Annual Report and Financial Statements

For the year ended
31 March 2022

Moat

Contents

5 Chair’s statement

7 Strategic report

- 7 About us
- 9 Our strategy
- 11 Our performance
- 16 Our people
- 17 Value for money
- 21 Our finances
- 25 Risks
- 28 Leadership and Governance

39 Report of the Audit Committee

41 Report of the Remuneration and Nominations Committee

42 Report of the Independent Auditor

47 Consolidated statement of comprehensive income

48 Association statement of comprehensive income

49 Consolidated statement of financial position

50 Association statement of financial position

51 Consolidated and Association statement of changes in reserves

52 Consolidated statement of cash flows

53 Notes to the financial statements

Wickham Grange
West Wickham

- Spacious one and two bedroom apartments full of character located in the beautiful West Wickham in Bromley

Highlights of our year

Finance

£181m
turnover

£47.9m
surplus

35%
operating margin

£1.6bn
housing properties cost

£567m
borrowings

Development

356
new home starts

500
new home handovers

1,528
homes in pipeline

£109m
spend on new builds

Property management

58 days
void turnaround

Housing management

3.22%
rent arrears

69%
Overall satisfaction

Woodlands Green, Maidstone

We moved more families into our newly launched three-bedroom homes on the leafy Woodlands Green development in Maidstone. This latest collection of homes for shared ownership brings the total number of Moat homes on the development to eight for shared ownership and 28 for affordable rent.

Egerton Place, Erith

This year, we launched 53 modern one- and two-bedroom apartments for social rent at Egerton Place in the heart of Erith, bringing well-connected, affordable housing to the costly housing options of South-East London. Following the popularity of these homes, we'll be launching 35 more apartments in an upcoming phase.

Tenacre Court, Harrietsham

In September 2021, residents moved into Tenacre Court where we transformed three large, false oasts from office blocks into highly unique apartments solely for social rent. With features such as unusual circular windows, high ceilings and spacious rooms, the apartments are truly original, bringing attractive, affordable housing to the rural village of Harrietsham.

Springhead Park, Ebbsfleet

We completed our final phase of development in the garden city of Ebbsfleet, bringing last year's total to 150 homes for shared ownership in the heart of this well-connected commuter town. As with previous launches, the two-bedroom apartments proved to be hugely popular and were reserved off-plan within the first month.

Chair's statement

In total, Moat provided affordable accommodation to 1,297 new households during the year and there are 1,528 homes in our development pipeline.

The last year has again been shaped by the global pandemic and its impact on everyday life. Whilst there was a return to some form of normality towards the end of the year, the emotional, physical and financial consequences of the pandemic have become ever clearer. As a housing association, the work that we do has a major impact on the quality of life and indeed the life chances of our residents. This is not a responsibility that we take lightly, whether it be through ensuring a high level of service or by delivering more affordable homes to those in housing need.

The cumulative impact of the pandemic, Brexit and more recently the war in Ukraine, has seen a dramatic rise in inflation. The increases in the costs of fuel and utilities, National Insurance and the removal of the £20 Universal Credit uplift combined with higher food prices means that many of our residents are struggling. We are continuing to provide support by helping them to maximise their income, including accessing the benefits they are entitled to, and through targeted initiatives, for example around fuel poverty. Working with our partners, we are also delivering local initiatives through our community hubs.

This year we have worked more closely with our residents than ever to shape the way we deliver our services, whilst working in a more agile way with a blended approach to office-based and home-based working. Insight gained from our customer advocates and a range of other feedback options is shared with the business, our Customer and Communities Committee and Board.

The higher cost of materials and a shortage of skilled labour has had a significant impact on the cost of both building new homes and delivering our services to residents. Although the delivery of new homes was impacted, we completed 470 affordable homes across our key areas and started the construction of a further 356 homes.

Whilst we remain proud of our record in delivering new affordable homes to rent or to buy, much of our attention and investment capacity is being refocused on the homes that we currently own and manage to make sure that they are kept in good condition and our residents remain safe.

During the year, we selected a new contractor, Morgan Sindall Property Services, to work with us from April

2022 in providing repairs, maintenance and voids work for the next ten years. Customers were at the heart of the procurement process with over 1,000 customers responding with feedback which was invaluable in scoping the contract, enhancing the service standards and ensuring that the service would be truly shaped by our customers' needs. Many of our customers also took part in the evaluation of the bids that we received, participating in specific surveys and online workshops. The contract goes beyond service provision and includes a commitment to work with us to deliver social value and enhance the lives of our residents, for example, running workshops for our residents on fuel saving measures they can use in their homes.

Fire safety concerns continue to be a central focus for us. The fire safety works at Leamington Court were completed during the year and as a result, all fire remediation work which has been identified in the high-rise blocks that Moat own and manage has been completed. The situation in blocks below 18m is more complex and we are working through each block with our advisers to determine the extent of any works required. We have made allowances in our long-term plan which we believe should cover future expenditure. During the year, working with our fire safety advisers, we established that fire safety works would also need to be undertaken at Cygnet House, one of our developments in Gravesend. These will start in 2022 once the final scope of the works has been agreed and the contract awarded.

For our residents in blocks which are owned and managed by other parties, we have worked with the owners of these blocks to encourage applications to the Building Safety Fund if the need for fire remediation works has been identified. In the Building Safety Act, the government has put forward proposals aimed at protecting shared owners and leaseholders from being charged for remediation work, looking to pass the costs to developers and building owners as far as possible. This approach will require further definition, legislation and practical implementation if the works are to be successfully funded and completed.

The last year has also seen greater acceptance of the need to proactively combat climate change. Through working with our advisers, we now have the data to understand the thermal performance of our homes and the works we need to undertake to meet government targets. We do not intend to simply meet the target, but to take an intelligent fabric-first approach, using the more nuanced measure of heat demand as our key driver rather than EPC or SAP ratings. We believe this will be of more benefit to our residents as it will correlate to energy costs more closely. We have made provision for these costs in our long-term plan.

In August 2021, having signed up to the Sustainability Reporting Standard for Social Housing, we published our first Environmental, Social and Governance (ESG) report. The standard aims to bring uniformity to the way that the housing sector approaches ESG, and adopters also include lenders and investors, highlighting the importance of ESG factors in credit decisions. Housing providers have committed to report against the standard on an annual basis, while lenders and investors have committed to using the standard in their investment and credit policies, processes and/or product design.

In an increasingly complex landscape, we have continued to ensure that our risk and governance structure continues to evolve to reflect best practice. We were pleased to have our G1/V1 status confirmed by the Regulator. Our financial strength, evidenced by our A2 rating from Moody's, has enabled our strong financial performance in the year.

Our surplus for the year increased to £47.9m from £36.4m with a particularly strong performance from our property sales. We helped 259 households move into one of our new shared ownership homes and sold 46 open market homes.

In April 2022, Elizabeth Austerberry retired as Moat's Chief Executive after almost ten years in post. Elizabeth has led the organisation with a great combination of commercial acumen and social purpose and she leaves Moat in a strong position for the future. We are extremely grateful to Elizabeth for her contribution and wish her well for the future. Elizabeth hands over to Mary Gibbons, former Chief Executive of CHP, an Essex-based housing association. We are delighted that Mary is joining us and the Board is confident that Mary is the right person to oversee the next phase of Moat's journey.

I would like to thank my Board colleagues, the Executive Directors, the whole Moat team and our partners for their continued hard work and resilience, together with their commitment to our social mission, which has underpinned another successful year. We are in a strong position to face the challenges of the future and continue to help more people enjoy good-quality, affordable homes.

Steve White
Chair

About us

Moat is a leading housing association providing secure, affordable homes for rent and shared ownership to those in housing need.

Since Moat was founded in 1966, we have grown from managing a single block of flats in Chertsey to housing over 20,000 families and individuals across Kent, Essex, Sussex and London. Through the decades, our purpose has stayed the same – to provide secure, affordable homes for rent and shared ownership to those in housing need.

As a not-for-profit organisation, we reinvest any surplus income we make into maintaining and improving our existing homes and building new ones where they are most needed. Our long development history is an important part of our DNA, and we are proud of the great homes and communities we have helped build. We have a target to develop 650 homes per year.

Providing homes is at the core of what we do, but they are more than just bricks and mortar. We partner with local authorities to put roofs over the heads of those who might not otherwise have one. Through Moat Foundation, we work in our communities to improve employability, empower local youth, tackle isolation, and create thriving places that people love to live in. We provide support for over 55s in our retirement housing, alongside refuges for people with learning and physical disabilities and those who are homeless or fleeing domestic abuse.

In playing our part in ending housing need, we are also leading the way. As one of the pioneers of shared ownership, we have given thousands of households a boost into home ownership.

Our customers lie at the heart of it all. We work with them to provide a strong and consistent service, all shaped by feedback from surveys, focus groups and our pool of Customer Advocates.

Our registered office, advisors and legal status

Registered office
Mariner House,
Galleon Boulevard,
Crossways,
Dartford, Kent
DA2 6QE

Registered auditor
BDO LLP,
55 Baker Street,
London
W1U 7EU

Principal Banker
National Westminster Bank Plc, Europa House, 49 Sandgate Road, Folkestone
Kent CT20 1RU

Legal status
Registered under the Co-operative and Community Benefits Societies Act 2014, No.17434R

Registered under Section 5 of the Housing Associations Act 1985 No. L0386

Moat's company structure

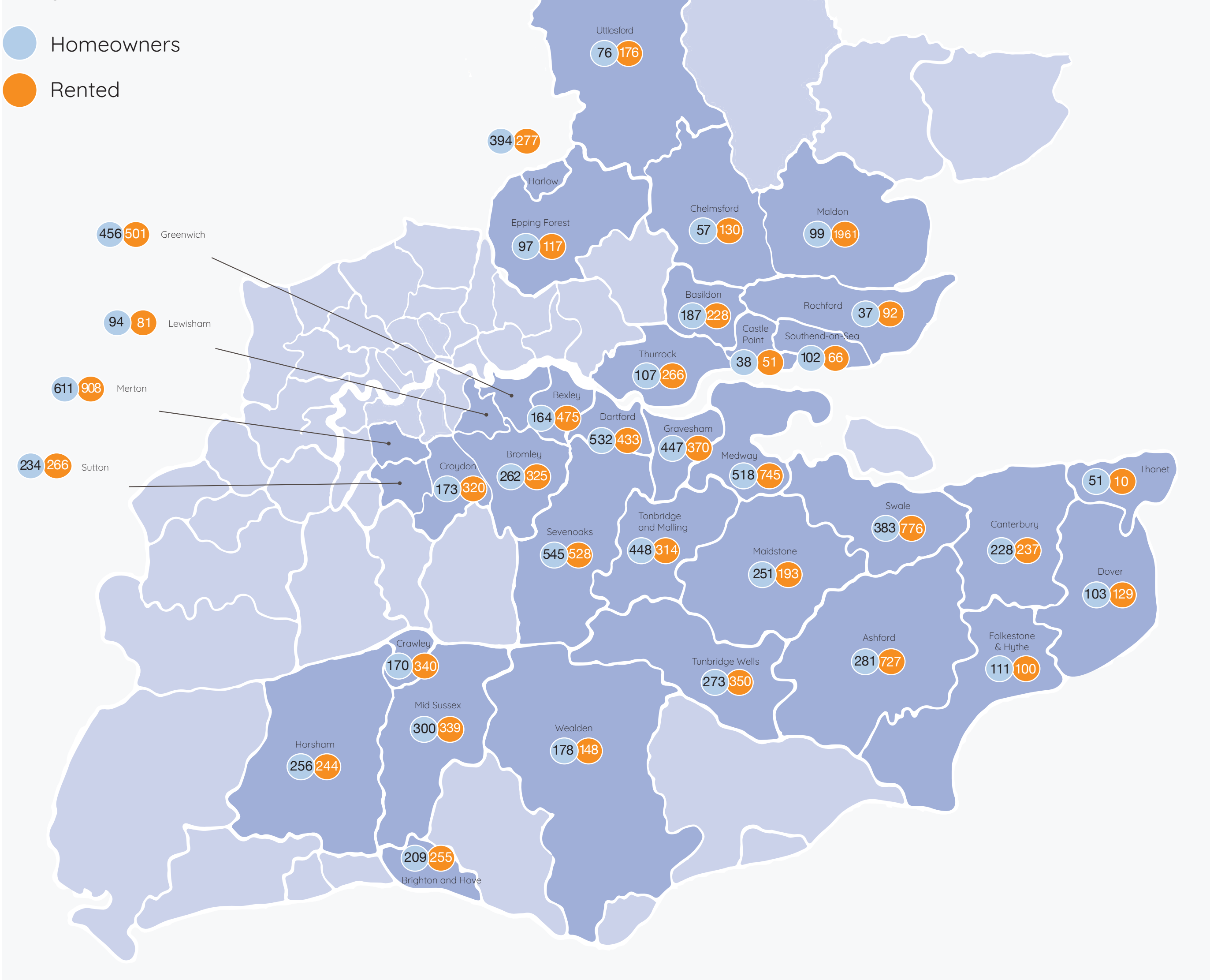
Moat Homes Limited (MHL) is the parent company and is a charitable registered provider of social housing, regulated by the Regulator of Social Housing (RSH).

MHL's active subsidiaries are Moat Housing Group Limited (MHG), which focuses on developing homes for market sale, and Moat Housing Finance Plc (MHF), our group treasury vehicle which has issued a £300m public bond.

Our homes	New homes in 2021/2022	Homes managed and/or owned
General needs rented	31	8,470
Affordable rent	233	2,336
Housing for older people/supported - general needs rent	-	1,709
Housing for older people/supported - affordable rent	-	63
Low cost home ownership	206	5,713
Social leasehold	-	1,153
Other social	-	1,035
Non social housing	30	1,102
Total homes	500	21,581

Our current homes

NB only local authorities with 50+ homes



Our strategy

We want all of our customers to have a place they are proud to call home as we work to end housing need. We will build on the positive changes we have made in recent years to ensure we are always bold and ambitious for our customers, ourselves and our communities.

Building good quality affordable homes is at the heart of what we do

- We will develop a sustainable ambitious pipeline of homes for those who cannot afford to rent or buy on the open market
- We will work with our key stakeholders and partners to ensure that our new homes are of good quality, meet local need and increase our impact in our key communities
- We will remain agile to take advantage of opportunities that support our long-term development aims.

The safety and quality of our existing homes is paramount

- Keeping residents safe will be at the heart of the decisions we make
- We will deliver on a sustained programme of investment to ensure that our homes provide good quality accommodation that is fit for the future
- We will embrace the energy efficiency agenda, working towards zero carbon and reducing fuel poverty for our residents.

We will deliver for and with our residents

- We will design our services and investment plans taking into account our residents' needs
- We will offer residents a range of ways to influence Moat's direction, so that they can use the method that works best for them
- We will actively seek feedback and learn from the insight that our residents provide.

We will be bold and ambitious for the future

- We will look forward, seeking to anticipate changes that impact on our organisation so that we remain resilient
- By being a leader, we will embrace innovation that helps us achieve our key goals
- We will value and empower our people so that together we are focused, passionate and effective.

Church View, Tenterden

Small collection of two and three bedroom houses available in the quaint town of Tenterden

Our performance

We have continued to deliver our strategy this year within a changing landscape which has also brought new challenges for our customers. We have worked with our customers and suppliers within this ‘new normal’ as restrictions have eased and temporary changes to our services have been lifted. We are taking new considerations into account as our customers and suppliers begin to feel the effects of rising inflation, high fuel prices, and the removal of government support introduced during the pandemic. Legislation and guidelines around fire safety and remediation costs are also shifting and evolving, so we continue to follow these changes closely. With so much change, a flexible and responsive approach is key to delivering our strategy.

Development programme	New homes in 2021/2022	Homes under construction at 31 March 2022	Homes in pipeline at 31 March 2022
Rented	264	805	272
Low cost home ownership	206	309	114
Non social housing	30	28	-
Total homes	500	1,142	386

New homes	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
New homes starts	356	400	397
New build handovers	500	607	422
Unsold shared ownership homes: over six months old	7	3	29
Shared ownership sales profitability*	16.4%	7.4%	11.9%
Unsold open market homes: over six months old	3	-	20
Open market sales profitability*	12.3%	13.2%	(5.1%)

*profitability margins exclude any impairment adjustments. The impact of impairments is discussed in the Our Finances section.

Building good quality affordable homes is at the heart of what we do.

We have a healthy development programme which focuses on quality, safety, sustainability and affordability, with 1,142 homes under construction and 386 more in the pipeline.

High levels of demand, limited supply and a strong sales market have maintained land values, despite increased construction costs. As a result, we approved fewer new schemes over the course of the year, however, the start of 2022/23 has seen a push in new schemes being approved.

With high inflation leading to rising labour and material costs in our supply chain and our fixed cost contracts, there is a risk of contractors going into administration. We are working with our contractors where possible to enable our contracts to be completed.

Regardless of these challenges, we maintain our long-term target to develop 650 homes a year. We are planning for the future, incorporating upcoming legislative changes to Building Regulations and developing our Net Zero Carbon strategy, ensuring our homes are fit for the future and cost efficient for our customers.

We took handover of 500 new homes which were a mix of homes for rent, shared ownership and open market sale. The handover dates on a number of schemes have been moved into 2022/23 as starts on site and handovers have been impacted by on-going shortages in materials and labour and the significant increase in costs of materials.

Our target for 2022/23 is to start construction of 400 new homes and take handover of 443, all under Homes England (HE) and Greater London Authority (GLA) programmes.

New homes shared ownership sales

Although we had fewer shared ownership sales in the year than budgeted, sales margins have outperformed our expectations. We completed 259 (2021: 307) shared ownership sales against our target of 359, impacted by delayed handovers. The sales generated a surplus of £5.3m (2021: £5.3m) and our overall sales margin (excluding any impairment entries) was 16.4% against a target of 7.4%. We ended the financial year with only 16 unsold homes (2021: 69), and all but two were reserved or had contracts exchanged.

Our target for 2022/23 is 190 sales generating a surplus of £1.2m. Our first development delivered as part of the new shared ownership product will be handed over in February 2023. This new product enables the purchase of equity shares from a minimum of 10%, allows our shared owners to staircase in minimum tranches of 1% each year, and gives them an annual allowance of up to £500 towards repairs.

Open market sales

We have continued with open market sales through MHG, completing 46 sales during the year. This generated a surplus of £4.5m (2021: £0.1m) with a sales margin of 12.3% (excluding impairment entries).

Our target for 2022/23 is 34 open market sales, generating a surplus of £2.2m.

Sales activity on existing properties

This does not seem to have been seriously impacted by market conditions as 199 (2021: 122) existing shared owners staircased to buy more equity in their homes and 101 (2021: 83) equity loan holders redeemed their loans during the year. This generated income of £30.9m (2021: £19.8m), with a £14.3m (2021: £7.8m) surplus. There were also 254 resales (2021: 215), of which 94% were retained as homes for shared ownership.

	Actual 2021/2022	Target 2021/2022	Actual 2021/2022
Current landlords' gas safety certificates	99.89%	100%	99.97%
Routine repairs: right first time	72%	95%	N/A
Resident satisfaction with routine repairs service	83%	90%	N/A

The safety and quality of our existing homes is paramount

Over the last year, we spent £17.8m (2021: £15.1m) on repairs and maintenance and invested a further £13.0m (2021: £9.5m) on improvements and refurbishments. We are committed to ensuring that our homes meet the Decent Homes Standard, both now and in the future, and have provided feedback to the Government on proposed changes to the Standard.

Routine maintenance

The easing of COVID-19 restrictions saw the gradual return to our pre-pandemic service over the course of the year. However, the volume of repairs reported was higher than usual, with an average of 750 per week since April 2021. Our contractors faced a backlog of repairs as a result of lockdowns when we were unable to access customers' homes, which remained high for most of the year due to ongoing staff sickness and supply chain issues. This has been a key contributor to decreased customer satisfaction ratings and fewer repairs done right first time.

In 2022, our procurement for a new property repairs and maintenance partner concluded with the appointment of Morgan Sindall Property Services (MSPS). In April 2022, MSPS started working under the new contract on a Price per Property (PPP)/Price per Void (PPV) basis. The new contract has been designed to bring additional benefits to our customers, including more repairs completed in one visit, improved customer engagement, an environment which encourages innovation, and increased sharing of knowledge and experience between Moat and MSPS.

Upgrades and improvements

Our 30-year investment plan incorporates a planned programme of works to our homes. The plans are designed to ensure our homes are safe, in good condition and meet quality standards. Our major works programme saw us replace 228 kitchens, 103 bathrooms, 14 wet rooms, 47 secondary WCs, 1,117 windows, 318 doors and a total of 589 new boilers. We also completed our full cyclical redecoration programme which is delivered over a six-yearly cycle.

We have received planning consent for our large scale works at King Georges Close and have appointed a contractor to deliver the works. The project began in May 2022, with a contract sum of £3.4 million and a 40-week delivery programme.

We completed our regeneration works at Pollards Hill, spending £1.2m over the course of the year to deliver new refuse collection areas and additional parking spaces. Overall, we have invested over £24m delivering the project, covering works to both individual properties and estate infrastructure, such as communal spaces, paving and parking.

Building Safety

The building safety environment continues to evolve, particularly around fire safety. Throughout the year we have monitored changes in government legislation and guidance on building safety, in particular the Building Safety Act which was passed in April 2022. We created the new role of Building Safety Information Manager in 2021 to focus on ensuring the accuracy of data on our buildings.

Fire safety

Our portfolio of homes is split equally between flats and houses, and we own and manage eight blocks across seven schemes which are over 6 storeys with 3 of these blocks over 18 metres high. In April 2022, we completed fire remediation works to one of these blocks, Leamington Court, to bring it to current fire safety standards. The work was completed over a 74-week period at a cost of £4.2m.

For the 800 medium/low-rise blocks which we own and manage, we have appointed a consultant to carry out an external asset and building safety survey programme. We aim to collect accurate data on the external materials used on these buildings, such as cladding, and highlight any potential fire risks such as wooden balconies. This work is well underway and is due to complete in October 2022. We have identified the need for fire remediation works at one of these blocks, Cygnet House, and are currently procuring a contract for these works to commence later in the year.

We also have a planned programme of Fire Risk Assessments (FRAs) which are carried out every five years. We spent £1.8m (2021: £1.0m) in the year on FRAs and related remedial works. Where any potential issues with external cladding are picked up, an intrusive survey should be carried out to assess whether any remedial work is needed.

We also have customers in blocks we do not own or manage, and 22 of these blocks are over 18 metres high. We are not the Responsible Person in fire safety terms for these blocks, so our Building Safety Information Manager works closely with the managing agents and freeholders to ensure that applications are made to available funding channels where needed, costs to our shared owners are minimised, and customers are kept informed.
We are aware that some of these blocks have partial ACM/HPL cladding but have been informed that these managing agents have applied to the Building Safety Fund. We are monitoring the progress of these applications, and our Building Safety Information Manager contacts each managing agent annually to seek assurance that they are meeting all legal and regulatory requirements related to building safety.

The new Building Safety Act states that no leaseholder or shared owner in a medium or high-rise building will have to pay for the removal of cladding. This protection has been extended to cover other fire safety defects so that the cost to leaseholders will be capped at £10,000 outside London and £15,000 in London. We are closely monitoring the changes set out in the Act so we can stay abreast of fire safety requirements and their associated costs.

Monitoring our performance

We have a clear Health and Safety Policy and structure in place (see page 36) which incorporates building safety. Our dedicated Technical and Building Safety Team focuses on our six key FLAGEL safety areas - Fire, Legionella, Asbestos, Gas, Electrics and Lifts and we regularly review our approach using both internal audit and third-party technical audits.

In 2021/22, we commissioned Savills to complete an external, technical review of our FLAGEL areas and we received very positive feedback about our approach to building safety. We have an action plan in place to address the small number of improvements identified and have commissioned Savills to return later in the year to reassess our approach in line with the action plan.

Our gas compliance indicator monitors the number of properties with up-to-date gas safety certificates. We maintained compliance of 99.89% at year-end (2021: 99.97%), despite the on-going challenges of COVID-19 and gaining access to residents' homes. This represents 11 homes that have an overdue gas certificate (due to lack of access) from a total of 9,540 homes.

Energy efficiency and sustainability

Through the decarbonisation of our homes and initiatives to address fuel poverty, we are working to reduce the negative impacts of a changing climate on our customers, communities, and environment.

We have developed an organisation-wide Sustainability Strategy with consultant support which will evolve as we understand more about the performance of our stock and government expectations and as renewable technology advances.

Our strategy incorporates the targets set in the Government's Heat and Building Strategy and Net-Zero Strategy, and focuses on four key areas:

- Our new homes and communities
- Our existing homes
- Our customers
- Our people and offices.

We will ensure our new-build homes achieve high energy efficiency ratings which will reduce embodied carbon in our new properties.

In our existing homes we have continued to invest in installing cavity wall insulation, loft insulation, heat pumps, high heat retention storage heaters, and other measures with a total spend of £0.6m. The installation of insulation and low carbon heating/hot water systems will be critical in reaching our low carbon targets. To achieve net zero, we also realise the need to offset carbon emissions by increasing biodiversity within our open spaces.

We are working with our customers by providing advice to ensure energy is used efficiently within homes, helping them lower their bills and reduce their carbon footprint.

To transition to a zero-carbon future within our day-to-day business activities we will adopt the use of electric vehicles and improve the sustainability of our office spaces. We will also educate staff in living sustainably.

For 2022/23, our main focus will be improving the fabric of homes, prioritising homes with the worst home energy performance in line with our Sustainability Action Plan. To help us achieve this, we will continue to improve the data we hold about the EPC (Energy Performance Certificate) ratings of our stock.

We will deliver for and with our residents

Customer insight and engagement

Customers are at the heart of everything we do, and this year we've built on our Customer Engagement Strategy to ensure that they are shaping our services. In 2021/22, we increased our Customer Advocate programme by 42%. We now have 139 actively involved residents who participated in 40 policy consultations, focus groups and workshops, and procurement evaluations throughout the year. They also played an integral part in the procurement of our new ten-year partnership with Morgan Sindall Property Services, our new responsive repairs provider. For this particular project, we engaged with all of our customers, with more than 1,000 residents providing their feedback and shaping the service specification.

We continue to gather customer insight in a number of ways, including through our Real Time Customer Feedback programme, where we ask customers to rate their experience of our front-line services. To ensure instant feedback, we text customers within 24 hours after they have used one of our services and follow-up with customers who provide negative feedback. We have also carried out a number of targeted focus groups with customers for feedback on areas highlighted for improvement.

Using an external agency, we carried out over 2,300 telephone surveys. Satisfaction ratings stayed steady at 76% for our rented customers, 58% for our homeowners, and 69% overall, falling short of our annual targets. The ratings reflect the on-going impact of the pandemic and Brexit on our front-line services, particularly among our estate services contractors who experienced staff sickness and shortages.

Feedback through our complaints process is also important and this year we established a centralised complaints team. We also have a Complaints Oversight Group which is made up of representatives from across the organisation who review our complaints performance and take action on common themes.

	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
Overall satisfaction with services provided	69%	71%	71%
Overall satisfaction with services provided (rented)	76%	77%	77%
Overall satisfaction with services provided (homeowners)	58%	59%	59%
Current rent gross arrears: general needs, housing for older people and supported	3.22%	2.85%	3.00%
Current rent gross arrears: shared ownership	1.59%	1.95%	2.05%
Bad debts per home	£20	£24	£7
Void turnaround time in days: general needs, housing for older people and support	58	39	92
Homes per FTE	52	53	54

Customer insight and engagement activities are collated and presented to our Board, Customer and Communities Committee, and Executive Team to ensure there is clear visibility of what our customers are saying. Importantly, we present not just what our customers have said, but what actions we have taken to enhance services further based on the feedback received.

Customer contact

We are committed to encouraging a digital-first approach which enables our customers to have access to our services when they want it. Our MyMoat web portal provides a channel where customers can complete a wide array of activities at their convenience from reviewing and paying their rent to logging and monitoring repairs, reporting a range of tenancy and lease matters, and updating their personal information. Use of the portal continues to increase yearly, with 188,648 log-ins in 2021/22.

We also recognise the importance of accessibility and inclusivity and continue to invest in a range of customer communication channels. Our main Customer Service Centre handled 169,661 calls, emails and webchats during the year. We have two dedicated trainers working with our Customer Service Advisors to help them provide consistent, high-quality customer service.

Income collection

Our customers have experienced a particularly challenging year. Government safety nets such as the Universal Credit uplift and furlough scheme ended, and a cost-of-living crisis has led to soaring utility and housing costs.

Our priority continues to be one of support. We take a proactive approach with early intervention and support from our in-house financial wellbeing specialists so rent arrears are avoided or reduced. Legal enforcement action remains a last resort.

This approach has helped us limit the impact of the external environment on our arrears figures. However, arrears for rented properties have increased to 3.22% (2021: 3.00%). Arrears for shared ownership properties have fallen to 1.59% (2021: 2.05%), with increased focus on these arrears during the year.

The bad debt per homes figure of £20 reflects the increase in arrears. We released some credit balances following a review of old accounts that we were unable to trace which, if included, shows a £3 credit per home.

Void turnaround

Void turnaround times continue to be higher than pre-pandemic levels, although they are down from last year (reducing from 92 to 58 days). Refusal rates for lettings remain higher than they were prior to the pandemic, and we are working with our local authority partners to ensure nominations agreements work for all parties concerned.

Morgan Sindall Property Services (MSPS) were appointed as our new void works contractor in April 2022. Our new contract with MSPS follows consultation with customers and staff across the organisation and has resulted in a higher overall lettable standard. We also expect the contract to bring reduced costs, particularly for additional works previously completed by a number of different contractors.

Our neighbourhoods

We carry out estate inspections to ensure our buildings and estates are well maintained, compliant and safe. We carried out 3,320 inspections this year and are increasing this number following feedback from customer focus groups. Due to the introduction of new technology, we will also be able to review and amend information maps of our estates during inspections to improve the data we hold.

Customer safety

This year, we received and responded to 1,410 reports of anti-social behaviour. Our focus is always to prevent and respond promptly to any report of nuisance, working with partners. Injunctions remain one of our primary enforcement methods, as this type of order enables us to take swift action to address the nuisance. We reviewed and introduced a new Anti-Social Behaviour Policy and Hate-Related Incident Policy, in line with best practice, the Social Housing White Paper, and customer and stakeholder feedback.

During the year we also raised 45 safeguarding cases. Our safeguarding lead promotes the role we play in identifying and reporting safeguarding concerns to protect a person's right to live safely and free from abuse and neglect. To support this role, we also recruited a number of internal safeguarding champions and worked with our contractors to highlight the role we play in keeping our customers safe and managing risk.

Our communities

To support our customers and the communities they live in, we spent £0.9m (2021: £0.8m) on our community investment activities including our work on Moat Foundation, welfare reform, fuel efficiency initiatives and the Pollards Hill Community Initiatives Fund.

Our work through Moat Foundation has a particular focus on young and older people. Overall, we supported 6,953 customers compared to 4,511 in the previous financial year. Our customers were affected by the pandemic in different ways with some people feeling more anxious about reconnecting with community activities and one another. We shifted our approach to accommodate this by offering services remotely using digital platforms, carrying out more outreach and welfare checks and taking information and services to people's door steps.

Working within the Government guidelines, we offered community activities across our five community hubs (located in Gravesham, Gillingham, Sittingbourne, Stanhope, and Maldon) and Pollards Hill. The activities and services were targeted to support individuals and families to help them stay afloat during the challenging times brought on by the on-going pandemic and cost of living crisis. These included:

- mental health support coffee mornings providing access to mental health counselling services, health and well-being advice and activities sessions (dance and movement, gentle exercise, walking groups, arts and crafts, social events such as tea dance and Christmas parties, and diet and nutrition sessions)
- access to welfare benefits advisors (Moat's Financial Wellbeing Officers and regional Customer Advice Bureaus) and regional fuel and food discount vouchers
- access to family support services, including support for domestic abuse cases
- emergency food packages and referrals to regional foodbanks for on-going support
- access to a range of regional specialist mentoring and employability support providers
- digital inclusion support sessions (face-to-face and on-line) for older customers and the unemployed
- term-time and holiday programmes for young people and targeted early intervention programmes to ensure that they are kept safe, well and fed.

We will be bold and ambitious for the future

Replacement Housing Management System (HMS)

In October 2021, our new housing management system was successfully launched, replacing a system which we had been using for over 20 years. This core system manages our housing assets, repair activity, and rent and service charge accounting.

This major project relied on expertise from across the business as members of the project team and testers as well as an external consultant.

The next phase begins in 2022/23 and will deliver improvements identified at the time of launch, such as enhanced repairs management with contractors.

Housing policy

Since its publication, we have been preparing to implement the proposals set out in the Government's 'Charter for Social Housing Residents'. We have a project team drawn from across the business who are working on this implementation. Their focus is informed by a gap analysis which identifies the work we need to do. We have also responded to consultations to help shape the Social Housing Regulator's proposals for developing legislation and tenant satisfaction measures, and we will continue to monitor developments in this area.

Our people

We believe that a fulfilled, well-supported and well-trained workforce allows us to give our best to the communities we serve.

We have a high level of staff engagement and this is supported through our most recent staff survey in which:

- 87% of our people state that they would recommend Moat as an employer to their family and friends
- 95% of our people feel that Moat have either been supportive or very supportive during the pandemic
- 82% of our people agree that Moat cares about their wellbeing.

We have continued to support our people and their wellbeing, introducing an agile way of working. Agile working gives our people the freedom to choose where they work while supporting the needs of our customers, the business, and their role.

We know that people will perform at their very best when they can be themselves at work, our commitment to equality, diversity and inclusion is central to our identity and workplace culture. Over the past year we have delivered several Let's Talk About sessions and will continue to do so moving forward. These sessions have included race, men's health, the menopause, financial wellbeing, neurodiversity, mindfulness and domestic violence.

Our diversity is increasing year on year, currently 16% of our workforce is represented by BAME employees, this mirrors demographics across the sector in the South East. We continue to monitor the diversity of our people on a regular basis and the work we do around this is increasing. A Diversity and Inclusion steering group has recently been formed to create a Diversity and Inclusion plan for the business. This group has also been initiated as a voice for our people, encouraging people to talk and share their experiences, enabling us to work better together, to be the change.

We are confident that pay across the board reflects the role our people perform, regardless of their gender. Our workforce consists of 70% female and 30% male, our long-established policies, such as enhanced maternity/paternity/adoption leave, flexible working options and shared parental leave, have had a part to play in addressing barriers which may disproportionately affect women. We value the benefits and talents that a diverse employee base brings. We seek to develop this talent through fair, transparent recruitment processes and open progression opportunities. Embedding equality in everything we do allows all of our people to be at their best, to realise their potential and ultimately, to help us in our aims to improve overall performance and deliver exceptional service to our customers.

We continue to develop an inclusive and supportive environment where we work as one Moat to improve the lives and experiences of our customers. To enable this we have adopted the Chartered Institute of Housing professional standards and have introduced new corporate values:

- We own it, taking personal responsibility for seeing things through
- We are better together and welcome every opportunity to learn and improve
- We lead by example, taking pride in making a difference to our residents' lives
- We strive to be the change and welcome new ideas and perspectives.

These values set out what we expect from our people, allowing them to provide the best possible service to our customers by encouraging them to take ownership whilst also giving them the tools to review how we can do things better.

We believe in developing our workforce, enabling us to attract and retain the best people, through continuous learning, coaching and mentorship.

Value for money

We are committed to maximising Value for Money (VfM) in all of our operations, while ensuring that we achieve our service level targets for our customers. To achieve this VfM focuses not only on costs but also on the quality of our services.

Our Board has ultimate responsibility for setting the VfM Strategy and overseeing progress, supported by the whole business and our residents. Our Strategy is designed to ensure that we comply with the VfM Standard and Code of Practice issued by the Regulator of Social Housing (RSH). It is a collection of core plans, strategies and procedures which together help us to manage our approach to VfM:

- Strategic planning – sets out our strategic ambition and how it can best be achieved
- Monthly key performance indicators monitor our performance against targets, enabling effective decision making
- Budget and long-term plan – we use the financial long-term plan to ensure compliance with our banking covenants and financial risk appetite, to ensure we have sufficient resources to invest in existing homes, and to determine our capacity to develop new homes
- Investment appraisals for all development activities are approved and monitored by the Capital Projects Committee, with larger schemes approved by the Board
- Asset management – we have a 30-year plan for works to maintain the quality of our existing homes
- Procurement – when tendering for large contracts, our procurement team assists the business in securing a cost effective contract which delivers a quality of service meeting our service level standards and incorporates the delivery of social value and community benefits
- Change management – we have programme management and processes for on-going improvements, e.g. digital and system developments, structure changes
- Social value – in making decisions we take into account the social value impact.

VfM metrics

We have monitored our performance against the seven VfM metrics issued by the RSH, comparing it to 2020/21 and to targets which were based on our 2021/22 budget.

Metric 1	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
Reinvestment %	6%	7%	7%

This measures our investment in new and existing homes as a percentage of the total value of properties we hold. We invested £88m in building new homes and replacing components such as kitchens and bathrooms in our existing homes. Spend on development was lower than budgeted mainly due to delays in our development programme as a result of supply chain issues caused by the pandemic.

Metric 2	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
New supply delivered (social housing units) %	2.5%	2.8%	2.2%
New supply delivered (non-social housing units) %	0.2%	0.2%	0.0%

The new supply metric for social housing units sets out the number of new social housing units that have been acquired or developed in the year as a proportion of total social housing units. We built 470 new homes in the year, which was 92 lower than budgeted due to the on-going shortages in materials and labour causing delays in handover. The remaining homes will be delivered in 2022/23.

The new supply metric for non-social housing units sets out the number of new non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units unsold at period end. We have a small non-social housing development programme with 30 homes delivered in 2021/22.

Metric 3	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
Gearing	30%	< 40%	34%

This metric assesses the degree of reliance on debt finance by measuring total debt divided by housing properties at cost. We have reduced our gearing level, with net debt (as per the metric's definition) decreasing by £34m and the cost of housing properties increasing by £60m. Compared to budget there was a lower level of borrowing required to fund the development spend.

Metric 4	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
EBITDA MRI Interest Cover %	223%	204%	224%

The EBITDA MRI (Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included) interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus generated compared to interest payable. Our performance is above target and we remain well within our lender covenants.

Metric 5	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
Headline social housing cost per unit (HSHC) £	£3,653	£3,653	£3,255

The unit cost metric assesses the cost of managing a social housing unit, using costs as defined by the Regulator. As compared to 2020/21, although there was a small increase in the number of homes managed, costs increased by £8.5m.

Metric 6	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
Operating margin (social housing lettings only) %	38%	39%	41%
Operating margin (overall) %	27%	27%	30%

The operating margin demonstrates the profitability of operating assets, measured as operating surplus divided by turnover. Our operating margin for social housing lettings has decreased due to increased spend on staff costs, routine maintenance and major repairs.

The overall operating margin excludes any surplus from the sale of fixed assets and is in line with our target.

Metric 7	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
Return on capital employed (ROCE) %	3.7%	3.1%	3.2%

This metric compares the operating surplus to total assets less current liabilities and assesses the efficient investment of capital resources. The increase reflects higher surpluses from first tranche sales, open market sales, staircasings and redemptions as compared to 2020/21 and the target.

Benchmarking against our peers

We have also carried out a benchmarking exercise using the VfM metrics and the global accounts data 2021 produced by the RSH. This comparison is therefore based on 2020/21 figures

We selected our peer group of eighteen other organisations consisting of G15 and CASE members (A2Dominion, Abri (formerly Radian), Catalyst Housing, Clarion Housing, Guinness Partnership, Hyde, London and Quadrant, Metropolitan Thames Valley, Network Homes; Notting Hill Genesis, One Housing, Optivo, Orbit, Paradigm Housing, Peabody Group, Southern Housing, Sovereign and West Kent).

Our rankings against our peer group are consistent with previous years. Our two lowest ranking metrics are:

- Our ranking on non-social housing supply reflects our strategy of only having a small open market sale portfolio.
- Our return on capital employed ranking has slipped to 6th reflecting the lower margins and surpluses on first tranche sales compared to 2019/20.

Benchmarking against our peers - VfM	Actual 2020/2021	Ranking v peer group 2020/2021	Ranking v peer group 2019/2020
Reinvestment	7%	2nd	11th
New supply delivered (social housing units)	2%	2nd	3rd
New supply delivered (non-social housing units)	0%	15th	12th
Gearing	34%	1st	1st
EBITDA MRI interest cover	224%	2nd	2nd
Headline social housing cost per unit (HSHC)	£3,255	1st	1st
Operating margin (social housing lettings only)	41%	2nd	2nd
Operating margin (overall)	30%	1st	4th
Return on capital employed (ROCE)	3.2%	6th	4th

We also take part in the Sector Scorecard benchmarking exercise where additional metrics are calculated and compared against the same peer group.

Comments on metrics where our ranking has declined:

- Occupancy - we have experienced a longer void turnaround time resulting in a higher number of voids, we recognise this as an area for improvement
- Rent collected – in 2019/20 we improved our arrears position by collecting over 100%. We were unable to replicate that performance in 2020/21, but in the current economic climate consider a collection rate of 99.6% to be a reasonable performance
- % of respondents very/fairly satisfied with overall service (rented) – although we have moved down the ranking, 77% satisfaction is the same as the previous year.

Moat key performance indicators (KPIs)

We produce a monthly performance report, covering the main operational KPIs, which reviews current performance against targets, highlights unexpected movements and reforecasts our year end position. This report is circulated to the Board for information and is discussed at board meetings. The performance of KPIs is also discussed at relevant Committee meetings. Additional KPIs monitored as part of the process are:

Additional KPIs	Actual 2021/2022	Target 2021/2022	Actual 2020/2021
Operating margin: as per financial statements	35%	31%	36%
Management cost per home: all activities	£1,208	£1,192	£1,104

This operating margin figure includes the surplus from fixed asset sales which was £7.6m higher than budgeted.

The management cost per home: all activities KPI is an internal measure which includes all payroll, including housing management teams, and office/overhead costs. These costs increased by £2m as compared to 2020/21.

Benchmarking against our peers - sector scorecard	Actual 2020/2021	Ranking v peer group 2020/2021	Ranking v peer group 2019/2020
Ratio of responsive repairs to planned maintenance	0.77	10th	11th
Occupancy rate	98.7%	13th	10th
Overheads as a percentage of adjusted turnover	9%	4th	8th
Rent collected (percent of rent charged)	99.6%	10th	2nd
% of respondents very/fairly satisfied with overall service (rented)	77%	10th	7th
Investment in communities (£000s)	£838	12th	12th

Moody's ratings assessment and comparison of rated registered providers

We are rated A2 by Moody's (A2 is described as, upper-medium grade and subject to low credit risk). Of the 42 housing associations that Moody's rate, four are rated A1, eleven A2, twenty six A3 and one Baa1. Against this very strong peer group we ranked 11th on operating margin. This is an extremely positive achievement given the relatively high size of our development programme and reflects the quality of our risk management.

Whilst the Moody's rating does not provide a direct opinion on VfM, it demonstrates Moody's positive opinion of Moat's strong financial performance, which leads to reduced funding costs on new borrowings.

Our key targets for next year

	Target
VfM metrics	
Reinvestment %	8%
New supply delivered (social housing units) %	2.5%
New supply delivered (non-social housing units) %	0.1%
Gearing %	< 40%
EBITDA MRI interest cover %	181%
Headline social housing cost per unit (HSHC) £	£4,131
Operating margin (social housing lettings only) %	37%
Operating margin (overall) %	29%
Return on capital employment (ROCE) %	3.1%
Other financial	
Operating margin: as per financial statements	35%
Management cost per home: all activites	£1,298
Delivering homes	
New home starts	400
New build completions	443
Unsold homes: more than six months old	-
Operational	
Overall satisfaction with services provided	74%
Routine repairs: right first time	95%
Current rent arrears: general needs, housing for older people and supported	3.00%
Current rent arrears: shared ownership	1.50%
Void turnaround in days	58

The VfM and other financial metrics are based on the 2022/23 budget. Although income is increasing with rent increases calculated on the higher levels of CPI and RPI, we are seeing higher costs across our contracts resulting in some of our targets being lower than our 2021/22 performance. For example, our new routine maintenance contract is showing significant increases from the impact of higher material and labour costs and staff costs reflect a rise in the number of staff to meet the needs of our customers.

The focus for 2022/23 will be:

- improving our customer satisfaction levels and void turnaround performance
- ensuring the new responsive repairs contract delivers as expected
- further development of our approach to sustainability and zero carbon.

Our finances

Our 2021/22 financial results show our continuing financial strength, despite the impact of the COVID-19 pandemic, increasing levels of inflation, shortages of materials and labour, and changing requirements for safety and net-zero.

Our overall surplus for the year has increased by 32% to £47.9m (2021: £36.4m) and our reserves increased to £538m (2021: £477m).

All of our surpluses are reinvested to maintain and improve our existing homes and build new ones where they are most needed.

Operating margins

Our operating surplus has increased to £64.1m (2021: £54.4m). The pressure on costs has however reduced our overall operating margin from 36% to 35% and our social housing lettings margin to 38% from 41%.

Income and expenditure	2021/2022 £m	2020/2021 £m	2019/2020 £m	2018/2019 £m	2017/2018 £m
Income from social housing lettings	114.8	108.3	103.2	99.6	97.1
First tranche sale proceeds	29.4	34.3	36.2	28.5	25.1
Open market sales proceeds	34.6	7.7	-	-	-
Other income	2.5	2.5	2.3	2.3	2.1
Turnover	181.3	152.8	141.7	130.4	124.3
Operating costs from social housing lettings	(71.3)	(63.6)	(62.2)	(59.7)	(55.6)
Cost of first tranche sales	(24.3)	(29.1)	(31.0)	(24.3)	(20.0)
Cost of open market sales	(29.7)	(7.6)	-	-	-
Other operating costs	(6.2)	(6.0)	(10.3)	(8.8)	(6.2)
Gain on disposal of fixed assets (staircasings and redemptions)	14.3	7.9	11.6	14.3	12.5
Gain in disposal of fixed assets	-	-	0.3	2.9	20.1
Operating surplus	64.1	54.4	50.1	54.8	75.1
Movement in fair values	5.3	1.8	(2.6)	-	7.3
Net interest costs	(21.5)	(19.8)	(20.8)	(18.5)	(17.8)
Taxation	-	-	-	-	(0.1)
Surplus for the year	47.9	36.4	26.7	36.3	64.5
Operating margin	35%	36%	35%	42%	60%
Operating margin: social housing lettings	38%	41%	40%	40%	43%

Financial position	2021/2022 £m	2020/2021 £m	2019/2020 £m	2018/2019 £m	2017/2018 £m
Housing properties	1,639	1,579	1,496	1,421	1,325
Other fixed assets	55	58	61	65	69
Net current assets	41	37	50	35	69
Housing loans, grants and other long term liabilities	(1,197)	(1,197)	(1,170)	(1,111)	(1,078)
Capital and reserves	538	477	437	410	385
Gearing	30%	34%	35%	35%	32%

Social housing lettings

Rental income has increased by £6.5m, from annual increases on existing homes and additional income from new homes. With operating costs increasing by £7.7m, the margin has decreased by 3%.

Asset sales

Asset sales performed strongly in the year.

Other operating costs

Other operating costs include £2.6m (2021: £2.3m) of costs for development activities and £1.0m (2021: £0.9m) impairment of schemes in development. The impairment consists of £1.1m on our development at Lydbrook Close where we have changed developer during the project and a reduction of £0.1m on schemes where we have reassessed the existing impairment. As at 31 March 2022 we held an impairment of £5.9m against our fixed assets (2021: £4.9m).

Net assets

Net assets increased by £61m to £538m, £60m of which was an increase in housing properties. Our investment to maintain and improve our existing homes and build new ones is funded by a mixture of loans, grant and reserves.

Social housing lettings costs	2021/22 cost £000	Change from 2020/21 £000	Comment on movement
Management	(18,553)	(1,616)	Increased staff costs, FTE increased by 16.5 to 361, more use of temporary staff
Service charge costs	(11,299)	(209)	Costs from new properties and inflationary increases
Routine maintenance	(13,312)	(2,568)	Increased volume of jobs completed, with 2020/21 being impacted by COVID-19 restrictions; higher number of voids requiring enhanced works as the profile included a larger number of properties with long-term residents
Planned maintenance	(4,447)	(118)	Higher volume, with 2020/21 being impacted by COVID-19 restrictions
Major repairs	(13,043)	(3,508)	Increased spend on building safety works completing actions highlighted in Fire Risk Assessments; fire remediation project at Leamington Court; full programme of component replacements
Capitalised major repair expenditure	8,009	975	Elements of increased major repair spend capitalised to fixed assets
Rent losses from bad debts	59	206	Write back of old former tenant credit balances
Depreciation of housing properties	(18,707)	(871)	Depreciation on properties handed over in the year and works capitalised in the year
	(71,293)	(7,709)	

Asset sales	2021/22 surplus £000	Change from 2020/21 £000	Actual margin	Accounting margin	Comment on movement
First tranche sales	5,065	83	16.4%	17.3%	We sold 259 homes in the year as compared to 307 homes in 2020/21, at a higher margin. NRV accounting entries in 2021/22 are the release of £0.4m on sales in the year and a write down in value of £0.2m.
Open market sales	4,881	4,689	12.3%	14.1%	We sold 46 homes in the year as compared to only 8 sales in 2020/21. NRV accounting entries in 2021/22 are the utilisation of £0.2m write down at March 2021 on sales in the year and a NRV improvement in value of £0.4m on remaining stock.
Gain on disposal of fixed assets	14,277	6,409	46.1%	46.1%	Subsequent sales of shared ownership properties and equity loan redemptions continued to perform well, showing an increase in numbers and margins. We achieved margins of 48.3% (2021: 42.1%) on 199 staircasings (2021: 122) and 39.8% (2021: 34.4%) on 101 redemptions (2021: 83).
	24,223	11,178			

Treasury

Our Treasury Policy is based on CIPFA's Treasury Management in the Public Services: Code of Practice; 2018 Edition. It is reviewed by the Finance Committee annually.

Liquidity

When we take into account undrawn facilities of £234m (2021: £197m) together with cash of £66m (2021: £33m), available liquidity was £300m (2021: £230m). Cash surpluses are invested in highly-rated UK regulated institutions. We currently hold a minimum of £15m of strategic investments across five instant access AAA-rated money market funds to mitigate against disruption in borrowing against committed loan facilities.

Borrowings

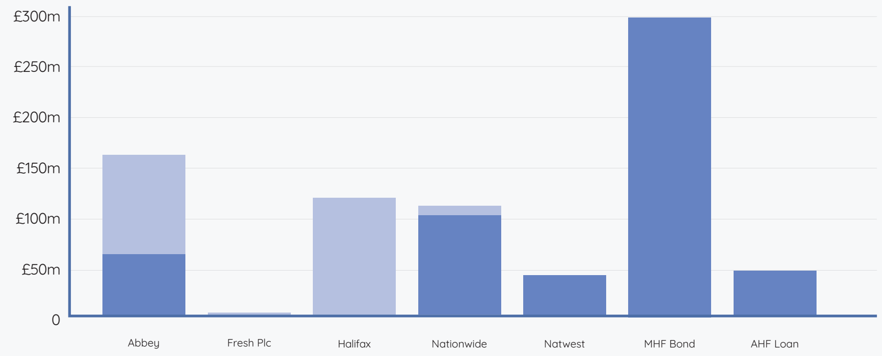
Borrowings at 31 March 2022 were £567m (2021: £569m), borrowed from banks and building societies in the UK as well as from the capital markets through bond issuance. The main factor affecting the amount and timing of borrowing is the pace of the development programme. All loans are secured by first fixed charges over housing properties. In April 2021 we sold the remaining £50m of retained bonds from our owned named bond of £300m through Moat Homes Finance plc, receiving funds of £73.8m. Funds were primarily used to repay revolving credit facilities and increase liquidity levels.

Refinancing risk is managed by ensuring that a minimal proportion of the overall debt portfolio is repayable over the next five years.

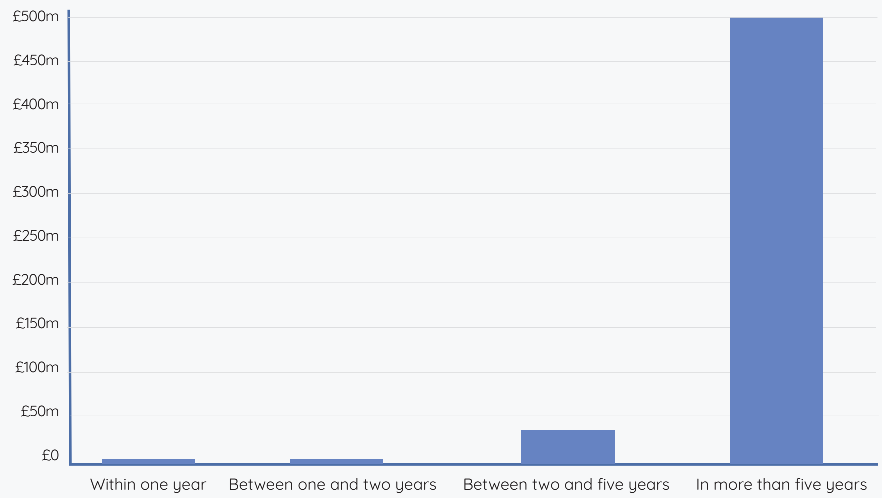
During the coming year we are intending to refinance revolving credit facilities which mature in the next 12 to 18 months and it is likely that we will be seeking to raise additional funds later in this time frame in order to ensure compliance with our conservative liquidity policy.

	2022		2021	
	£m	%	£m	%
Housing property at cost	1,842		1,767	
Depreciation and impairment	(203)		(188)	
	1,639		1,579	
Financed by:				
Loans (net of cash)	499	31%	533	34%
Grant	465	28%	461	29%
Reserves	595	36%	545	35%
Other	80	5%	40	3%
	1,639	100%	1,579	100%

The breakdown of drawn and undrawn facilities by funder at 31 March 2022 is:



The maturity profile of the existing drawn loan portfolio is:



Public bond

The original £150m, 5%, 2041, secured bond was issued by Moat Homes Finance plc (MHF) in 2011 when £100m was sold to investors, and the remaining £50m was sold during 2013/14. The bond was tapped by the issue of a further £150m in November 2019, of which £50m was retained and sold in April 2021. The finance raised has been lent to Moat Homes Limited (MHL) under a secured loan agreement. The interest payable on the bond is fixed rate therefore there is no exposure to variable rate movements. The interest payable by MHL to MHF is at the same fixed rate. The bond is secured by a first fixed charge over housing properties, valued at market value subject to tenancy, which meets the asset cover ratio. The properties charged are owned by MHL and under a Security Trust Deed provide the security for the intergroup loan and the Bond.

Hedging

Our hedging strategy seeks to manage interest rate risk by requiring between 60%-90% of our debt to be at fixed rates. In addition to fixed rate debt the group uses standalone interest rate derivatives to hedge against exposure to variable interest rates. We actively monitor market conditions for opportunities to reduce future borrowing costs and if identified we may enter new swaps and/or break or modify existing swaps within the parameters of the group's approved Treasury Strategy. We made the decision to incur break costs of £2.4m (2021: £2.3m) in respect of five swap facilities with a total value of £60m and one forward fixed rate loan with a value of £20m.

The position at 31 March 2022 including interest rate swaps was:

	2022		2021	
	£m	%	£m	%
Variable rate	69	12%	64	11%
Fixed rate	498	88%	500	89%
Total borrowings	567		564	

Interest rate swaps are marked to market with movements in the fair value shown in the Statement of Comprehensive Income. Collateral provided at 31 March 2022 consisted of entirely property security. There has been an increase in the value of financial instruments of £15.5m, of which £10.2m (2021: £10.2m increase) relating to our fully effective hedges is shown in other comprehensive income.

Currency risk

There is no currency risk as all borrowings and deposits are in Sterling.

Covenants

Our primary covenants on our debt facilities are set at borrowing entity level. Our bank loans have both interest cover and gearing covenants, whilst our public bond requires the maintenance of required asset cover. Our covenants are closely monitored throughout the year and were complied with at 31 March 2022.

Cash flows

The Group statement of cash flows is on page 52. The statement shows continued high levels of capital spend on fixed asset housing properties at £89m (2021: £108m). Also, within cash generated from operating activities is £20m (2021: £19m) expenditure on new properties for sale, giving a total spend of £109m (2021: £127m) on new builds. The expenditure has been funded mainly by cash generated from first tranche sales and open market sales (£64m), fixed asset property sales (£31m) and drawdown of funds.

Financial outlook

In April, inflation levels hit 9% in the UK with concerns that price rises are stubborn and will remain in place even as the economy slumps. A strong UK labour market is bolstering house prices with the number of job vacancies reaching a record 1.3 million in the opening three months of 2022. UK consumer confidence is falling as the surging cost of living and Ukraine war weigh on economic sentiment. Confidence level indicators nose-dived to levels last seen in the early 1990s and 2008.

High and increasing inflation is causing considerable uncertainty for decision makers and market participants.
The stresses and strains of the cost of living increases are, on the one hand effectively creating negative earnings growth and the broader dampening effects of commodity price inflation, whilst on the other hand, adding further to the inflationary risks through wage inflation. Nevertheless, at the moment SONIA forward rates are implying that by 2023/24 the market is pricing in the expectation of rate cuts.

Finance to the housing market remains readily available although we are now starting to see the upwards interest rates trend manifest in spreads and new issue premia as well as underlying rates. Investors and lenders continue to value the core strength of housing associations' stable rental income, social mission and ESG credentials.

Risks

Risk is inherent in our business activities, the delivery of our operations and the decisions we make as we work to end housing need

Our Board is ultimately responsible for agreeing the nature and extent of the risks that we are willing and able to take as a business. The Audit Committee ensures that risk is effectively managed through our governance structure in line with the Board's risk appetite.

Our approach to risk management is defined in our Risk Strategy and Management Framework. This is updated and reviewed annually by the Audit Committee to ensure that it reflects best practice and the operating environment.

Risks with the potential to impact the whole business are managed as strategic risks. The Strategic Risk register is reviewed monthly by the Executive Team, by the Audit Committee at each quarterly meeting and by the Board twice a year.

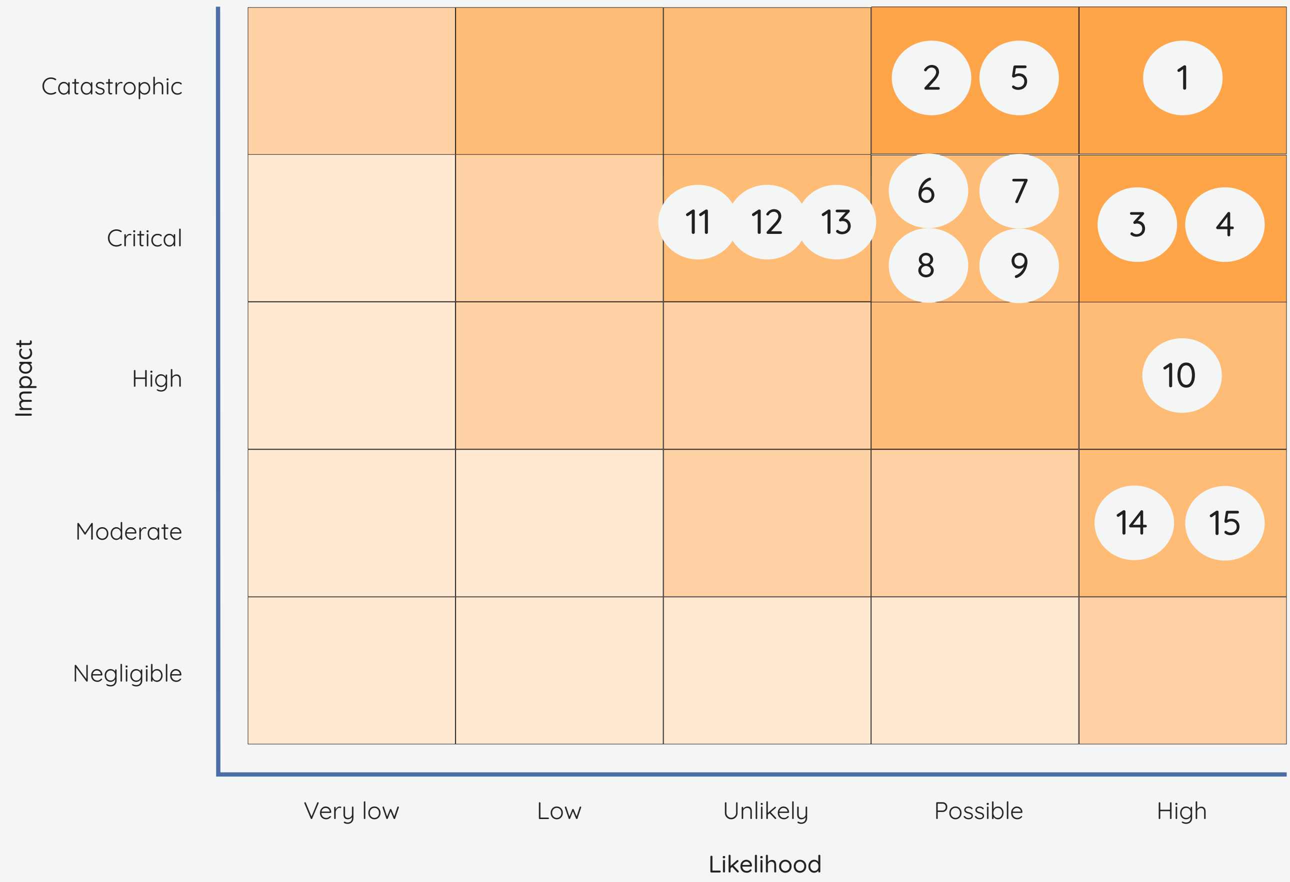
Operational risks, which have a more limited potential impact, are managed by the Senior Leadership Team and reviewed quarterly by the Executive Team as part of the systematic control review. All staff are also responsible for maintaining an awareness of risks in their area of work, keeping these under review and managing them effectively.

Strategic risks

Moat's 15 strategic risks:

No.	Strategic Risk Description
1	Compromise of information systems and/or data
2	Failure of safety management
3	Severe breach of data protection
4	Exposure to falling house prices, particularly in market sale business and shared ownership
5	Maintenance of financial covenants
6	Economic impacts on income collection as a result of COVID-19, welfare changes and Brexit
7	Reduced availability of credit impacting on market sales and shared ownership products
8	The impact of economic uncertainty on Moat's ability to deliver its objectives
9	Failure to transition effectively to a new repairs and maintenance contractor
10	Financial failure of contractors caused by increased cost of materials and labour
11	A change in Recycled Capital Grant policy and a requirement to pay back proceeds of staircasing to Homes England (HE)/Greater London Authority (GLA)
12	Failure to recruit and retain excellent people to deliver Moat's objectives
13	Failure to meet government timescales for Eco performance/zero carbon for existing stock and uncertainty of technology and impact on business plan. Increased fuel poverty amongst residents.
14	Increased requirements following a review of building regulation and issues relating to the Grenfell Tower fire
15	The impact of new products introduced in the new 2021/26 Affordable Homes Programme (AHP)

The Strategic Risk Heat Map highlights gross risk.



We have controls and mitigation activities in place to reduce the impact or likelihood of a risk crystallising. The mitigations in place for our five highest scoring risks are:

Risk description	Strategy	Mitigations
Compromise of information systems and/or data	Mitigate	• Dedicated security engineers for managing cyber security threats • Robust processes including Disaster Recovery solution • Regular penetration testing and security simulations • Additional security measures requiring multi factor authentication • Managed threat response system
Failure of safety management	Mitigate	• Independent health and safety oversight of compliance • Dedicated building safety team • Expert technical support and audit
Severe breach of data protection	Mitigate	• Mandatory training for all employees • Information governance and data protection resources • System controls
Exposure to falling house prices, particularly in market sale business and shared ownership	Mitigate	• Conservative approach to valuations/first tranche shares in investment appraisals • Marketing strategies and incentives to optimise sales
Maintenance of financial covenants	Mitigate	• Conservative assumptions built into Long Term Financial Plan and detailed stress testing undertaken • Monthly analysis of impairment risk and strategies to mitigate this risk

Violet Fields, Coxheath

Spacious three and four bedroom houses in the charming village of Coxheath in Maidstone

Leadership and governance

The Board is responsible for setting our strategic direction in line with our mission to eliminate housing need and our charitable objects.

The Board is Moat's governing body and is made up of:

- Independent Non-Executive Directors, appointed through a competitive recruitment and selection process; and
- the Chief Executive and two Executive Directors.

It oversees the performance of the organisation and the work of the Executive Team. As part of the Regulator of Social Housing's (RSH) co-regulatory approach, the Board is also responsible for ensuring that Moat uses its resources effectively and complies with regulatory requirements.

Moat Homes Limited Board		Number of meetings attended (5 in total)
Steve White	Independent, Chair	4
Mark Foster	Senior Independent	5
Tim Boag	Independent	4
David Brocklebank	Independent	5
Jeremy Ellis	Independent	5
Ian Lindsay (retired June 2021)	Independent	1
Gerard McCormack	Independent	5
Jo Moran	Independent	5
Caroline Ross	Independent	4
Elizabeth Austerberry (resigned April 2022)	Executive	5
Mary Gibbons (appointed April 2022)	Executive	-
Steve Nunn	Executive	4
Greg Taylor	Executive	5

Our Non-Executive Directors

Steve White

Independent Chair

Steve joined Moat's Board in July 2016 and took the reins as Chair of the Board in May 2018. He has spent most of his career leading organisations through large transformational change, including a period as Chief Executive of the Hyde Group which sparked his passion for all things housing. Steve has also been the Chairman of Origin Housing and has worked as an independent interim executive in senior roles at The Law Society, University of Southampton, Solicitors Regulation Authority, RBS, and T-Mobile. Steve is also a current Board Member of Habinteg and a Trustee at BLESMA, a military charity for limbless veterans.

Mark Foster

Senior Independent Director

Mark joined Moat's Board in May 2016, having spent most of his executive career in marketing and international development roles in the entertainment industry. He has been at the forefront of all aspects of digital transformation, including customer engagement, marketing and reporting, and brings a fresh perspective to Moat as we transform to better meet the needs of customers and stakeholders. Mark is an established portfolio NED and Chair and also serves as Senior Independent Director for 7Digital Group, Chair of MIDiA Research, Session.id and Spacehive, and Acting Chair of KitMapper.

Tim Boag

Independent Director

Tim joined Moat's Board in December 2017. He brings a wealth of financial experience from his current role as Group MD of Business Finance at Aldermore Bank. Tim has had an extensive career with RBS/NatWest where he has carried out roles in corporate banking, commercial banking, finance and risk across a wide range of industry sectors. He has also been a Director of the Business Growth Fund, member of the CBI London Council, and Board member at the Chartered Banker Professional Standards.

David Brocklebank

Independent Director

David joined Moat's Board in January 2021. He is currently the Executive Managing Director of Wates Developments Group, having held several roles within the business since joining in 2001. He has 28 years of development experience under his belt, having previously held Directorships with the Berkeley Group and David Wilson Homes. As a prominent figure in the industry, David maintains a keen interest in planning policy, housing delivery and supply. He sits on the Boards of a number of development project companies, is a founding Board member of the Land Promoters and Developers Federation and has sat on the Advisory Committee of the MSc in Sustainable Development at Oxford University.

Jeremy Ellis

Independent Director

Jeremy joined Moat's Board in January 2021. He has enjoyed a 27-year career at TUI Travel in customer-centric roles ranging from product management, innovation and business transformation to his most recent six-year stint as Marketing and Customer Experience Director. He has launched several of TUI's most successful holiday products including their flagship range of Sensatori Hotels and championed the integration of TUI's end-to-end customer journey across retail, digital, airline, cruise, hotels, destinations and customer service. Jeremy also led TUI's sustainability strategy and was a trustee of the TUI Care Foundation. He is an Ambassador of the Family Holiday Association.

Gerard McCormack

Independent Director

Appointed to the Board in February 2015, Gerry brings 12 years of housing experience from his time as an Independent Director and Chair of Audit and Risk at Thames Valley Housing. His career includes a period as Group Finance Director of publicly listed companies with substantial housebuilding and construction businesses. Gerry enjoys sharing his executive and non-executive commercial and financial experience for the benefit of the social housing sector. He also serves on the Board of a not-for-profit regulatory body as Audit Committee Chair and is Chair of an independent girls school.

Jo Moran

Independent Director

Jo joined Moat's Board in June 2014. She recently retired from Marks & Spencer where she led the change plan to take the business forward as Head of Transformation for the Retail and Property Group. She has also worked as Head of Customer Service at M&S where she championed, planned, and delivered the customer experience across all channels for the UK operation. Until July 2015, Jo was also Chair of Governors at her local primary school, putting her business skills to use in the community. As a result of this work, Jo has come to understand the importance of stable and decent housing as the foundation for successful education.

Caroline Ross

Independent Director

Caroline joined Moat's Board in November 2020. She heads up all areas of the People strategy, organisational culture and HR synergies across the Flutter Group, a FTSE 40 company. Her particular areas of expertise are building inclusive cultures, people development, leadership and change management. Previously, Caroline was responsible for HR, internal comms and workplace design at Moneysupermarket Group PLC in her role as Chief People Officer. She has also spent two years at Channel 4 where she led the people and HR functions as Chief Human Resources Officer.

Our Executive Team

Elizabeth Austerberry

Chief Executive (retired in April 2022)

Elizabeth was appointed at the beginning of 2013 and has guided Moat through a challenging economic and policy environment, maintaining its strong financial position whilst driving an ambitious development programme. Elizabeth is passionate about ensuring that as many people as possible have access to an affordable home, either to rent or to buy and is on the Board of the National Housing Federation. Elizabeth's career has been spent at the nexus of property and finance, having been a director of a number of major banks, in addition to DTZ, Savills and Ernst & Young.

Mary Gibbons

Chief Executive

Mary joined Moat as Chief Executive in April 2022, having spent the previous 30 years in social housing. Working with Moat's Executive Team and Board, she ensures Moat continues to provide customer-focused services and the right homes in the right places. She brings with her a wealth of sector experience, from working in hostels for the homeless early in her career to her most recent role as Chief Executive of Essex-based housing association, CHP. Mary's successful track record in leadership includes previous appointments as CEO at Hundred Houses Society, Executive Director at Swan Housing Association and Chair of BuildEast, a group of housing associations that champions growth in the East of England. She is currently a Non-Executive Director at HACT and an Advisory Board Member at Essex Business School.

Carrie McKenzie

Executive Director: People, Communications and Organisational Change

Carrie joined Moat in early 2020 to lead and set the strategic direction for people and communications. After supporting the organisation through its recovery from the pandemic, Carrie joined the Executive Team in September 2021. Carrie is passionate about colleagues achieving their full potential and raising the profile of the important work Moat carries out. Prior to joining Moat, Carrie worked for Medway Council where she was an assistant director leading on a large-scale transformation programme and the senior lead for a wide range of operational teams delivering services to the people of Medway. Carrie is a fellow of the CIPD.

Steve Nunn

Executive Director: Development and New Business

Steve was appointed in April 2009. Having worked in the housing sector since 1989, he brings a wide range of experience in housing management, operations, property services, asset management, shared ownership, estate and social regeneration and development. Prior to joining Moat, Steve spent 18 years at the London and Quadrant Group where his last role as Managing Director of the home ownership specialist, Tower Homes, saw him lead on Tower Homes' three-star audit inspection. Steve is currently a board member of B3 Living and Chair of their Development Committee.

Puneet Rajput

Executive Director: Governance and Compliance; Company Secretary

Puneet was appointed in March 2022 to lead on governance, health and safety, risk management and compliance across Moat's diverse business activities. He is a chartered company secretary by profession and brings with him over 20 years' experience of working with executive teams and boards to provide corporate governance, regulatory and assurance support to a range of organisations. He is passionate about good governance underpinning the delivery of Moat's purpose and is keen for governance to add value and help drive continued long-term sustainable performance in the business. Previously, Puneet spent five years at Homes of Haringey, where he was the Executive Director of Corporate Affairs. He is also currently a board member of Inquilab Housing and chair of its Remuneration and Nominations Committee.

Greg Taylor

Executive Director: Finance and Corporate Services

Greg was appointed in December 2009 and works with Moat's Executive Management Team to set and achieve challenging internal and external financial targets. Greg also oversees the Information Technology team and Digital Transformation initiatives across the business. Greg feels strongly that as an organisation funded partly through Government, Moat must be transparent, honest and resourceful in how income is spent. Since joining Moat he has provided vital advice and guidance to support the Finance Directorate and maintain Moat's strength despite the difficult external financial environment. Previously, Greg was employed at Cert Octavian plc, a national logistics and distribution business, where he held the position of Finance and Commercial Director. Originally trained as a Chartered Accountant at Deloitte Touche, Greg is also a qualified Corporate Treasurer.

The Board has delegated some of its functions and detailed work on assurance to its Committees and delegated the delivery of the strategy and operations to the Chief Executive.

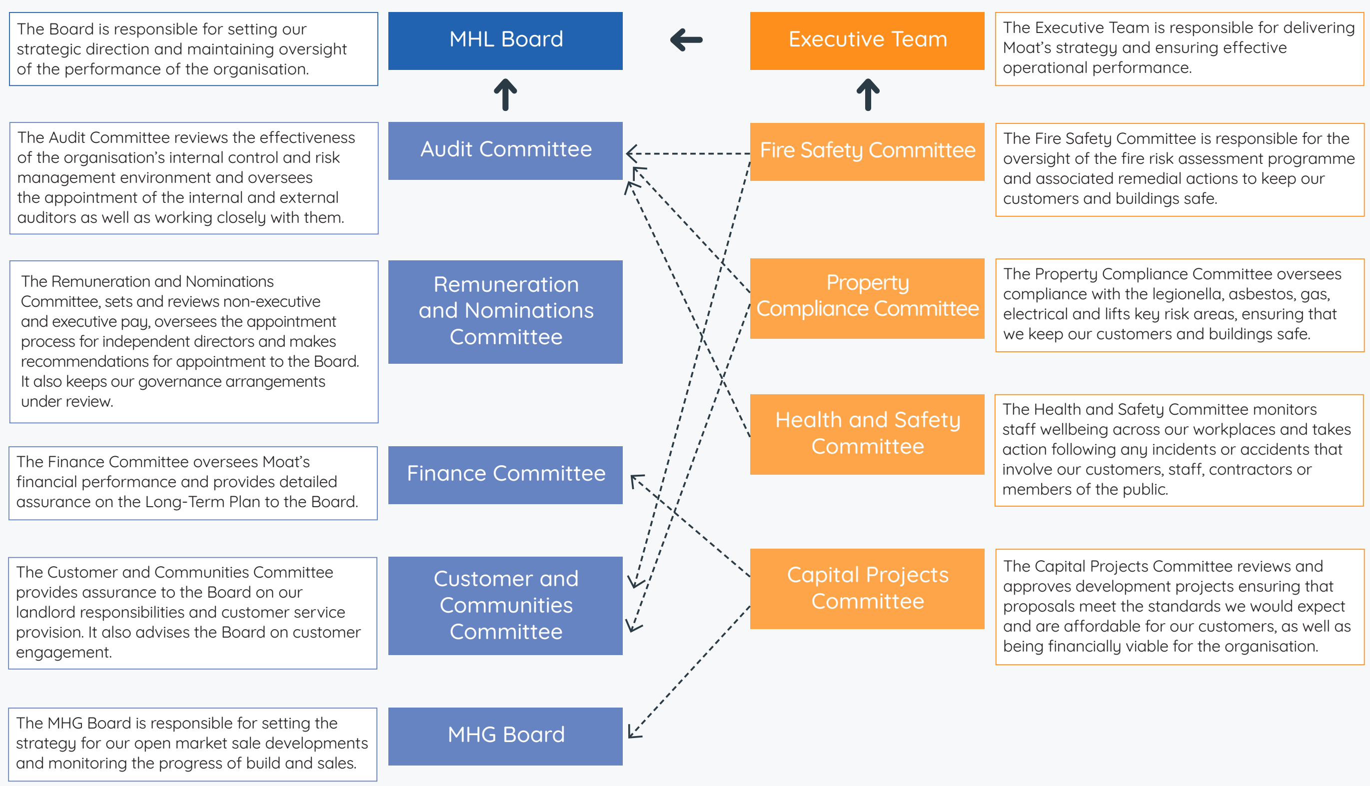
The Board has established a Committee Structure in order to oversee, and seek assurance on, the effective delivery of business services. This is set out in the diagram below which summarises the different responsibilities of each Committee. The bold arrows show the reporting relationship between the Board, committees and groups and the dotted arrows show the flow of information and assurance. Full reports on the work of the Audit Committee and the Remuneration and Nominations Committee can be found from pages 39 to 41.

Executive Team	
Elizabeth Austerberry	Chief Executive (resigned April 2022)
Mary Gibbons (appointed April 2022)	Chief Executive
Matthew Hayday (resigned November 2021)	Executive Director: Governance and Compliance; Company Secretary
Anne-Britt Karunaratne (resigned July 2021)	Executive Director: Housing and Customer Services
Carrie McKenzie (appointed September 2021)	Executive Director: People, Communications and Organisational Change
Steve Nunn	Executive Director: Development and New Business
Puneet Rajput (appointed March 2022)	Executive Director: Governance and Compliance; Company Secretary
Greg Taylor	Executive Director: Finance and Corporate Services

There were two interim directors covering executive positions for part of the year:

Howard Dawson - Executive Director: Housing and Customer Services
Sara Thomson - Executive Director: Governance and Compliance

Committee Structure



Audit Committee		Number of meetings attended (4 in total)
Gerard McCormack	Chair	4
Jeremy Ellis		4
Mark Foster		4

Finance Committee		Number of meetings attended (4 in total)
Tim Boag	Chair	4
David Brocklebank		4
Gerard McCormack		3
Steve White		4
Greg Taylor		4

Customer & Communities Committee		Number of meetings attended (4 in total)
Jo Moran	Chair	4
Jeremy Ellis		4
Mark Foster		4
Caroline Ross		4
Howard Dawson (appointed July and left November 2021)		1
Anne-Britt Karunaratne (resigned July 2021)		2
Steve Nunn (appointed November 2021)		1

Remuneration & Nominations Committee		Number of meetings attended (3 in total)
Mark Foster	Chair	3
Jo Moran		3
Caroline Ross		3
Steve White		3

Governance review

In line with good governance and best practice, we carry out an external review of our governance arrangements every three years. Recommendations from the latest review carried out by Campbell Tickell in March 2020 have been implemented. The Board undertook its annual internal effectiveness assessment from April to May 2022. Overall the results support the view that the Board continues to be effective and performs well in its role and in discharging its responsibilities.

Governance Code

In line with good governance and the requirements of the regulatory standards, we have adopted the UK Corporate Governance Code. We regularly review our compliance with the code and have identified the areas discussed in the table opposite that are not applicable to Moat as a registered provider and Registered Society under the Co-operative and Community Benefit Societies Act 2014.

The Board can confirm that Moat is compliant with the remaining provisions of the Code in as far as they can be reasonably applied to a registered provider and Registered Society.

Regulatory compliance

Regulator of Social Housing (RSH)

As a registered provider of social housing, we have a duty to comply with the regulatory regime set out by the RSH. Moat's governance and viability rating at the end of the financial year was G1/V1.

We undertake an annual assessment of our compliance with the regulatory standards and were fully compliant in all material respects during the year and up to the date of signing.

Financial Conduct Authority (FCA)

In order to deliver some of our services, such as referring customers to our panel of mortgage advisors and managing our historic equity loans, we are required to be authorised by the Financial Conduct Authority (FCA). In compliance with the Senior Managers and Certification Regime we can confirm that Moat had the required arrangements in place as at the annual deadline in December 2021.

Code Principle/Provision	Explanation
Principle D, provision 3 - regular engagement with major shareholders	Moat has no major shareholders. All shareholders have an equal, nominal share of £1.
Principle D, provision 4 – consultation with shareholders following 20% or more votes cast against the Board	All shareholders have an equal, nominal, non-beneficial share of £1.
Principle D, provision 5 – report on stakeholder interests and the matters set out in s.172 of the Companies Act 2006	Companies Act 2006 does not apply. Moat engages with its workforce through an Employee Forum, led by the workforce and attended by the Chief Executive and Executive Director: People, Communications and Organisational Change.
Principle K, provision 18 - all directors should be subject to annual re-election	Independent Non-Executive Directors are reappointed up to a maximum of nine years in line with NHF model rules. The first two appointments are for three-year terms, followed by annual review as part of the succession planning process.
Principle N, provision 30 – going concern and annual and half-yearly financial statements	Moat is not required to produce half-yearly statements.
Principle Q, provision 36 - Remuneration schemes should promote long-term shareholdings by Executive Directors	Moat does not have shareholdings by Executive Directors.

Stakeholder engagement

An open and transparent relationship with our customers and our wider stakeholders is an important part of the way we operate. Regular engagement enables us to build trust in our services and integrate us within the local communities that we serve.

Statement of responsibilities of the Board

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the surplus or deficit for that year.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 Moat will continue in business.

The Directors are responsible for keeping proper books of account that disclose at any time the financial position of the Group and the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing

2022. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Association and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Moat's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board confirms that the Strategic Report follows the principles set out in the Statement of Recommended Practice, Accounting by Registered Social Housing Providers Update 2018 (SORP).

The Board confirms, so far as it is aware, there were no acts of modern day slavery during 2021/22. We are fully committed to combatting slavery and human trafficking and have implemented training, systems and controls. Moat's Modern Slavery Statement can be found on-line at moat.co.uk.

The Board confirms that it considers that the Strategic Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess Moat's performance, business model and strategy.

The Board members who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which our auditor is unaware and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that our auditor is aware of that information.

Statement of effectiveness of internal controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control for Moat, and for reviewing its effectiveness and management of fraud risk. The Board's responsibility extends over matters covering strategic, operational, financial, and compliance issues. The Board delegates the review of the effectiveness of the organisation's internal control and risk management environment to the Audit Committee, receiving an annual report.

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, giving reasonable, but not absolute, assurance against material misstatement or loss. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of Moat's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. The Risk Management Framework is updated and reviewed annually by the Audit Committee. The strategic risk register is reviewed by the Audit Committee at each of its four meetings and by the Board twice a year.

The Senior Leadership Team review the operational risk register quarterly and sign-off compliance with operational controls. The sign-off process is monitored by the Executive Team.

There are clear lines of authority, responsibility and accountability throughout Moat including:

- a Code of Conduct for Employees
- Terms of Reference for the Board and Committees
- a framework of policies and procedures which cover fraud prevention and detection, whistle-blowing, health and safety, data and asset protection, financial delegated authorities, segregation of duties, accounting, and treasury management
- key performance indicators, operational and financial, are monitored by Committees and the Board.

The Board continues to believe that outsourced provision of the internal audit function best supports an independent and detailed review of key procedures and controls across the business. The Audit Committee oversees the appointment of the internal auditors and agrees the annual audit plan, which is risk based, in advance. The internal auditors present their reports at each Committee meeting.

The Board have reviewed the system of internal controls for the year ended 31 March 2022 and have received sufficient assurance on the adequacy of controls in the year under review. There has been no major breach within the year and up to the date of signing the financial statements that requires disclosure.

Health and Safety

Our Health and safety Policy Statement and detailed Health and Safety Management Policy and Procedures set out our intentions for the health, safety and welfare of employees, customers and others who may be affected by Moat's operations. We have a well-developed Health and safety management system in place, with clear responsibilities for the Board, managers and staff supported by training on health and safety matters. The following help provide oversight and scrutiny of health and safety at Moat:

- Health and Safety Committee (Chaired by the Executive Director: Governance and Compliance)
- Fire Management Committee (Co-chaired by Executive Director: Development and New Business and Executive Director: Governance and Compliance)
- Property Compliance Committee for Legionella, Asbestos, Gas, Electricity and Lifts (Co-chaired by the Executive Director: Development and New Business and the Executive Director: Governance and Compliance)
- Annual external Technical Audits on Fire Safety, Legionella, Asbestos, Electrics and Lifts
- Rolling Fire Risk Assessment programme conducted by external consultants (Savills)
- Fire management inbox set up for residents' queries and communicated on Moat's website along with fire safety information
- Reports to the Executive Team monthly and Audit Committee quarterly, incorporating performance against key performance indicators
- Formal annual reports to the Board, with ad hoc reports on significant emerging issues

Statement of going concern

In March 2022 the Board approved the budget for 2022/23. Despite the challenges of inflationary pressures and continuing higher costs for fire safety works, the budget meets the operating margin and EBITDA "Golden Rules" set by the Board.

In June 2022 the Board reviewed the 30-year long-term financial plan which builds on the 2022/23 budget as the base year and includes detailed stress testing and recovery planning. The plan is based on a development pipeline of 650 homes per annum and includes additional costs in the medium/long-term to meet fire remediation and zero carbon costs. The plan maintains a strong liquidity position and meets banking covenants throughout, without relying on asset sales to pay interest. The stress testing also indicates that there is sufficient headroom on covenants to allow for remedial action to be taken in the event of adverse external conditions or if the assumptions used in the plan change.

In line with our Treasury Management Policy, we maintain sufficient liquidity to cover the forecast net cash requirement for at least 12 months, plus £15m to cover adverse mark-to-market (MTM) movements in our standalone swaps.

The Board has concluded that there is a reasonable expectation that Moat has adequate resources to continue in operational existence for at least 12 months after the signing of these accounts. It therefore continues to adopt the going concern basis in the financial statements

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of Moat taking account of its current position and principal risks. This assessment was made using Moat's core business processes, including the following:

- Long Term Plan (LTP) – the Board reviews the 30-year financial LTP each year as part of its strategic review process. The current LTP includes estimates of spend that will be required to meet fire safety and zero carbon recommendations and a development programme of 650 homes per year. The process includes detailed stress testing which involves flexing a number of the main assumptions underlying the forecast both individually and together under particular scenarios. The scenarios include the Bank of England stress test and consideration of liquidity, impairment, potential rent cap for 2023/24 and security capacity risks. The current plan complies with our "Golden Rules" and covenants, passes our stress testing and is consistent with our Risk Appetite.
- Risk management – as set out in the Risk section of the Strategic Report, Moat has a structured approach to the management of risk and the principal risks identified are reviewed regularly by Board.
- Liquidity – based on the output of the LTP and regular re-forecasting of cash flows the Board regularly reviews an analysis looking at the forecast working capital requirements, cash flow, committed borrowing and other facilities available to Moat. Our liquidity target requires us to have sufficient liquidity to cover our net forecast cash requirements for three years, assuming all sales are delayed by 12 months, with a £15m buffer.
- Viability rating – our viability rating from the Regulator of Social Housing is V1.

In undertaking this review a period of three years has been selected. For the initial year there is a greater level of certainty because a detailed annual budget has been prepared and regularly re-forecast. The quarterly cash flow forecasts reviewed by the Board cover a rolling three-year period. The largest single area of spend is the development programme and if we stopped commissioning development it would take less than three years to build out the committed development programme. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that Moat is viable beyond its usual development commitment timeframe.

On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that Moat will be able to continue in operation and meet its liabilities as they fall due over the three-year period used for the assessment.

Post year end events

There have been no events post 31 March 2022 which require disclosure.

Approved by the Board and signed on its behalf by:

Steve White
Chair
28 July 2022

Beulah Hill, Croydon

A collection of one, two, three and four bedroom apartments for shared ownership in the highly-sought after area of Beulah Hill in Crystal Palace, Croydon

Report of the Audit Committee

The Audit Committee (the Committee) reviews the effectiveness of Moat's internal control and risk management environment and oversees the appointment of the internal and external auditors as well as working closely with them.

The Board has delegated this responsibility to the Committee to ensure that these matters can receive the detailed oversight and challenge they require. The Committee operates in line with its terms of reference which are reviewed annually to ensure they remain fit for purpose and reflect best practice.

The Committee provides assurance to the Board on Moat's arrangements for risk management and internal control having itself been assured through:

- the work of the Executive Team and Senior Management as set out by the cycle of business
- considering regular reports on risk management and internal control
- conducting an annual review of the risk management framework
- directing the work of the internal and external auditors and reviewing the findings and recommendations from their work.

Composition

The membership of the Committee is made up of three independent Non-Executive Directors, one of whom is the Chair. Details of Committee members and their attendance can be found on page 34.

Committee evaluation

The Committee conducts an annual evaluation of its own effectiveness and makes a report to the Board. This includes a:

- survey of the committee members on various aspects of the Committee's work
- narrative report of how the Committee has met its terms of reference
- summary of the Committee's future focus and development needs.

The Committee undertook its effectiveness survey in April and May 2022. This was completed by all members of the Committee. Overall, the results demonstrated that the Committee is performing well and is effective at undertaking its role and fulfilling its remit.

The review covered all of the key elements of the Committee's terms of reference. All of the questions received high scores which was in line with the results from the previous year, demonstrating a consistency in performance over time.

The Committee's key areas of responsibility are:

- Financial reporting
- Internal and external audit
- Compliance, whistleblowing and fraud
- Oversight of risk management and internal controls assurance.

Evidence of the Committee's work in these areas is set out within this report.

Looking ahead to 2022/23, a principal focus of the Committee will be overseeing the work of Beever and Struthers, our newly appointed internal auditor. The Committee expects a positive impact from new executives joining Moat and continuing improvement in its own effectiveness.

2021/22 meetings

In order to facilitate its work, the Committee invited the following individuals to its meetings throughout the year:

- Chief Executive
- Executive Director: Finance and Corporate Services
- Executive Director: New Business and Development

- Executive Director: Governance and Compliance
- Director of Accounting Services
- Risk and Assurance Manager
- Head of Health, Safety and Facilities Management
- Head of Technical and Building Safety
- Director of Information Systems
- Internal and External Audit representatives (PwC and BDO respectively)
- Other Moat colleagues as required.

The Committee met four times during the financial year. In addition to the routine cycle of business, the Committee oversaw Moat's management of cyber security and the review of key policies within its remit. The Committee continued to challenge management on the effectiveness of financial controls and authorisations in a remote working environment and on the ability to maintain key health and safety compliance.

Internal audit

During the year the Committee oversaw delivery of the internal audit plan by Price Waterstone Coopers (PwC) and completion of all recommended actions due by 31 March 2022. Only low-risk findings were identified from the reviews carried out. An independent review of landlord health and safety management carried out by Savills consultancy found the scope and scale of internal assurance activities to be amongst the best in the sector led by demonstrably competent management. Landlord health and safety will continue to remain a key area of focus for the Committee.

The Committee supervised the re-procurement of the internal audit function and will ensure a smooth transition between PwC and the new incoming Internal Auditor, Beever and Struthers.

External audit

BDO LLP was appointed as our External Auditor in 2016 and was reappointed to audit the financial statements for 2021/22.

At the July 2022 meeting, the Committee reviewed the financial statements in discussion with management and BDO, as well as considering BDO's audit completion report.

BDO identified one key audit matter, that the recoverable amount of property developed for sale might be materially misstated. This has been identified by Moat as a high strategic risk, 'exposure to falling house prices, particularly in market sale business and shared ownership', see page 25 and had been reviewed by the Committee in the Strategic Risk Register at each meeting. Impairment work carried out by management was also outlined in a paper to the Committee and Note 2 on page 56 to 57 discusses the critical judgements used in carrying out the impairment review which resulted in a £185k reduction in net realisable value on first tranche sale stock and a £428k write back of previous net realisable value reductions on open market sale stock.

The Committee considered the information provided by management and BDO and were satisfied that the net realisable value of property developed for sale was not materially misstated.

The work carried out by management to assess the appropriateness of adopting the going concern basis in preparing the financial statements was outlined in a paper to the Committee and this is summarised in the Going Concern Statement on pages 37 and 53.

Following a discussion with management and BDO who answered queries and challenges posed by the Committee, the Committee was satisfied that there are appropriate accounting policies in place and management have correctly applied these policies.

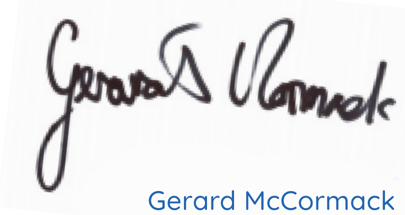
The Committee also reviewed a report on the annual board assurances in the financial statements, detailing the assurances given and the work performed to ensure compliance. The Committee was satisfied that these assurances could be given.

The Committee noted that BDO had not undertaken any non-audit services.

Summary and conclusion

Through the delivery of its work, in line with its terms of reference, the Committee has reviewed the sources of assurance available to it and the Board on the adequacy, extent and effectiveness of the internal systems of control and arrangements for risk management operated within the organisation. The Committee has concluded that adequate reviews of these controls and arrangements are in place and notes that they are designed to manage the risk to delivering business objectives and provide reasonable rather than absolute assurance against material misstatement or loss.

The Committee is satisfied that its own report and that of Internal and External Auditors have addressed the requirements of its terms of reference and that this is supported by sufficient evidence to provide reasonable assurance to the Board on the adequacy and operation of internal controls and the risk management framework.



Gerard McCormack
Audit Committee Chair
28 July 2022

Report of the Remuneration and Nominations Committee

The Remuneration and Nominations Committee (the Committee) oversees the appointment process for independent directors and makes recommendations for appointment to the Board. The Committee is also responsible for determining executive remuneration and annually reviewing Moat's key governance documents.

Composition

The membership of the Committee is made up of four independent Non-Executive Directors, one of whom is the Chair. Details of Committee members and their attendance can be found on page 34.

In order to facilitate its work, the Committee invited the following individuals to its meetings throughout the year:

- Chief Executive
- Executive Director: Governance and Compliance, and Company Secretary
- Executive Director: People, Communications and Organisational Development
- Executive Director: Finance and Corporate Services.

Committee Evaluation

The Committee conducts an annual evaluation of its effectiveness and makes a report to the Board. This includes a survey of the Committee members on various aspects of its work and on how the Committee has met its terms of reference

The Committee undertook its effectiveness survey in April and May 2022. This was completed by all members of the Committee. Overall, the results demonstrated that the Committee is performing well and is effective at undertaking its role and fulfilling its remit.

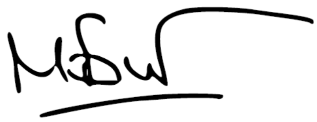
The review covered all of the key elements of the Committee's terms of reference. All of the questions received high scores with an improvement on the results from the previous year.

Looking ahead to 2022/23, a key area of the Committee's focus will be on succession planning as two members of the Board enter the final year of their tenure.

2021/22 Work Programme

The Committee met three times during the year. The key areas of focus were:

- monitoring the extent of Moat's compliance with the UK Corporate Governance Code
- succession planning for the Chair of the Audit Committee
- determining executive pay awards
- overseeing the implementation of actions arising out of Moat's In-Depth Assessment
- appraising options for ongoing pension provision
- agreeing annual objectives for the Executive Team.



Mark Foster
Remuneration and Nominations
Committee Chair
28 July 2022

Report of the Independent Auditor

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2022 and of the Group's and the Association's surplus for the year then ended
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Moat Homes Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2022, which comprise the consolidated statement of comprehensive income, the Association statement of comprehensive income, the consolidated statement of financial position, the Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board on 20 January 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 6 years, covering the years ending 31 March 2017 to 31 March 2022.

We remain independent of the Group and the Parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

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. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern
- We considered the appropriateness of management's forecasts by reviewing and assessing assumptions applied by management, assessing historical forecasting accuracy and considered the reasonableness of the range of scenarios included in management's consideration of downside sensitivity analysis
- We challenged management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions
- We assessed the facility and covenant headroom calculations, and re-performed sensitivities and stress testing
- We reviewed the wording of the going concern disclosures and assessed their consistency with management's forecasts.

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 and the Parent Association ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Association's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Board's statement in the financial statements about whether the Board considered it appropriate to adopt the going concern basis of accounting.

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

Overview of audit			
Coverage	100% (2021: 100%) of Group profit before tax 100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets		
Key audit matters		2022	2021
	The recoverable amount of property developed for sale	Yes	Yes
Materiality	Group financial statements as a whole £4.8m (2021: £4.4m) based on 6% (2021: 6%) of adjusted operating surplus		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

Audit work on all components was performed by BDO UK, both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. We identified two components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Moat Homes Limited and Moat Homes Finance plc were identified as significant components due to their size and risk characteristics.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
The recoverable amount of property developed for sale This relates to items included in note 16 of the financial statements. This area also represents a key area of estimation uncertainty for management, as described on page 57.	As explained in the accounting policies properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £31.1m. For completed properties at the balance sheet date an assessment is needed of the anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of both an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete, we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Our response included the following: Having obtained management's assessment of the net realisable value of properties developed for sale, we selected a sample on which to perform detailed testing. Our samples were chosen from the populations of items that represented both developments under construction and completed developments at year-end. For the selected completed properties, we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold, we obtained third-party housing market information in relation to the same locality to confirm that properties were held at the lower of cost and net realisable value. For the selected properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the estimated amount at that date. We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on a sample of schemes that completed in the year. We also considered the impact of sensitivities in management's forecasts to decreases in sales prices and increases in build costs. We also considered other current factors including the status of its construction, contractual arrangements and testing undertaken to validate the accuracy of costs to complete. **Key observations** Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as detailed in the table.

Materiality

	Group financial statements		Parent Association financial statements	
Year	2022	2021	2022	2021
Materiality	£4.8m	£4.4m	£4.56m	£4.2m
Basis for determining materiality	6% of adjusted operating surplus	6% of adjusted operating surplus	6% of adjusted operating surplus	6% of adjusted operating surplus
Performance materiality	£3.4m	£3.1m	£3.23m	£2.9m
Basis for determining performance materiality	71% of materiality	71% of materiality	71% of materiality	71% of materiality

Rationale for the benchmark applied

The benchmark used for determining materiality is adjusted operating surplus. The adjustments to operating surplus are to add back depreciation and any profit or loss on open market sales of property, which is in line with the Group's strictest loan covenant definition.

We have used this benchmark as we considered items affecting the adjusted operating surplus to be the area of financial statements with the greatest interest to the principal users and the area with the greatest impact on investor and lender decisions.

Component materiality

We set materiality for each component of the Group based on a percentage of between 2.6% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £125,000 to £4,560,000. In the audit of each component, we further applied performance materiality levels of between 71% and 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £90,000 (2021: £80,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Corporate Governance statement

As the Association has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Board's statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Association's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

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

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

Going concern and longer term viability	• The Board's statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 37. • The Board's explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 37.
Other Code provisions	• Board's statement on fair, balanced and understandable as set out on page 36; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 36; and • The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 36. • The section describing the work of the Audit Committee. As set out on pages 39 and 40, the Directors consider that it is impracticable to have a separate Audit Committee for the Company.

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.

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

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

Based on our understanding of the Group and Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition, the Group and Association are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, Financial Conduct Authority ("FCA") regulations, data protection and health and safety legislation. In order to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, we made enquiries of management and those charged with Governance about whether the entity is in compliance with such laws and regulations and we inspected any relevant regulatory and legal correspondence.In our assessment of the areas of the financial statements most susceptible to material misstatement (either from fraud or error) we determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates, due to a high degree of management judgement and accounting estimation required in such areas.

The responsible individual specifically reviewed the individuals allocated to work on these sections to ensure that they have the requisite competence to perform this work.

The audit procedures performed by the team included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties developed for sale, the valuation of investment properties, the value of defined benefit pension liabilities and the valuation of derivative financial instruments
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted to cash and journals posted after the year end.

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.

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

Use of our report

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

BDO LLP

BDO LLP,
Statutory Auditor
London, United Kingdom.
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).
1 August 2022

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Notes	2022	2021
		£000	£000
Turnover	3	181,311	152,751
Operating costs	3	(77,537)	(69,609)
Cost of sales	3	(53,993)	(36,640)
Gain on disposal of fixed assets (staircasings and redemptions)	3	14,271	7,871
Gain on disposal of fixed assets	3	6	-
Operating surplus	3	64,058	54,373
Interest receivable	6	21	31
Interest and finance costs	7/8	(21,538)	(19,770)
Movement in fair value of investments	14	110	-
Movement in fair value of financial instruments	24	5,260	1,791
Surplus before taxation	9	47,911	36,425
Taxation	10	-	-
Surplus for the year		47,911	36,425
Movement in fair value of hedged financial instruments	24	10,221	10,165
Remeasurement of pension liability	27	2,556	(6,533)
Total comprehensive income for the year		60,688	40,057

The notes on pages 53 to 88 form part of these financial statements.
All amounts relate to continuing activities.
Movements in reserves are shown in the consolidated statement of changes in reserves.

Association statement of comprehensive income

For the year ended 31 March 2022

	Notes	2022	2021
		£000	£000
Turnover	3	146,584	144,903
Operating costs	3	(77,457)	(69,593)
Cost of sales	3	(24,301)	(29,071)
Gain on disposal of fixed assets (staircasings and redemptions)	3	14,271	7,871
Gain on disposal of fixed assets	3	6	-
Operating surplus	3	59,103	54,110
Interest receivable	6	590	858
Interest and finance costs	7/8	(21,442)	(19,357)
Movement in fair value of investments	14	110	-
Movement in fair value of financial instruments	24	5,260	1,791
Surplus before taxation	9	43,621	37,402
Taxation	10	-	-
Surplus for the year		43,621	37,402
Movement in fair value of hedged financial instruments	24	10,221	10,165
Remeasurement of pension liability	27	2,556	(6,533)
Total comprehensive income for the year		56,398	41,034

The notes on pages 53 to 88 form part of these financial statements.
All amounts relate to continuing activities.
Movements in reserves are shown in the association statement of changes in reserves.

Consolidated statement of financial position

As at 31 March 2022

	Notes	2022	2021
		£000	£000
Fixed assets			
Housing properties	12	1,639,317	1,578,697
Investment properties	14	592	482
Other tangible fixed assets	15	15,596	15,070
Homebuy loans receivable		38,087	42,196
		1,693,592	1,636,445
Current assets			
Housing stock for sale	16	31,131	65,289
Debtors	17	17,285	14,812
Cash and cash equivalents		65,609	33,489
		114,025	113,590
Creditors - amounts falling due within one year	18	(72,713)	(76,314)
Net current assets		41,312	37,276
Total assets less current liabilities		1,734,904	1,673,721
Creditors - amounts falling due after more than one year	19	(1,138,634)	(1,118,956)
Derivative financial instruments	24	(51,046)	(66,528)
Pension liability	27	(7,701)	(11,402)
Net assets		537,523	476,835
Capital and reserves			
Called up share capital	26	-	-
Reserves - Revenue reserve		595,487	545,020
- Cash flow hedge reserve		(57,964)	(68,185)
Total reserves		537,523	476,835

The notes on pages 53 to 88 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 28 July 2022 and signed on its behalf by:

Steve White
Chair

Gerard McCormack
Board Member

Puneet Rajput
Secretary

Association statement of financial position

As at 31 March 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Housing properties	12	1,638,905	1,578,278
Investment in subsidiaries	13	50	50
Investment properties	14	592	482
Other tangible fixed assets	15	15,596	15,070
Homebuy loans receivable		38,037	42,146
		1,693,180	1,636,026
Current assets			
Housing stock for sale	16	16,166	26,436
Debtors	17	18,150	39,419
Cash and cash equivalents		64,485	31,529
		98,801	97,384
Creditors - amounts falling due within one year	18	(71,553)	(69,873)
Net current assets		27,248	27,511
Total assets less current liabilities		1,720,428	1,663,537
Creditors - amounts falling due after more than one year	19	(1,137,842)	(1,118,166)
Derivative financial instruments	24	(51,046)	(66,528)
Pension liability	27	(7,701)	(11,402)
Net assets		523,839	467,441
Capital and reserves			
Called up share capital	26	-	-
Reserves - Revenue reserve		581,803	535,626
- Cash flow hedge reserve		(57,964)	(68,185)
Total reserves		523,839	467,441

The notes on pages 53 to 88 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 28 July 2022 and signed on its behalf by:

Steve White
Chair

Gerard McCormack
Board Member

Puneet Rajput
Secretary

Statement of changes in reserves

As at 31 March 2022

Consolidated	Revenue reserve £000	Cash flow hedge reserve £000	Total reserves £000
Balance at 1 April 2020	515,128	(78,350)	436,778
Surplus for the year	36,425	-	36,425
Movement in fair value of hedged financial instruments	-	10,165	10,165
Remeasurement of pension liability	(6,533)	-	(6,533)
Balance at 1 April 2021	545,020	(68,185)	476,835
Surplus for the year	47,911	-	47,911
Movement in fair value of hedged financial instruments	-	10,221	10,221
Remeasurement of pension liability	2,556	-	2,556
Balance at 31 March 2022	595,487	(57,964)	537,523

Association	Revenue reserve £000	Cash flow hedge reserve £000	Total reserves £000
Balance at 1 April 2020	504,557	(78,350)	426,207
Surplus for the year	37,402	-	37,402
Change in hedging relationship of financial instruments	-	10,165	10,165
Retained reserves on closure of Moat Foundation	200	-	200
Remeasurement of pension liability	(6,533)	-	(6,533)
Balance at 1 April 2021	535,626	(68,185)	467,441
Surplus for the year	43,621	-	43,621
Movement in fair value of hedged financial instruments	-	10,221	10,221
Remeasurement of pension liability	2,556	-	2,556
Balance at 31 March 2022	581,803	(57,964)	523,839

Consolidated statement of cash flows

For the year ended 31 March 2022

	2022 £000	2021 £000
Net cash generated from operating activities (note 29)	94,815	84,152
Cash flow from investing activities:		
Purchase of housing properties	(89,130)	(107,712)
Purchase of other fixed assets	(2,064)	(1,402)
Proceeds from sale of tangible fixed assets	30,574	18,667
Grants received	2,822	7,891
Homebuy loans repaid	702	635
Interest received	21	31
Net cash outflow from investing activities	(57,075)	(81,890)
Cash flow from financing activities:		
Interest paid	(27,571)	(23,329)
Interest element of finance lease rental payment	(4)	(8)
Cash collateral returned	57	7,373
Proceeds from Bond	73,805	-
(Repayment)/drawdown of revolving credit facility	(38,238)	38,836
Repayment of borrowings	(13,669)	(12,500)
Net cash (outflow)/inflow from financing activities	(5,620)	10,372
Taxation (paid)/received	-	-
Net increase in cash and cash equivalents	32,120	12,634
Cash and cash equivalents at 1 April	33,489	20,855
Cash and cash equivalents at 31 March	65,609	33,489

Net debt analysis	At 31 March 2021	Cash flows	Other non-cash changes	At 31 March 2022
Cash and cash equivalents				
Cash and cash equivalents	33,489	32,120	-	65,609
Debt				
Borrowings due within one year	(16,176)	(3,703)	8,692	(11,187)
Borrowings due after one year	(589,793)	(18,195)	(6,570)	(614,558)
Derivative financial liabilities	(66,528)	-	15,482	(51,046)
	(672,497)	(21,898)	17,604	(676,791)
Total net debt	(639,008)	10,222	17,604	(611,182)

1. Principal accounting policies

Basis of preparation
MHL is a public benefit entity. The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including 'Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), the Accounting Direction for Private Registered Providers of Social Housing 2022 and the Statement of Recommended Practice for registered social housing providers 2018 (SORP), published by the National Housing Federation. The financial statements have been prepared on the historic cost basis except for modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

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

Basis of consolidation
The consolidated financial statements of MHL incorporate the financial statements of its subsidiaries - Moat Housing Group Limited, Moat Development Limited, Mariner Facilities Management Limited, Moat Homes Finance Plc and Moat Construction Services Limited.

Intercompany transactions and balances between group companies are eliminated in full.

Disclosure exemptions
In preparing the group financial statements, advantage has been taken of the exemption not to disclose transactions, eliminated on consolidation, with wholly owned group undertakings.

In preparing the separate financial statements of the parent company, advantage has been taken of the exemption available in FRS102 not to present a statement of cash flows and related notes.

Going concern
In March 2022 the Board approved the budget for 2022/23. Despite the challenges of inflationary pressures and continuing higher costs for fire safety works, the budget meets the operating margin and EBITDA "Golden Rules" set by the Board.

In June 2022 the Board reviewed the 30-year long-term financial plan which builds on the 2022/23 budget as the base year and includes detailed stress testing and recovery planning. The plan is based on a development pipeline of 650 homes per annum and includes additional costs in the medium/long-term to meet fire remediation and zero carbon costs. The plan maintains a strong liquidity position and meets banking covenants throughout, without relying on asset sales to pay interest. The stress testing also indicates that there is sufficient headroom on covenants to allow for remedial action to be taken in the event of adverse external conditions or if the assumptions used in the plan change.

In line with our Treasury Management Policy, we maintain sufficient liquidity to cover the forecast net cash requirement for at least 12 months, plus £15m to cover adverse mark-to-market (MTM) movements in our standalone swaps.

The Board has concluded that there is a reasonable expectation that Moat has adequate resources to continue in operational existence for at least 12 months after the signing of these accounts. It therefore continues to adopt the going concern basis in the financial statements.

Housing properties
Housing properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, interest capitalised during the development period, directly attributable development and administration costs, and expenditure incurred in respect of improvements which modernise and extend the life of existing properties.

Housing properties for rent are split between land, structure and major components with a substantially different economic life.

Shared ownership property costs are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset. The fixed asset portion is split between land and structure as the rights and obligations towards improving the property reside with the shared owner.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred to completed properties when they are ready for letting or sale.

Gains and losses on disposal of housing property fixed assets are determined by comparing the proceeds with the carrying amount and incidental costs of sale. Gains/losses on staircasings and redemptions are recognised in operating surplus. Gains on stock rationalisation disposals are shown within gain/loss on disposal of fixed assets below operating surplus.

Housing properties - depreciation
Depreciation is charged on a straight line basis over the expected economic useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:

Structure	100 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Heating	15 years
Roofs	50 years
Doors	20 years
Electrical wiring	40 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Non-component works to existing properties
Expenditure incurred on existing housing properties is capitalised if it provides an incremental future benefit, including an increase in the rental income over the life of the property, a reduction in future maintenance costs, or a significant extension to the life of the property. Expenditure incurred on major repairs, cyclical and day-to-day repairs to housing properties is charged to operating expenditure in the consolidated statement of comprehensive income in the year in which it is incurred.

Interest capitalised on housing properties
Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. Interest is capitalised at the weighted average effective interest rate on the Group's borrowings.

Other tangible fixed assets
Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the asset. No depreciation is provided on freehold land. The estimated useful lives are as follows:

Office buildings	50 years
Motor vehicles	3 years
Office equipment, fixtures and fittings	5-10 years
Computer equipment	3 years
Scheme furniture and equipment	3-40 years

Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Assets acquired by way of finance leases are capitalised as tangible fixed assets at their fair value (or, if lower, the present value of the minimum lease payments as determined at inception of the lease), and are depreciated over the shorter of the lease term and useful life. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to interest in the consolidated statement of comprehensive income over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments (excluding costs for servicing and insurance) made under operating leases are recognised in operating expenditure in the consolidated statement of comprehensive income on a straight line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, when the payments are recognised as incurred. Lease incentives received are recognised over the term of the lease as an integral part of the total lease expense.

Impairment of fixed assets (excluding investments)

The carrying amounts of the Group's fixed assets (excluding investments) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.
For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash flows from continuing use.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its estimated recoverable amount and is recognised in operating expenditure in the consolidated statement of comprehensive income.

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

Impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Social Housing Grant (SHG)

SHG is recognised as deferred grant income and released as turnover in the consolidated statement of comprehensive income over the life of the structure of housing properties in accordance with the accrual model. Grants relating to expenditure on tangible fixed assets are credited to turnover at the same rate as the depreciation on the assets to which the grant relates. The deferred element of the grants is included in creditors as deferred income.

On disposal of properties, all associated SHG is transferred to the Recycled capital grant fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Investments in Homebuy

Under the Homebuy scheme, the Group receives Homebuy grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the Group meet the definition of concessionary loans and are shown as fixed asset investments in the consolidated statement of financial position. The Homebuy grant provided by the government to fund all or part of a Homebuy loan is shown as deferred income in creditors due in more than one year.

In the event that the property is sold, the Group recovers the equivalent loaned percentage of the property at the time of the sale. The grant is reclassified to the recycled capital grant fund when the loans are redeemed up to the amount of the original grant and to the extent the proceeds permit. The Group retains any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the grant.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are not depreciated but are held at fair value. Changes in fair value are recognised in surplus for the year in the consolidated statement of comprehensive income. Rental income from these properties is taken to turnover.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

Housing stock for sale

Completed properties and properties under construction for open market sales and the first tranche portion of shared ownership properties are recognised at the lower of cost and net realisable value. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal. At each reporting date, the housing stock for sale is assessed for any adjustment. If a write down is necessary the carrying amount is reduced to its selling price less costs to complete and sell. The loss is immediately recognised in the consolidated statement of comprehensive income.

Interest incurred on borrowings relating to the development of open market sale properties is expensed as it is due.

On disposal, sales proceeds are included in turnover and the cost of sales, including costs incurred in the development of the properties, marketing and other incidental costs, are included in operating expenses.

Mixed tenure developments

Where a mixed tenure development includes shared ownership or open market sales, the costs incurred in acquiring and developing the land are attributed appropriately to each tenure type.

Future repair funds

Charges which are made to leaseholders for future major repairs such as replacement windows and roofs and the replacement of equipment within their estates are ring fenced for use on their properties/estates only. Such funds are disclosed in the statement of financial position as creditors.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Basic financial instruments

Debtors and creditors

Debtors and creditors with no stated interest rate and are receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses arising from impairment are recognised in the statement of comprehensive income in operating costs.

Recoverable amount of rental and other trade receivables

The recoverable value of rental and other receivables is estimated and the debtor is impaired by appropriate amounts.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other financial instruments (not considered to be basic financial instruments)

Derivative financial instruments

The Group uses certain financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in the surplus for the year immediately unless the derivative is designated and effective as a hedging instrument, see below.

Hedge accounting

The Group designates certain derivatives as hedging instruments in cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the surplus for the year. Amounts previously recognised in other comprehensive income are reclassified to surplus for the year when the hedged item is recognised in surplus for the year or when the hedging relationship ends.

Impairment of financial assets

Financial assets not carried at fair value are assessed for indicators of impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment losses are recognised in the surplus for the year.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

When a subsequent event causes the amount of the impairment loss to decrease, the decrease is reversed through the surplus for the year.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are shown as an operating expense in the surplus for the year during which services are rendered by employees. The Group participates in the Aviva defined contribution plan, closed to new members, and the Social Housing Pension Scheme (SHPS) defined contribution plan which is open to all new employees and current employees have the opportunity to switch into it.

Defined benefit plans

The Group participates in the Social Housing Pension Scheme (SHPS) operated by The Pensions Trust and is deemed to participate in the Growth Plan as an Additional Voluntary Contribution (AVC) vehicle for members of the SHPS scheme; the Essex County Council pension scheme; and the London Borough of Merton pension scheme. These schemes are closed to new employees.

The amounts charged to operating surplus are the costs arising from the employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to surplus for the year and included within finance costs. Re-measurement amounts of the net assets/defined liability are recognised in other comprehensive income. Defined benefit schemes are funded in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Actuarial valuations are obtained triennially and are updated at each reporting date.

The Growth Plan continues to be treated as a defined contribution.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment.

Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised as the best estimate of the amount required to settle the obligation at the reporting date.

Annual leave

A provision is made for annual leave accrued by employees which they are entitled to carry forward and use by 31 December. The provision is measured at the salary cost payable for the period of absence.

Turnover

Turnover represents the following material income streams which are measured at the fair value of the consideration received or receivable:

- Rent and service charge income receivable (net of void losses), fees receivable, revenue grants from public authorities are all recognised on an accruals basis as they fall due
- Proceeds from first tranche sales of low-cost home ownership properties and from properties developed for open market sales are recognised on legal completion of the sale
- Social Housing Grant (SHG) is amortised to turnover over the useful economic life of the property to which the grant relates.

Agency managed accommodation

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the consolidated statement of comprehensive income includes only that income and expenditure which relates solely to the Group such as rental income in turnover and repairs in operating costs.

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

VAT

Moat Homes Limited, Moat Housing Group Limited, Mariner Facilities Management Limited and Moat Homes Finance Plc are registered as a VAT group. A large proportion of the Group's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the consolidated statement of comprehensive income.

Interest rate benchmark reform

In November 2021 the reference rate on all relevant variable rate facilities and SWAPS transitioned away from LIBOR to SONIA , in anticipation of the 1 January 2022 transition deadline from the Financial Conduct Authority. The transition is economically neutral and therefore the transition had no impact on Moat's accounts allowing us to apply the practical expedient in FRS 102.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future periods.

Critical judgements

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

Impairment

As explained in note 1, a review of the carrying value of housing properties is carried out annually to determine whether there are any indicators of impairment. Indicators considered included indicators in paragraph 27.9 of FRS 102 and paragraph 14.6 of Housing SORP 2018. In the review, we have taken schemes to be cash-generating units as these represent groups of properties in the same location where the same services are provided. If a different level of cash generating unit had been used (e.g. individual properties within a particular scheme) the conclusion on impairment may have been different. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Impairment is assessed by comparing carrying value to the higher of value-in-use and fair value less costs to sell. If the carrying value is greater than the higher of value in use and fair value less costs to sell, an impairment provision is made. Value-in-use requires management estimates of timing of cash flows, discount rate and life of the asset. Management use estimates to determine fair value less costs to sell based on information available regarding sales of similar properties and depreciated replacement cost.

- Rented properties

  There were no general indicators of impairment on rented properties.

- Low cost home ownership properties

  Indicators of impairment for the fixed asset portion of completed shared ownership properties have been assessed for the year ending 31 March 2022. We have monitored the impact on housing values throughout the year through third party reports on the market which suggest that tthe values have not fallen. Therefore, we determine that there is no general indicator of impairment.

  The need for an impairment review of the fixed asset portion of completed shared ownership properties is indicated if there have been losses on staircasings during the year. There were no material losses on staircasings during the year to indicate the need for impairment.

- Schemes in development/land banked

  All development schemes are assessed using an investment appraisal model, which is reviewed annually by the Finance Committee, to ensure the appropriateness of assumptions. During development the schemes are reviewed against the investment appraisal for any fluctuations in costs or anticipated sales values which adversely affected the net present value of the scheme, highlighting any schemes which needed to be assessed for impairment.

  We calculate the recoverable amount on these schemes as the higher of the fair value and the value-in-use. In line with Housing SORP 2018, in order to take into account the service potential of the scheme, we use depreciated replacement cost as a measure of value-in-use.

  For shared ownership schemes where there was a write down in the net realisable value for the first tranche portion, we reviewed the potential impact on future staircasings. The impact of grant and no marketing costs indicated that there was no trigger for impairment.

  For rented and shared ownership schemes where additional costs highlighted a negative net book value, we carried out an impairment review. We have identified one scheme where construction costs have increased following a change in developer and this has resulted in an impairment of £1.1m. A reassessment of our previously impaired schemes resulted in a reduction in impairment of £0.1m.

  Land banked schemes where there is no current investment appraisal are reviewed to compare the carrying value to the estimated fair value if the land is sold. No new schemes required an impairment and there were no changes to existing impairment amounts.

Housing stock for sale

Housing stock for sale is recognised at the lower of cost and net realisable value. In assessing net realisable value management considers publicly available information and internal forecasts on future sales activity.

We have reviewed the sales value of our homes for sale, both available for sale and in construction. Information from actual sales values achieved, mortgage valuations provided to potential residents, and discussions with developers and estate agents have been used to review current sales values.

Improved sales valuations on a number of schemes have resulted in a reversal of previous write downs totaling £0.3m.

We also reviewed the impact of increased costs and for one of our schemes the net realisable value of the first tranche sale stock has been reduced by £0.5m due to higher costs.

The valuations on one of our open market sale schemes have increased resulting in the reversal of a previous write down of £0.4m on these properties.

Key sources of estimation uncertainty

Estimated useful lives

Fixed assets are depreciated over their estimated useful lives. The components into which housing properties are split and their associated estimated lives are considered to be the appropriate level based on knowledge of the repairs and maintenance programme carried out. The actual lives of individual components can however vary based on factors such as product life, wear and tear, maintenance programmes and environmental factors.

Housing property cost allocation

In mixed tenure developments costs are allocated between different tenures on a floor area basis. The allocation of the cost of shared ownership properties between housing properties and housing stock for sale is based on the estimated first tranche sale portion. We predict the amount to be sold by reviewing historic sale portions, current economic conditions and location.

Rent arrears

The value of arrears that will not be collected is estimated based on our past experience of collection of different types of debt. The impact of Universal Credit and the current economic climate has been estimated based on interactions with customers. For both of these there is uncertainty about the longer-term impact.

Pensions

The liability for future pension payments depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase and mortality rates. Qualified actuaries are engaged to provide expert advice in each of the pension schemes of which the Group is a member. The principal actuarial assumptions provided by the actuaries have been reviewed and considered to be applicable to the Group.

Interest rate swaps

Uncertainties in the valuation of interest rate swaps include future interest rates and counterparty credit risk. Moat uses a debt and derivative advisory company, regulated by the Financial Conduct Authority, to value its derivatives. The key assumptions used in the valuation are a discount rate of six months SONIA and in order to calculate the effective/ineffective values, the dollar offset method on a cumulative basis is used.

Operating segments

The provision of social housing is the principal activity. Segmental information is disclosed in note 3 where social housing lettings activity is split into different tenures and into other social housing activities such as sale of social housing and development administration. Housing property cost is split into different tenures and stages of construction in note 12. The Board does not routinely receive any further segmental information.

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

	2022				
	Turnover	Operating costs	Cost of sales	Gain on disposal of fixed assets	Operating surplus
	£000	£000	£000	£000	£000
Social housing lettings	114,795	(71,293)	-	-	43,502
Other social housing activities					
Contracted services	731	(584)	-	-	147
Development administration	3	(2,629)	-	-	(2,626)
Regeneration project	-	-	-	-	-
Impairment of schemes under construction	-	(966)	-	-	(966)
Shared ownership property sales	29,366	-	(24,116)	-	5,250
Movement in net realisable value of housing stock	-	-	(185)	-	(185)
Staircasing activity on low cost home ownership	-	-	-	11,427	11,427
Redemption of equity loans	-	-	-	2,844	2,844
Gain on disposal of fixed assets	-	-	-	6	6
Investment in communities	-	(863)	-	-	(863)
Other	1,664	(1,126)	-	-	538
Non-social housing activities					
Market renting lettings	164	(25)	-	-	139
Open market sales	34,573	-	(30,120)	-	4,453
Write back of housing stock held for sale	-	-	428	-	428
Other	15	(51)	-	-	(36)
Total	181,311	(77,537)	(53,993)	14,277	64,058

	2021				
	Turnover	Operating costs	Cost of sales	Gain on disposal of fixed assets	Operating surplus
	£000	£000	£000	£000	£000
Social housing lettings	108,229	(63,584)	-	-	44,645
Other social housing activities					
Contracted services	687	(590)	-	-	97
Development administration	9	(2,349)	-	-	(2,340)
Regeneration project	-	(77)	-	-	(77)
Impairment of schemes under construction	-	(916)	-	-	(916)
Shared ownership property sales	34,338	-	(29,071)	-	5,267
Movement in net realisable value of housing stock	-	(285)	-	-	(285)
Staircasing activity on low cost home ownership	-	-	-	6,025	6,025
Redemption of equity loans	-	-	-	1,846	1,846
Investment in communities	-	(838)	-	-	(838)
Job Retention Scheme grant received	135	-	-	-	135
Other	1,473	(954)	-	-	519
Non-social housing activities					
Market renting lettings	174	(30)	-	-	144
Open market sales	7,695	-	(7,569)	-	126
Write back of housing stock held for sale	-	66	-	-	66
Other	11	(52)	-	-	(41)
Total	152,751	(69,609)	(36,640)	7,871	54,373

Included in gain on disposal of fixed assets are amounts of £23,390k in respect of proceeds from staircasing activity on low cost home ownership (2021: £13,824k) and £7,148k in respect of proceeds from redemptions of equity loans (2021: £5,366k).

3. Particulars of turnover, operating costs, cost of sales and operating surplus - Group (continued)

	2022				2021
	General needs and affordable rent	Low cost home ownership	Housing for older people / supported housing	Total	Total
	£000	£000	£000	£000	£000
Turnover from social housing lettings					
Rents receivable	64,794	24,523	7,813	97,130	91,469
Service charge income	4,853	6,018	1,637	12,508	11,673
Net rental income	69,647	30,541	9,450	109,638	103,142
Amortisation of Social Housing Grant	3,726	992	439	5,157	5,087
Total turnover from social housing lettings	73,373	31,533	9,889	114,795	108,229
Operating costs of social housing lettings					
Management	(10,561)	(5,193)	(2,799)	(18,553)	(16,937)
Service charge costs	(3,920)	(6,006)	(1,373)	(11,299)	(11,090)
Routine maintenance	(11,433)	-	(1,879)	(13,312)	(10,744)
Planned maintenance	(3,734)	(50)	(663)	(4,447)	(4,329)
Major repairs expenditure	(3,811)	(414)	(809)	(5,034)	(2,501)
Rent losses from bad debts	(82)	92	49	59	(147)
Depreciation of housing properties	(13,816)	(3,194)	(1,697)	(18,707)	(17,836)
Total operating costs of social housing lettings	(47,357)	(14,765)	(9,171)	(71,293)	(63,584)
Operating surplus on social housing lettings	26,016	16,768	718	43,502	44,645
Void losses	(1,116)	-	(247)	(1,363)	(1,350)

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

	2022				
	Turnover	Operating costs	Cost of sales	Gain on disposal of fixed assets	Operating surplus
	£000	£000	£000	£000	£000
Social housing lettings	114,774	(71,284)	-	-	43,490
Other social housing activities					
Contracted services	731	(584)	-	-	147
Development administration	3	(2,629)	-	-	(2,626)
Impairment of schemes under construction	-	(966)	-	-	(966)
Shared ownership property sales	29,366	-	(24,116)	-	5,250
Movement in net realisable value of housing stock	-	-	(185)	-	(185)
Staircasing activity on low cost home ownership	-	-	-	11,427	11,427
Redemption of equity loans	-	-	-	2,844	2,844
Gain on disposal of fixed assets	-	-	-	6	6
Investment in communities	-	(863)	-	-	(863)
Other	1,663	(1,126)	-	-	537
Non-social housing activities					
Market renting lettings	47	(5)	-	-	42
Total	146,584	(77,457)	(24,301)	14,277	59,103

	2021				
	Turnover	Operating costs	Cost of sales	Gain on disposal of fixed assets	Operating surplus
	£000	£000	£000	£000	£000
Social housing lettings	108,209	(63,575)	-	-	44,634
Other social housing activities					
Contracted services	687	(590)	-	-	97
Development administration	9	(2,349)	-	-	(2,340)
Regeneration project	-	(77)	-	-	(77)
Impairment of schemes under construction	-	(916)	-	-	(916)
Shared ownership property sales	34,338	-	(29,071)	-	5,267
Movement in net realisable value of housing stock	-	(285)	-	-	(285)
Staircasing activity on low cost home ownership	-	-	-	6,025	6,025
Redemption of equity loans	-	-	-	1,846	1,846
Investment in communities	-	(838)	-	-	(838)
Job Retention Scheme grant received	135	-	-	-	135
Other	1,473	(954)	-	-	519
Non-social housing activities					
Market renting lettings	52	(9)	-	-	43
Total	144,903	(69,593)	(29,071)	7,871	54,110

Included in gain on disposal of fixed assets are amounts of £23,390k in respect of proceeds from staircasing activity on low cost home ownership (2021: £13,824k) and £7,148k in respect of proceeds from redemptions of equity loans (2021: £5,366k).

3. Particulars of turnover, operating costs, cost of sales and operating surplus - Association (continued)

	2022				2021
	General needs and affordable rent	Low cost home ownership	Housing for older people / supported housing	Total	Total
	£000	£000	£000	£000	£000
Turnover from social housing lettings					
Rents receivable	64,776	24,523	7,813	97,112	91,452
Service charge income	4,852	6,018	1,637	12,507	11,672
Net rental income	69,628	30,541	9,450	109,619	103,124
Amortisation of Social Housing Grant	3,724	992	439	5,155	5,085
Total turnover from social housing lettings	73,352	31,533	9,889	114,774	108,209
Operating costs on social housing lettings					
Management	(10,559)	(5,193)	(2,799)	(18,551)	(16,936)
Service charge costs	(3,920)	(6,006)	(1,373)	(11,299)	(11,089)
Routine maintenance	(11,433)	-	(1,879)	(13,312)	(10,744)
Planned maintenance	(3,734)	(50)	(663)	(4,447)	(4,329)
Major repairs expenditure	(3,811)	(414)	(809)	(5,034)	(2,501)
Rent losses from bad debts	(82)	92	49	59	(147)
Depreciation of housing properties	(13,809)	(3,194)	(1,697)	(18,700)	(17,829)
Total operating costs on social housing lettings	(47,348)	(14,765)	(9,171)	(71,284)	(63,575)
Operating surplus on letting activities	26,004	16,768	718	43,490	44,634
Void losses	(1,116)	-	(247)	(1,363)	(1,350)

4. Board members and Executive Team

The key management personnel are members of the Executive Team, listed on page 33. The total remuneration including pension contribution, received by Executive Team members was £1,162,377 (2021: £925,712). This includes the costs of all key management personnel whether employed by contract and paid through payroll or engaged through an agency with payment for services.

The remuneration of the Chief Executive, who was the highest paid director, in the year was as follows:

	2022	2021
	£000	£000
Emoluments, excluding pension contributions	266	246
Pension contributions - in respect of services as director	-	-
	266	246

The Chief Executive is an ordinary member of the SHPS defined contribution scheme who is not currently contributing to the scheme.

Non-executive board members received £106,139 (2021: £94,313) as fees for their services to the group and also received £806 as expenses during the year (2021: £856). They were paid on a pro-rata basis:

	Remuneration per annum	
	2022	2021
	£	£
MHL chair	20,450	20,450
Senior independent director	14,000	14,000
Committee chair	12,100	12,100
Board member	11,000	11,000

Details of Board and Committee members can be found on pages 28 to 34.

5. Employee information - Group

The average number of employees (including the Executive Team) expressed as full-time equivalents (calculated based on a standard working week of 35 hours) during the year was as follows:

	2022	2021
	Number	Number
Housing	213	206
Management	96	89
New business and sales	52	50
	361	345

Employee costs (including the Executive Team and Non-Executive Board members) consist of:

	2022	2021
	£000	£000
Wages and salaries	14,653	13,854
Social security costs	1,611	1,479
Other pension costs	1,207	1,108
	17,471	16,441

54 (2021: 47) employees, including the Executive team, earned over £60,000 in remuneration in the following bands:

	2022	2021
	No of employees	No of employees
£60,000 - £69,999	21	16
£70,000 - £79,999	10	11
£80,000 - £89,999	7	5
£90,000 - £99,999	7	7
£110,000 - £119,999	3	-
£120,000 - £129,999	1	3
£140,000 - £149,999	2	1
£160,000 - £169,999	-	1
£180,000 - £189,999	-	2
£190,000 - £199,999	2	-
£240,000 - £249,999	-	1
£260,000 - £269,999	1	-

Remuneration includes salary, allowances, pension contributions, bonuses and compensation for loss of office.

6. Interest receivable

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Interest receivable and similar income	21	31	21	31
Interest receivable from group undertakings	-	-	569	827
	21	31	590	858

7. Interest and finance costs

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
On bank loans, overdrafts and other loans	25,161	23,852	25,065	23,439
Interest on finance leases	4	8	4	8
Notional interest on RCGF balances	113	59	113	59
Less: interest capitalised	(3,968)	(4,278)	(3,968)	(4,278)
	21,310	19,641	21,214	19,228

The average rate of interest used for capitalisation was 3.50% (2021: 3.45%).

8. Other finance costs

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Pension finance costs				
Merton and Essex pension schemes	21	27	21	27
SHPS pension scheme	207	101	207	101
SHPS Growth Plan pension scheme	-	1	-	1
	228	129	228	129

9. Surplus before taxation

	Group		Association	
	2022	2021	2022	2021
Surplus before tax is stated after (charging)/crediting:	£000	£000	£000	£000
Depreciation of housing properties				
Charge for the year	(17,981)	(17,090)	(17,974)	(17,083)
Accelerated depreciation on replaced components	(726)	(746)	(726)	(746)
Note 3	(18,707)	(17,836)	(18,700)	(17,829)
Depreciation of other fixed assets	(1,516)	(1,502)	(1,516)	(1,502)
Amortisation of government grant	5,157	5,087	5,155	5,085
Impairment of scheme in construction/redevelopment	(966)	(916)	(966)	(916)
Operating lease rentals	(146)	(272)	(146)	(272)
Auditor's remuneration:				
Audit of financial statements	(93)	(87)	(65)	(66)

10. Taxation

Group	2022	2021
Current tax:		
UK corporation tax	-	-

	2022	2021
Surplus before tax	47,911	36,425
Current tax at 19% (2021: 19%)	9,103	6,921
Effects of:		
Surpluses subject to charitable exemption	(8,288)	(7,106)
Loss carried forward	-	185
Utilisation of losses previously carried forward	(815)	-
Total current tax charge/(credit)	-	-

	2022	2021
Association	£000	£000
Current tax		
UK corporation tax	-	-

	2022	2021
	£000	£000
Surplus before tax	43,621	37,402
Current tax at 19% (2021: 19%)	8,288	7,106
Effects of:		
Surpluses subject to charitable exemption	(8,288)	(7,106)
Total current tax	-	-

11. Residential accommodation owned and/or managed - Group

	As at 31 March 2021	Additions	Disposals	Change in Tenure/ Other	As at 31 March 2022
Owned and managed					
Social housing					
General needs	8,139	31	(4)	(4)	8,162
General needs affordable rent	2,098	233	-	4	2,335
Housing for older people	1,469	-	-	1	1,470
Housing for older people affordable rent	63	-	-	-	63
Supported housing	103	-	(1)	(2)	100
Shared ownership	5,609	206	(53)	(49)	5,713
Leasehold properties	1,063	-	-	32	1,095
Non-social housing					
Open market rented properties	5	-	-	-	5
Total owned and managed	18,549	470	(58)	(18)	18,943
Owned not managed					
Social housing					
General needs	1	-	-	-	1
Supported housing	139	-	-	-	139
Non-social housing					
Care homes	44	-	-	-	44
Total owned not managed	184	-	-	-	184
Managed not owned					
Social housing					
General needs	309	-	(2)	-	307
General needs affordable rent	1	-	-	-	1
Leasehold properties	58	-	-	-	58
Equity loan properties	1,135	-	(100)	-	1,035
Non-social housing					
Leasehold properties	15	-	-	-	15
Firstbuy loans	2	-	-	-	2
Freehold properties	994	-	-	42	1,036
Total managed not owned	2,514	-	(102)	42	2,454
Residential properties owned and/or managed	21,247	470	(160)	24	21,581

Owned and managed non-residential					
Community hubs	4	3	-	-	7
Staff housing and guest rooms	5	-	-	(2)	3
Garages	577	-	-	-	577
Commercial	25	1	-	-	26
Total owned and managed non-residential	611	4	-	(2)	613

11. Residential accommodation owned and/or managed - Association

	As at 31 March 2021	Additions	Disposals	Change in Tenure/ Other	As at 31 March 2022
Owned and managed					
Social housing					
General needs	8,136	31	(4)	(4)	8,159
General needs affordable rent	2,098	233	-	4	2,335
Housing for older people	1,469	-	-	1	1,470
Housing for older people affordable rent	63	-	-	-	63
Supported housing	103	-	(1)	(2)	100
Shared ownership	5,609	206	(53)	(49)	5,713
Leasehold properties	1,063	-	-	32	1,095
Non-social housing					
Open market rented properties	3	-	-	-	3
Total owned and managed	18,544	470	(58)	(18)	18,938
Owned not managed					
Social housing					
General needs	1	-	-	-	1
Supported housing	139	-	-	-	139
Non-social housing					
Care homes	44	-	-	-	44
Total owned not managed	184	-	-	-	184
Managed not owned					
Social housing					
General needs	309	-	(2)	-	307
General needs affordable rent	1	-	-	-	1
Leasehold properties	58	-	-	-	58
Equity loan properties	1,135	-	(100)	-	1,035
Non-social housing					
Freehold properties	994	-	-	42	1,036
Total managed not owned	2,497	-	(102)	42	2,437
Residential properties owned and/or managed	21,225	470	(160)	24	21,559

	As at 31 March 2021	Additions	Disposals	Change in Tenure/ Other	As at 31 March 2022
Owned and managed non-residential					
Community hubs	4	3	-	-	7
Staff housing and guest rooms	5	-	-	(2)	3
Garages	577	-	-	-	577
Commercial	25	1	-	-	26
Total owned and managed non-residential	611	4	-	(2)	613

12. Tangible fixed assets - housing properties - Group

	Rented		Shared ownership		
	Completed	Under construction	Completed	Under construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2021	1,121,457	97,688	472,431	75,128	1,766,704
Additions	-	58,780	-	20,587	79,367
Improvements to existing properties	7,824	-	940	-	8,764
Capitalised interest	-	2,154	-	1,814	3,968
Schemes completed	44,848	(44,848)	30,281	(30,281)	-
Change in tenure	(564)	-	564	-	-
Disposals	(4,171)	-	(12,306)	-	(16,477)
At 31 March 2022	1,169,394	113,774	491,910	67,248	1,842,326
Depreciation					
At 1 April 2021	(156,115)	-	(27,011)	-	(183,126)
Charge in year	(14,791)	-	(3,190)	-	(17,981)
Change in tenure	72	-	(72)	-	-
Released on disposal	3,228	-	717	-	3,945
At 31 March 2022	(167,606)	-	(29,556)	-	(197,162)
Impairment					
At 1 April 2021	(124)	(3,146)	(207)	(1,404)	(4,881)
Charge in year	-	(639)	-	(327)	(966)
At 31 March 2022	(124)	(3,785)	(207)	(1,731)	(5,847)
Net Book Value - 2022	1,001,664	109,989	462,147	65,517	1,639,317
Net Book Value - 2021	965,218	94,542	445,213	73,724	1,578,697

Cumulative capitalised interest included in the cost of housing properties is £46,982k (2021: £42,987k).
Properties with a net book value of £755m are pledged as security on loan financing.

12. Tangible fixed assets - housing properties - Association

	Rented		Shared ownership		
	Completed	Under construction	Completed	Under construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2021	1,120,984	97,688	472,431	75,129	1,766,232
Additions	-	58,780	-	20,587	79,367
Improvements to existing properties	7,824	-	940	-	8,764
Capitalised interest	-	2,154	-	1,814	3,968
Schemes completed	44,848	(44,848)	30,281	(30,281)	-
Change in tenure	(564)	-	564	-	-
Disposals	(4,170)	-	(12,306)	-	(16,476)
At 31 March 2022	1,168,922	113,774	491,910	67,249	1,841,855
Depreciation					
At 1 April 2021	(156,064)	-	(27,009)	-	(183,073)
Charge in year	(14,782)	-	(3,192)	-	(17,974)
Change in tenure	72	-	(72)	-	-
Released on disposal	3,227	-	717	-	3,944
At 31 March 2022	(167,547)	-	(29,556)	-	(197,103)
Impairment					
At 1 April 2021	(124)	(3,146)	(207)	(1,404)	(4,881)
Charge in year	-	(639)	-	(327)	(966)
At 31 March 2022	(124)	(3,785)	(207)	(1,731)	(5,847)
Net Book Value - 2022	1,001,251	109,989	462,147	65,518	1,638,905
Net Book Value - 2021	964,796	94,542	445,215	73,725	1,578,278

Cumulative capitalised interest included in the cost of housing properties is £46,982k (2021: £42,987k).
Properties with a net book value of £755m are pledged as security on loan financing.

12. Tangible fixed assets - housing properties (continued)

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Housing properties at cost comprise:				
Freeholds	1,554,853	1,507,854	1,554,382	1,507,382
Long leaseholds	286,423	257,800	286,423	257,800
Short leaseholds	1,050	1,050	1,050	1,050
	1,842,326	1,766,704	1,841,855	1,766,232

13. Investment in subsidiaries

	Registered number	Description	Country of incorporation	% of ordinary shares held	Holding company	Investment £
Moat Housing Group Ltd	27943R	Non Charitable RP	England	100%	MHL	1
Moat Homes Finance Plc	07743490	Finance Company	England	100%	MHL	50,000
Moat Construction Services Ltd	08172191	Dormant	England	100%	MHL	1
Moat Development Ltd	04657544	Dormant	England	100%	MHG	1
Mariner Facilities Management Ltd	06561610	Dormant	England	100%	MHG	100
						50,103

MHL has paid £12,500 of the allotted share capital in MHF (2021: £12,500).

14. Investment properties

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Investment properties at 1 April	482	482	482	482
Movement in fair value	110	-	110	-
Investment properties at 31 March	592	482	592	482

Investment properties are held at fair value. These are commercial properties, which were revalued by external, RICS regulated chartered surveyors, Residentially, at 31 March 2022, using the comparable method of market valuation evidence as set out in the Red Book (2017 Global standards), to ascertain the Market Values and Market Rents. The valuations assume yields of 6.5% - 7% based on market yields for comparable areas of 6% - 8.5%. The rents are in line with current values for similar stock and the strength of the covenant of the tenants suggests these yields are appropriate.

15. Other tangible fixed assets - Group and Association

	Freehold land and buildings	Scheme equipment	Other	Total
	£000	£000	£000	£000
Cost				
At 1 April 2021	11,481	9,529	8,542	29,552
Additions	-	1,402	641	2,043
Disposals	-	-	(4)	(4)
At 31 March 2022	11,481	10,931	9,179	31,591
Depreciation				
At 1 April 2021	(3,441)	(5,100)	(5,941)	(14,482)
Charge for the year	(240)	(632)	(644)	(1,516)
Disposals	-	-	3	3
At 31 March 2022	(3,681)	(5,732)	(6,582)	(15,995)
Net book value - 2022	7,800	5,199	2,597	15,596
Net book value - 2021	8,040	4,429	2,601	15,070

Included within the net book value of scheme equipment is an amount of £46k (2021: £58k) in respect of assets held under a finance lease. These are classed as finance leases as the rental period amounts to the estimated useful life of the asset concerned.

16. Housing stock for sale

Housing stock for sale is the cost of open market sales schemes and the cost attributed to the first tranche element of shared ownership schemes. The cost of shared ownership schemes is split between current and fixed assets based on the expected percentage of first tranche sales which is currently in the region of 30%.

	First tranche sale stock		Open market sale stock		
	Under construction	Completed	Under construction	Completed	Total
Group	£000	£000	£000	£000	£000
As at 1 April 2021	21,768	4,668	24,293	14,560	65,289
Additions	13,486	-	6,046	195	19,727
Disposals	(18,819)	(4,752)	(18,595)	(11,962)	(54,128)
Schemes completed	(882)	882	-	-	-
Movement in net realisable value	(185)	-	-	428	243
As at 31 March 2022	15,368	798	11,744	3,221	31,131

	First tranche sale stock		Open market sale stock		
	Under construction	Completed	Under construction	Completed	Total
Association	£000	£000	£000	£000	£000
As at 1 April 2021	21,768	4,668	-	-	26,436
Additions	13,486	-	-	-	13,486
Disposals	(18,819)	(4,752)	-	-	(23, 571)
Schemes completed	(882)	882	-	-	-
Movement in net realisable value	(185)	-	-	-	(185)
As at 31 March 2022	15,368	798	-	-	16,166

17. Debtors

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Due within one year				
Arrears of rent and service charges	4,340	3,760	4,335	3,755
Provision for bad and doubtful debts	(2,047)	(1,749)	(2,043)	(1,745)
	2,293	2,011	2,292	2,010
Amounts due from Group entities	-	-	842	24,878
Prepayments and accrued income	11,606	10,095	11,600	10,092
Cash collateral given	-	324	-	57
Other debtors	2,616	1,612	2,646	1,612
	16,515	14,042	17,380	38,649
Due after one year				
Other debtors	770	770	770	770
	17,285	14,812	18,150	39,419

18. Creditors: amounts falling due within one year

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Bank overdraft	-	5	-	5
Housing loans (note 19)	8,677	14,667	8,677	9,673
Trade creditors	1,686	4,270	1,716	3,634
Owed to other Group entities	-	-	2,836	1,785
Recycled capital grant fund (note 21)	34,233	29,702	34,233	29,702
Finance lease liabilities (note 19)	17	16	17	16
Other creditors	9,425	9,177	6,604	7,370
Accruals and deferred income	18,675	18,477	17,470	17,688
	72,713	76,314	71,553	69,873

Included in other creditors is an amount of £2,493k in respect of premium on the bond issue (2021: £1,493).

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

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Housing loans	255,831	301,437	255,831	301,437
Bond issue	300,000	250,000		-
Government grant - housing properties	464,555	461,489	464,421	461,354
Homebuy grant	33,419	36,826	33,419	36,826
Owed to other Group entities	-	-	358,038	287,652
Recycled capital grant fund	22,015	27,054	22,015	27,054
Service charge creditor	4,082	3,769	4,058	3,749
Finance lease liabilities	57	73	57	73
Other creditors	58,675	38,308	3	21
	1,138,634	1,118,956	1,137,842	1,118,166

Included in other creditors is an amount of £58,670k in respect of premium on the bond issue (2021: £38,283k).

	Group		Association	
Housing loans	2022	2021	2022	2021
	£000	£000	£000	£000
Within one year (note 18)	8,677	14,667	8,677	9,673
Between one and two years	8,684	9,717	8,684	9,717
Between two and five years	35,538	28,550	35,538	28,550
In more than five years:				
Repayable by instalments	214,083	265,957	214,083	265,957
Repayable other than by instalments	300,000	250,000	-	-
Issue costs	(2,474)	(2,787)	(2,474)	(2,787)
Over one year (note 19)	555,831	551,437	255,831	301,437
Total housing loans	564,508	566,104	264,508	311,110

Housing loans and Bond issue

All of the above are secured by fixed charges on the Group's housing assets and are repayable at variable and fixed rates of interest in the range of 0.41% - 12.84% (2021: 0.04% - 12.84%) per annum. As at 31 March 2022, 88% of our borrowings, including interest rate swaps, were charged interest at a fixed rate (2021: 89%).

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

Source of housing loans

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
The Finance for Residential Social Housing Plc	3,441	3,497	3,441	3,497
Banks and building societies	213,541	265,394	213,541	260,400
Affordable Housing Finance Plc	50,000	50,000	50,000	50,000
Moat Homes Finance Plc Bond	300,000	250,000	-	-
	566,982	568,891	266,982	313,897
Issue costs	(2,474)	(2,787)	(2,474)	(2,787)
	564,508	566,104	264,508	311,110

Finance leases

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Within one year (note 18)	17	16	17	16
Between one and five years	57	73	57	73
In more than five years	-	-	-	-
	74	89	74	89

Government grant

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Social Housing Grant (SHG) and other government grant	548,507	540,609	548,360	540,462
Cumulative amortisation	(83,952)	(79,120)	(83,939)	(79,108)
	464,555	461,489	464,421	461,354

20. Total government grant assistance

Total government grant assistance received or receivable to date is as follows:

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
SHG on housing properties	548,507	540,609	548,360	540,462
Homebuy and starter home initiative	33,419	36,826	33,419	36,826
Recycled capital grant fund	56,248	56,756	56,248	56,756
Add: cumulative amount credited to statement of comprehensive income	13,769	13,769	12,050	12,050
	651,943	647,960	650,077	646,094

21. Recycled capital grant fund - Group and Association

	Homes England	GLA	Homes England	GLA
	2022		2021	
	£000	£000	£000	£000
At 1 April	50,834	5,922	54,176	7,017
Inputs to fund: Grants recycled	4,646	966	3,685	819
Transfer from Disposal Proceeds Fund	-	-	249	50
Interest accrued	101	12	54	6
	55,581	6,900	58,164	7,892
Withdrawals from fund: New build	(2,707)	(3,526)	(7,330)	(1,970)
At 31 March	52,874	3,374	50,834	5,922
Amounts three years or older where repayment may be required	34,233	-	29,702	-

Any amounts in the Disposal Proceeds Fund at 6 April 2020 were transferred into the Recycled capital grant fund.

22. Other financial commitments - Group and Association

At 31 March 2022 there are future commitments under non-cancellable operating leases as follows:

	Land and building lease commitments		Other lease commitments	
	2022	2021	2022	2021
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	69	108	74	39
Between one and five years	-	-	9	44
In more than five years	-	-	-	-
	69	108	83	83

23. Capital commitments

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Capital expenditure contracted for but not provided in the financial statements	157,418	150,260	151,600	137,101
Capital expenditure authorised but not yet contracted for	13,285	58,078	13,285	58,078

Capital commitments will be funded from existing and new facilities, cash from operating activities and first tranche/open market sale proceeds.

24. Financial instruments

The carrying values of financial assets and liabilities are summarised below:

	Group		Association	
	2022	2021	2022	2021
Financial assets	£000	£000	£000	£000
Measured at undiscounted amount receivable:				
Trade and other debtors and cash collateral given (note 17)	5,679	4,717	6,550	29,327
Cash and cash equivalents	65,609	33,489	64,485	31,529
	71,288	38,206	71,035	60,856

24. Financial instruments (continued)

	Group		Association	
	2022	2021	2022	2021
Financial liabilities	£000	£000	£000	£000
Measured at fair value and designated as an effective hedge:				
Derivative financial liabilities (note 25)	57,964	68,185	57,964	68,185
Measured at fair value through the surplus for the year:				
Ineffective element of interest rate swaps	(6,918)	(1,657)	(6,918)	(1,657)
	51,046	66,528	51,046	66,528
Measured at amortised cost:				
Loans payable (notes 18,19)	264,508	316,104	264,508	311,110
Bond payable (note 19)	300,000	250,000	-	-
Obligations under finance leases (notes 18,19)	74	89	74	89
Intercompany loans payable (notes 18,19)	-	-	360,874	289,437
Measured at undiscounted amount payable:				
Trade and other creditors (notes 18,19)	92,543	74,006	29,851	32,467
	708,171	706,727	706,853	699,631

The ineffective element of interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Assumptions used in the valuation are a discount rate of 6 months SONIA and the dollar offset method on a cumulative basis for calculating effective/ineffective values.

Income, expense, gains and losses in respect of financial instruments are:

	Group		Association	
	2022	2021	2022	2021
	£000	£000	£000	£000
Interest income and expense				
Total interest income for financial assets at amortised cost	21	31	590	858
Total interest expense for financial liabilities at amortised cost	(25,165)	(23,860)	(25,069)	(23,447)
Fair value gains and losses				
On derivative financial liabilities designated as an effective hedge	10,221	10,165	10,221	10,165
On financial liabilities measured at fair value through surplus for the year	5,260	1,791	5,260	1,791
	(9,663)	(11,873)	(8,998)	(10,633)

25. Hedging financial instruments - Group and Association

	Due within one year		Due after one year	
	2022	2021	2022	2021
	£000	£000	£000	£000
On derivative financial liabilities designated as an effective hedge:				
Interest rate swaps	-	-	57,964	68,185

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Assumptions used in the valuation are a discount rate of 6 months SONIA and the dollar offset method on a cumulative basis for calculating effective/ineffective values.

Cash flow hedges

The following table details the notional principal amounts and the remaining terms of interest rate swap contracts designated as cash flow hedges outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value	
	2022	2021	2022	2021	2022	2021
	%	%	£000	£000	£000	£000
More than five years	4.90	4.02	143,000	143,000	57,964	68,185

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' SONIA. The Group settles the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts are designated as cash flow hedges. All interest rate swaps reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows are expected to occur and to affect surplus and deficit over the period to maturity of the interest rate swaps. £48m of the cash flow swaps mature in 2029 and the remaining £95m matures in 2038.

26. Called-up share capital

	Association	
	2022	2021
	£	£
Allotted, issued and fully paid £1 shares		
At 1 April	9	8
Cancelled during the year	(1)	(2)
Issued during the year	-	3
As at 31 March	8	9

Each of Moat's non-executive members holds one share of £1 in the Association. These shares confer the right to vote at general meetings and are irredeemable, being cancelled on cessation of membership. They do not confer a right to dividends or a provision for distribution on a winding-up.

27. Pension obligations

Defined contribution schemes

MHL participates in the defined contribution scheme with SHPS. The total expense charged to surplus in the period ended 31 March 2022 was £969k (2021: £881k). This scheme is open to all new employees and current employees have the opportunity to switch into this scheme.

MHL also participates in the Aviva defined contribution scheme. The total expense charged to surplus in the period ended 31 March 2022 was £145k (2021: £170k). This scheme is closed to new employees.

Defined benefit schemes

A defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and remuneration. The schemes have rules which specify the benefits to be paid and are financed accordingly with assets being held in independently administered funds. A full actuarial valuation of each of the defined benefit schemes we participate in is carried out every three years with interim reviews in the intervening years.

The schemes are 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.

Social Housing Pension Scheme (SHPS)

MHL participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. MHL has closed the scheme to new employees.

The scheme is classed as a defined benefit scheme in the UK. Previously it was not possible for MHL to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, and the scheme was accounted for as a defined contribution scheme. From 1 April 2018 it has been possible to identify the share of the underlying assets and liabilities belonging to individual participating employers on a consistent and reasonable basis. From that date MHL has accounted for the scheme as a defined benefit scheme.

The value of each member's liabilities has been calculated by undertaking a full valuation of SHPS as at 30 September 2020, the last date when full membership data was obtained. The liability for each employer has been determined by calculating the liability for the appropriate members linked to each employer. The liability for orphan members (members with no remaining sponsoring employer for historical reasons) has been allocated in proportion to each employer's share of the overall liabilities.

SHPS is not a segregated multi-employer scheme and does not, therefore, have ring-fenced assets for each participating employer. The fair value of an employer's assets in SHPS for the purpose of FRS 102 is determined as the employer's share of the market value of the scheme assets split in proportion to the employer's share of the trustee's triennial funding liabilities at the accounting date. This process has been adopted as it is the approach adopted by the trustee should an employer bulk transfer from the scheme to an alternative defined benefit scheme. Hence the output is deemed to be the employer's fair value of assets. In order to obtain this fair value for an employer, the trustee's funding liabilities are calculated for all employers at the accounting date. Each employer's percentage share of the total funding liabilities is then determined. That percentage share is then applied to the market value of the assets of the scheme as at the accounting date to determine the employer's fair value of assets at the accounting date.

A full actuarial valuation for the scheme was carried out at 30 September 2020 by independent, qualified actuaries, Jardine Lloyd Thompson Group Plc (JLT). The valuation uses a set of assumptions determined by JLT based on financial conditions as at 30 September 2021. MHL have chosen not to change the assumptions provided.

To assess the value of the Employers' liabilities at 31 March 2022, JLT have rolled forward the 30 September 2020 valuation to 30 September 2021 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of MHL and its employees.

As the scheme is in deficit, MHL has agreed to a deficit funding arrangement. Under the new recovery plan based on the 30 September 2020 valuation, from 1 April 2022 MHL's deficit contributions are £1,522,908 per annum. These payments will increase annually by 2% from 1 April 2023 and on each 1 April thereafter until September 2026. The recovery plan will be reviewed as part of the September 2023 actuarial valuation.

The scheme is classified as a 'last man standing' arrangement. Therefore, MHL 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.

London Borough of Merton and Essex County Council pension schemes

MHL provides two pension schemes under the Local Government Pension Scheme (LGPS) to its employees. Both schemes are defined benefit schemes and have been closed to new employees.

The last full actuarial valuations were conducted as at 31 March 2019 by independent, qualified actuaries, Barnett Waddingham LLP for both schemes, using the projected unit credit method. The valuation has set the contributions for the period from 1 April 2020 to 31 March 2023.

To assess the value of the Employers' liabilities at 31 March 2022, Barnett Waddingham LLP have rolled forward the value of the Employers' liabilities calculated for the funding valuations as at 31 March 2019, using financial assumptions that comply with FRS 102. To calculate the asset share, they have rolled forward the assets allocated to MHL at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from the Fund, by and in respect of MHL and its employees.

27. Pension obligations (continued)

The financial assumptions, set with reference to market conditions at the reporting date, used to calculate the results are as follows:

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2022	2022	2022
Assumptions as at 31 March:	% pa	% pa	% pa
RPI increases	3.6%	n/a	n/a
CPI increases	3.2%	3.3%	3.3%
Salary increases	4.2%	4.3%	n/a
Pension increases	n/a	3.3%	3.3%
Discount rate	2.8%	2.6%	2.6%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	n/a	n/a

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2021	2021	2021
Assumptions as at 31 March:	% pa	% pa	% pa
RPI increases	3.3%	3.3%	3.4%
CPI increases	2.9%	2.9%	2.9%
Salary increases	3.9%	3.9%	n/a
Pension increases	n/a	2.9%	2.9%
Discount rate	2.2%	2.0%	2.0%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	n/a	n/a

The expected return on assets is the discounted rate.

27. Pension obligations (continued)

The assumed life expectations from age 65 are:

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2022	2022	2022
	Years	Years	Years
Retiring today - Males	21.1	21.6	21.2
Retiring today - Females	23.7	23.7	23.9
Retiring in 20 years - Males	22.4	23.0	22.5
Retiring in 20 years - Females	25.2	25.1	25.4

The assumed life expectations from age 65 are:

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2021	2021	2021
	Years	Years	Years
Retiring today - Males	21.6	21.6	21.1
Retiring today - Females	23.5	23.6	23.9
Retiring in 20 years - Males	22.9	22.9	22.4
Retiring in 20 years - Females	25.1	25.1	25.3

Amounts recognised in the surplus are:

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund	Total
	2022	2022	2022	2022
	£000	£000	£000	£000
Service cost	(49)	(28)	-	(77)
Net interest on defined liability	(207)	(7)	(14)	(228)
Administration expenses	(28)	(1)	(2)	(31)
Total	(284)	(36)	(16)	(336)

Amounts recognised in the surplus are:

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund	Total
	2021	2021	2021	2021
	£000	£000	£000	£000
Service cost	(29)	(18)	-	(47)
Net interest on defined benefit liability	(101)	(10)	(17)	(128)
Administration expenses	(28)	(1)	(2)	(31)
Total	(158)	(29)	(19)	(206)

27. Pension obligations (continued)

Amounts recognised in other comprehensive income are as follows:

Remeasurement of pension liability in other comprehensive income	SHPS DB Pension Fund 2022 £000	Essex Pension Fund 2022 £000	Merton Pension Fund 2022 £000	Total 2022 £000
Return on assets in excess of interest	(278)	227	71	20
Change in financial assumptions	4,023	153	131	(2,335)
Change in demographic assumptions	859	-	-	859
Actuarial gains/(losses) due to scheme experience	(2,619)	(6)	(5)	4,012
Remeasurement of pension liability	1,985	374	197	2,556

Remeasurement of pension liability in other comprehensive income	SHPS DB Pension Fund 2021 £000	Essex Pension Fund 2021 £000	Merton Pension Fund 2021 £000	Total 2021 £000
Return on assets in excess of interest	3,914	582	428	4,924
Change in financial assumptions	(10,261)	(645)	(473)	(11,379)
Change in demographic assumptions	(203)	44	30	(129)
Actuarial gains/(losses) due to scheme experience	(22)	35	38	51
Remeasurement of pension liability	(6,572)	16	23	(6,533)

The amounts included in the statement of financial position are as follows:

Net pension liability in the statement of financial position as at 31 March:	SHPS DB Pension Fund 2022 £000	Essex Pension Fund 2022 £000	Merton Pension Fund 2022 £000	Total 2022 £000
Present value of defined benefit obligation	(53,570)	(3,100)	(2,506)	(59, 176)
Fair value of Fund assets (bid value)	46,403	3,093	1,979	51,475
Deficit	(7,167)	(7)	(527)	(7,701)

Net pension liability in the statement of financial position as at 31 March	SHPS DB Pension Fund 2021 £000	Essex Pension Fund 2021 £000	Merton Pension Fund 2021 £000	Total 2021 £000
Present value of defined benefit obligation	(56,208)	(3,236)	(2,678)	(62,122)
Fair value of Fund assets (bid value)	45,927	2,837	1,956	50,720
Deficit	(10,281)	(399)	(722)	(11,402)

27. Pension obligations (continued)

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

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2022	2022	2022
	£000	£000	£000
Opening defined benefit obligation	(56,208)	(3,236)	(2,678)
Current service cost	(49)	(28)	-
Expenses	(28)	-	-
Interest cost	(1,191)	(62)	(51)
Change in financial assumptions	4,023	153	131
Change in demographic assumptions	859	-	-
Actuarial gains/(losses) due to scheme experience	(2,619)	(6)	(5)
Estimated benefits paid net of transfers in	1,709	86	97
Contributions by scheme participants	(66)	(7)	-
	(53,570)	(3,100)	(2,506)

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2021	2021	2021
	£000	£000	£000
Opening defined benefit obligation	(45,525)	(2,664)	(2,295)
Current service cost	(29)	(18)	-
Expenses	(28)	-	-
Interest cost	(1,072)	(62)	(53)
Change in financial assumptions	(10,261)	(645)	(473)
Change in demographic assumptions	(203)	44	30
Actuarial gains/(losses) due to scheme experience	(22)	35	38
Estimated benefits paid net of transfers in	1,003	81	75
Contributions by scheme participants	(71)	(7)	-
	(56,208)	(3,236)	(2,678)

27. Pension obligations (continued)

Movements in the fair value of the scheme assets:

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2022	2022	2022
	£000	£000	£000
Opening fair value of Fund assets	45,927	2,837	1,956
Interest on assets	984	55	37
Return on assets in excess of interest	(278)	227	71
Administration expenses	-	(1)	(2)
Contributions by employer including unfunded	1,413	54	14
Contributions by Fund participants	66	7	-
Estimated benefits paid plus unfunded net of transfers in	(1,709)	(86)	(97)
	46,403	3,093	1,979

The total return on the SHPS DB Pension Fund assets for the year to 31 March 2022 is £706,000.
The total return on the Essex Pension Fund assets for the year to 31 March 2022 is £282,000.
The total return on the Merton Pension Fund assets for the year to 31 March 2022 is £108,000.

	SHPS DB Pension Fund	Essex Pension Fund	Merton Pension Fund
	2021	2021	2021
	£000	£000	£000
Opening fair value of Fund assets	40,587	2,227	1,555
Interest on assets	971	52	36
Return on assets in excess of interest	3,914	582	428
Administration expenses	-	(1)	(2)
Contributions by employer including unfunded	1,387	51	14
Contributions by Fund participants	71	7	-
Estimated benefits paid plus unfunded net of transfers in	(1,003)	(81)	(75)
	45,927	2,837	1,956

The total return on the SHPS DB Pension Fund assets for the year to 31 March 2021 is £4,885,000.
The total return on the Essex Pension Fund assets for the year to 31 March 2021 is £634,000.
The total return on the Merton Pension Fund assets for the year to 31 March 2021 is £464,000.

27. Pension obligations (continued)

The analysis of the scheme assets at reporting date was as follows:

SHPS DB Pension Fund - Employer asset share - bid value	2022	2022	2021	2021
	£000	%	£000	%
Absolute return	1,861	4%	2,535	5%
Alternative risk premia	1,530	3%	1,730	4%
Corporate bond fund	3,095	7%	2,714	6%
Credit relative value	1,542	3%	1,445	3%
Distressed opportunities	1,661	4%	1,326	3%
Emerging markets debt	1,350	3%	1,854	4%
Global equity	8,905	19%	7,320	16%
High yield	400	1%	1,375	3%
Infrastructure	3,306	7%	3,062	7%
Insurance-linked securities	1,082	2%	1,103	2%
Liability driven investment	12,948	28%	11,673	25%
Long lease property	1,194	3%	900	2%
Opportunistic credit	165	-	1,259	3%
Opportunistic illiquid credit	1,559	3%	1,168	3%
Private debt	1,190	3%	1,095	2%
Property	1,253	3%	954	2%
Risk sharing	1,528	3%	1,672	4%
Secured income	1,729	4%	1,910	4%
Other	105	-	832	2%
Total assets	46,403	100%	45,927	100%

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.

Essex Pension Fund - Employer asset share - bid value	2022	2022	2021	2021
	£000	%	£000	%
Equities	1,858	60%	1,753	62%
Gilts	74	3%	73	2%
Other bonds	135	4%	142	5%
Property	254	8%	202	7%
Cash/temporary investments	78	3%	134	5%
Alternative assets	382	12%	328	12%
Other managed funds	312	10%	205	7%
Total assets	3,093	100%	2,837	100%

27. Pension obligations (continued)

Merton Pension Fund - Employer asset share - bid value	2022	2022	2021	2021
	£000	%	£000	%
Equities	965	48%	1,268	65%
Gilts	210	11%	160	8%
Property	62	3%	52	3%
Cash	30	2%	75	4%
Multi asset credit	163	8%	163	8%
Diversified growth	375	19%	159	8%
Infrastructure	174	9%	79	4%
Total assets	1,979	100%	1,956	100%

Social Housing Pension Scheme (SHPS) - The Growth Plan

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

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m.

To eliminate this funding shortfall, the trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

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

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

Deficit contributions

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

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

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

	2022	2021
	£000	£000
Present value of provision	(6)	(30)

28. Contingent liabilities

MHL has been notified by TPT Retirement Solutions that the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2021 was £34.4m.

MHL has been notified by TPT Retirement Solutions that the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Growth Plan as at 30 September 2021 was £67k.

29. Statement of cash flows - Group

Reconciliation of surplus for the year to cash generated from operations:

	2022	2021
	£000	£000
Surplus for the year	47,911	36,425
Adjustments for non-cash items		
Depreciation of tangible fixed assets	19,490	14,771
Amortisation of government grants	(4,832)	(4,865)
Impairment of tangible fixed assets	966	916
Pension costs less contributions payable	(1,146)	(1,246)
Movement in fair value of financial instruments	(5,260)	(1,791)
Changes in working capital		
Decrease in housing stock	34,158	18,148
Decrease/(increase) in debtors	(2,473)	11,943
Decrease in creditors	12	4,391
Adjustments for investing or financing activities		
Proceeds from sale of tangible fixed assets	(30,574)	(18,667)
Cost of tangible fixed asset disposals	13,144	12,186
Increase in fair value of investment properties	(110)	-
Interest payable	23,607	19,345
Interest receivable	(21)	(31)
Cash collateral returned	(57)	(7,373)
Cash generated from operations	94,815	84,152

30. Related party transactions

Key management personnel are Board members and the Executive Team. Their transactions with Moat are:

- Remuneration which is disclosed in notes 4 and 5.
- One further related party transaction took place in the year where a Director of MHL purchased assets at an estimated market value of £1.4k from Moat on an arm's length basis. This amount was paid in full and there were no outstanding balances at 31 March 2022.

The names of all Group members are set out in note 13. MHL is regarded by the Board as the ultimate parent undertaking of the Group. The consolidated financial statements incorporate the financial statements of all Group members.

Transactions with pension schemes which benefit employees are disclosed in note 27.

31. Analysis of intra group transactions between regulated and non-regulated entities

Moat incorporates MHL and MHG which are both registered providers of social housing regulated by the Regulator of Social Housing (RSH). Other group members are not regulated by the RSH. These are MDL, MFM and MCS which are dormant and MHF which is a special purpose vehicle set up to raise funds through a bond issue.

MHL intra-group transactions with MHF:
MHF obtains finance directly from capital markets and on-lends to MHL. The on-lent funding to MHL is under a secured loan agreement, which is backed by housing assets of MHL. If there are any payments which are not made to MHF, then it has the right to enforce the security under the loan. During the year MHL paid £12.5m to MHF in interest payments (2021: £11.0m). At 31 March 2022, MHL owed MHF £343k (2021: £289k) of accrued interest and £360.6m (2021: £289.2m) of loans.

32. Legislative authority

Moat Homes Limited and Moat Housing Group Limited are incorporated under the Co-operative and Community Benefits Societies Act 2014. Moat Development Limited, Mariner Facilities Management Limited, Moat Homes Finance Plc, and Moat Construction Services Limited are incorporated under the Companies Act 2006. In addition Moat Homes Limited and Moat Housing Group Limited are Registered Providers.

Moat

Registered under the Co-operative and Community Benefits Societies Act 2014 No. 17434R
Registered under Section 5 of the Housing Associations Act 1985 No. L0386

moat.co.uk