Moat Homes Group Limited Financial Statements

For the year ended 31 March 2021

Registered under the Co-operative and Community Benefit Societies Act 2014 No. 27943R
Registered under Section 5 of the Housing Associations Act 1985 No. L4047

MOAT HOUSING GROUP LIMITED
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MOAT HOUSING GROUP LIMITED
DIRECTORS, EXECUTIVE TEAM, REGISTERED OFFICE AND ADVISORS

MOAT HOUSING GROUP LIMITED BOARD

		Number of meetings attended (4 in total)
David Brocklebank (appointed January 2021)	Independent Chair	2
Tim Boag	Independent	4
Ian Lindsay (retired June 2021)	Independent	4
Gerard McCormack	Independent	4
Steve White	Independent	4
Elizabeth Austerberry	Executive	4
Steve Nunn	Executive	4
Greg Taylor	Executive	4

EXECUTIVE TEAM

Elizabeth Austerberry	Chief Executive
Matthew Hayday	Executive Director: Governance and Compliance; and Company Secretary
Anne-Britt Karunaratne (resigned July 2021)	Executive Director: Housing and Customer Services
Steve Nunn	Executive Director: Development and New Business
Greg Taylor	Executive Director: Finance and Corporate Services
Howard Dawson (appointed July 2021)	Interim Executive Director: Housing and Customer Services

REGISTERED OFFICE

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

REGISTERED AUDITOR

BDO LLP, 55 Baker Street, London W1U 7EU

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. 27943R

Registered under Section 5 of the Housing Associations Act 1985 No. L4047

MOAT HOUSING GROUP LIMITED
COMMITTEE MEMBERS

AUDIT COMMITTEE		Number of meetings attended (4 in total)
Gerard McCormack	Chair	4
Jeremy Ellis (appointed February 2021)		1
Mark Foster		4
Elizabeth Rantzen (resigned September 2020)		2

FINANCE COMMITTEE		Number of meetings attended (4 in total)
Tim Boag	Chair	4
David Brocklebank (appointed March 2021)		1
Gerard McCormack		4
Steve White		3
Greg Taylor		4

CUSTOMER & COMMUNITIES COMMITTEE		Number of meetings attended (4 in total)
Mark Foster	Chair	4
Jo Moran		3
Anne-Britt Karunaratne		4
Elizabeth Rantzen (resigned September 2020)		2
Caroline Ross (appointed March 2021)		-

REMUNERATION & NOMINATIONS COMMITTEE The Remuneration Committee and Governance & Nominations Committee combined into this Committee in September 2020		Number of meetings attended (2 in total)
Jo Moran	Chair	2
Mark Foster		2
Caroline Ross (appointed November 2021)		1
Steve White		2

REMUNERATION COMMITTEE		Number of meetings attended (1 in total)
Jo Moran	Chair	1
Mark Foster		1
Steve White		1

GOVERNANCE & NOMINATIONS COMMITTEE		Number of meetings attended (1 in total)
Steve White	Chair	1
Mark Foster		1
Jo Moran		1

The Directors present the report and financial statements for Moat Housing Group Limited (MHG) for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

MHG is a non-charitable registered provider regulated by the Regulator of Social Housing (RSH). It is a subsidiary of Moat Homes Limited (MHL) and operates as part of the Moat Group (Moat).

Its primary activities are the construction and sale of homes on the open market. It also has a small portfolio of three social rented houses.

MHG's subsidiaries, Mariner Facilities Management Limited and Moat Development Limited are both dormant.

OPERATING REVIEW

The year ended 31 March 2021 has been a challenging year dominated by the COVID-19 pandemic. Development on site was delayed due to sites being closed during the initial lockdown and COVID-19 operating protocols and material shortages have slowed construction works. Sales have been slow with mortgage valuations stopped during the initial lockdown and an ongoing extended sales process.

MHG has four schemes at different stages of development:

- All Saints, with 24 homes all of which handed over in March 2020. Sales have been slow during the year but sales activity has picked up with four sales in February/March 2021 and a further eight homes reserved.

- Raleys Gym, with 5 homes. In order to progress sales, we decided to reduce the sales values on these high value homes and three homes sold during the year at a loss. The remaining two homes are currently being rented but sales of these are progressing.

- We launched our new development in the village of Littlebourne just outside Canterbury, our first joint venture with Leath Park Developments. The first three homes handed over in March 2021, with one sale. We are expecting 30 handovers in 2021/22, with a further 28 handovers the following year.

- Due to planning issues, we decided to sell the land we owned at Gilkes Crescent rather than carry on with the development. This sale took place in June 2021 and has enabled us to write back an impairment of £431k in 2020/21.

MHG's focus going forward continues to be to develop open market sales properties, either independently or working with other developers, and typically as part of mixed tenure developments. Developments will be funded using sales proceeds, borrowing from MHL and reserves.

MARKET REVIEW

The on-going concerns of the longer-term impact of COVID-19 and Brexit are being monitored closely. These could impact construction with a possible shortage of labour and increase in the cost of materials. A further unknown is whether the planned unwinding of the governments furlough scheme will significantly increase unemployment and how concerns about the future and unemployment will impact on the demand for sale-based tenures.

FINANCIAL REVIEW

- There was a deficit of £951k (2020: deficit of £2,602k) for the year.
- £1.2m (2020: £1.1m) of interest costs were recognised during the year. These costs arose on borrowings required to meet development costs and are treated as an expense when they become due and not as cost of sale when properties are sold.
- Eight open market sales in the year (2020: no sales) made a surplus of £126k.
- A review of the net realisable value of housing stock for sale resulted in an increase in value of £66k (2020: £1.5m reduction). This recognises the impact of revised sale values of schemes that were reduced in 2019/20.
- Market rent from the two properties at Raleys Gym was £122k (2020: £31k).
- There was a surplus of £11k on social housing lettings (2020: £12k).
- Administrative costs of £36k (2020: £34k) cover audit and tax fees.
- During the year, MHG spent £6.7m on land and construction costs on properties for open market sale (2020: £7.7m). Intercompany borrowings increased to £24.9m (2020: £19.6m) and external funding reduced to £5.0m (2020: £10.2m).
- At 31 March 2021 MHG had revenue reserves of £9.4m (2020: £10.4m).

TREASURY REVIEW

Moat's 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

Borrowings at 31 March 2021 were £29.9m (2020: £29.8m). MHL provided £24.9m (2020: £19.6m), with £25.1m of the £50m intercompany facility undrawn. Bank development finance is specific to individual schemes with £5.0m drawn for the All Saints scheme (2020: £7.6m), which was repaid in April 2021. The Raley's scheme loan was fully repaid in the year (2020: £2.6m).

All funding will be met through borrowing from MHL, with the £50m intercompany facility reviewed annually to ensure it meets MHG's requirements.

GOING CONCERN

In March 2021 the Board approved the budget for 2021/22 which shows a surplus of £2.9m, including the sale of 40 homes.

In July the Board reviewed the 30-year long-term financial plan which builds on the 2021/22 budget as the base year and includes detailed stress testing and recovery planning. Stress tests included testing the sensitivity of the plan to inflation, interest rates, sales values, sales rates and impairment, and to scenarios combining elements of the foregoing to simulate market disruption that could be caused by adverse economic events. The plan assumes that in addition to the completion of the current schemes there is an ongoing annual planning volume of 40 homes. If there is a stress event at any point, MHG can switch off any future development plans. There is also an option to market rent some of the homes for a period until the market improves.

GOING CONCERN (continued)

MHG's development commitments will be funded from reserves, borrowing from MHL, and sale proceeds.

The £50m intercompany facility from MHL has been approved to 30 September 2022 and MHL's long-term plan assumes continued support to MHG by extending the £50m facility to future years. In considering the risk of MHL being unable to provide the £50m facility, the Board has also reviewed MHL's 30-year long-term financial plan. MHL's plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. The stress testing also indicates that there is sufficient headroom on covenants to allow it to take remedial action in the event of adverse external conditions or if the assumptions used in the plan change.

The Board has concluded that there is a reasonable expectation that MHG has adequate resources to continue in operational existence for more than 12 months from the date of these accounts. It therefore continues to adopt the going concern basis in the financial statements.

LONG TERM VIABILITY STATEMENT

The UK Corporate Governance Code requires the Board to undertake an assessment of the future prospects of MHG taking account of the current position and the principal risks facing the business. This assessment was made by the Board using our core business processes, which include:

- **Long Term Plan (LTP)** – the Board reviews the LTP each year as part of its strategy review process. The LTP process includes detailed stress testing which involves flexing a number of the main assumptions underlying the forecast both individually and together under particular scenarios.

- **Risk management** – as described within the Risks section of this Strategic report, Moat has a structured approach to the management of risk and the principal risks identified are reviewed regularly by the Board.

- **Liquidity** – the Board reviews forecast working capital requirements, cash flow, committed borrowing, and available facilities.

In undertaking this review the Board have used a three-year horizon. There is a high level of certainty over the first year due to the preparation and approval of detailed budgets, supported by reforecasts. Whilst we plan development spend and required facilities over a longer period than three years, the selected period ensures that MHG is viable beyond our usual development commitment timeframe.

POST YEAR END EVENTS

There have been no events post 31 March 2021 which require disclosure.

VALUE FOR MONEY (VfM)

Moat's VfM strategy, which applies to MHG in conjunction with Moat, brings together a number of supporting strategies to ensure a coherent and co-ordinated approach with VfM a key strand across the full range of its business activities, including:

- 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 –to establish financial risk appetite and to set the boundaries for investment.
- Investment appraisals for all development activities are approved and monitored by the Capital Projects Committee and the Board.
- Asset management – we have a 30-year plan for works to maintain the quality of our existing homes.
- Procurement - we involve the Procurement Team in all tender activity with the aim of securing improved VfM while protecting the quality of our services and maintaining compliance with legislation.
- Change management process for on-going improvements, e.g. digital and system developments, structure changes.
- Social value – we consider the social value impact as well as financial in our decision making.

MHG provides a minimal amount of social housing, with only 3 social rented properties, and is not currently developing new social homes as this activity is carried out by MHL.

	Actual 2020-21	Target 2020-21	Actual 2019-20
VfM metrics			
Operating margin (social housing lettings only) %	55%	50%	60%
Headline social housing cost per unit (HSHC) £	£663	£1,000	£562

The operating margin on social housing lettings at 55% compares favourably with the rest of Moat which has a margin of 41%. It places MHG in the top quartile in comparison with the global accounts metrics released by the Regulator of Social Housing.

The headline social housing cost per unit is higher than 2019/20 but lower than the rest of Moat. The low spend on the three houses is in line with the age of the properties.

GOVERNANCE

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

- Independent non-executive directors, appointed through a competitive process supported by an external recruitment agency; and
- the Chief Executive and two executive directors.

David Brocklebank took over as Chair from Ian Lindsay on his appointment to the Board in January 2021. He is the Executive Managing Director of Wates Developments Group, having held a number of roles within the business since joining Wates in 2001. He oversees Wates' business activity in residential land and development, engaging with both the public and private sector markets. David has 27 years' experience in the development sector, having previously held Directorships within the Berkeley Group and David Wilson Homes in the 1990s.

The Board is responsible for setting MHG's strategic direction and maintains oversight of the performance of MHG 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 MHG uses its resources effectively and complies with its regulatory requirements.

The Board has delegated some of its functions and detailed work on assurance to Moat's committees and delegated the delivery of the strategy and operations to the Chief Executive. The committees each have a group wide remit with clear terms of reference. Full reports on the work of the Audit Committee and the Remuneration and Nominations Committee can be found from pages 15 - 20.

Audit Committee

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

Finance Committee

The Finance Committee oversees Moat's financial performance and provides detailed assurance on the Long-Term Plan to the Board.

Customer and Communities Committee

The Customer and Communities Committee provides assurance to the Board on our landlord responsibilities and customer service provision. It also advises the Board on customer engagement.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee sets and reviews non-executive and executive pay, oversees the appointment process for independent directors and makes recommendations for appointment to the Board. It also keeps our governance arrangements under review.

The membership of the Board and Committees is shown on pages 2 and 3.

Governance review

In line with good governance and best practice, Moat undertakes an external review of its governance arrangements every three years. Campbell Tickell were appointed to undertake a governance review which completed in March 2020. This review encompassed the Group structure, including MHG.

The review found that, overall, governance functioned well at Moat. Recommendations were made on how we could continue to improve our governance arrangements and the changes we have implemented as a result are summarised below:

- Moat's Rules and Standing Orders were updated and approved by the FCA. These now reflect the latest version of the NHF model rules as well as being adapted to our specific circumstances. MHG has its own Rules and the Standing Orders are common to the Group structure
- we made three new appointments to our Board in line with our skills matrix, including the appointment of a new Chair of MHG
- at Group level we:
  - developed a revised customer engagement strategy and widened our pool of customer advocates to help us seek the views of our customers across Moat's activities
  - began reporting using the WOCAS (what our customers are telling us) model to ensure that the Customer and Communities Committee has insight into our customer feedback and viewpoints
  - merged the role of two committees to improve efficiency.

Code of Governance

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

Code Principle/Provision	Explanation
Principle D, provision 3 - regular engagement with major shareholders	MHG 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 share of £1.
Principle K, provision 18 - all directors should be subject to annual re-election	Independent non-executive directors are reappointed for three-year terms up to a maximum of nine years in line with NHF model rules.
Principle N, provision 30 – going concern and annual and half-yearly financial statements	MHG is not required to produce half-yearly statements.
Principle Q, provision 36 - Remuneration schemes should promote long-term shareholdings by executive directors	MHG does not have shareholdings by executive directors.

The Board can confirm that it 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 2020/21 financial year was G1/V1.

In November 2020, Moat had its Regulatory Engagement Meeting with the RSH. This is a meeting between the Executive and the RSH that takes place in between the formal In Depth Assessments (IDAs). The Executive were able to provide the RSH with substantial assurance across Moat's activities and subsequent to the meeting our governance and viability rating was confirmed as G1/V1 via a regulatory judgement. Moat's scheduled

We can confirm that we have undertaken the annual assessment of our compliance with the regulatory standards and are fully compliant in all material respects.

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 December 2019 the FCA extended the Senior Managers and Certification Regime (SM&CR) to firms outside of the banking and insurance sector, including housing associations. The SM&CR aims to create a culture across organisations where individuals take accountability for their own actions and competence in the delivery of various types of financial services. We can confirm that Moat had the required arrangements in place as at the annual deadline of 9 December 2020.

RISKS

Risk is inherent in our business activities, the delivery of our operations and the decisions we make.

The 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 Board has delegated to the Audit Committee responsibility for ensuring that risk is effectively managed through our governance structure in line with its risk appetite. All staff should be aware of risks in their area of responsibility and manage them during their work.

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. The risk framework was updated at the end of 2020 to amend the risk assessment model to a five-by-five impact and likelihood grid in line with best practice.

Risks that have the potential to impact across the whole business are managed as strategic risks. These are kept under review by the Executive Directors and discussed at the monthly Executive Team meeting. The strategic risk register is also reviewed by the Audit Committee at each of its four meetings.

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.

Strategic Risks

- Ongoing impact of COVID-19 on MHG's objectives and operations
  The pandemic is the most significant risk facing Moat. In terms of development of new homes, possible further delays in handovers due to further lockdowns, continuing social distancing rules and shortages of materials and workers. Sales values may fall, and the rate of sales may remain slow. We continue to monitor Government guidance and react accordingly.

- Exposure to falling house prices
  To mitigate the risk of down-valuations, we take a conservative approach to valuations and investment appraisals. Prior to handover, values are updated every three months and kept under review by the Executive Team and the Board. COVID-19 restrictions have had implications regarding obtaining valuations and lack of sales during lockdown, and we are monitoring the situation closely.

  The Board has set a ceiling on the development capacity of open market sale activities to £50m, with all projects approved by the MHG Board.

ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining the whole system of internal control for MHG, 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, providing 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 MHG's assets.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls and the process of risk management as discussed in the risk section.

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 2021 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.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Directors to prepare financial statements for each financial year. Under those regulations the Directors have 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 financial statements are required by law to give a true and fair view of the affairs of MHG and of its surplus or deficit for that year.

In preparing these financial statements, the Directors are 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 MHG will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of MHG and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of MHG and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's 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 Directors confirm 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 Directors confirm that they have assessed compliance with the Regulator of Social Housing's Governance and Financial Viability Standard at least once in the year and that MHG is compliant.

The Board confirms, so far as it is aware, there were no acts of modern day slavery during 2020/21. 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 Directors confirm that they consider that the Directors' report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess MHG's performance, business model and strategy.

The Directors 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 MHG's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that MHG's auditor is aware of that information.

HEALTH AND SAFETY

Our Health and Safety Policy Statement and detailed Health and Safety Management Policy set out our intentions with regard to the health, safety and welfare of employees and others who may be affected by the company's operations. We have a well-developed Health and Safety management system in place, with clear responsibilities for all managers and staff supported by training on health and safety matters. The Health and Safety Committee meets regularly, and the Head of Health, Safety and Facilities Management presents a detailed report at each Audit Committee and annually to the Board.

EMPLOYEES

MHG has no employees (2020: no employees).

SHARE CAPITAL

Changes in share capital are shown in note 19 of the financial statements.

Approved by the Board and signed on its behalf by:

David Brocklebank
Chair
28 July 2021

Role

The Audit Committee (the Committee) reviews the effectiveness of the organisation's internal control and risk management environment and oversees the appointment of the internal and external auditors as well as working closely with them. This responsibility covers all companies in the Group, including MHG.

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 the organisation'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
- directing the work of our 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 3.

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

- Chief Executive
- Executive Director of Finance and Corporate Services
- Executive Director of Governance and Compliance, and Company Secretary
- 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 on occasion

2020/21 meetings

The Committee met four times during the financial year. The focus of the Committee's work, in addition to the routine cycle of business, was on the organisation's response to COVID-19 and the impact on the internal control environment.

Throughout the year the Committee received updates on the management of the COVID-19 strategic risk and also reflected on the additional economic and business risks posed by the pandemic. The Committee also considered business continuity and disaster recovery arrangements in the light of the pandemic and the organisation's new remote working arrangements. The Committee challenged 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 with reduced access to homes due to shielding. The Committee was satisfied with the assurance it received from management on these issues and noted how positively the organisation had responded to extreme changes in the external environment.

The routine items considered by the Committee at each meeting and annually were as follows:

Agenda Item	Frequency	Content
Assets and Liabilities Policy and Register	Annually	Review of the policy and process for meeting the Governance and Viability Standard to maintain a thorough, accurate and up to date record of their assets and liabilities
Benefits and Payments Register	Each meeting	Review of the register for individuals and organisations with links to Moat
Cyber security update	Each meeting	Update on the external environment and our work to maintain safe and secure systems
Data Protection	Each meeting	Report on any data protection issues and updates on any work to improve or maintain compliance with legislation
Fraud, Whistleblowing and Money Laundering monitoring	Each meeting	Report of any suspected fraudulent or money laundering activity and monitors open cases. Report of any disclosures made under whistleblowing arrangements
Health and Safety report	Each meeting	Report covering KPI performance for FLAGEL key risk areas, health and safety audit findings and other relevant management information
Insurance renewal	Annually	Review of the terms of renewal and receiving assurance that adequate insurance is in place to protect the organisation's assets and activities
Internal Audit Report	Each meeting	Review of each audit report, the management response and follow up of the implementation of recommendations
Key policy reviews	Annually	Review of policies central to managing key risks and controls, such as Anti-Fraud, Tax Evasion and Bribery Policy and Whistleblowing Policy
Work Programme	Each meeting	Review of the Committee's rolling 12-month work programme

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 June 2021 and all members of the Committee, as well as five members of regularly attending senior staff, completed it. Overall, the survey results demonstrated that the Committee is effective, with an engaged membership that clearly understands its role and is well supported by the organisation to achieve its terms of reference.

16 of the 18 questions received a majority of "fully satisfactory" responses. The one area where there was one "average" response was in relation to the Committee membership, reflecting the vacancy on the Committee for much of the year. This has now been resolved following the recruitment of new Board members, one of whom has joined the Committee and brings a strong customer service background which complements the broad skill range of the other members.

The survey covered the key elements of the Committee's terms of reference and no area was identified as needing improvement. The Committees areas of responsibility are as follows and evidence of the Committee's work in these areas can be seen throughout this report:

- Financial Reporting
- Internal and External Audit
- Compliance, whistleblowing and fraud
- Internal Controls and risk management systems

Looking ahead to 2021/22, the Committee will remain focussed on the health and safety agenda, seeking assurance on behalf of the Board on how the business is preparing for and implementing the requirements from changes to building and fire Safety legislation. Key to this will be the upcoming review of the FLAGEL key risk areas being carried out by external consultants. In addition, our current internal auditors, Price Waterhouse Coopers enter the final year of their contract and the Committee will be heavily involved in the tender process and selection of the next provider.

Internal Audit

Price Waterhouse Coopers (PwC) continued to provide our internal audit service. The Committee has begun preparations for a tender exercise to appoint internal auditors who will commence planning for the 2022/23 financial year in December 2021.

The internal audit plan is agreed in advance by the Committee and is risk based. The plan remains under review in case emerging issues require attention. The process for developing the plan included initial engagement with individual members of the Executive Team (ET), followed by an ET meeting at which draft risk areas were agreed for discussion with the Moat Chair and chair of the Committee. The aim of the process is to ensure that wide consideration was given to the most significant risk areas.

The Committee considers the performance of our internal audit partner annually. This year the Committee approved the Executive's recommendation to continue with PwC. Remote working enforced by the pandemic did cause some disruption to the smooth running of the audit plan and a number of engagements were delivered later than planned. There were also some communication challenges in explaining key processes and some misunderstandings that may not have occurred through face-to-face meetings. Overall, the plan was delivered successfully but additional time was required by internal audit and management to achieve this.

Internal Audit issued six assurance reports in the year:

	Report Risk Classification				
Business Area	**Critical**	**High**	**Medium**	**Low**	**Advisory**
Voids Process			✓		
Senior Leadership Quarterly Sign Off				✓	
Interaction with Managing Agents			✓		
Key Financial Controls				✓	
Contractor Management of Development Contracts				✓	
Regulatory Compliance – Data Returns				✓	

The internal audit reports provide a summary of the weaknesses identified in the controls and good practice that was evidenced. This means that, as well as using the findings to improve processes for internal control by implementing recommendations highlighted, we can look across the business to see if other areas could benefit from adopting the good practice identified.

There were no reports in the financial year which were high-risk overall and there were no individual high-risk points (2020: 3) in any of the audit reports. The number of medium risk findings was 11 (down from 15) and the number of low risks 8 (down from 14). The auditors noted that the number of findings and risks identified will be in part dependent on the size and reach of the individual audit engagements.

The Voids Process and Interactions with Managing Agents reports were rated medium risk and the Committee reviewed the findings in detail given as management had raised these as areas for improvement in previous discussions with the Board. The Committee was pleased to note the management's openness and ongoing co-operation with internal audit.

In their annual report, PwC concluded that, "We have completed the program of internal audit for the year ended 31 March 2021. Our work only identified medium and low rated findings across the six reviews performed. Based on the work completed, we believe that the key medium risk rated reviews are isolated to specific systems and processes, and when taken in aggregate, are not considered pervasive to the system of internal control as a whole."

PwC has undertaken a follow-up review to assess prior recommendations due to be implemented within the financial year. The Committee has been kept up to date on progress throughout the year via management reporting led by the Risk and Assurance Manager. The majority of recommendations have been evidenced as implemented.

External Audit

BDO LLP was appointed as our External Auditors in 2016 and were reappointed for the 2020/21 financial statements at the November 2020 Board meeting. The fee for the audit was approved by the Committee when it approved the External Audit plan in January 2021. Prior to approving the plan, the Committee received assurance from the Executive on the ongoing satisfactory performance of BDO.

At the July 2021 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 relating to MHG, 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', see page 11 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 35 discusses the critical judgements used in carrying out the impairment review which resulted in a £66k increase in net realisable value.

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 5 and 30.

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 sufficient 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 those of the 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 the internal control and risk management framework.

Gerard McCormack
Audit Committee Chair
28 July 2021

MOAT HOUSING GROUP LIMITED
REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE
for the year ended 31 March 2021

Role
The Remuneration and Nominations Committee (the Committee) oversees the appointment process for independent directors and makes recommendations for appointment to the Board. The Committee covers all companies in the Group. The Remuneration Committee and the Governance & Nominations Committee combined into this Committee in September 2020.

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 3.

In order to facilitate its work, the Committee invited the following individuals to its meetings throughout the year:
- Chief Executive
- Executive Director of Governance and Compliance, and Company Secretary
- Director of People and Communications

There were three appointments made in 2020/21 to Moat Boards and Committees.

In line with the Board's skills audit, the Committee approved vacancy specifications drafted by management for Board members that could demonstrate expertise in:
- Customer service
- Housing development/investment
- Human resources and organisational development

The requirements for future candidates were also reviewed, taking into consideration the need to succession plan for committee chairs and Chair of the Board.

In preparation for recruiting to the three vacancies, the Committee sought competitive quotes from five firms using a specification focused on the need to appoint independent directors who had the requisite experience, as set out above, but also on increasing the diversity, in its broadest sense, of the Board to reflect our communities.

Odgers Berndtson were successful in their bid to be appointed and the search and recruitment campaign commenced in June 2020 for two of the vacancies, with the search for the third vacancy beginning in September 2020. Following a competitive interview process three exceptional Board member appointments were made:
- David Brocklebank (MHL and MHG Boards, Finance Committee)
- Caroline Ross (MHL Board, Customer & Communities and Remuneration & Nominations Committees)
- Jeremy Ellis (MHL Board, Audit Committee)

Jo Moran
Remuneration and Nominations Committee Chair
28 July 2021

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of the Association's loss for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Moat Housing Group Limited ("the Association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 five years, covering the years ending 31 March 2017 to 31 March 2021.

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 11 that describe the principal risks and explain how they are being managed or mitigated
- the directors' confirmation set out on pages 11 and 12 in the annual report that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future performance, solvency or liquidity
- the directors' statement set out on pages 5 and 6 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Association's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, or
- whether the directors' statement relating to going concern made in accordance with the UK Corporate Governance Code is materially inconsistent with our knowledge obtained in the audit, or

- the directors' explanation set out on pages 5 and 6 in the annual report as to how they have assessed the prospects of the Association, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the association will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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 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 understanding management's consideration of downside sensitivity analysis
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions
- We compared management's forecasts against post year-end management accounts to assess their accuracy to date
- We assessed the facility and covenant headroom calculations, and re-performed sensitivities and stress testing, and
- We reviewed the wording of the going concern disclosures, and assessed its 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 Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

		2021	**2020**
Key audit matters	Net realisable value of properties developed for sale	Yes	Yes
	Going concern	No	Yes
Materiality	*Financial statements as a whole* £820k based on 2% of total assets (2020 - £965,000 based on 2% of total assets)		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Association and its environment, including the Association'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.

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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Net realisable value of properties developed for sale	As explained in the accounting policies as per Note 1, properties developed for sale are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £38.9m. For properties in development at the balance sheet date, see Note 12, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties developed for sale and the level of judgement there is inherent estimation uncertainty for both sales proceeds and costs to complete we consider there is a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Having obtained management's assessment of the net realisable value of properties developed for sale, we tested all significant schemes under construction at the year-end. For a sample of developments under construction, we obtained details of the expected costs to complete and agreed a proportion of costs to the latest third-party contract documentation. We assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year. We held detailed discussions to gain assurance over the development appraisal assumptions. We obtained details of the expected proceeds from the sale of properties and agreed the amounts involved to supporting documentation or compared the expected proceeds to similar developments in the same locality. For a sample of 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 to confirm that properties were held at the lower of cost and net realisable value. No material exceptions were noted from our testing.

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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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 follows:

	Association financial statements
Materiality	£820,000 (2020: £965,000)
Basis for determining materiality	2% of total assets (2020: 2% of total assets)
Performance materiality	£595,000 (2020: £704,000)
Basis for determining performance materiality	73% of materiality (2020: 73% of materiality)

Rationale for the materiality benchmark applied

The benchmark used for the current year materiality is total assets. Total assets incorporate investments made by the Association, including housing stock for sale, which represent the primary income mechanism by which the Association creates value. Performance materiality has been determined taking into account various factors including: the expected total value of known and likely misstatements, brought forward misstatements, management's attitude towards adjustments, the number of material estimates, and how homogeneous processes are within the group.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £15,000 (2020: £5,000). 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 in the Strategic and Directors' Report, the Report of the Audit Committee and the Report of the Governance and Nominations Committee and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in relation to our responsibility to specifically address the following items in the other information. We would be required to report, as uncorrected material misstatements of the other information, where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 13 –** the statement given by the board that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Association's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit, or
- **Audit committee reporting set out on pages 15 to 19 -** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee, and

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 9 –** the parts of the directors' statement relating to the company's compliance with the UK Corporate Governance Code do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the Directors' responsibilities statement, set out on page 13, 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 is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the Association and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- We understood how the Association is complying with the legal and regulatory frameworks most significant to the Association by making enquiries to management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of minutes
- We assessed the susceptibility of the Association's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud relating to management override of controls and improper income recognition. In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals and tested the application of cut-off and revenue recognition
- Reviewed and challenged the application of significant accounting estimates and judgements made in the preparation of the financial statements, notably housing stock for sale and the useful economic life of fixed assets
- Discussed with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and
- Read minutes of meetings of those charged with governance, reviewed internal audit reports and reviewed correspondence with HMRC and the Regulator of Social Housing.

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with 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

Philip Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP
London
United Kingdom

Date: 9 August 2021

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

MOAT HOUSING GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Turnover	3	8,541	65
Operating costs	3	(15)	(1,546)
Cost of sales	3	(8,260)	-
Operating surplus / (deficit)	3	266	(1,481)
Interest receivable	5	-	1
Interest payable	6	(1,217)	(1,122)
Deficit before taxation	7	(951)	(2,602)
Taxation	8	-	-
Deficit for the year		(951)	(2,602)
Total comprehensive loss for the year		(951)	(2,602)

All amounts relate to continuing activities.

MOAT HOUSING GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2021

	Notes	2021 £000	2020 £000
Tangible fixed assets			
Housing properties	10	420	427
Investments			
Firstbuy loans		50	50
		470	477
Current Assets			
Housing stock for sale	12	38,854	40,372
Debtors	13	271	268
Cash at bank and in hand		1,316	49
		40,441	40,689
Creditors - amounts falling due within one year	14	(6,462)	(11,038)
Net current assets		33,979	29,651
Total assets less current liabilities		34,449	30,128
Creditors - amounts falling due after more than one year	15	(25,029)	(19,757)
Total net assets		9,420	10,371
Capital and reserves			
Called up share capital	19	-	-
Income and expenditure account		9,420	10,371
		9,420	10,371

The financial statements were approved by the Board on 28 July 2021 and signed on its behalf by

David Brocklebank
Chair

Greg Taylor
Director

Matthew Hayday
Secretary

MOAT HOUSING GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
as at 31 March 2021

	Income and expenditure account 2021 £000	Income and expenditure account 2020 £000
Balance at 1 April	10,371	12,973
Deficit for the year	(951)	(2,602)
Balance at 31 March	9,420	10,371

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

MHG is a public benefit entity. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Accounting Direction for Private Registered Providers of Social Housing 2019, the Statement of Recommended Practice for registered social housing providers 2018 (SORP), published by the National Housing Federation, and on the historic cost basis except for modification to a fair value basis for certain financial instruments.

The financial statements have been presented in pounds Sterling (£000).

A summary of the principal accounting policies, which have been applied consistently, is set out below.

Disclosure exemptions

Under FRS 102 the company has taken advantage of reduced disclosures for subsidiaries and has not prepared a statement of cash flows as its parent MHL consolidates MHG in its own financial statements.

Going concern

In March 2021 the Board approved the budget for 2021/22 which shows a surplus of £2.9m, including the sale of 40 homes.

In July the Board reviewed the 30-year long-term financial plan which builds on the 2021/22 budget as the base year and includes detailed stress testing and recovery planning. Stress tests included testing the sensitivity of the plan to inflation, interest rates, sales values, sales rates and impairment, and to scenarios combining elements of the foregoing to simulate market disruption that could be caused by adverse economic events. The plan assumes that in addition to the completion of the current schemes there is an ongoing annual planning volume of 40 homes. If there is a stress event at any point, MHG can switch off any future development plans. There is also an option to market rent some of the homes for a period until the market improves.

MHG's development commitments will be funded from reserves, borrowing from MHL, and sale proceeds.

The £50m intercompany facility from MHL has been approved to 30 September 2022 and MHL's long-term plan assumes continued support to MHG by extending the £50m facility to future years. In considering the risk of MHL being unable to provide the £50m facility, the Board has also reviewed MHL's 30-year long-term financial plan. MHL's plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. The stress testing also indicates that there is sufficient headroom on covenants to allow it to take remedial action in the event of adverse external conditions or if the assumptions used in the plan change.

The Board has concluded that there is a reasonable expectation that MHG has adequate resources to continue in operational existence for more than 12 months from the date of these accounts. It therefore continues to adopt the going concern basis in the financial statements.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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

The cost of housing properties for rent is split between land, structure and major components with a substantially different economic life.

Gains and losses on the disposal of housing property fixed assets are determined by comparing the proceeds with the carrying amount and are recognised within gain/loss on disposal of fixed assets in the statement of comprehensive income.

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 and doors	- 20 - 30 years
Heating	- 15 years
Electrical rewiring	- 40 years
Roofs	- 50 years

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if there is an indication of significant change since the last reporting date.

The recoverable amount of an asset 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.

Impairment of housing properties
The carrying amounts of housing properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets 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 assets carrying value exceeds its estimated recoverable amount and is recognised in operating costs in the statement of comprehensive income.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Social Housing Grant (SHG)
SHG is recognised as deferred grant income and released through turnover 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.

Firstbuy loans
Loans advanced under Firstbuy arrangements to people purchasing their own homes meet the definition of a public entity concessionary loan and are initially recognised as the amount paid to the purchaser. In subsequent years, to the extent the loan is deemed irrecoverable, an impairment loss is recognised in the surplus for the year.

In the event that the property is sold, MHG recovers the equivalent loaned percentage of the property value at the time of the sale. Any surplus generated by a repayment of a Firstbuy loan is included in 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 are recognised at the lower of cost and net realisable value. Interest incurred on borrowings relating to the development of open market sale properties is expensed as it is due.

Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. 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 impairment. If impairment is necessary the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is immediately recognised in the surplus or deficit for the year.

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 costs.

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 on the statement of financial position as creditors.

Financial instruments
Financial assets and liabilities are recognised when MHG becomes a party to the contractual provisions of the instrument.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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 MHG 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 from impairment are recognised in the income statement in other operating expenses.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances.

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 assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the assets 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.

Provisions for liabilities

Provisions are recognised when MHG 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.

Turnover

Turnover represents the following 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) are recognised on an accruals basis as they fall due.
- Social Housing Grant (SHG) is amortised to turnover over the useful economic life of the property to which the grant relates.
- Proceeds from open market sales are recognised on completion of the sale.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

VAT
MHG is a member of the Moat VAT group. A large proportion of Moat'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 open market sales activity and from partially exempt activities is credited to the surplus for the year.

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.

Gift aid payment
Gift aid payment is only recognised as a liability at the year end to the extent that it has been paid prior to the year end, there is a deed of covenant in place or a Companies Act s288 written resolution has been approved by the shareholders in the year to make a gift aid payment for the year to its parent by a certain payment date.

Exclusion from consolidation
MHG is exempt from the requirement to prepare consolidated accounts on the grounds that it is a wholly owned subsidiary of another undertaking and its parent undertaking includes MHG in its own published consolidated financial statements.

2. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of MHG'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 the 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 years if the revision affects both current and future years.

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 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, including the continuing impact of COVID-19.

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. The impact has been a write back of impairment of £66k (2020: £1.5m write down of housing stock held for sale)

We reduced the net realisable value of two high end homes at one scheme by £365k (2020: £857k reduction on the scheme) due to a reduction in sales values and higher costs to sell. For a second scheme, where we had previously reduced net realisable value by £634k, we have agreed a sales price above the expected value in 2019/20 and therefore we have reversed £431k of the prior year reduction.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT)

	2021			
	Turnover £000	Operating costs £000	Cost of sales £000	Operating surplus £000
Social housing lettings	20	(9)	-	11
Non-social housing activities				
Leasehold	12	(15)	-	(3)
Equity loan interest receivable	1	-	-	1
Open market rent	122	(21)	-	101
Open market property sales	8,386	-	(8,260)	126
Write back of housing stock held for sale	-	66	-	66
Administrative costs	-	(36)	-	(36)
	8,541	(15)	(8,260)	266

	2020			
	Turnover £000	Operating costs £000	Cost of sales £000	Operating deficit £000
Social housing lettings	20	(8)	-	12
Non-social housing activities				
Leasehold	13	(9)	-	4
Equity loan interest receivable	1	-	-	1
Open market rent	31	(4)	-	27
Write down of housing stock held for sale	-	(1,491)	-	(1,491)
Administrative costs	-	(34)	-	(34)
	65	(1,546)	-	(1,481)

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) (continued)

Income and expenditure from social housing lettings

	2021 General needs £000	2020 General needs £000
Turnover from social housing lettings		
Rents receivable	17	17
Service charge income	1	1
Net rental income	18	18
Amortisation of Social Housing Grant	2	2
Total turnover from social housing lettings	20	20
Operating costs on social housing lettings		
Management	(1)	(1)
Service charge cost	(1)	(1)
Depreciation of housing properties	(7)	(6)
Total operating costs on social housing lettings	(9)	(8)
Operating surplus on social housing lettings	11	12

4. DIRECTORS, EXECUTIVE TEAM AND EMPLOYEE INFORMATION

MHG directors did not receive any remuneration for their services as board members from MHG (2020: £nil).

MHG does not have any employees (2020: no employees).

5. INTEREST RECEIVABLE

	2021 £000	2020 £000
Interest receivable from deposits	-	1

6. INTEREST PAYABLE

	2021 £000	2020 £000
On bank loans and overdrafts	389	230
Interest payable to Group entities	828	892
	1,217	1,122

7. DEFICIT BEFORE TAXATION

	2021 £000	2020 £000
This is stated after charging/(crediting):		
Depreciation of housing properties	7	6
Amortisation of government grant	(2)	(2)
Auditor's remuneration (excluding VAT)		
Audit of financial statements	21	21

8. TAXATION

	2021 £000	2020 £000
Current tax:		
UK corporation tax	-	-

	2021 £000	2020 £000
Deficit before tax	(951)	(2,602)
Current tax at 19% (2020: 19%)	(181)	(494)
Effects of:		
Loss carried forward	176	493
Non-taxable items	5	1
Total tax charge	-	-

9. NUMBER OF HOMES IN MANAGEMENT

	At 31 March 2021	At 31 March 2020
Social housing		
General needs	3	3
Non-social housing		
Leasehold properties	15	15
Firstbuy properties	2	2
Market rent	2	2
	19	19
Total	22	22

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Rented properties completed 2021 £000	Rented properties completed 2020 £000
Cost		
At 1 April and 31 March	473	473
Depreciation		
At 1 April	(46)	(40)
Charged in the year	(7)	(6)
At 31 March	(53)	(46)
Net book value at 31 March	420	427
Freehold properties at cost	473	473

11. INVESTMENT IN SUBSIDIARIES

	Principal activity	Country of incorporation	% of ordinary shares held	Investment £
Moat Development Ltd	Dormant	England	100%	1
Mariner Facilities Management Ltd	Dormant	England	100%	100

12. HOUSING STOCK FOR SALE

Housing stock for sale represents the cost of land and buildings for homes for sale on the open market.

	2021 £000	2020 £000
Open market sales		
In construction	24,294	22,910
Available for sale	14,560	17,462
	38,854	40,372
Housing stock for sale as at 1 April	40,372	34,208
Additions	6,676	7,655
Sales	(8,260)	-
Stock write back/(write down)	66	(1,491)
Housing stock for sale as at 31 March	38,854	40,372

13. DEBTORS

	2021 £000	2020 £000
Due within one year		
Arrears of rent and service charges	5	1
Provision for bad and doubtful debts	(4)	(1)
	1	-
Other debtors	267	267
Prepayments and accrued income	3	1
	271	268

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000	2020 £000
Trade creditors	636	4
Bank loans	4,994	10,226
Other creditors	42	1
Accruals	790	807
	6,462	11,038

The bank loan is for the All Saints development and was repaid in April 2021. Interest is payable at 3.35% p.a. over UK Base Rate. The loan is secured by a first legal charge over the property.

15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021 £000	2020 £000
Amounts due to other Group regulated companies - loan	24,874	19,604
Government grant	135	137
Service charge creditor	20	16
	25,029	19,757
Amounts repayable after five years are:		
Government grant	135	137
Service charge creditor	20	16
	155	153

The unsecured loan from MHL is a revolving facility which expires on 30 September 2022. Interest is payable at 3.35% p.a. over UK Base Rate.

16. GOVERNMENT GRANT

	2021 £000	2020 £000
Social Housing Grant	147	147
Cumulative amortisation of Social Housing Grant	(12)	(10)
	135	137

17. CAPITAL COMMITMENTS

	2021 £000	2020 £000
Capital expenditure contracted for but not provided in the financial statements	13,159	29,267
Capital expenditure authorised but not yet contracted for	-	-

Capital commitments will be funded from reserves, borrowing from MHL and sale proceeds.

18. FINANCIAL INSTRUMENTS

Financial assets	2021 £000	2020 £000
Measured at historic cost:		
Trade and other debtors (*note 13*)	268	267
Cash and cash equivalents	1,316	49
	1,584	316

Financial liabilities	2021 £000	2020 £000
Measured at amortised cost:		
Bank loans (*note 14*)	4,994	10,226
Amounts due to group companies (*note 15*)	24,874	19,604
Measured at historic cost:		
Trade and other creditors (*notes 14,15*)	1,488	828
	31,356	30,658

Amounts due on bank loans and to Moat Homes Limited are repayable at UK base rate plus 3.35%.

18. FINANCIAL INSTRUMENTS (continued)

	2021 £000	2020 £000
Interest income and expense		
Total interest income for financial assets at amortised cost	-	1
Total interest expense for financial liabilities at amortised cost	(1,217)	(1,122)
	(1,217)	(1,121)

19. CALLED UP SHARE CAPITAL

	2021 £	2020 £
Allotted, issued and fully paid £1 shares		
At 1 April	5	5
Cancelled during the year	-	-
Issued during the year	1	-
At 31 March	6	5

MHL and non-executive directors each hold one £1 share in the Association. Executive directors cannot be shareholders in accordance with MHG's Rules. These shares confer the right to vote at general meetings and are irredeemable, being cancelled on cessation of directorship. They do not confer a right to dividends or a provision for distribution on winding up.

20. RELATED PARTY TRANSACTIONS

Key management personnel are Board members and the Executive Team. There were no related party transactions in 2020/21.

21. INTRA GROUP TRANSACTIONS WITH NON-REGULATED ENTITIES

There were no intra-group transactions with non-regulated entities during the year.

22. GROUP STRUCTURE

As at 31 March 2021 MHG was a subsidiary undertaking of Moat Homes Limited. The results of MHG have therefore been consolidated within the Group financial statements, which are available on request from:

The Secretary, Moat Homes Limited, Mariner House, Galleon Boulevard, Dartford, Kent DA2 6QE

23. LEGISLATIVE AUTHORITY

MHG is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a non-charitable Registered Provider.