.4% (2022: 3.5%).

Our values:

At a time of uncertainty and challenge we believe that our strong commitment to our values makes a difference. Our values help to reinforce our role as a **place**-based provider:

Put people first
Love making a difference
Actively listen and learn
Collaborate creatively
Earn trust through our actions

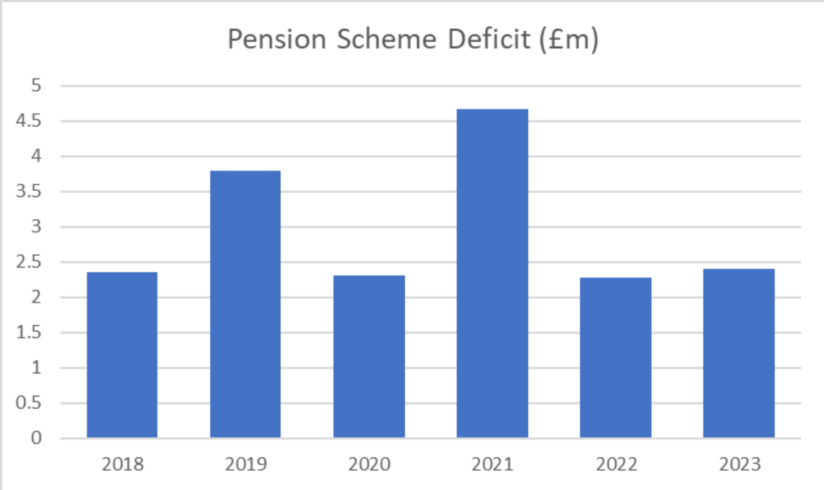
BUSINESS AND FINANCIAL REVIEW

The Board is pleased to report reasonable financial performance for the year with a surplus before pension re-measurements of £2.5m (2022: £4.2m) in what continues to be a very challenging operating environment.

Our overall operating margin has fallen to 17% (2022: 23%) which is Connect's underlying experience before the pandemic. In 20/21 and 21/22 expenditure fell in response to lockdowns, whilst income remained was less affected, and therefore our margins rose. That has now ended and we are at a more "normal" rate. Our results over the last five years are set out on page 10. More detail is shown in the VfM section on page 11.

Our pension deficit appears more settled this year on a net calculation, with both assets and liabilities falling significantly as interest rates and bond yields have risen by more than expected.

STRATEGIC REPORT AND REPORT OF THE BOARD



Following consultation, the Board decided to close the defined benefit scheme to future accrual in August 2022, making the defined contribution scheme more attractive to encourage take-up. Connect will continue to make deficit payments to the scheme and so the balance will continue to fluctuate in the future. However, the risk is reduced because membership is closed and existing members can't pay anything further into the scheme.

Longer-term challenges remain as we recover from Covid-19, the negative consequences of Brexit and the war in Ukraine which are causing resource issues resulting in increased inflation and interest rates. The government's move to cap rent increases at a below-inflation level added to the challenges particularly in light of decarbonisation requirements adding significantly to costs in the long term.

Connect's reserves represent internally generated resources already invested in the business which total £34.3m (2022: £32.5m). The level of reserves reflects a sound financial performance over many years, and our long-term planning aims to maintain adequate reserves at all times in the future to ensure that we:

- plan ahead from a sound financial base, safe in the knowledge that short term financial issues will not prejudice long term programmes;
- can continue to borrow private finance on competitive terms to fund our future development programme;
- can continue to make provision for the proper maintenance of our property stock in the long term (including planned, routine, major repairs, and climate emergency retrofitting);
- are able to develop schemes which meet housing need, but for which public funding may not be available and
- may pursue other opportunities as they arise.

Turnover fell to £21m (2022: £23m) as a result of a fall in shared ownership sales back to more normal levels of £0.5m (2022: £3.8m), not fully offset by rent increases and growth in the number of homes managed. Shared ownership activity is expected to be nil in 23/24 before recovering in subsequent years. Our growth was heavily reliant on section 106 schemes as a source of shared ownership homes in the recent past. New planning rules and concerns about later retrofit costs to meet our net zero requirements have led to more challenging acquisition decisions with a greater focus on building more of our own homes where we can.

STRATEGIC REPORT AND REPORT OF THE BOARD

The number of homes owned or managed saw a slight decrease to 3,667 (2022: 3,670) reflecting a slow year for new homes more than offset by continued disposals of non-economic units in line with our longer-term asset management strategy.

The operating surplus of £3.7m (2022: £5.3m) largely reflects the fall in shared ownership activity, but also the impact of cost inflation out-stripping rent increases. The surplus on first tranche shared ownership sales fell to £0.1m (2022: £1.6m) whilst our operating margin for social housing lettings reduced to 18% (2022: 20%).

Connect's results for the last five years are shown below including the financial impact of the Covid lockdowns in reduced costs (and hence increased surpluses) which are now being reversed due to the impact of some catch-up; hence a reduced operating margin in the year which is expected to be repeated in 23/24. In 2022 and 2023, net current assets are high as this figure includes £20m of loan proceeds temporarily providing security as set out in the Treasury section below.
Net cash flow from operating activities dropped significantly in 2023 compared with previous year. £3m of this difference relates to operating cash placed in a restricted account to act us loan security. This was reversed in August 2023, A further £1m was generated from 1st tranche sales in each of 2021 and 2022 which boosted operating cashflow in those years. 2023 activity has settled down to earlier levels.

STRATEGIC REPORT AND REPORT OF THE BOARD

Five-year summary

	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
Statement of Comprehensive Income					
Total turnover	21,104	23,149	20,147	19,602	20,436
Operating surplus	3,653	5,288	4,684	3,738	3,854
Pension adjustment	(704)	2,070	(2,763)	1,126	(1,631)
Total comprehensive income transferred to reserves	1,800	6,243	584	3,301	523
Statement of Financial Position					
Fixed assets	145,547	145,151	141,638	133,988	133,291
Net current assets/(liabilities)	10,853	16,859	(6,378)	(1,585)	(2,422)
Total assets less current liabilities	156,400	162,010	135,260	132,403	130,869
Long term loans and creditors	61,382	67,308	43,947	47,352	46,752
Deferred grant income (due after more than one year)	57,451	59,088	59,740	56,339	57,300
Provision for pension and other liabilities	3,265	3,114	5,316	3,039	4,445
Reserves : revenue	28,084	26,283	20,040	19,913	16,612
: revaluation	1,607	1,607	1,607	1,150	1,150
: restricted	4,610	4,610	4,610	4,610	4,610
	156,399	162,010	135,260	132,403	130,869
Cash Flow					
Net cash flow from operating activities	1,980	7,659	6,715	5,128	6,162
Returns on investment and servicing of loans	(1,875)	(2,001)	(1,927)	(2,132)	(1,974)
New homes, existing home improvements and other fixed assets	(5,835)	(6,241)	(6,161)	(4,419)	(6,939)
Property sales	2,126	1,150	278	1,059	621
New loans (net of repayments)	1,703	(793)	2,225	(32)	1,571
Increase / (decrease) in cash and equivalents	(1,902)	(226)	1,130	(396)	(559)
Housing properties and other statistics					
Number of social housing homes owned	3,412	3,409	3,350	3,273	3,234
Number of non-social housing homes owned	245	251	251	240	246
	3,657	**3,660**	**3,601**	**3,513**	**3,480**
Rent losses (voids and bad debts as % of rent & service charges receivable)	1.5%	1.6%	1.7%	1.3%	1.3%
Rent arrears (gross arrears as % of rent & service charges receivable)	3.4%	3.5%	3.3%	2.1%	2.1%

Treasury management and cash flow projections

Connect continues to manage its treasury activities tightly. We normally aim to draw down long-term loans only when necessary and ensure that funds which are not required in the short term are invested to achieve the best possible return consistent with minimum risk. However, in order to manage the current economic risk derived from increasing interest rates, Connect completed a new £30m loan in March 2022 with bLEND plc, a bond aggregator that works just in the social housing sector. The total cost of funds is 3%, fixed for 32 years, which represents good value compared with historic trends, and current rate expectations driven up by the cost-of-living crisis. This fixed rate loan will be used to repay short-term variable rate funding in 2022/23 and 2023/24 which will be redrawn as development spending rises. At 31 March 2023 £22m (2022: £20m) of loan proceeds are held in separate bank accounts acting as security for the loan whilst property security work is completed. £15m was released in August 2023. Current cash balances and loan facilities will be sufficient to fund anticipated development work through to 2027, exceeding our minimum 24 months of liquidity target.

Our borrowings are from a variety of lenders and for a suitable mixture of maturity periods.

The majority of our loans are on fixed interest rates reducing the risk from future rate rises, although this remains under constant review.

Housing development and maintenance

Connect spent £6m (2022: £7m) on the purchase and refurbishment of homes and other assets during the year financed from cash and loans. We have received no social housing grant during the year (2022: £1m). We continue to balance our desire to develop new homes with making sure that we keep our existing homes in good condition.

Future developments

Connect will continue to participate fully in the active regeneration work which is a vital ingredient of on-going strategy. However, we are fully aware of our obligations to existing tenants, and any new development work will be undertaken having regard to the need to protect and enhance the quality of existing services.

Our purpose is not only providing homes but also helping to build cohesive communities, through initiatives which address social, economic, and physical regeneration issues. The Neighbourly Places strategy places emphasis on working in partnership with tenants, residents, Local Authorities, and other partners to ensure that Connect supports people to create the neighbourhoods they want to live in.

Connect continues to respond to the changing investment agenda associated with traditional development funding streams by exploring new partnerships and opportunities that can make a positive contribution towards its business plan objectives.

Value for Money (VfM)

Connect aims to deliver high quality services and homes to all of our customers. We organise ourselves and make choices to deliver as much as we can in furtherance of our strong social purpose. The National Housing Federation published a guide over ten years ago when “government austerity” was affecting many of Connect’s neighbourhoods, and the current cost of living crisis is repeating those same impacts. Its introduction still captures the essence of Connect’s understanding of good VfM: *“It requires a social heart and a business head – and an acceptance that the two are completely compatible. Nor should ‘heart’ be construed as fluffy sentimentality. Rather it is the unswerving determination to do social good. Being practical, hard-headed, and business-like is the means to achieving and maximising the sector’s social ends.”*

Our overarching strategic vision and objectives have been set out earlier in this report. VfM underpins everything we do, as the value we deliver to our customers and stakeholders is the essence of people being at their best, having safe homes, living in neighbourly places, and protecting the planet. Many of our specific VfM actions fall under the final objective, which is to become more business resilient, in order to feed our social purpose. We are not seeking to make big surpluses or financial margins but to spend as much as we can afford on our core purposes whilst remaining sustainable.

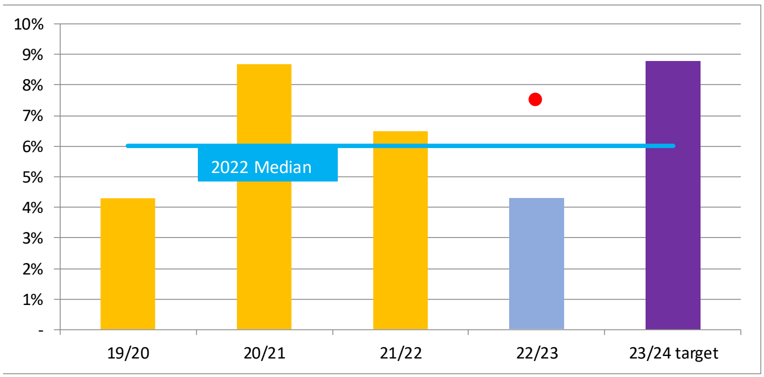
STRATEGIC REPORT AND REPORT OF THE BOARD

22/23 has seen a return to more usual performance as we recover from the Covid-19 lockdowns. Some of the positive variances reported last year (expenditure was down whilst income maintained) have disappeared. In the main we have finished the year close to our targets.

Our development programme has slowed down as largely due to delays in planning across all the local authorities in West Yorkshire as well as the challenging housebuilding environment due to cost inflation, contractor collapse, and material shortages (although none of our contractors have failed). Our collaborative work in West Yorkshire Housing Partnership with West Yorkshire Combined Authority and Homes England is aimed at tackling these challenges regionally.

Performance for the current year is shown in the graphs below with an actual out-turn in pale blue, compared with a target shown by a red dot. Previous performance is shown by a yellow bar. The Q1, median and Q3 comparison lines comes from a set of 11 other housing providers in the region of a similar size where financial results are available (for 2022). Q1 means top quartile, and Q3 means bottom quartile. The last three graphs use the median of data from a wider group of northern providers as a comparison.

Reinvestment %



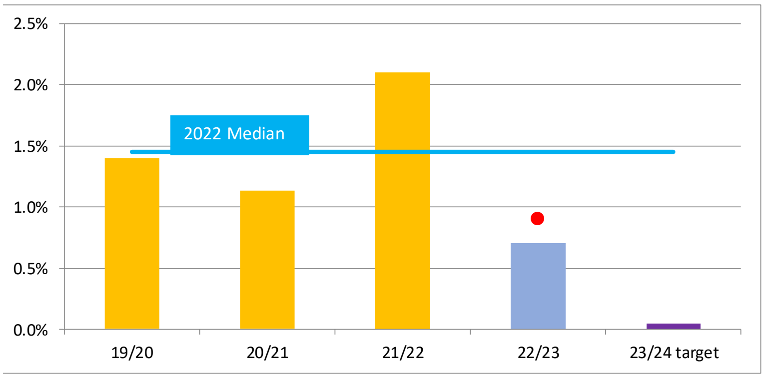
22/23 actual 4.3% vs target 7.5%

This metric covers both investment in existing homes as well as spending on new homes. The former has risen as we have emerged from lockdown, but the latter has dropped during the year as a result of spending on new homes being low at this point in the development cycle. Planning delays across all pipeline schemes have effectively paused the programme which is frustrating.

23/24 target 8.8%

We anticipate a recovery in performance against this metric as spending on new homes grows next year when planning decisions come through.

New social housing delivered



22/23 actual 0.7% vs target 0.9%

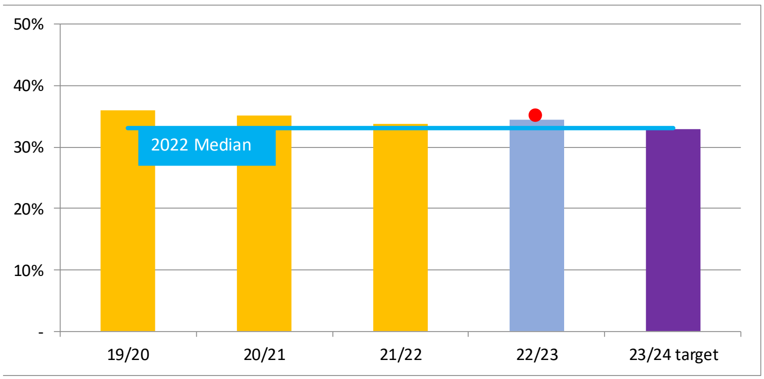
We were already expecting to see lower growth this year due to our point on our development cycle. In addition, planning delays have temporarily paused the programme of building new homes. Older section 106 homes have completed during the year, but we have struggled to get started on new homes where we are acquiring land and developing new homes.

23/24 target 0%

We intend to start building again in 23/24, although completions won't take place until 24/25 (1.8% target), and so we are anticipating no growth in the coming year.

STRATEGIC REPORT AND REPORT OF THE BOARD

Gearing %



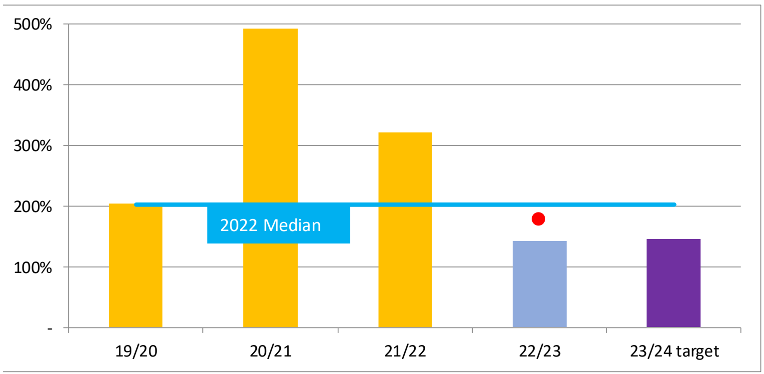
22/23 actual 34% vs target 35%

Gearing is broadly on track, very slightly behind (1%) as development spend is delayed. And we continue to be close to the median for our peers

23/24 target 33%

Development spending begins to increase in 23/24 and then accelerates still further in later years. As a result we anticipate gearing rising to 40% in 2027.

Interest Cover % (EBITDA MRI)



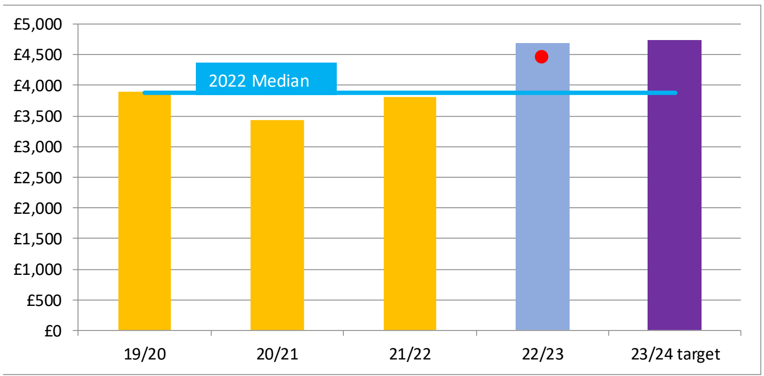
22/23 actual 142% vs target 178%

Performance has been close to target, with the exception of interest payable. We drew down early on a new loan to pre-empt the rise in interest rates which has increased the denominator. At the same, time surplus cash generated interest receivable which is in the numerator. The rise in interest rates has also had an impact.. The median is expected to fall across the sector.

23/24 target 145%

Interest rates will remain high which reduces this measure. We think it will be typical in the sector, and still provides enough headroom to support viability.

Social housing cost per unit



22/23 actual £4693 vs target £4453

Inflation in 22/23 has pushed up costs significantly. This is likely to be true for most providers and so we expect our 22/23 result to be close to median when it is published. We have contained overall costs to live within our budget other than a £300k write-down of IT costs.

23/24 target £4736

Inflation remains stubbornly high, and so the 23/24 target will be challenging. Again, we believe this will be close to median when benchmarks are published.

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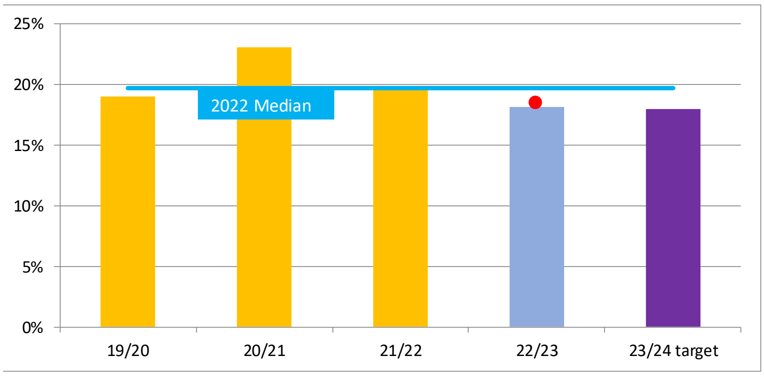
Operating margin (social lettings)



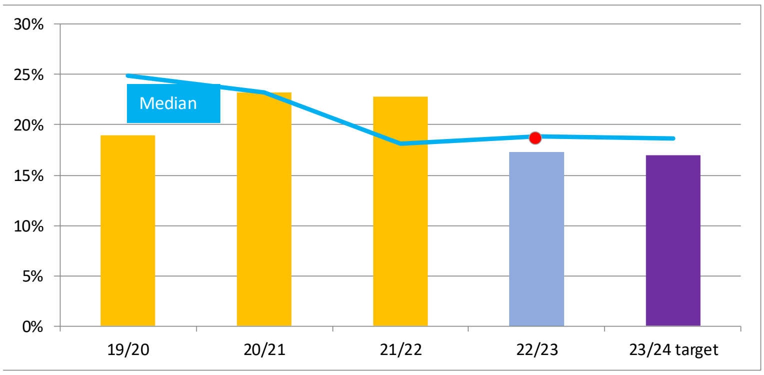
22/23 actual 18% vs target 18%

Cost inflation in 22/23 has been higher than the rent increase actioned in April 022 which has put pressure on the operating margin and it has fallen. However, this was anticipated and so we are on target. We expect the median to fall also.

23/24 target 18%

Cost inflation remains too high, and so the capped 23/24 rent increase again will add pressure on the margin. Once growth resumes we should see the margin rise to 21% in 24/25.

Operating margin (overall)



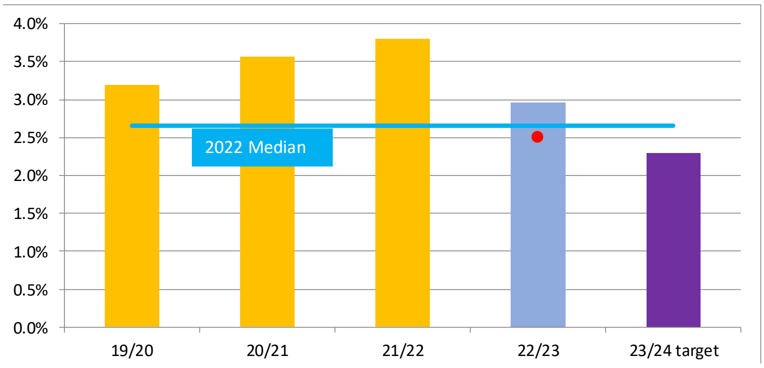
22/23 actual 17% vs target 19%

Previously high shared ownership activity at a strong margin in 20/21 and 21/22 has slowed now and so the overall margin has fallen. This reflects the experience of others and the chart includes a forecast median for our peers for 2023 and 2024 based on a recent survey.

23/24 target 17%

We are not anticipating any high margin shared ownership sales for 2023 or in future years, and so our margin will settle back into a more normal trajectory, and at a similar level to our peers (19% in 24/25 with more growth.

Return on Capital Employed



22/23 actual 3% vs target 2.5%

This metric was also impacted by previous high level of shared ownership surpluses, and so has now fallen. We have outperformed our target for 22/23 because surpluses on disposals of a small number of existing homes was high.

23/24 target 2.3%

Once fixed asset sales fall back to more normal levels we will see the metric falling until growth pushes us back to a long term level of 2.7% rising to 3%. This will be just above our peer group median.

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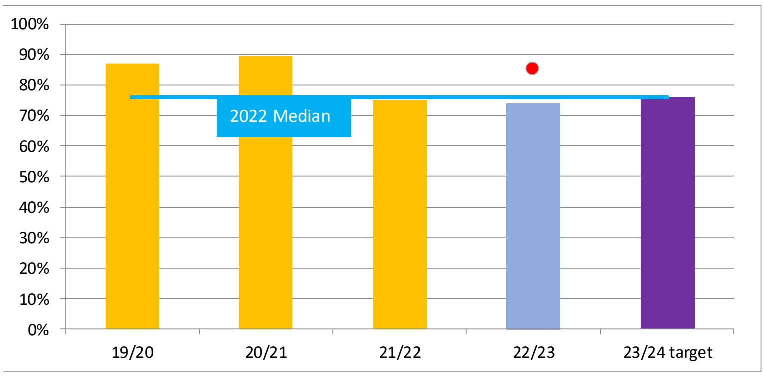
STRATEGIC REPORT AND REPORT OF THE BOARD

Customer Satisfaction



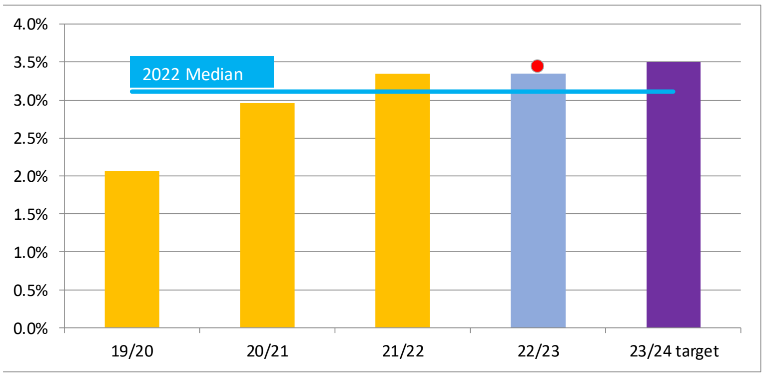
22/23 actual 74% vs target 85%

The survey methodology changed in 2021 which produced a lower score which is reflected in the results. We set a higher target for 22/23 which proved to be unachievable, and we continue to run at a similar level as our peers.

23/24 target 76%

Our new corporate plan will set out how we intend to improve customer satisfaction, taking us up towards previous levels. We know this will take time against a challenging economic backdrop. We have set a realistic target of 76% for the coming year which we believe will be above the median for our peers

Current Tenant Arrears



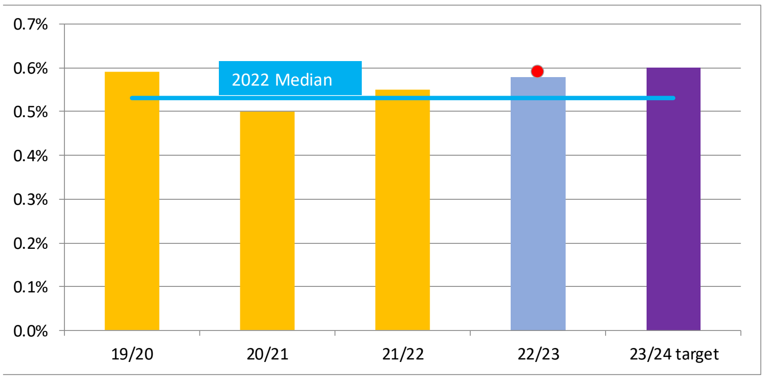
22/23 actual 3.4% vs target 3.4%

Arrears continue to rise on the back of universal credit migration, and settle at a higher level. It is a very challenging environment driven by the cost of living crisis and so we are pleased to have finished the year within our target. We continue to run at a level slightly above our peers' median.

23/24 target 3.5%

Universal credit migration will continue to add pressure to the arrears level, offsetting some gains we anticipate from a full service review tin 23/24. We think the sector median will also rise.

Former Tenant Arrears



22/23 actual 0.6% vs target 0.6%

We report here against our level of former tenant arrears before any bad debt write-offs, and we have been able to keep to similar levels as previous years. After bad debt write-off we are reporting just 0.1% at the year-end, or around 0.3% as an average across the year. This is below our peers (0.53%) on a like for like basis.

23/24 target 0.6%

This remains an ambitious target as the cost of living crisis and potentially higher tenancy turnover will add to the volume and value of former tenant arrears.

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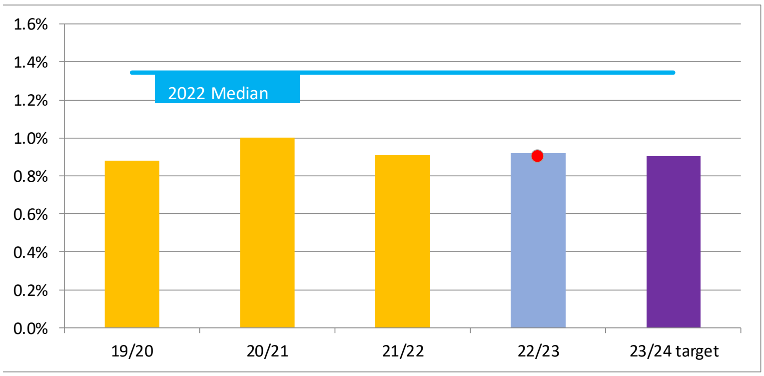
Void Loss



22/23 actual 0.9% vs target 0.9%

Turnover and relet times remain fairly consistent leading to void loss remaining below 1%. This is on target, and significantly better than our peers (1.4%).

23/24 target 0.9%

Demand for social housing remains high, and so we don't anticipate any changes to turnover or applications. We hope to reduce relet time slightly leading to a reduction in void loss.

Against our peer group we are in the 1st or 2nd quartile for most of the nine financial metrics, and very slightly worse than the average for the gearing metric in 2022. This level of performance is similar to that reported last year, and is expected to present a similar picture for 2023. Our targets are set anticipating that we will remain in the pack of our peers from a performance perspective.

Performance against targets is pretty good with the exception of growth where we have not completed the number of homes planned, and this has also adversely affected the reinvestment measure.

As we look forward, we can see margins continue to fall slightly, as current income struggles to match rising inflation. This doesn't mean that we are not improving VfM, rather that we are spending any savings on delivering better quality but still affordable homes and services to our customers.

Some specific VfM activities during the year include:

- Growth in overall homes managed which spreads our overheads more thinly.
- Our Active Asset Management Strategy identifies older rehab stock that performs poorly across a range of financial and social indicators. Some 179 properties in total have been categorised as having potential for disposal at the time they next become vacant, with the proceeds (c. £18m at current values) to be reinvested in the delivery of new homes. 15 homes have been sold during the year.
- We have made significant investments in technology during the year to support a more agile workforce, to improve our core housing systems to enhance customer experience and improve internal efficiency, and to enhance our cyber security. We need to build on the development of these tools in the next financial year to unlock additional VfM improvements.
- We continue to successfully deliver and grow our activity in preventing homelessness in Leeds and Kirklees through partnerships with other providers. During 22/23 we retained the domestic violence contract with Kirklees after an open tender process.
- We have begun to implement our sustainability strategy in response to the climate emergency through improving the energy efficiency of a number of homes, in part by attracting government grant funding. The grant funding is a VfM benefit to Connect as our

resources then go further. The outcomes are VfM for our customers as their homes become cheaper to heat.

The Chief Executive's salary equates to £32.33 per home owned or managed (2022: £31.30), an increase of 3%. In 2022 this was less than the average for other Housing Associations of a similar size, at £34 per home using publicly available data.

Payments to other Executive Directors are reported in note 10 of the financial statements.

Total management costs equate to £1,160 per home (2022: £1,130). This is below the median for 2022 of £1,259 for our peer group based on published data.

PRINCIPAL RISKS AND UNCERTAINTIES

Our risk management strategy sets out our approach to risk management, including risk appetite, a risk map, and responsibilities. It is reviewed in detail by ARMC at each meeting, and at a summary level by Board at each meeting. A full risk review is carried out by Board annually.

Our six key risks which are currently above our risk appetite are set out below. There are more than is usual, reflecting the uncertain economic landscape and labour shortages. Mitigation plans are in train to bring risks back down to more normal levels over the coming year.

Risk	Rating	Mitigation
Connect systems are subject to cyber-attack, rendering Connect's IT systems inoperable.	**Red**	We have invested in significant cyber security measures, and the Board have received assurance form an external audit of those measures, alongside Cyber Essentials accreditation. We are aiming to obtain Cyber-Essentials Plus by the end of 2023 having had the initial assessment and understanding the final step we have to take for accreditation. Regular penetration testing makes sure that our defences are robust.
We fail to meet our corporate objectives in our 3 year plan because of a failure in our ICT strategy, a lack of capacity to deliver change, or an insufficient VfM focus.	**Red**	Good progress has been made in rolling out new technology supervised by a cross-Connect senior team with Board involvement. However, this is not yet complete, and supplier issues remain a concern as well as recruiting and retaining the right staff to support change . Wider economic and political instability is likely to add additional pressures for more change, which will affect the delivery of our current programme.
Performance of the UK economy makes our strategic planning assumptions inadequate to prepare Connect effectively for the economic challenges ahead. The length and breadth of the cost-of-living crisis remains unclear.	**Red**	Stress testing has provided assurance that the business plan is robust. Assumptions have been based on external specialist advice. Additional contingency budgets are in place in case of adverse movements. We have a good level of liquidity and fixed interest rates, but the timing over inflation reductions and subsequent interest rate falls remains uncertain.

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The impacts of post pandemic austerity, the cost-of-living crisis and changes to welfare support mean that Connect is unable to generate sufficient income from property letting to sustain core activities, whilst at the same time continuing to fulfil Connect's social objectives.	**Red**	Operational performance has remained solid during the pandemic, and the Leadership team continue to monitor relevant metrics closely to identify any signs of deterioration. Our stress testing has looked at increased rent loss and shown that it can be managed. Nevertheless, this remains a risk until circumstances improve.
Failure to retain or recruit staff in a challenging recruitment market.	**Red**	An updated people strategy is in place and monitored by HRGC. During 22/23 we have implemented a total reward project benchmarking pay and benefits and enhanced our pension offer for the majority of colleagues. We are continuing to define and refine our workplace strategy to incorporate a hybrid and flexible working approach.

We monitor nine further strategic risks that we continue to monitor. They are scored as amber indicating that the risk for each is being managed and lies within our risk appetite:

Risk	**Rating**
Failure to source the resources to maintain Connect's stock quality to the requisite standard	**Amber**
Failure to adapt to the impact of climate change within the next 5 years	**Amber**
We don't meet current or future regulatory standards whether consumer, financial or governance related.	**Amber**
A governance failure	**Amber**
We don't manage our treasury activities to provide sufficient cash or at an affordable cost	**Amber**
We are a victim of significant fraud	**Amber**
We fail to manage pension liabilities	**Amber**
A significant Health & Safety failure affecting our customers, our staff or the general public.	**Amber**
Failure to manage our data quality, safety or the ways in which we use our data to improve our service or supply information to stakeholders.	**Amber**
Business continuity failure, including the impact form a poorly managed widespread infectious disease.	**Amber**
Loss of key support contracts from local authority commissioners.	**Amber**

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining Connect's system of internal control and reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

Connect has procedures to ensure that the internal control systems are monitored and reviewed regularly by the Board. The Board has reviewed the effectiveness of our internal control systems for the period from 1 April 2022 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

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- Board approved Standing Orders, terms of reference and delegated authorities for qualified staff and committees overseen by the Business Assurance team;
- Clearly defined management responsibilities for the identification, evaluation, and control of significant risks;
- Quarterly reviews of the key strategic risks by the Board and Audit & Risk Management Committee, with a timetable of deep dives into specific risks;
- A risk management strategy reviewed and agreed annually by the Board and the Audit & Risk Management Committee, with on-going management review;
- Robust strategic and business planning processes;
- Detailed financial budgets and forecasts for subsequent years;
- Regular reporting to management and Board of key objectives, targets, and outcomes;
- Formal recruitment, retention, training, and development policies;
- A Health & Safety Working Group that meets quarterly, chaired by the Chief Executive as nominated lead officer;
- Detailed approach to treasury management, subject to annual external review;
- Established authorisation and appraisal procedures for all new initiatives and commitments;
- Board approved whistleblowing, anti-fraud, and anti-bribery policies;
- Annual review of the Fraud Register by the Board, with on-going management review;
- Monitoring of control systems by the Board, Audit & Risk Management Committee, management review, and by the commissioning of independent reviews;
- Detailed policies and procedures in each key area of our work;
- Annual review of the Asset & Liability Register by the Audit & Risk Management Committee;
- Annual review of our stress testing framework.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit & Risk Management Committee (ARMC) to regularly review the effectiveness of the system of internal control. The Board receives reports from the ARMC together with minutes of its meetings.

The means by which the ARMC reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, and the external audit management letter. The ARMC has received the Chief Executive's annual review of the effectiveness of the system of internal control for Connect together with the annual report of the internal auditors and has reported its findings to the Board. The Board has in turn conducted its own annual review of the effectiveness of the system of internal control and is satisfied that there are no weaknesses which have resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements

GOVERNANCE AND COMPLIANCE

Board and Committee Members and Executive Directors

The Board members serving during the period and up to the date of signing the Financial Statements are listed on page 3. Board members are also Connect shareholders and receive modest remuneration.

The Board is responsible for directing the affairs of Connect, determining the vision and strategy and ensuring that we are viable, properly governed and properly managed. It sets, and ensures

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adherence to, Connect's values, purpose, and strategic objectives to secure our long-term success; taking appropriate advice as required.

The day-to-day management of the business and implementation of strategies agreed by the Board are delegated to four executive directors (the Leadership Team) listed on page 3.

Connect is governed by a Board of up to 12 non-executive members. Across the membership of the Board, we aim to include:

- Skills and experience – the full range of expertise required to govern Connect effectively; and
- Profile – members with a range of characteristics and backgrounds, broadly reflecting the areas where Connect Housing operates.

As at the end of March 2023, there were ten members, with a further resignation in July 2023. One Board Member retired from his post in September 2022, at the end of his first term. Following a recruitment process, his replacement was a member who had been supported through the Housing Diversity Network's Board Excellence Programme during 2021/22. A recruitment exercise was completed in May 2023 which will see two new members join the board in September following the completion of an induction programme.

The committee structure includes:

Audit & Risk Management Committee	HR and Governance Committee	Customer Task & Finish Group
ensures there is a robust framework of delegation, systems of internal control and a risk management framework in order to safeguard Connect's assets	ensures there are robust HR and governance arrangements in place, including remuneration of the Chief Executive, staff and board members and a performance appraisal system for the Board, Chair, individual board members and Chief Executive	Short life group reviewing mechanisms for hearing the customer voice including in governance, also considering how to improve customer experience and customer satisfaction.
Members:	**Members:**	**Members:**
David Wilmshurst Chair	**Sharon Gillott** Chair	**Joe Bradley** Chair
Joe Bradley **Shaeen Azam** **Leah Montia Thomas**	**Joel Owen** **Tahir Idris** (until July 2023) **Alicia Ridout**	**Diane French** **Leah Montia Thomas** **Sharon Gillott**

Membership of these committees will be updated in September 2023.

Connect operates under the latest (2015) version of the National Housing Federation (NHF) model rules and has a closed shareholding policy whereby only Board members are shareholders.

Throughout the year we have maintained insurance of members and senior employees against liabilities in relation to Connect.

The board adopted the 2022 National Housing Federation Code of Conduct in March 2023.

Governance arrangements

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The Board is committed to ensuring that it has effective governance arrangements in place that deliver its aims in an effective, transparent, and accountable manner. The Board assesses the effectiveness of the governance structure annually including the roles, responsibilities, and accountabilities of the Board.

An independent review of governance effectiveness carried out in 2021 found that the Board was indeed effective and reflected current good practice in the sector. A new independent review will be commissioned in 2024.

Statement of compliance with the NHF Code of Governance

The NHF Code of Governance (2020 edition) has been adopted by the Board as a formal framework to underpin its governance arrangements.

An annual self-assessment was undertaken as of 31 March 2023 against the Board's chosen code which was reviewed by HR&GC in June 2023 and by the Board in September 2023. The Board is satisfied that it complies in full.

Employees

Connect recognises that the fulfilment of its strategic objectives depends on the quality, commitment, and flexibility of all of the people it employs across the organisation.

Our People Strategy aims to deliver a performance and learning culture. We are committed to investing in its employees and through a 4-monthly performance and career development review system, identify and build on every employee's talents and development needs to ensure that Connect has the skills and experience required now and in the future. In these reviews all of our team members explore how they have moved the business and themselves forward as the two are inextricably linked.

Connect aims to reflect within its workforce, and on its Board, the diversity of the communities where it is working. We are also committed to equal opportunities for all our employees, both at the recruitment stage and throughout their employment, supporting the Staff Liaison Group which includes three Staff Representatives elected by all staff for a three-year term.

Diversity

Our HR & Governance Committee monitor diversity on behalf of the Board against our EDI strategy (equality, diversity, inclusion). At 31 March 2023 our performance was:

	Female	Male	Ethnicity (non-White British)	Disability
Lead Tenants	63%	37%	31%	35%
Connect Board	60%	40%	30%	10%
Connect Workforce	60%	40%	28%	7%
Local Population*	52%	48%	19%	17%

* data from 2021 national census by local authority

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Although we are not required to publish these statistics, we also monitor our gender and ethnicity pay gaps which show very small fluctuations reflecting staff changes during the year Both of the measures are very close to being nil which would indicates no variation. There has been a small movement in both measures during the year reflecting new recruitment, with the outcome oscillating around the nil point.

	2023	2022
Gender	-2%	+2%
Ethnicity (non-White British)	+1%	-1%

Going concern

The Board has considered Connect's current and future prospects and its availability of financing and is satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Our business activities, our current financial position, and factors likely to affect our future development are set out in detail within the Strategic Report. For this reason, the Board continues to adopt the going concern basis of preparation for these financial statements.

Statement of compliance

Compliance with the (Regulator for Social Housing) Governance and Financial Viability Standard is monitored by management and reviewed annually by the Board. Following detailed scrutiny by the HR & Governance Committee, the Board received a report setting out compliance with the Standard in September 2023 alongside these financial statements. The Board therefore can confirm that Connect complies with the requirements of the Governance and Viability Standard in full.

The Regulator of Social Housing confirmed Connect's regulatory judgement of G1:V1 in June 2022 following an In-Depth Assessment, and reconfirmed it in January 2023 following a stability review.

Statement of Board Members' responsibilities

The Board is responsible for preparing the Annual Board Report and the Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of Connect for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;

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- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered 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 Connect will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Connect's financial position and enable it 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 (2022). It is also responsible for safeguarding Connect's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included in our website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors
So far as each Board Member is aware, there is no relevant audit information of which the auditors are unaware, and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

External auditors
A resolution to re-appoint Crowe U.K. LLP as external auditors will be proposed at the Annual General Meeting.

The Report of the Board was approved on 20 September 2023 and signed on its behalf by

Diane French
Chair of the Board of Management

Independent Auditor's Report to the Members of Connect Housing Association Limited

Opinion

We have audited the financial statements of Connect Housing Association Limited (the "Association") for the year ended 31 March 2023 which comprise the Statements of Comprehensive Income, the Statement of Changes in Reserves, Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including 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).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The Board is responsible for the other information contained within the annual report. 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 and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this

gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us 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 parent Association; or
- a satisfactory system of controls over transactions has not been maintained; 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 Board's responsibilities statement set out on page 22, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

We obtained an understanding of the legal and regulatory frameworks within which the Association operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussions with management, and from inspections of the Associations board minutes and legal and regulatory correspondence.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered the potential for management to manage earnings and influence the perceptions of the financial statements.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of rental income, the capital costs of development and the override of controls by management.

Audit procedures performed by the engagement team included:

- Evaluation of the design of controls established to address the risks related to material irregularities in the financial statements; Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to non-routine transactions.
- Evaluation of income recognition policies and any judgements made around income recognition; reviewing the income system for significant deficiencies or susceptibility to fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Making enquiries of management;
- Review of minutes of board meetings throughout the period;

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.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Crowe U.K. LLP
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

26 September 2023

Statement of Comprehensive Income (SoCI)

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	21,104	23,149
Operating costs	3	(17,451)	(17,861)
Operating surplus	3,5	**3,653**	**5,288**
Gain on disposal of fixed assets (non-operational)	6	983	817
Interest receivable	7	292	1
Interest and financing costs	8	(2,424)	(1,933)
Movement in fair value of investment properties		-	-
Surplus for the year		**2,504**	**4,173**
Actuarial profit / (loss) in respect of pension schemes	24	(704)	2,070
Total comprehensive income for the year		**1,800**	**6,243**

Connect's results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Management on 20 September 2023 and signed on its behalf by:

Diane French (Chair) Alicia Ridout (Deputy Chair) Helen Lennon (Secretary)

Statement of Changes in Reserves (SoCR)

as at 31 March 2023

	Income and expenditure reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Total £'000
Balance as at 1 April 2021	20,040	4,610	1,607	26,257
Surplus for the year	4,173	-	-	4,173
Actuarial gain in respect of pension schemes	2,070	-	-	2,070
Balance at 31 March 2022	26,283	4,610	1,607	32,500
Surplus for the year	2,504	-	-	2,504
Actuarial gain in respect of pension schemes	(704)	-	-	(704)
Balance as at 31 March 2023	**28,084**	**4,610**	**1,607**	**34,301**

Please see Note 2 for an explanation of the above reserves

Statement of Financial Position (SoFP)

as at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible fixed assets	12	920	1,227
Tangible fixed assets - housing properties	13	137,079	135,942
Other tangible fixed assets	14	2,148	2,061
Investment properties	15	5,400	5,400
		145,547	**144,630**
Current assets			
Properties held for sale	16	-	134
Trade and other debtors	17	2,560	2,627
Cash held in restricted accounts	22	23,325	20,058
Cash and cash equivalents		1,159	3,060
		27,044	**25,879**
Creditors: amounts falling due within one year	18	**(16,191)**	**(8,499)**
Net current assets / (liabilities)		10,853	(17,380)
Total assets less current liabilities		**156,400**	**162,010**
Creditors: amounts falling due after more than one year	19	**118,834**	**126,396**
Provisions for liabilities			
- Pension provision	24	2,394	2,270
- Other provisions	25	871	844
Total net assets		**34,301**	**32,500**
Reserves	SoCR		
Income and expenditure reserve		28,084	26,283
Revaluation reserve		1,607	1,607
Restricted reserve		4,610	4,610
Total reserves		**34,301**	**32,500**

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Management on 20 September 2023 and signed on its behalf by:

Diane French (Chair) Alicia Ridout (Deputy Chair) Helen Lennon (Secretary)

Statement of Cash Flows (SoCF)

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	28	**1,980**	**7,659**
Cash flow from investing activities			
Purchase of fixed assets		(6,100)	(7,162)
Proceeds from sale of tangible fixed assets	6	2,126	1,150
Grants received	20	265	921
Interest received and similar income	7	292	1
		(3,417)	**(5,090)**
Cash flow from financing activities			
Interest paid		(2,167)	(2,002)
New secured loans		9,744	5,500
Repayments of borrowings		(8,041)	(6,293)
		(464)	**(2,795)**
Net change in cash and cash equivalents		(1,901)	(226)
Cash and cash equivalents at beginning of the year		3,060	3286
Cash and cash equivalents at end of the year		**1,159**	**3,060**

The accompanying notes form part of these financial statements.

1. Legal status

Connect is registered, in Leeds, England, under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing with charitable status. The Association registration number and details of the registered office are included in our information on page 3.

2. Accounting policies

Basis of accounting and Statement of compliance

The financial statements of the Association are prepared under the historical cost convention in accordance with applicable accounting standards, namely, UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018 Update: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

In preparing the Strategic Report and the Report of the Board of Management, the Board has followed the principles set out in the latest Statement of Recommended Practice: Accounting by registered social housing providers (SORP).

The financial reporting framework that has been applied is applicable to law and United Kingdom Accounting Standards (FRS 102 - United Kingdom Generally Accepted Accounting Practice).

The Associations' financial statements have been prepared in compliance with FRS 102 for the period ended 31 March 2023. They are presented in Sterling (£) to the nearest £'000.

Connect Housing Association is a public benefit entity in accordance with FRS 102.

Going concern

At the reporting date the Association had net current assets of £10.325m (2022: net current assets of £16.859m). The Association currently has in place debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations for the foreseeable future, and the Board of Management has no reason to believe that continued financing will not be made available in the future. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

The Association continues to modify their services to ensure they are adaptable and meet the needs of customers in a changing world whilst ensuring high standards and financial stability is maintained. The Association's business activities, its current financial position and factors likely to affect its future development are set out in detail within the Strategic Report.

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

Significant judgements and estimates
Preparation of the financial statements requires management to make significant judgements and estimates.
Significant management judgements

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

- Impairment

As part of the Association's continuous review of housing asset performance, management identify any schemes that have significant void losses, are impacted by policy changes, or where the decision has been made to dispose of properties. These factors are considered to be an indication of impairment.

Where there is evidence of impairment, the assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses. Management consider individual schemes to be cash generating units when assessing the recoverable amount for impairment purposes.

Where a scheme is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell (where we are free to sell the property on the open market this is essentially market value less costs to sell).

Based on this assessment, management has concluded that no impairments are required this year.

- Classification of loans as Basic or Complex financial instruments

The accounting treatment for loans classed as 'basic' is different than for those classed as 'complex' under FRS 102. This accounting treatment is explained later in note 2.

The Association's non-standard financial instruments impacted by this decision predominantly consist of loan borrowings including fixed and floating rate loans. In order to determine the nature of these loans, management enlisted the services of Link Group to undertake an independent review of all of the Association's loan agreements. The result of this review was that all of the Association's loans have been deemed as basic and are therefore held at amortised historical cost.

Loans including two-way break clauses:
To assess any potential impact of the above on our current loan classifications management asked our Treasury adviser (Link Group) to confirm their understanding. In their opinion the inclusion of two-way break provisions in our loan agreements does not affect the accountancy treatment of the loans under FRS 102,and does not require them to be treated as anything other than basic instruments.

- Classification of leases as Operating or Finance

The accounting treatment for leases classed as 'operating' is different than for those classed as 'finance' under FRS 102. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Association. All other leases are classified as operating leases. The Association's leases relate to office equipment, office space, office car parking and laundry equipment.

Following review, and in light of the above, management have determined that all of the Association's leases are operating leases and are therefore accounted for as such.

The Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor.

- Government grants policy option

Government grants include grants receivable from the Homes England, local authorities, and other government organisations. Under FRS 102, government grants must be accounted for using the accruals model or the performance model. This accounting treatment is explained later in note 2.

As the Association accounts for its properties at cost, management have adopted the accruals model for government grants, as required by SORP 2018 Update.

Under the accruals model, government grants are allocated to the property structure (for amortisation period purposes only) and amortised over the useful economic life of that structure. The unamortised amount is held within deferred income. In respect of capital government grants for energy efficiency replacement of components amortisation will align with the life of the component.

<u>Estimation uncertainty</u>

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

- Useful lives of depreciable assets

Management reviews its estimate of the useful economic lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. In terms of housing properties the on-going appropriateness of the component list (covered later in note 2) is considered alongside the useful lives of the components annually as part of the Asset Management Strategy reviews. Accumulated depreciation (as per notes 13 and 14) at 31 March 2023 was £62.394 million (2022:£60.162million).

- Investment properties

Investment properties are commercial properties and other properties that are not held for social benefit. Management have determined that two of our Commercial & Student accommodation schemes (New York Street and Royal Park Flats) should be accounted for as investment properties. In 2021 instruction was given to Woodheads Property Management and the investment properties were subsequently valued as at 31st March 2021 by Stuart Illingworth DipSurv, MRICS an RICS registered external valuer. These valuations were based on market value subject to the existing tenancies and were undertaken in accordance with the

Professional Standards Incorporating the International Valuation Standards. Management have deemed this valuation to be satisfactory as at 31st March 2023.

Further formal valuations are to be undertaken every 5 years. In between these formal valuations management expertise will be used in order to determine whether any interim revaluations are necessary. On discussion with the valuer this year as there has been varying market conditions over the last two years values are seen to be broadly in line but new valuations will be conducted for year end 2023-24 as long term leases will be in place at that stage so a more appropriate place in time to formally undertake valuations.

Turnover and revenue recognition
Turnover comprises rental income receivable in the year from tenants and leaseholders, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where payable) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for the receipt of agreed grant funding have been met. Charges for support services are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value Added Tax
The Association charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable
Interest is allocated at a constant rate on the carrying amount over the period of the borrowing, and is charged to income and expenditure in the year.

Financial instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model and thus recognised at amortised historical cost.

Complex financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure.

Following independent review of our loan agreements all of the Associations financial instruments have been deemed as basic and are therefore recognised at amortised historical cost.

Debtors
Short term debtors are measured at transaction price, less any impairment.

Creditors
Short term trade creditors are measured at transaction price.

Employee Benefits
Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions
The Association ceased active participation in an industry-wide multi-employer defined benefit pension scheme, the Social Housing Pension Scheme (SHPS), during the year but still has a liability within the scheme. The defined contribution scheme within (SHPS) however remains. Previously, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers but this was remedied in 2018/19 so the (DBS) is now accounted for under FRED 71. Management's recognition of the Defined Benefit Obligation is as advised by the SHPS administrators and independently reviewed by First Actuarial. This estimate is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 24). The liability at 31 March 2023 was £2.394 million (2022:£2.270 million).

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and development costs. Interest charges incurred during the development period are charged to income & expenditure.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. The carrying amount of the replaced component is derecognised.

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Government grants

Government grants include grants receivable from the Homes England (HE), local authorities, and other government organisations. Government grants received for housing properties are accounted for using the accruals model and as such are recognised in income over the useful life of the housing property structure (but not the land), even if the fair value of the grant exceeds the carrying value of the structure in the financial statements.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HE. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

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

All of the Associations' grant received has been classified as Government grant.

Other grants

Although not applicable, non-government grants would be accounted for using the performance model.

Depreciation of housing properties

The Association separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

Management initially determined these components during full implementation of Component Accounting in 2011/12 and the factors considered at the time were:

- Average spend over the last 7 full years
- Anticipated spend over the next 30 years

Whilst realising that actual asset lives may differ over time.

The Association measures its housing properties and major components at initial cost and then depreciates them at the following annual rates:

<u>Structure</u>	
Built since 1980 – New build	1.4%pa [70 years]
Built before 1979	1.7%pa [60 years]
Rehabilitated	1.7%pa [60 years]
Sheltered Accommodation	1.7%pa [60 years]
<u>Other Major Components</u>	
Boilers and Heating systems	6.7%pa [15 years]
Roofs	1.7%pa [60 years]
Kitchens	6.7%pa [15 years]
Bathrooms	3.3%pa [30 years]
Windows	3.3%pa [30 years]
External Walls	2.2%pa [45 years]
External Doors	3.3%pa [30 years]
Electrical Equipment	10.0%pa [10 years]

Freehold land is not depreciated.
Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Intangible fixed assets
Intangible fixed assets includes computer software and is measured at cost. The computer software is part of a major IT project is being amortised over its useful life of 8 years, on a straight-line basis, from inception.

Other tangible fixed assets
Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Office fixtures and fittings	15.0%pa reducing balance
Computer equipment	33.3%pa straight line [3 years]
Motor vehicles	33.3%pa straight line [3 years]

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Properties for sale
Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities
Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

Holiday pay provision
The Association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Unutilised service charges/Service equipment provision
The Association also has an obligation under tenants' service agreements to fund certain expenditure relating to certain tenancies. The directors are unable to accurately estimate the timings of the utilisation of the provision, which is expected to be line with the requirements of the related services

Reserves
The Association establishes restricted reserves for specific purposes where their use is subject to external restrictions.

Donated land reserve (Restricted)
This represents the value of the equity share retained in properties where the Association provides affordable housing under Section 106 of the local planning regulations.

Revaluation reserve
This represents the movement in the valuation of our Investment properties. The difference between the fair value of these investment properties and the historical cost carrying value is credited to the revaluation reserve.

Accommodation managed by others (Managing agents)
Government capital grants are claimed by the Association as owner of the supported housing schemes and are included in the Statement of Financial position. The treatment of income and expenditure in respect of this accommodation depends on whether the Association bears the financial risk.

Where the Association bears the financial risk, for example for losses from voids and arrears, all of the schemes' income and expenditure is included in the Statement of Comprehensive Income.

Where the agent bears the financial risk, the Statement of Comprehensive Income includes only that income and expenditure that relates solely to the Association. Other income and expenditure in this category is excluded.

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

2023	Turnover	Operating costs	Operating surplus/(deficit)
	£'000	£'000	£'000
Social housing lettings			
General needs housing	11,073	8,276	2,797
Supported housing & housing for older people	6.508	6,412	96
Shared Ownership	569	173	396
	18,150	14,861	3,289
Other social housing activities			
First tranche low cost home ownership / shared ownership sales	507	359	148
Support Services contracts	1,695	1,695	-
Intangible fixed asset Impairment	-	327	(327)
Other	123	176	(54)
	2,325	2,558	(233)
Activities other than social housing			
Student accommodation	495	49	446
Commercial property	79	6	73
Market rented property	54	(22)	76
	21,104	**17,451**	**3,653**

2022	Turnover	Operating costs	Operating surplus/(deficit)
	£'000	£'000	£'000
Social housing lettings			
General needs housing	10,597	7,867	2,730
Supported housing & housing for older people	5,960	5,655	305
Low cost home ownership / shared ownership	522	160	362
	17,079	13,682	3,397
Other social housing activities			
First tranche low cost home ownership / shared ownership sales	3,779	2,217	1,562
Support Services contracts	1,587	1,587	-
Other	108	126	(18)
	5,474	3,930	1,544
Activities other than social housing			
Student accommodation	451	48	403
Commercial property	79	8	71
Market rented property	67	194	(127)
	23,150	**17,862**	**5,288**

Operating costs represent all costs (cost of sales and operating expenditure) incurred in meeting our main aim of providing social housing.

Particulars of income and expenditure from social housing lettings

	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership / shared ownership £'000	Total 2023 £'000	Total (restated) 2022 £'000
Income					
Rent receivable net of identifiable service charges	9,901	4,379	509	14,789	14,088
Service charge income	301	735	22	1,058	915
Amortised government grants	869	539	38	1,446	1,413
Government grants taken to income	2	142	-	144	31
Other grants	-	713	-	713	632
Turnover from social housing lettings	11,073	6,508	569	18,150	17,079
Operating expenditure					
Management	1,683	2,276	11	3,970	3,862
Service charge costs	541	822	2	1,365	1,355
Routine maintenance	1,981	1,042	1	3,024	3,045
Planned maintenance	1,263	978	4	2,245	1,413
Major repairs expenditure	201	115	-	316	288
Bad debts	91	22	-	113	99
Depreciation of housing properties	2,343	1,071	126	3,540	3,392
Write-off of housing property components	84	20	-	104	62
Impairment of housing properties	-	-	-	-	-
Other costs	89	66	29	184	166
Operating expenditure on social housing lettings	8,276	6,412	173	14,861	13,682
Operating surplus on social housing lettings	**2,797**	**96**	**395**	**3,388**	**3,397**
Void losses	72	56	1	129	127

4. Accommodation in management and development

At the end of the year **accommodation in management** was as follows:

	2022 No. units	**Developed in the year**	**Sold in the year**	**Other**	**2023 No. units**
Social housing					
General needs - social rent	1,855	2	(6)	6	1,857
General needs - affordable rent	110	20	(3)		127
Intermediate rent	49	-	-	-	49
Supported housing	97		(5)	(3)	89
Housing for older people	816	-	-	-	816
Shared ownership	270	2	(8)	-	264
Total owned and managed	**3,197**	**24**	**(22)**	**3**	**3,202**
Accommodation managed for others	10	-	-	-	10
Supported housing managed by others*	212	-	(1)	(1)	210
Social housing owned or managed	**3,419**	**24**	**(23)**	**2**	**3,422**
Non-social housing					
Market rent owned and managed	13	-	(6)	-	7
Student accommodation managed by others	238	-	-	-	238
Non-social housing owned or managed	**251**	**-**	**(6)**	**-**	**245**
Grand Total	**3,670**	**24**	**(29)**	**2**	**3,667**
Accommodation in development at the year end	4	(4)	-	-	-

***Accommodation owned but managed by others**
These properties are managed on behalf of the Association, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the units. These managing partners currently include: Turning Lives Around; SignHealth; Leeds Women's Aid; Community Links; Leeds Irish Health & Homes; Latch; Wilf Ward Family Trust; United Response; Creative Support; Pennine Domestic Violence Partnership; Bridgewood Trust; St Anne's Community Services.

Where the Association bears the financial risk, for example for losses from voids and arrears, all the income and expenditure is included in the Statement of Comprehensive Income (SoCI). Where the agent bears the financial risk, the SoCI includes only that income and expenditure that relates solely to the Association. Other income and expenditure is excluded. The committees of the managing agents are not controlled by the Association and no management fees were paid by the Association.

5. Operating surplus

	2023	2022
	£'000	£'000
The operating surplus is arrived at after charging:		
Depreciation of housing properties	3,540	3,419
Write-off of housing property components	104	62
Impairment of housing properties	-	-
Depreciation of other tangible fixed assets	156	118
Depreciation of in-tangible fixed assets	156	20
Impairment of intangible fixed assets	327	-
Operating lease rentals		
- land and buildings	28	28
- office equipment and computers	23	23
- laundry equipment	7	6
- vans	-	-
Auditor's remuneration (excluding VAT)		
- Audit of the financial statements	25	21
- Other services	1	1
Total audit services	22	22

6. Surplus on sale of fixed assets – housing properties

	2023	2022
	£'000	£'000
Disposal proceeds	2,126	1,150
Carrying value of fixed assets	(854)	(245)
Cost of sale	(17)	(9)
	1,255	896
Capital grant recycled on disposal	(272)	(79)
Total surplus on sale of fixed assets	**983**	**817**

7. Interest receivable and other income

	2023	2022
	£'000	£'000

Interest receivable and similar income	292	1
	292	**1**

8. Interest and financing costs

	2023 £'000	2022 £'000
Finance leases	-	-
Defined benefit pension charge	54	98
Amortisation of Finance Fees	132	116
Loans and bank overdrafts	2,238	1,719
	2,424	**1,933**

Finance fees incurred on new loans during the year amount to £72k (2021: £417k)

9. Employees

	2023 No.	2022 No.
Average monthly number of employees expressed as full-time equivalents (calculated based on a standard working week of 37hrs):		
Finance and Resources (including Chief Executive)	22	29
Good Homes	72	66
Neighbourly Places	96	80
	190	**175**

The full-time equivalent number of staff who received remuneration (excluding pension) (excluding directors):

	2023 No.	2022 No.
£60,001 or above	-	1

	2023	2022
Employee costs:	**£'000**	**£'000**

Wages and salaries	5,490	5,121
Social security costs	520	463
Other pension costs	265	247
Restructuring Costs	69	-
	6,344	**5,831**

The Association's employees are members of the Social Housing Pension Scheme (SHPS). Further information on this scheme is given in note 24.

10. Key management personnel

The Directors of the Association are the members of the Board of Management (Board members) and, for the purposes of this disclosure, the Chief Executive and the three functional directors, namely, the Director of Finance and Resources, the Director of Customer & Community Services, and the Director of Home (aggregately the Executive directors).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £110,597 (2022: £107,324).

	Basic salary	**Benefits in kind**	**Pension contributions**	**2023 Total**	**2022 Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive	105	5	11	122	115
Director of Finance & Resources	81	4	8	92	86
Director of Home	78	4	9	91	87
Director of Neighbourly Places	75	4	8	87	81
	339	17	35	392	368

The Chief Executive (as well as the three functional directors) is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contributions to an individual pension arrangement for the Chief Executive.

Board Members

	Remuneration	Expenses	2023 Total	2022 Total
	£'000	£'000	£'000	£'000
Diane French (Chair)	8	-	8	4
Alicia Ridout	4	-	4	2
David Wilmshurst	4	-	4	2
Hasan Karolia	1	-	1	2
Jane Toole	-	-	-	1
Joel Owen	4	-	4	2
Joseph Bradley	4	-	4	2
Karen Ratcliffe	4	-	4	2
Leah Montia-Thomas	2	-	2	-
Shaeen Azam	4	-	4	2
Sharon Gillott	4	-	4	2
Tahir Idris	4	-	4	2
	40	-	40	21

Note : payments to Board members started in October 2021. No increase was awarded in 2022 or 2023.

11. Tax on surplus on ordinary activities

Connect is a non-profit entity that is exempt from taxation on income and gains to the extent that they fall within the exemptions for non-profit entities in Part 11 Corporation Tax Act 2010 or s.256 Taxation of Chargeable Gains Act 1992.

12. Intangible fixed assets

	Major IT Project	Total
Cost	**£'000**	**£'000**
At 1 April 2022	1,247	1,247
Additions during year	176	176
Disposals	-	-
	1,423	1,423
Depreciation		
At 1 April 2022	(20)	(20)
Charge for year	(156)	(156)
Impairment	(327)	(327)
	(503)	(503)
Net Book Value		
At 31 March 2023	**920**	**920**
At 31 March 2022	1,227	1.227

A major IT project to replace the majority of IT systems within the organisation is on-going with significant elements in use and amortised from March 21. The remaining elements should be completed within 2023/24.

13. Fixed assets – housing properties

	Social housing properties held for letting £'000	Social housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Shared ownership housing properties under construction £'000	Total housing properties £'000
Cost					
At 1 April 2022	180,414	482	12,127	615	193,638
Additions:					
Works to existing properties	3,083	-	-	-	3,083
Works to schemes under construction	-	3,147	-	(327)^	2,819
Schemes completed	2,928	(2,928)	263	(263)	-
Disposals	(912)	-	(296)	-	(1,208)
Derecognition of components	(1,259)	-	-	-	(1,259)
Transfer between categories	20	5	-	(25)	-
*Transfer to current assets	-	-	(222)	-	(222)
At 31 March 2023	184,274	706	11,872	-	196,852
Depreciation and impairment					
At 1 April 2022	(56,486)	-	(1,210)	-	(57,696)
Depreciation charged in the year	(3,448)		(126)		(3,574)
Impairment charged in the year	-	-	-	-	-
Released on derecognition	1,142	-	-	-	1142
Released on disposal	306		48		354
Transfer between categories	-	-	-	-	-
Transfer to current assets	-	-	-	-	-
At 31 March 2023	(58,485)	-	(1,288)	-	(59,773)
Net book value					
At 31 March 2023	**125,789**	**706**	**10,585**	**0**	**137,079**
At 31 March 2022	123,928	482	10,918	615	135,942

Expenditure on works to existing properties	**2023**	**2022**
	£'000	**£'000**
Components capitalised	3,083	1,181
Amounts charged to income and expenditure*	1,672	1,465
	4,756	**2,646**

* Cyclical planned and major repairs revenue spend on fixed assets housing properties - including abortive costs

^ Shared ownership homes under construction at 1 April 2022 subsequently sold in 22-23 at a greater % first tranche percentage and so an adjustment was made to the carrying value in 22/23.

13. Fixed assets - housing properties (continued)

Social housing assistance	**2023**	**2022**
	£'000	**£'000**
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	35,228	34,067
Held as deferred income	58,914	60,491
	94,142	**94,558**
Total accumulated social housing grant received or receivable at 31 March:		
Capital Grant - SHG	82,540	
Capital Grant - Other Grant	11,602	
	94,142	

Charges over properties

The Association has a first mortgage charge over certain housing properties with a value of £1.1 million in favour of Social Housing Pension Scheme following transfer of housing properties to Connect Housing Association following the merger of The Ridings Housing Association and West Yorkshire Housing Association Limited in 2007. There are further charges over housing properties in respect of bank loans as set out in note 22.

14. Tangible fixed assets other

	Freehold offices	**Computers & office equipment**	**Fixture & fittings**	**Motor vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2022	2,767	1,352	57	351	4,527
Additions	-	51	-	192	243
At 31 March 2023	2,767	1,403	57	543	4,770
Depreciation and impairment					
At 1 April 2022	(1,063)	(1,261)	(35)	(107)	(2,466)
Charged in the year	(31)	(52)	(4)	(69)	(156)
At 31 March 2023	(1,094)	(1,313)	(39)	(176)	(2,622)
Net book value					
At 31 March 2023	**1,673**	**90**	**18**	**367**	**2,148**
At 31 March 2022	1,704	91	22	244	2,061

The net book value of other tangible fixed assets includes £nil (2022: £nil) in respect of assets under finance leases.

15. Investment properties non-social housing properties held for letting

	2023
	£'000
At 1 April 2022	5,400
At 31 March 2023	**5,400**

The Association's investment properties comprise commercial units at Royal Park Flats and New York Street.

Formal valuations are to be undertaken every 5 years. In between these formal valuations management expertise will be used in order to determine whether any interim revaluations are necessary.

After a formal valuation was undertaken in March 2021, management have deemed this valuation to be satisfactory as at 31st March 2023 also.

16. Properties (held) for sale

	2023	2022
	£'000	£'000
Shared ownership properties:		
At 1 April	134	102
Completed properties	190	2,320
Sold in year	(324)	(2,288)
At 31 March	**-**	**134**

17. Debtors

	2023	2022
	£'000	£'000
Due within one year		
Rent and service charges receivable	523	524
Less: provision for bad and doubtful debts	(341)	(280)
	182	244
Employee loans	16	13
Other debtors	1,275	1,201
Prepayments and accrued income	550	648
	2,023	**2,106**
Due after more than one year		
Employee loans	5	21
Prepayments and accrued income	532	500
	537	**521**
	2,560	**2,627**

18. Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Debt (note 22)	10,319	2,003
Trade creditors	1,003	1,934
Rent and service charges received in advance	761	701
Recycled capital grant fund (note 21)	660	665
Deferred (capital) grant fund (note 20)	1,463	1,403
Other taxation and social security	131	133
Other creditors	486	592
Accruals and deferred income	811	740
Interest payable	557	328
	16,191	**8,499**

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

	2023	2022
	£'000	£'000
Debt (note 22)	60,499	67,108
Recycled capital grant fund (note 21)	884	884
Deferred (capital) grant income (note 20)	57,451	59,088
	118,834	**126,396**

20. Deferred (capital) grant

	2023	2022
	£'000	£'000
At 1 April	60,491	61,127
Grant received in the year	265	921
Grant released due to disposals	(681)	(221)
Amortised grant written back on disposal	302	94
Grant amortised in year	(1,463)	(1,430)
At 31 March	**58,914**	**60,491**
Amounts to be released within one year (note 18)	1,463	1,403
Amounts to be released in more than one year (note 19)	57,451	59,088
Total Loans	**58,914**	**60,491**

*Amount released to income includes £1,463k (2022: £1,430k) amortisation, and £379k (2022: £126k) released due to disposals

21. Recycled capital grant fund (RCGF)

	2023 £'000	2022 £'000
At 1 April	865	861
Grants recycled	651	205
Interest accrued	28	-
Utilisation on schemes in the year	-	(201)
	1,544	**865**
Repayment of grant	-	-
At 31 March	**1,544**	**865**
Amount of grant due for repayment within one year (note 18)	660	665
Amount of grant due for repayment after more than one year (note 19)	884	200
At 31 March	**1,544**	**865**

At 31 March 2023, there are no amounts due for payment to Homes England.

22. Debt analysis

	2023	2022
	£'000	£'000
Due within one year		
Bank loans	10,319	2,003
Other loans	-	-
Less: issue costs	(34)	(127)
	10,285	1,876
Due after more than one year		
Bank loans	30,867	47,224
Other loans	29,632	19,884
Less: issue costs	(528)	(495)
	59,971	66,613
Total Loans	**70,256**	**68,489**

Security

Bank loans are secured by fixed charges on individual properties. In March 2023 the final element of the bLEND loan was agreed bringing it up to £29.7m, secured by cash sums held in separate bank accounts which are due to be released during 23/24, once alternative property security is in place.

Terms of repayment and interest rates

Bank loans are repaid in quarterly or half yearly instalments at either fixed rates of interest ranging from 1.23% to 11.82% or variable rates. The final instalments fall to be repaid in the period 2022 to 2043. The other loans are repaid in a single repayment on maturity in 2054.

At 31March 2023 the association had undrawn loan facilities of £20m (2020: £12.25m)
£12.5m Santander – Existing Facility
£6.5m Virgin Money – Existing Facility (ceasing in Dec 23)

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2023	2022
	£'000	£'000
Within one year or on demand	10,285	1,876
One year or more but less than two years	1,721	9,790
Two years or more but less than five years	7,774	14,976
Five years or more	50,476	41,846
	70,256	**68,488**

23. Financial instruments (assets and liabilities)

The Association's approach to financial instruments is explained in more detail in note 2 Accounting policies with references to financial risks being covered in the Strategic report. However, all of the Association's loans have been classified as basic and continue to be reported at amortised cost along with all other financial liabilities, and indeed assets.

Financial assets measured at amortised cost	**2023**	**2022**
	£'000	**£'000**
Trade and other debtors (note 17 and SoFP)	1,919	1,831
Cash held in restricted accounts	23,325	20,058
Cash and cash equivalents (SoCF and SoFP)	1,159	3,060
Total	**26,402**	**24,949**

Financial liabilities measured at amortised cost	**2023**	**2022**
	£'000	**£'000**
Debt (Bank loans and other loans including Interest Payable) (note 18 and 19)	71,375	69,439
Deferred capital grant income (note 18 and 19)	58,914	60,491
Trade and other creditors (note 18 and 19)	3,925	4,225
Total	**134,214**	**134,155**

The amounts owed to lenders attract interest at rates between 1.805% and 11.82% p.a.

24. Pensions

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. It is closed to future accrual. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore Connect is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.
For financial years ending on or before 28 February 2019, it was not possible for Connect to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.
For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable Connect to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.
The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

The liabilities are compared, at the relevant accounting date, with the company’s fair share of the Scheme’s total assets to calculate Connect’s net deficit or surplus.

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

	31 March 2023 (£000s)	**31 March 2022 (£000s)**
Fair value of plan assets	11,103	17,914
Present value of defined benefit obligation	13,497	20,184
Surplus (deficit) in plan	(2,394)	(2,270)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	**(2,394)**	**(2,270)**

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from 31 March 2022 to 31 March 2023 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 31 March 2022 to 31 March 2023 (£000s)
Defined benefit obligation at start of period	20,184
Current service cost	(2)
Expenses	15
Interest expense	559
Member contributions	2
Actuarial losses (gains) due to scheme experience	(470)
Actuarial losses (gains) due to changes in demographic assumptions	(28)
Actuarial losses (gains) due to changes in financial assumptions	(6,500)
Benefits paid and expenses	(263)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	**13,497**

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

	Period from 31 March 2022 to 31 March 2023 (£000s)
Fair value of plan assets at start of period	17,914
Interest income	505
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(7,702)
Employer contributions	647
Member contributions	2
Benefits paid and expenses	(263)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	**11,103**

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was (£7,197,000).

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period from 31 March 2022 to 31 March 2023 (£000s)
Current service cost	(2)
Expenses	15
Net interest expense	54
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	**67**

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2022 to 31 March 2023 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(7,702)
Experience gains and losses arising on the plan liabilities - gain (loss)	470
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	28
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	6,500
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(704)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	**(704)**

ASSETS

	31 March 2023 (£000s)	31 March 2022 (£000s)
Global Equity	207	3,438
Absolute Return	120	719
Distressed Opportunities	336	641
Credit Relative Value	419	595
Alternative Risk Premia	21	591
Fund of Hedge Funds	-	-
Emerging Markets Debt	60	521
Risk Sharing	817	590
Insurance-Linked Securities	280	418
Property	478	484
Infrastructure	1,268	1,276
Private Debt	494	459
Opportunistic Illiquid Credit	475	602
High Yield	39	154
Opportunistic Credit	1	64
Cash	80	61
Corporate Bond Fund	-	1,195
Liquid Credit	-	-
Long Lease Property	335	461
Secured Income	510	667
Liability Driven Investment	5,114	4,998
Currency Hedging	21	(70)
Net Current Assets	28	50
Total assets	**11,103**	**17,914**

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

KEY ASSUMPTIONS

	31 March 2023 % per annum	31 March 2022 % per annum
Discount Rate	4.84%	2.79%
Inflation (RPI)	3.17%	3.49%
Inflation (CPI)	2.79%	3.15%
Salary Growth	3.79%	4.15%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

25. Provisions for liabilities – other provisions

	Unutilised service charges	Holiday pay	Dilapidations provisions	Total
	£'000	£'000		£'000
At 1 April 2022	614	110	120	844
Additions	87	74	80	241
Amount utilised	-	(110)	(120)	(230)
Re-classification of schemes in debit balance to debtors	(15)	-	-	15
At 31 March 2023	**716**	**74**	**80**	**870**

Unutilised service charges/Service equipment provision

The Association also has an obligation under tenants' service agreements to fund certain expenditure relating to certain tenancies. The directors are unable to accurately estimate the timings of the utilisation of the provision, which is expected to be line with the requirements of the related services.

Holiday pay provision

The Association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Dilapidations provision

The Association recognises provisions for dilapidations on properties coming to the end of their lease.

26. Deferred taxation

Connect is a non-profit entity that is exempt from taxation on income and gains to the extent that they fall within the exemptions for non-profit entities in Part 11 Corporation Tax Act 2010 or s.256 Taxation of Chargeable Gains Act 1992.

27. Share capital

The Association is limited by guarantee and therefore has no share capital. As the Association moved to a closed membership in August 2018 only Board members are shareholders with the right to vote at general meetings, but does not provide any rights to dividends or distributions on winding up.

28. Cash flow from operating activities

	2023 £'000	2022 £'000
Surplus for the year	1,800	6,243
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,002	3,625
Write-off intangible asset	327	-
Amortisation of grants (note 20)	(1,463)	(1,556)
Net fair value (gains) recognised in SOCI	-	-
Loan amortisation	4	-
(Increase)/Decrease in properties for sale (note 16)	134	(32)
Decrease/(Increase) in trade and other debtors (note 16)	67	(589)
(Decrease)/Increase in trade and other creditors	(907)	1,308
(Decrease) in provisions (exc SHPS obligation) (note 25)	26	202
Pension costs less contributions payable (SHPS obligation) (note 24)	124	(2,404)
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets (note 6)	(999)	(896)
Interest payable (note 8)	2,424	1,933
Interest received (note 7)	(292)	(1)
Cash top up held in restricted accounts	(3,267)	(174)
Net cash generated from operating activities	**1,980**	**7,659**

Analysis of changes in net debt

	At 1 April 2022	Cash flow	Non cash movement	At 31 March 2023
Cash at bank and in hand	3,060	(1,901)	-	1,159
Debt due within one year	(2,003)	2,003	10,319	10,319
Debt due after one year	(67,108)	(3,706)	(10,323)	(81,136)
Net debt	**(66,051)**	**3,604**	**(4)**	**(9,539)**

29. Capital commitments

The Association's capital expenditure commitments are as follows:

	2023	2022
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	28	3,405
Expenditure authorised by the Board of Management, but not contracted	-	13,794
	28	**17,199**

The above commitments will be financed primarily through borrowings which are available for draw-down under existing loan arrangements, with the balance funded through social housing grant and property sales

30. Contingent assets/liabilities

The Association has no contingent assets at 31 March 2023 (2022: nil).

SHPS - We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue. The Association has no other contingent liabilities at 31 March 2023 (2022: nil).

31. Leasing commitments

	2023	2022
	£'000	£'000
Within one year	45	43
Between one and five years	16	45
Beyond five years	-	-
	61	**88**

Leases relate to office equipment, office space, office car parking and laundry equipment.

32. Related parties

During the year the Association had no related party events.
Disclosures in relation to key management personnel are further detailed in note 10.