

TOWN AND COUNTRY HOUSING
Report and Consolidated Financial Statements
for the year ended
31 March 2023

Registered Society number 30167R
Regulator of Social Housing registration number L4251

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

REPORT AND FINANCIAL STATEMENTS

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TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

BOARD, DIRECTORS, ADVISERS AND BANKERS

BOARD MEMBERS

Deirdre Moss, (Chair)
Martyn Burke, (Chair of Audit & Risk Committee)
Iain McPherson, (Chair of Monson Homes and Development Committee)
Melanie Forrester
Robert Heapy, (Executive Member, & Chair of TCHG Living)
Marianne Ismail
Gaylene Kendall
Valerie Marshall, (Chair of Nominations Committee)
Susan Martin, (Chair of Customer Services Committee)
Nigel Perryman (appointed April 2023)
Lindsay Todd (appointed April 2023)
Christine Turner (Vice Chair), (appointed April 2023)
Paul Wenham
Aaron Osborne-Taylor (appointed April 2023)
Kim Hill (retired July 2023)

EXECUTIVE DIRECTORS

Robert Heapy, Chief Executive
Stuart Ilsley, Operations Director
Colin Lissenden, Development Director

AUDITORS

External

KPMG LLP
20 Station Road
Cambridge
CB1 2JD

Internal

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

BANKERS

Lloyds Bank PLC
Handelsbanken PLC

LEGAL STATUS

Registered under the Co-operative and Community Benefit Societies Act 2014 number: 30167R
Registered under Section 3 of the Housing and Regeneration Act 2008 number: L4251.

REGISTERED OFFICE

Monson House, Monson Way, Tunbridge Wells, Kent, TN1 1LQ

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

CHAIR'S INTRODUCTION

It was a year of growth for Town and Country (TCH). Following the merger of the Group Parent, Peabody with Catalyst, TCH now forms the Group's South Operating Region.

The team at Town & Country have been outstanding in their response showing flexibility and great resilience, and we are grateful for all that they have delivered for the organisation and, most importantly, for our residents.

In April 2022 the Peabody South-East operations transferred to TCH and during the year we worked with colleagues at Rosebery HA (then a subsidiary of Catalyst) to transfer their operations and assets. These transferred on 4 April 2023.

Following an approach from the regulator in January 2023 we worked with Rapport Housing and Care in Kent, to transfer to TCH on 12 June 2023 5 extra care schemes comprising of 252 homes and 35 staff.

With these additions TCH's operational geography extends from Kent and Sussex to include Surrey with an increased staff group of approaching 400 supporting 12,000 homes.

We continued to execute our local strategy, providing excellent landlord services. Our colleagues continued to respond brilliantly showing high levels of empathy in their dealings with our residents who have really struggled predominantly due to the impact of both high inflation and energy costs.

In April 2022 we came to the end of our 10-year relationship with Wates Living Space as our responsive repairs joint venture partner. Our customers tell us repeatedly that the repair and maintenance service is the most important service we provide. We therefore took the opportunity to completely review the way we deliver the service. We took the decision to bring the service in house (essentially as a direct labour organisation) for 6 months whilst we completed negotiations with a new partner. We launched the new service, a new joint venture repairs company (TCH Repairs) in partnership with Fortem. This went live in November 2022.

A key challenge for all registered providers is differential inflation with rents capped from April 2023 and inflation hitting double figures. This was especially true for build cost inflation, and we incurred significant additional costs for responsive maintenance and asset investment. In year TCH had to make some difficult choices including reducing our future development ambitions to support investment in our existing homes.

The housing sector continues to focus on building safety particularly on high-rise buildings. During the year "damp and mould" also became a key challenge for the sector.

The nature of our housing stock means that we have only five high-rise buildings over 18 metres. Three buildings needed remedial works which have been completed. We continue to review our approach to building safety and invest in our homes to ensure we fully comply and keep pace with changes in this fast-moving area.

We have taken a proactive approach to "damp and mould" in our homes and have actively engaged with residents delivering effective solutions where cases have been identified

Another area of focus has been sustainability and the pathway to net zero carbon by 2050. We have modelled high-level estimates of the likely costs for us of meeting this target, and our sustainability strategy is nearing completion. Our Long-Term Business Plan can accommodate the initial estimated costs.

In terms of the drivers of our financial performance, we achieved an excellent rent collection rate of 99.88% (2022: 99.90%). This was significantly ahead of our expectation. In terms of property sales (primarily newly developed homes for shared ownership), we achieved cash receipts of £14.1 million against a budgeted figure of £13.2 million.

Our overall pre-tax surplus at £11.7 million fell £4.9m million short of our initial budget. We spent more on reducing our backlog of repairs, and reprocurring our new repairs contract. Additionally, our interest costs were higher from rate rises and increased debt to finance our development programme. We also incurred higher staff costs where as well as higher inflation we raised salaries to keep pace with the market.

Net debt at the year-end was £470 million, an increase of £51 million over the previous year, but £74 million less than our budget as a result of lower-than-expected development expenditure.

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

CHAIR'S INTRODUCTION (continued)

Our priorities for 2023/24 are to:

- ensure that we are ready for the introduction of the Social Housing (Regulation) Bill and Tenant Satisfaction Metric (TSMs) which will put much more focus on consumer regulation. This means we truly need to be listening to the "Resident Voice"
- deliver the integration plan for the staff and services transferred to TCH from Rosebery and Rapport
- deliver a number of pilot intervention projects to test our approach to sustainability
- commence our next major regeneration initiative at Showfields Estate in Tunbridge Wells which received planning permission in March 2023.
- deliver our development target of 386 new home starts in the year.



Deidre Moss - Chair
18 September 2023

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

REPORT OF THE BOARD

The Board presents its report and the audited financial statements of Town and Country Housing (TCH, or the TCH Group) for the year ended 31 March 2023.

Principal activities

TCH Group's principal activities are the management and development of social and affordable housing.

Background

The Group consists of six companies:

- Town and Country Housing, the parent, is a registered provider of social housing (RP), TCH is a wholly owned subsidiary of Peabody Trust;
- Monson Homes Limited, a development company;
- TCHG Capital PLC, a funding vehicle;
- TCH Repairs Limited, a maintenance company;
- Countrywise Repairs Limited, a non-trading maintenance company; and
- TCHG Living Limited (dormant).

On 9 May 2019 Town & Country Housing (TCH) joined Peabody Group and became a wholly owned subsidiary of Peabody Trust. TCH will continue as an operating subsidiary of Peabody Group.

Town and Country Housing

TCH is a registered provider of social housing and a registered society. TCH is the parent company and provides all the central administrative functions for members of TCH Group, as well as providing the strategic direction. TCH Group owned 9,843 properties at 31 March 2022; this includes portfolios of shared ownership, sub-market rented and market-rented units.

Monson Homes Limited (MHL)

MHL is TCH Group's developer and the vehicle for TCH Group's regeneration schemes.

TCHG Capital PLC (Capital)

Capital raises funds on the capital markets for on-lending to TCH Group members. The shares are held by a Trustee, and TCH Group has an option to purchase them. The degree of control exercised is such that the company's financial statements are consolidated into the TCH Group financial statements.

TCH Repairs Limited (TCHR)

TCHR is a joint venture company with 60% owned by TCH and 40% by Fortem Solutions Limited whose parent undertaking is Wimpole Equity Holdings Limited. TCHR commenced trading on 1 November 2022 replacing a direct labour organisation which was in place from April 2022. It is designed to give TCH Group certainty over service delivery of its day-to-day repairs.

Countrywise Repairs Limited (CWR)

CWR is a joint venture company with 51% owned by TCHG and 49% by Wates Living Space (Maintenance) Limited (part of the Wates Group). CWR ceased trading on 31 March 2022.

TCHG Living Limited (TCH Living)

TCHG Living is a non-charitable registered society. The company did not trade during the year.

Business review

A review of TCH Group's results for the year is included in the strategic report from page 8 onwards.

Governance

TCH complies with the recommendations of the National Housing Federation Code of Governance (revised 2020) except for Board membership where the TCH rules permits 14 members to allow for transition and handover.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

Board Members and Executive Directors

The present Board Members and the Executive Directors are set out on page 1. The Board Members are drawn from a wide range of backgrounds, bringing together professional, commercial and local experience.

During the year there were 15 members, 14 of whom were Non-Executives, including two Tenant Members. The Board meets formally at least four times a year to discuss the affairs of TCH Group.

REPORT OF THE BOARD (continued)

The Chairman is a Peabody Trust Board member. A Peabody Trust Board member is TCH Group Board member. The subsidiary boards and committee structure also have joint TCH / Peabody board membership. The Chief Executive is a member of the Peabody Executive Management Team.

The Board Members of TCH are remunerated for their role as Non-Executive Members. Their remuneration can be found under note 9 of these financial statements.

Individual Board Members have their performance reviewed annually by the TCH Group Chair, with input from fellow Board Members.

The performance of TCH Group's committees is self-assessed by the various members annually, which is supported by assessments from Executives and staff and, in the case of the Audit & Risk Committee, by our internal and external auditors.

The Board undertakes a self-assessment of its performance, and that of its Chair annually, which is supported by assessments from the Executives. An external assessment of the Board's and the TCH Group Chair's performance is undertaken by an independent reviewer every three years. The latest assessment was in June 2020 and the next review will commence in November 2023.

The purpose of the Board is to determine strategy, and to direct, control, scrutinise and evaluate the Group's affairs. The day-to-day management and implementation of the agreed strategy is delegated to the Chief Executive and the Executive Directors, who meet regularly and attend Board meetings. The Executive Directors hold no interest in the share capital of TCH.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and 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 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 state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

The Board has general responsibility for safeguarding the assets of TCH and hence for the prevention and detection of fraud and other irregularities.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

Employees and Board Members

The strength of TCH lies in the quality of its Board Members and all its employees. In particular, its ability to meet its objectives and commitments in an efficient and effective manner depends upon their contribution.

TCH will ensure equality of opportunity across the full range of our activities, including both employment and service provision.

We will not discriminate on the grounds of Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex, and Sexual Orientation.

TCH shares information on its strategic objectives, progress and activities through regular formal briefing sessions, office and team meetings, and through the use of our intranet. Each member of staff has personal objectives set annually, which show how they will contribute to our overall objectives. These are kept under review in formal appraisals.

The health and safety of all staff is of utmost importance to TCH. It has implemented detailed health and safety policies and provides staff training and education on health and safety matters.

Modern slavery

TCH Group complies with its responsibilities under the Modern Slavery Act 2015 and has agreed a range of measures in order to fulfil them. These are set out in our Slavery and Human Trafficking Statement on our website.

Disclosure of information to auditors

At the date of making this report, each of TCH's Board Members, as set out on page 1, confirms the following:

- so far as each Board Member is aware, there is no relevant audit information needed by TCH's auditors in connection with preparing their report of which TCH's auditors are 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 needed by TCH's auditors in connection with preparing their report and to establish that TCH's auditors are aware of that information.

STATEMENT ON INTERNAL CONTROLS

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

The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The risks faced by TCH are considered both in relation to TCH and their impact on the TCH Group as a whole.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2022 up to the date of approval of the annual report and financial statements. Some of the key elements of the control framework that TCH Group has established are as follows:

- The key risks are identified and recorded in a subsidiary risk register with the Group's Audit and Risk Committee being delegated to consider risk as a separate agenda item four times a year.
- The Board considers strategic risk twice a year and approves TCH Group's approach to risk and its risk appetite annually.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STATEMENT ON INTERNAL CONTROLS (continued)

- The Peabody Group Audit & Risk Committee considers TCH's key risks as part of a wider Group review four times a year. The Peabody Group Board also considers strategic risk at least twice a year.
- The Board has approved a series of 'tramlines' (financial risk controls). These govern our decision-making and are intended to ensure that we do not place the viability of TCH Group at risk.
- A long-term 30-year business plan and comprehensive budgets are produced and approved at least annually by the Board.
- The Board regularly reviews key performance indicators, management accounts and performance against tramlines. TCH ensures that appropriate action is taken to address any areas of underperformance.
- Standing orders and financial regulations, including delegated authorities, are approved by the Board and are reviewed on a regular basis.
- A comprehensive treasury management policy and strategy is maintained and reviewed regularly by the Peabody Board which TCH operates under.
- An outsourced internal audit service reports quarterly to the Audit & Risk Committee and has direct access to the Chair of the committee.
- The Board appraises all significant new business opportunities as recommended by the Chief Executive.
- There has been significant investment in training and staff development to minimise control weaknesses through error.
- The Audit & Risk Committee and the Board receive and review annually a report from the Chief Executive on the effectiveness of the system of internal controls.

The Board confirms there are no significant problems in relation to failures in internal controls that warrant disclosure in the financial statements.

STATEMENT OF COMPLIANCE WITH GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The Board undertakes an annual assessment of TCH's compliance with the Regulator of Social Housing's Governance and Financial Viability Standard. The assessment confirms that TCH is compliant with the standard. The Regulator of Social Housing carried out an 'In-Depth Assessment' in January 2021 as part of a wider Peabody Group review. The Group's governance and viability ratings were re-affirmed as G1 and V2 respectively.

The Audit & Risk Committee reviews compliance with regulation and law on a quarterly basis.

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023

External influences and operating highlights

Following the Pandemic, most of TCH Group's operations continue to operate a hybrid model where the majority of our staff worked from home for part of the week.

During the year we completed the re-procurement of TCH Group's major responsive and void works maintenance contract. A new joint venture subsidiary company Town & Country Housing Repairs (TCHR) with Fortem Solutions Limited commenced trading from November 2022. The existing repairs contract with TCH's subsidiary Countrywise Repairs Ltd (CWR) came to an end on 31 March 2022. We planned to extend the contract until October 2022 with the support of our joint venture partner Wates Living Space Ltd. However, this was not possible. We brought the service in-house from 1 April 2022, transferring all the CWR staff to TCH who were then subsequently transferred to TCHR on 1 November 2022.

Our repairs service was hampered by materials and staff shortages. During the year we made inroads into clearing the large backlog of repairs that had built up during the Pandemic lockdown period when at times only emergency orders were completed. Additional resources were deployed to reduce the number of in-progress repair jobs.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023

External influences and operating highlights (continued)

We completed the transfer of Peabody South East's Kent based operations to TCH Group on 1 April 2022 with 70 staff transferring from Peabody South-East. This comprised several contracts with local authorities to provide home adaptations along with a hospital discharge service. We already undertook an adaptations service for Tunbridge Wells Borough Council. The hospital discharge service complements our existing activities helping us to make the best use of our housing stock. Adding additional adaptations contracts will enable us to improve efficiencies.

During the year we worked with colleagues at Rosebery Housing Association (then a subsidiary of Catalyst) to transfer their operations and assets comprising 2,200 units and 50 staff. The transfer of engagements took place on 4 April 2023. TCH Group with the addition of the former Rosebery Housing association is now the South Operating Region of Peabody Group.

Following an approach from the Regulator for Social Housing to Peabody Group in January 2023 we worked with Rapport Housing and Care in Kent, to transfer five "Extra Care Housing Schemes", as a "transfer of a going concern". This comprised 252 homes and 35 staff and was completed on 12 June 2023.

2022/23 was the third year of the new rent policy which followed four years of 1% per annum rent reductions. The new 10-year policy allows for rent increases of September CPI + 1%. In September 2022 CPI was 10.1%. We capped our rent increase to 7% from April 2023 in line with the agreement reached between the sector and the government.

Despite the challenges of both the "cost of living crisis" and the government's progressive introduction of previous welfare benefit reductions (including universal credit), we have once again achieved a strong rent collection performance against both our targets and our peers. This results from our investment in the provision of support and advice to customers, as well as in enhancing our collection capability. We are not complacent, however, and recognise that we will need to continue to work hard to protect our income streams and mitigate the effects of the "cost of living crisis".

We faced many financial challenges during the year impacting our financial performance. We incurred significant expenditure to reduce our repairs backlog. Additional costs were also incurred on re-procuring our major repairs contract. Rising interest rates increased our interest costs. We raised salary costs for several roles to remain competitive. Inflation increased our maintenance and development costs. These increased costs were partly mitigated by a good performance on the sale of our shared ownership properties along with stock disposals of units with excessive future maintenance costs.

We continue to prioritise investment in our assets, with £18.2m (2022: £16.7m) spent on planned, responsive and programmed maintenance. This included costs for re-procuring our repairs contract, additional fire safety and electrical inspection works.

We slowed down the 'pipeline' of new development schemes during the year in response to rising interest rates and the potential effect on future sales. Additionally, we experienced planning delays. We started the construction of 197 (2022: 394) dwellings during the year. We completed 329 dwellings in the year (2022: 248).

We continue to invest in technology and redesign our internal processes to improve employees' efficiency and effectiveness, whether working in an office, from home, or visiting our customers in their homes.

The Group highlights for the last five years are shown on the following page.

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023 (continued)

External influences and operating highlights (continued)

Annual accounts summaries	2023	2022	2021	2020	2019
Statement of comprehensive income					
(£m)					
Turnover	81.7	79.2	70.4	64.9	64.7
Income from social housing lettings	62.0	57.5	54.7	52.7	52.6
Operating surplus (before fixed asset sales)	18.9	20.8	24.0	26.4	26.0
Surplus on sales of fixed assets	5.0	4.3	4.6	4.0	4.0
Surplus/(deficit) on revaluation of investment properties	1.2	0.8	0.4	(6.1)	0.1
Interest payable #1	(17.7)	(14.3)	(14.1)	(14.6)	(14.1)
Loan fair value movement		-	-	(52.0)	-
Surplus/(deficit) for the year before tax #2	11.7	15.6	19.0	(42.3)	16.2
Statement of financial position (£m)					
Fixed assets	972.9	916.5	874.9	817.4	784.0
Net current assets	23.7	18.0	6.9	8.0	15.7
Loans due after more than one year	478.9	426.7	401.4	371.3	371.0
Revenue reserves	212.0	197.0	179.3	160.0	203.1
Revaluation reserve	203.4	203.4	203.4	203.4	203.4
Key ratios					
Interest cover	171%	220%	230%	222%	239%
Gearing	48%	48%	49%	50%	48%
Asset cover	179%	189%	190%	171%	177%
Average interest cost	4.60%	3.85%	3.74%	4.26%	3.81%
Gross operating margin	23.8%	26.2%	34.1%	40.8%	40.3%
Annual surplus/(deficit) margin (excl. loan fair value movement)	7.5%	13.6%	20.6%	24.5%	25.3%
Housing stock owned	9,843	9,537	9,321	9,029	8,962

#1 Excludes loan amortised cost credit

#2 Includes loan amortised cost credit (see page 13), loan fair value movement and investment properties revaluation surplus / (deficit)

Before a loan amortised cost credit and a revaluation of our investment properties we generated a surplus before tax of £6.1m compared to £10.8m in 2022 on the same basis. Interest costs were £3.5m higher than 2022 due to rate rises and increased debt to finance the development programme.

Our 2023 operating surplus and margin were both below 2022. We spent £1.5m more on maintaining our dwellings including the cost of re-procuring our major repairs contract. Also, in 2023 we had higher staff costs of £1.0m due to raising salaries to keep pace with the market and some additional roles to facilitate growing the business.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023 (continued)

External influences and operating highlights – Annual Accounts summaries (continued)

In 2020 as part of merging with Peabody most of our loans were transferred to them and replaced with an inter-company loan. The inter-company loan is held at “fair value” instead of the transaction value. This led to a £52m fair value movement in 2020. This was a non-cash adjustment and was reversed when our results were consolidated with Peabody’s at a Group level. Accounting reporting standards require us to recognise the inter-company loan at a “fair value”. The “fair value” is its value if you adjusted the price of the debt so that a buyer would be earning the market rate of interest. Our treasury advisors calculated the “fair value” using the market rates at the date of the new loan. Our interest costs (£’s and average %) increased marginally as part of the loan restructuring. From 2021 our loans are held at amortised cost. The difference between the amortised cost and the nominal value is written back to the Statement of Comprehensive Income over the life of the loan. In 2023 this led to a credit to interest payable of £4.4m (2022: £4.0m).

In 2020 the £6.1m reduction in the value of our investment properties was due to using a net rental valuation basis instead of an open market sale valuation. The adjustment is a non-cash movement in value and was undertaken to be consistent with Peabody’s valuation basis.

Development

TCH continues to provide social housing in several areas in the South-East (Kent, Sussex and Surrey) and offers a range of housing products: affordable housing, shared ownership, supported housing, market and sub-market rents.

During the year, TCH completed 365 new affordable/social rented, shared ownership homes and received £2.4m of grant funding from Homes England. Monson Homes completed 24 new private sale homes during the year.

Objectives and strategy

Our purpose is “to help people flourish” we do this by providing great homes and services, by making a positive difference to the communities we serve and by providing an inclusive and inspiring place to work.

Our values are:

- We do the right thing
- We celebrate diversity
- We are kind
- We pull together
- We love new ideas
- We keep our promises

Our corporate strategy for 2022-25 with the following priorities:

- We are all about people
- We are focused on getting the basics right
- We are passionate about creating a sustainable TCH

The corporate strategy priorities have the following key objectives:

We are all about people

- We will demonstrate successful outcomes from community investment initiatives.
- Increase staff satisfaction to more than 85% with TCH as an employer via the annual staff survey
- Increase workforce and TCH Board diversity, including BAME and disability representation where possible
- Increase the number of internal appointments to 30% for all roles
- Decrease annual staff turnover

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023 (continued)

Objectives and strategy (continued)

We are focused on getting the basics right

- Improve overall resident satisfaction in all areas of the business to more than 75%, with staged targets to 2025
- Positive performance against the new tenant satisfaction measures when compared to our peers (data gathering from April 2023, published by the Regulator of Social Housing from April 2024)
- Improve resident satisfaction with the last transaction to more than 85%
- Improve resident satisfaction with the last repair to more than 90%
- Reduce the number of complaints that progress to stage two by 10%%
- Demonstrate how resident feedback and lessons learnt from complaints have been used to influence and improve services

We are passionate about creating a sustainable TCH

- Increase the development programme to deliver 45% rented homes
- Aim to reduce the running and utility costs of homes in real terms by 2025.
- Begin to implement the sustainability strategy, starting with annual staged SAP/EPC targets, towards a minimum C rating by 2030
- All homes meet revised decent homes standard by 2025
- Deliver one apprenticeship for every £1m of spend on capital and revenue programmes
- Ensure the new joint venture partner delivers a legacy initiative every five years
- Assess the social value derived from supplier contracts using the TOMs (themes outcomes measures) framework and publicise the outcomes
- Expand the staff volunteering programme to benefit local communities

During 2024 our priorities are to:

- integrate the former Rosebery Housing Association with completion by April 2024.
- ensure that the “resident voice” is reflected in all areas of service delivery and deliver the commitments in the “Together with Tenants Charter” so that we are ready for the introduction of the Social Housing (Regulation) Bill and Tenant Satisfaction Metric (TSMs)
- deliver several pilot sustainability intervention projects to test our approach
- Start our major regeneration initiative at Showfields Estate in Tunbridge Wells, Kent.
- Deliver our development target of 386 new home starts

Risk and uncertainty

TCH Group has adopted Peabody Group’s risk appetite when considering our long-term financial plan, budget and forecasts. The main risks that may prevent TCH Group from achieving its objectives are considered and reviewed regularly by the TCH Executive Management Team, Audit & Risk Committee and the Board. Our strategic risks / subsidiary risks are also reviewed by Peabody’s Executive Management Team, Audit & Risk Committee and the Peabody Board as part of a wider review of the entire group. The risks are recorded and assessed in terms of their impact and likelihood. Major risks, presenting the greatest threats to the Group, are reported to the Board half-yearly and the Audit & Risk Committee four times a year. These reports include an assessment of key controls used to manage and mitigate the risks, and any further work required, with timescales and persons responsible. The major risks are organised within eleven overarching themes as follows:

- Financial
- Governance failure
- People management
- Resident expectations
- Sustainability, net zero and carbon retrofitting
- Partnership risk and strategic contractors
- Legislative and regulatory
- External events
- Information and communication technology

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

Risk and uncertainty (continued)

Our most significant risks are sales, differential inflation and repairs cost overspend.

Sales - With high and rising interest rates and the “cost of living crisis” there is a heightened risk of reduced demand for our shared ownership and private dwelling sales and down valuations. We can mitigate this risk by switching sales units to intermediate or market rented units.

Differential inflation – With the current high inflation and “cost of living crisis” there is the risk that our costs may rise by more than we able to recover through raising our rents (affordability and the effect on our income recovery). This has been exacerbated by a 7% cap for the April 2023 rent increase. To mitigate this, in the short-term we can reduce expenditure by re-phasing our re-investment in our housing stock (our major works expenditure).

Repairs cost overspend – There is a continued risk of increased repair jobs, higher materials costs, and staff shortages. To mitigate this we can increase the staff in TCHR our repairs subsidiary thereby reducing the need to sub-contract jobs to external supplier.

Development cost increase – High inflation continues to affect the cost of building our new homes. We mitigate this by entering into “fixed price” development contracts.

Financial position

Accounting policies

The Group’s principal accounting policies are set out on pages 27 to 35 of the financial statements.

Housing properties

The total value (deemed/historic cost) of the Group’s completed housing stock at 31 March 2023 was £896m with an additional sum of £50m, attributable to properties under construction, giving a total housing stock figure of £946m (2022: £891m).

Group investment in housing properties was funded through a mix of loan finance, an inter-company loan, working capital and Social Housing Grant.

Pension asset / liability

There is a nil net asset / liability position at 31 March 2023 (2022: liability of £3.4m), a decrease of £3.4m on the previous year’s deficit. This is due to a reduction in liabilities from changed financial assumptions (increased discount rate). The actuary’s FRS102 report showed a surplus of £4.7m however this has not been recognised as it is not available via a reduction in future service contributions.

TCH Group borrowings and treasury policy

TCH Group has £493m (2022: £494m) of borrowing facilities from an inter-company loan, a bond and a bank loan.

In 2020 as part of the merger with Peabody, £246m of loans with Nationwide Building Society, Barclays and MUFG were transferred to Peabody. These were replaced with an inter-company loan including an additional revolving facility from the parent of £40m. TCH retained a £42m loan (at 2020) with Coop bank.

In accordance with financial reporting standards the inter-company loan and the remaining Coop loan were fair valued at 7 May 2019 and 20 March 2020. Their fair value was £84m higher than the transaction/nominal value. In 2020 this led to a non-cash fair value interest cost for the year of £52m. This was mainly due to having to fair value the Nationwide loan (within the new inter-co loan) and the Coop loan for the first time. Previously there was no requirement to do so as they had not been subject to a material modification and are classified as “basic” financial instruments.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023 (continued)

TCH Group borrowings and treasury policy (continued)

From 2021 the fair valued loans are held at “amortised cost”. Over the life of the loans the amortised cost reduces so that at the end of the loan term the loan reverts to its nominal value.

The unwinding of the of the amortised cost over the life of the loan results in an annual credit to the statement of comprehensive income. In 2023 the credit was £4.4m (2022: £4.0m).

TCH Group raised £80m (2022: £80m) through a bond issued by TCHG Capital PLC in 2014.

At 31 March 2023 TCH Group had loans and bond drawn of £479m (2022: £427m). This left £14m available to be drawn by TCH for future developments and regeneration activities.

The average interest rate for the year was 4.60% (2022: 3.85%).

TCH Group finances its operations through a mixture of retained surplus and debt. TCH Group borrows at both fixed and floating rates of interest. It does not borrow in foreign currencies. At 31 March 2023, 68.8% (2022: 65.9%) of TCH Group’s net borrowings were at fixed rates.

Liquidity risk

Liquidity risk is the risk that TCH Group might not be able to meet its financial obligations. Through setting a prudent budget and long-term cash flow forecasting we ensure that we always have sufficient undrawn funds to meet our future commitments.

The current availability of funds referred to above exceeds future commitments. As a subsidiary of Peabody, the Group can access additional funds at short notice (under 3 months).

Credit rating

S&P Global Ratings reaffirmed TCH Group's A- rating in July 2023 continuing the negative outlook. This reflects the general UK position and the wider Group's elevated investment in existing homes along with rising interest rates, amid inflationary pressure.

Material estimates

In preparing the financial statements, the TCH Group has made several estimates and judgements. The significant estimates and judgements are set out in note 3.

Cash flow

Cash inflow and outflow during the year is shown in the consolidated statement of cash flows on page 24. The cash flow highlights the strong net operational inflows from which the interest cost is paid, with the balance being invested in development and capital maintenance programmes.

Value for Money

Introduction

Improving value for money has remained a priority for the TCH Group, and progress has been made in achieving the objectives set out in our Value for Money Strategy 2021-2025. During the year our main focus was the re-procurement of our major repairs contract. This was completed in November 2022. Additionally, we prioritised integrating the Kent Operations transferred from Peabody South East Ltd.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023 (continued)

Value for Money (continued)

Our overall approach to value for money is set out in our Value for Money Strategy which is owned by the TCH Board and shows the objectives we are aiming to achieve by 2025. The definition of value for money we have agreed is:

“To produce as much social, financial and environmental value as possible from the resources we use in order to deliver quality homes and services, in neighbourhoods people choose, with the ultimate goal of improving lives.”

Our social objectives include the provision of good quality, affordable homes and support for vulnerable customers where required. We also deliver social value through contracts with external providers and to the wider community through digital inclusion opportunities, such as ICT training.

Our approach to making decisions on efficiencies and the use of resources continues to be robust and driven by the Board. The key elements are:

- The **Corporate Strategy**, which sets out our mission, vision and overall objectives.
- The **Value for Money Strategy**, which contains the value for money objectives, targets and specific actions that will be taken to improve value for money.
- The **30-year Business Plan**, which shows our overall financial plans for the organisation in order to achieve the objectives, including income and expenditure, balance sheets and cashflows.
- **Annual budgets**, which are agreed by the Board in order to achieve the position set out in the business plan.
- **The Annual Delivery Plan**, which sets out the specific actions that will be taken during the year to help deliver our objectives and to deliver efficiencies.
- **Team Plans and individual objectives**, which translate the high-level actions contained in the Annual Delivery Plan into operational actions.

Our Value for money strategy focuses on our three key strategic priorities:

1. We are all about people
2. We are focused on getting the basics right
3. We are passionate about creating a sustainable TCH.

Our value for money action plan has numerous goals which include:

- Achieving our business plan operating margin for 2022/23 and 2023/4 of 26.4% and 31.1% respectively. For 2022/23 we achieved 23.8%. We incurred additional costs to reduce a backlog of responsive repair jobs so that our new repair service started trading with an acceptable level of work in progress. We also incurred additional staff costs where we needed to raise staff salaries to keep pace with the market.
- Increasing our customer satisfaction to achieve at least 75% satisfaction in the following:
 - overall customer satisfaction, in for 2023 was 72% compared to our stage target of 77%.
 - overall satisfaction with last repair, in 2022-23 we achieved 91%.
 - satisfaction with call handling, we achieved 83% in 2022-23
- Generate a 15% margin on building sales every year from 2021-22. We achieved 25% in 2022/23.
- Recycle 70% of our office waste by 2030. along with a 10% reduction in energy use, when compared to 2020-21, on a like for like basis.
- Consider the impact of zero carbon by 2050 and develop a road map to a strategy by 2024. Our sustainability strategy is nearing completion.
- On-board and integrate the Kent operations from Peabody South-East Ltd (PSE) without increasing its overhead allocation. Our Home improvement and Support business over-achieved its budget by £0.3m in 2022/23.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023 (continued)

Value for Money (continued)

Regulator of Social Housing – Value for Money metrics

In April 2018 the Regulator of Social Housing published seven metrics to measure economy, efficiency and effectiveness on a comparable basis across the sector. Our performance is set out in the table on the following page:

Value for Money metrics	2020/21	2021/22	2022/23	Target for 2022/23	Target for 2023/24	Peer # Average 2021/22
1 – Reinvestment % (Investment in properties as a % of total properties held)	8.3%	6.8%	8.4%	10.0%	5.2%	6.0%
2A – New supply delivered (social housing units) (Social housing units developed as a % of social housing units owned)	3.3%	2.6%	3.80%	4.1%	1.9%	2.1%
2B – New supply delivered (non-social housing units) (Non-social housing units developed as a % of total housing units owned)	0.3%	0.0%	0.2%	0.2%	0.4%	0.0%
3 – Gearing % 1 (Loans less cash as a % of the value of housing properties – different definition to loan covenant calculation used for table on page 8) and includes fair value adjustments.	55.7%	55.6%	57.2%	51.2%	49.9%	36.8%
4 – EBITDA MRI interest cover % (Surplus adjusted for depreciation and adding major repairs, as a % of interest payable)	188.7%	165.7%	95.9%	108.7%	129.0%	209.6%
5 – Headline social housing cost per unit (Social housing costs excluding depreciation and bad debts and adding capitalised major works divided by social housing units owned)	£3,247	£4,018	£4,969	£5,496	£6,366	£3,818
6A – Operating margin (social housing lettings) (Operating surplus (social housing lettings) as a % of turnover from social housing lettings)	38.0%	28.8%	24.6%	26.7%	31.4%	24.6%
6B – Operating margin overall (Operating surplus as a % of turnover)	34.1%	26.2%	23.8%	26.4%	24.3%	26.4%
7 – Return on capital employed (ROCE) % (Operating surplus as a % of total assets less current liabilities)	3.2%	2.7%	2.4%	2.6%	3.4%	2.9%

Our peer-group comprises registered providers of social housing in south-east England.

We didn't achieve our operating margin target for 2022/23. This was due to additional maintenance expenditure to reduce a backlog of repairs, the major contract re-procurement, and additional staff costs.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2023 (continued)

Value for money (continued)

Our EBITDA-MRI was reduced by the costs as above plus additional interest costs from rate rises and increased debt (funding the development programme). This VfM metric excludes property disposals.

TCH Group has historically maximised the delivery of new units and would have scored amongst the highest on metrics one and two during the Affordable Housing Programme 2011 to 2015. This meant that our debt relative to the value of our housing stock (metric three – gearing) was higher than many of our peers. Additionally, our peers are a mix of traditional housing associations and largescale voluntary transfers (LSVT's). TCH is a LSVT where the stock was purchased from Tunbridge Wells borough council. Debt was used to finance the purchase along with the catch-up repairs that had built up through the Council's ownership. LSVT's therefore have higher gearing than traditional HA's.

The return on capital employed for metric seven is generally low for the whole sector, due to the submarket, regulated rents charged. This reflects our charitable social purpose.

Going concern

The Board has reviewed the approved 2022/23 budget and the 30-year Business Plan.

The Board has a reasonable expectation that the TCH Group and the Association have adequate resources to continue in operational existence for at least 12 months from the date of the approval of these Financial Statements. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Equal opportunities

The Group ensures that in all of its activities it does not allow unlawful discrimination. It also promotes equality of opportunity and treatment for all sections of the community. In particular, the Group recognises its responsibility to persons with special needs and has set standards, within its development and housing management programmes and employment policies to ensure that such needs can be readily met.

Health and safety

The Chief Executive provides an annual health and safety report to the Group's Board and an update at each meeting. The health and safety of the Group's employees and residents is paramount to the Board. The Group's policy is to provide and maintain safe and healthy working conditions, housing, equipment and systems of work for all those connected with the organisation and to provide such information, training and supervision as is needed for this purpose. There have been no material health and safety breaches in the year.

Subsequent events

On 4 April 2023 Town & Country Housing received via a statutory transfer of undertaking Rosebery Housing Association.

On 12 June 2023 Town & Country Housing acquired 5 extra care schemes comprising of 252 homes and 35 staff from Rapport Housing and Care.

Statement of compliance

In preparing this strategic report, the Board has followed the principles as set out in the Housing SORP 2020: Statement of Recommended Practice for registered social housing providers.

Approved by the Board and signed on its behalf by:



Dierdre Moss
Chair
18 September 2023

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

Independent auditor's report to the members of Town and Country Housing Group

Opinion

We have audited the financial statements of Town and Country Housing ("the Association") for the year ended 31 March 2023 which comprise the consolidated and association statement of comprehensive income, consolidated and association statement of financial position, the consolidated and association statement of changes in equity and reserves, the consolidated statement of cash flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the Group and the Association as at 31 March 2023 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group's and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's and the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit and Risk Committee, internal audit and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the assumptions used in pension valuations and the value of housing stock held in current assets. On this audit we do not believe there is a fraud risk related to revenue recognition because of the low degree of complexity and subjectivity in the group's material revenue streams leading to minimal opportunity for revenue to be fraudulently manipulated. We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journal combinations relating to revenue, cash and borrowings
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in the accounting estimates are indicative of potential bias including assessing the assumptions used in pension valuations and the value of housing stock held in current assets.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related Co-operative and Community Benefit Societies legislation), taxation legislation, pensions legislation, social housing legislation and the requirements imposed by the Regulator of Social Housing and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety and data protection laws, recognising the regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Association's Board is responsible for the other information, which comprises the Report of the Board, and the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 6, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and [section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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, for our audit work, for this report, or for the opinions we have formed.

Emma Larcombe

Emma Larcombe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Station Road
Cambridge
CB1 2JD
19 September 2023


TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

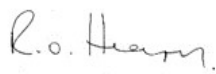
	Note	TCH Group 2023 £'000	TCH Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Turnover	4	81,732	79,208	83,281	79,454
Cost of sales	4	(11,423)	(16,293)	(11,198)	(14,273)
Operating expenditure	4	(51,493)	(42,138)	(52,347)	(42,858)
Operating surplus before gain on disposal of property		18,816	20,777	19,736	22,323
Gain on disposal of property	5	5,036	4,254	4,817	4,189
Operating surplus		23,852	25,031	24,553	26,512
Interest receivable	6	20	-	872	602
Interest and financing costs	7	(13,332)	(10,192)	(13,585)	(10,289)
Gain on revaluation of investment properties	12	1,198	745	1,148	660
Surplus/(deficit) before tax		11,738	15,584	12,988	17,485
Tax	10	331	146	86	(75)
Surplus/(deficit) for the year	8	12,069	15,730	13,074	17,410
Actuarial gain in respect of pension schemes	23	3,607	1,632	3,607	1,632
Total comprehensive income for the year		15,676	17,362	16,681	19,042
Surplus/(deficit) for the year attributable to:					
Non-controlling interest		86	(94)	-	-
The parent company		11,983	15,824	13,074	17,410
		12,069	15,730	13,074	17,410
Total comprehensive income for the year attributable to:					
Non-controlling interest		86	(94)	-	-
The parent company		15,590	17,456	16,681	19,042
		15,676	17,362	16,681	19,042

All amounts relate to continuing activities.

The accompanying notes 1 to 31 form part of these financial statements.



Dierdre Moss
Chair



Bob Heapy
Chief Executive and Board Member



Amara McKay
Company Secretary

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION

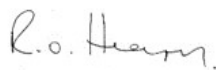
	Note	TCH Group	TCH Group	Company	Company
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties	11	946,131	890,625	949,315	893,348
Investment properties	12	20,260	19,062	19,449	18,301
Other property, plant and equipment	13	6,104	6,317	6,104	6,317
Intangible assets	14	390	481	390	481
Fixed asset investment	15	20	20	25,242	25,122
		972,905	916,505	1,000,500	943,569
Current assets					
Properties for sale	16	32,881	29,434	8,228	7,096
Debtors	17	4,317	5,068	4,301	4,370
Cash at bank and in hand		9,378	7,490	7,129	4,981
		46,576	41,992	19,658	16,447
Creditors: amounts falling due within one year	18	(22,248)	(23,986)	(20,909)	(24,995)
Net current assets		24,328	18,006	(1,251)	(8,548)
Total assets less current liabilities		997,233	934,511	999,249	935,021
Creditors: amounts falling due after more than one year	19	(581,445)	(530,870)	(580,576)	(529,619)
Defined benefit pension liability	23	0	(3,410)	0	(3,410)
Net assets		415,788	400,231	418,673	401,992
Capital and reserves					
Revenue reserve		212,305	196,716	232,001	215,320
Revaluation reserve		203,355	203,355	186,672	186,672
Non-controlling interest		128	160	-	-
Capital and reserves		415,788	400,231	418,673	401,992

The accompanying notes 1 to 31 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board and signed on its behalf on 18 September 2023 by:



Dierdre Moss
Chair



Bob Heapy
Chief Executive and Board Member



Amara McKay
Company Secretary

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

CONSOLIDATED AND ASSOCIATION STATEMENT OF CHANGES IN EQUITY AND RESERVES

	Revenue reserve	Revaluation reserve	Non- controlling interest	Total
	£'000	£'000	£'000	£'000
TCH Group				
At 1 April 2022	196,716	203,355	160	400,231
Surplus for the year	11,983	-	-	11,983
Surplus attributable to non-controlling interest	-	-	(32)	(32)
Actuarial gain in respect of pension schemes	3,607	-	-	3,607
At 31 March 2023	212,306	203,355	128	415,789
Company				
At 1 April 2022	215,320	186,672	-	401,992
Surplus for the year	13,074	-	-	13,074
Actuarial gain in respect of pension schemes	3,607	-	-	3,607
At 31 March 2023	232,001	186,672	-	418,673
TCH Group				
At 1 April 2021	179,260	203,355	256	382,871
Surplus for the year	15,824	-	-	15,824
Surplus and dividends attributable to non-controlling interest	-	-	(96)	(96)
Actuarial gain in respect of pension schemes	1,632	-	-	1,632
At 31 March 2022	196,716	203,355	160	400,231
Company				
At 1 April 2021	196,278	186,672	-	382,950
Surplus for the year	17,410	-	-	17,410
Actuarial gain in respect of pension schemes	1,632	-	-	1,632
At 31 March 2022	215,320	186,672	-	401,992

The accompanying notes 1 to 31 form part of these financial statements.

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

CONSOLIDATED STATEMENT OF CASH FLOWS
TCH Group

	2023	2022
	£'000	£'000
Surplus/(deficit) for the year before tax	11,738	15,584
Adjustment for non-cash items:		
Cost of housing property disposals	4,205	3,684
Depreciation and amortisation of fixed assets	11,149	10,558
(Gain) on revaluation of investment properties	(1,198)	(745)
Adjustments for investing or financing activities:		
Interest payable	13,332	10,191
Interest receivable	(20)	-
Adjustments for working capital movements:		
(Increase)/decrease in properties for sale	(3,447)	(9,437)
Decrease/(increase) in debtors	884	(1,053)
Increase in creditors	10,338	10,359
Net cash generated from operating activities	46,981	39,141
Cash flows from investing activities		
Purchase of fixed assets - housing properties	(80,049)	(55,689)
Purchase of fixed assets - other	(124)	(355)
Grants received	2,390	6,530
Net cash flows from investing activities	(77,783)	(49,514)
Cash flows from financing activities		
Interest paid	(19,445)	(15,341)
Interest received	20	-
New loans	53,000	34,000
Repayment of borrowings	(794)	(8,678)
Net cash flows from financing activities	32,691	9,981
Net decrease in cash and cash equivalents	1,888	(392)
Cash and cash equivalents at beginning of year	7,490	7,883
Cash and cash equivalents at end of year	9,378	7,491

The accompanying notes 1 to 30 form part of these financial statements.

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

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TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Town and Country Housing Group consists of:

- Town and Country Housing (TCH) which is a registered provider of social housing (RP) and a public benefit entity. TCH is a wholly owned subsidiary of Peabody Trust. TCH is registered with the Regulator of Social Housing (RSH) and with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014.
- Monson Homes Limited, a wholly owned commercial subsidiary.
- TCHG Capital PLC, a special-purpose funding vehicle.
- TCH Repairs Limited, a 60% owned commercial maintenance company
- Countrywise Repairs Limited, a 51%-owned commercial maintenance company (non-trading)
- TCHG Living Limited (dormant), registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014.

2. Accounting policies

General information and basis of accounting

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

Going concern

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of 24 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2023 by the Board.

As well as considering the impact of a number of scenarios on the business plan and mindful of the inflationary environment the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Group and Association budgets for 2023/24 and the Group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the going concern period. In reaching this conclusion, the Board has considered the following factors:

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

2. Accounting policies - General information and basis of accounting – *Going concern (continued)*

- High inflation, rent increase capped for April 2023 and the relatively high interest rate environment.
- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents.
- Liquidity – current available cash and unutilised loan facilities along with the ability to extend the Group's inter-company loan from Peabody provides significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group's ability to withstand other adverse scenarios such as increases in the number of void properties

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure exemptions:

In preparing the financial statements for TCH Group, advantage has been taken of the following FRS 102 disclosure exemptions:

- not preparing a statement of cash flows for the parent Company
- not disclosing related party transactions with its parent undertaking that are eliminated on consolidation.

Basis of consolidation

The TCH Group financial statements consolidate the financial statements of TCH and all its subsidiaries at 31 March 2023 using the purchase method (acquisition accounting). Any non-controlling interest is shown in the statement of comprehensive income and the statement of financial position based on TCH Group's share of net assets and surpluses for the year. Intra-group transactions are eliminated on consolidation.

Turnover

Income is measured at the fair value of the consideration received or receivable.

TCH Group generates the following material income streams:

- Rental and service charge income
- First tranche sales of shared ownership properties
- Income from properties built for sale
- Amortisation of government grants

Rental income is recognised from the point when the properties under development reach practical completion and are let to tenants. Income from first tranche sales and sales of properties built for sale are recognised at the point of legal completion of the sale. Revenue grants are recognised when the conditions for receipt of grant funding have been met.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Other income

Other income is measured at the fair value of the consideration received or receivable.

Investment properties

The classification of properties as investment property or property, plant and equipment are based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property, plant and equipment. Mixed-use property is split between investment property and property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the statement of comprehensive income.

Housing properties

Housing properties are split between the land and the structure and those major components which require periodic replacement. Replacement of components is capitalised and depreciated over the estimated useful life, which has been set considering professional advice, TCH Group's asset management strategy and the requirements of the Decent Homes Standard.

TCH Group changed its accounting policy from recording housing properties at valuation to being at historic cost during the transition to FRS102 at 1 April 2014. TCH Group took the transition option to measure its completed housing properties at fair value and use that fair value as the deemed cost of those assets at the transition date of 1 April 2014.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of capital improvements, as well as directly incremental overhead costs and staff time associated with new developments, improvements and component works.

For mixed tenure schemes, costs are directly allocated to the tenure where this is appropriate, or they are allocated using an appropriate method (e.g. square metres of built units).

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

Component	Useful life
Structure	100 years
Roof	25-50 years
Bathroom	30 years
Windows and doors	35 years
Kitchen	20 years
Heating system: boiler	15 years
Lift	25 years

Properties held on leases are amortised over the life of the lease or their estimated useful lives in the business, if shorter. Freehold land is not depreciated because of its indefinite useful economic life.

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any residual amounts from replaced components are written off and charged as expenditure to the statement of comprehensive income. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the statement of comprehensive income.

Depreciation is not charged on shared ownership properties.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies - Impairment of fixed assets – housing properties (continued)

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by TCH Group are recharged to the leaseholder and recognised in surplus or deficit in the statement of comprehensive income along with the corresponding income from the leaseholder or tenants.

Impairment of fixed assets – housing properties

TCH Group's housing properties are assessed for indicators of impairment at each reporting date. Where indicators are identified, then an assessment is undertaken to compare the carrying amount of assets or cash-generating units for which impairment is indicated to their recoverable amounts. An exercise is carried out to determine the option which produces the highest net realisable value.

Valuations on rental return or potential sales proceeds are obtained to inform the options. TCH Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of the impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or cash-generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash-generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

TCH Group defines cash-generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash-generating units. Where the recoverable amount of an asset or cash-generating unit is lower than its carrying value, impairment is recorded through a charge to the statement of comprehensive income.

Properties for outright sale

Completed properties for outright sale and properties under construction are carried at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises material, direct labour, direct development overheads and capitalised interest.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal, which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within housing properties. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to the first tranche.

Proceeds from first tranche disposals (including Rent to HomeBuy properties that convert to shared ownership) are accounted for as turnover in the statement of comprehensive income of the period in which the disposal completes. The cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of property, plant and equipment.

Social Housing Grant and other government grants

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

Where grants are received for housing properties, once the property reaches practical completion, the grant is recognised in income evenly over the expected useful life of the property structure.

Grants received from non-government sources are recognised as revenue using the performance model.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies - grants (continued)

Recycling of grants

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

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

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the statement of financial position related to this asset is de-recognised as a liability and recognised as revenue in surplus or deficit in the statement of comprehensive income.

Financial instruments

Financial liabilities that are classified as “basic financing transactions” in accordance with FRS 102 are initially recorded at the present value of future payments discounted at a market rate of interest. These are then subsequently measured at amortised cost.

Section 11 of FRS 102 sets out requirements for financial instruments to be classified as either basic or other. All of TCH Group’s financial instruments are “basic”.

Financial instruments that are substantially modified are de-recognised and re-recognised at fair value. A substantial modification occurs when either FRS102’s qualitative characteristics are met, or the discounted cash flows of the modified instrument differ by 10% or more from the existing discounted cash flows. A financial liability is otherwise de-recognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Whenever the terms of a loan agreement are modified but the modification is not assessed as being substantial, TCH Group re-measures the financial instrument at the value of its discounted expected future cash flows after the modification. For variable rate loans, the discount applied is one that results in the carrying value remaining unchanged (after recognition of any transaction costs). For fixed rate loans, it is the original effective interest rate when the loan was first entered into.

Financial assets

Investments in UK gilts are initially and subsequently measured at fair value.

Other financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is de-recognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and rewards are transferred.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Financial liabilities

Financial liabilities are initially recorded at transaction price and then at the end of the reporting period they are measured at amortised cost using the effective interest rate method.

Interest payable

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

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development.

Arrangement fees and legal costs incurred in connection with loan facilities and bond finance are included in the transaction price of the facility and then recorded at amortised cost using the effective interest rate method.

Intangible assets

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

Computer software	5 years
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Other property, plant and equipment

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

Freehold offices	50 years
Solar panels	25 years
Computer equipment	3 years
Office equipment and fixtures	5 years

Leased assets

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

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to surplus or deficit in the statement of comprehensive income on a straight-line basis over the period of the lease.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the statement of comprehensive income. Other investments are measured at amortised cost less impairment.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Recoverable amount of rental and other trade receivables

TCH Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair, it reviews the age profile of the debt, historic collection rates and the class of debt.

Pensions

Local Government Pension Scheme

TCH contributes to the Kent County Council Superannuation Scheme, a defined benefit final salary scheme. The assets of the scheme are invested and managed independently of the finances of the TCH in respect of existing staff in the scheme.

Although this is a multi-employer scheme, it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the TCH, in separate Trustee-administered funds. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis using the projected unit credit method.

The actuarial valuations are obtained at least triennially and are updated at each statement of financial position date.

TCH closed membership of this scheme to new joiners during 2002/03.

Defined contribution scheme

Most of TCH's employees are provided with a stakeholder pension scheme. This is a defined contribution scheme where the amount charged to surplus or deficit in the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between TCH Group's taxable surpluses, and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.

Service charge sinking funds and service costs

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

Reserves

Revenue reserve

The revenue reserve represents the accumulated results of TCH Group and Company.

Revaluation reserve

A revaluation reserve is created from surpluses from asset revaluations. The revaluation reserve does not include revaluations from Investment Properties.

Cash and cash equivalents

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

Value-added tax (VAT)

TCH Group charges VAT on some of its income and is able to recover part of the VAT (partial recovery) it incurs on expenditure. VAT is recognised as a cost to the extent that it is suffered by TCH Group and not recoverable from HM Revenue and Customs. Income is recorded net of VAT and expenditure is recorded with VAT included; any partial recovery of VAT is recorded in income.

The balance of VAT payable or recoverable at the year-end is included as a current liability or current asset.

3. Significant management judgements and key sources of estimation uncertainty

Significant management judgements and estimates

Costs to complete on a development scheme and the expected sales value of the properties upon completion.

There is judgement involved in assessing the cost to complete based on the anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, management then determine the recoverable amount of the properties developed for outright sale and/or land held for sale. This judgement is based on third party valuations for the estimated sales values based on economic conditions within the area of development and is re-assessed on a regular basis.

Estimation uncertainty

TCH Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

Significant management judgements and key sources of estimation uncertainty

Significant management judgements and estimates (continued)

Estimation uncertainty (continued)

TCH has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on several factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The valuation of the defined benefit pension scheme has been carried out by a qualified actuary based upon assumptions. While key assumptions used in the valuation are based on published information, there is a degree of judgement involved in selecting the most appropriate financial variables for the scheme. This valuation has resulted in a pension surplus of £4.7m however, this has been restricted to nil as economic benefit from this surplus is not available via a reduction in future service contributions. As on 31 March 2023, there is a nil net asset / liability position (2022: liability of £3.4m), a decrease of £3.4m on the previous year's deficit

Changes to the assumptions has reduced the defined benefit obligation from £27,666,000 to £19,614,000.

- a gain of £9,606,000 from an increase in the discount from 2.70% to 4.80%.
- a loss of £1,770,000 from allowances for actual pension increases and CPI inflation over the year.

Fixed assets housing properties – useful lives

Housing property assets are broken down into components based on management's assessment of an appropriate proportion to apply. Individual useful lives are assigned to these components based upon a management assessment and after considering advice from independent surveyors. The carrying value of components is:

	2023 £m	2022 £m
Structure	389.1	376.4
Roof	25.4	24.0
Bathroom	7.4	7.1
Windows and doors	24.4	22.4
Kitchen	13.8	13.7
Heating system: boiler	14.0	12.7
Lift	1.8	1.5

TOWN AND COUNTRY HOUSING GROUP

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

4a. Operating segments

TCH Group and Association has determined its operating segments in accordance with IFRS8 as follows:

- Housing for rent
- Development of housing for sale
- Other activities

The Chief Operating Decision Maker (the Board) considers financial information for each of these.

Other activities includes community investment and solar panel income.

TCH Group

	2023			2022		
	Turnover	Operating surplus	Assets	Turnover	Operating surplus	Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Housing for rent	63,815	16,053	981,862	58,957	17,276	923,739
Development of housing for sale	14,181	1,799	35,635	19,951	3,550	33,033
Other activities	3,736	964	1,984	300	(49)	1,725
	81,732	18,816	1,019,481	79,208	20,777	958,497

Company

	2023			2022		
	Turnover	Operating surplus	Assets	Turnover	Operating surplus	Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Housing for rent	64,159	16,011	982,543	59,175	17,730	923,637
Development of housing for sale	15,450	2,804	35,756	20,031	4,860	35,064
Other activities	3,672	921	1,859	248	(267)	1,314
	83,281	19,736	1,020,158	79,454	22,323	960,016

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

4b. Turnover, cost of sales, operating expenditure and operating surplus

TCH Group

	2023				2022			
	Turnover	Cost of sales	Operating expenditure	Operating surplus	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 4c)	61,947	-	(46,542)	15,405	57,516	-	(40,952)	16,564
Other social housing activities								
Current asset property sales	14,137	(11,198)	-	2,939	17,189	(13,984)	-	3,205
	76,084	(11,198)	(46,542)	18,344	74,705	(13,984)	(40,952)	19,769
Activities other than social housing								
Lettings	2,008	-	(1,220)	788	1,581	-	(729)	852
Development and property sales	44	(225)	(959)	(1,140)	2,762	(2,309)	(107)	346
Other	3,596	-	(2,772)	824	160	-	(350)	(190)
	81,732	(11,423)	(51,493)	18,816	79,208	(16,293)	(42,138)	20,777

Association

	2023				2022			
	Turnover	Cost of sales	Operating expenditure	Operating surplus	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 4c)	62,067	-	(46,763)	15,304	57,516	-	(40,716)	16,800
Other social housing activities								
Current asset property sales	14,137	(11,198)	-	2,939	17,189	(14,273)	-	2,916
Income from subsidiaries	175	-	(175)	-	165	-	(165)	-
	76,379	(11,198)	(46,938)	18,243	74,870	(14,273)	(40,881)	19,716
Activities other than social housing								
Lettings	2,008	-	(1,220)	788	1,581	-	(729)	852
Development and property sales	1,034	-	(1,448)	(414)	924	-	(898)	26
Gift aid	279	-	-	279	1,918	-	-	1,918
Other	3,581	-	(2,741)	840	161	-	(350)	(189)
	83,281	(11,198)	(52,347)	19,736	79,454	(14,273)	(42,858)	22,323

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

4c. Income and expenditure from social housing lettings
TCH Group

	General needs	Housing for older people	Intermediate	Low-cost home ownership	Total	Total
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000
Income						
Rents receivable	48,406	2,910	2,532	4,035	57,883	54,178
Service charge income	2,265	901	5	593	3,764	3,086
Amortised government grant	163	-	10	127	300	252
	50,834	3,811	2,547	4,755	61,947	57,516
Expenditure						
Management	10,698	727	274	807	12,506	10,347
Service charge costs	4,014	216	32	193	4,455	3,661
Routine maintenance	8,187	503	301	1,038	10,029	9,161
Planned maintenance	3,442	159	94	-	3,695	5,081
Major repairs	4,445	-	-	-	4,445	2,473
Bad debts	141	(1)	5	16	161	37
Depreciation of housing properties	8,159	322	299	-	8,780	8,292
Accelerated depreciation of development scheme	1,942	-	-	-	1,942	1,301
Write-off of housing components replaced in the year	512	14	3	-	529	599
	41,540	1,940	1,008	2,054	46,542	40,952
Operating surplus	9,294	1,871	1,539	2,701	15,405	16,564
Void losses	1,320	151	87	18	1,576	1,275

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

4c. Income and expenditure from social housing lettings (continued)

Association	General needs	Housing for older people	Intermediate	Low-cost home ownership	Total	Total
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000
Income						
Rents receivable	48,527	2,910	2,532	4,035	58,004	54,178
Service charge income	2,264	901	5	593	3,763	3,086
Amortised government grant	163	-	10	127	300	252
	50,954	3,811	2,547	4,755	62,067	57,516
Expenditure						
Management	10,846	727	274	807	12,654	10,347
Service charge costs	4,023	216	32	193	4,464	3,661
Routine maintenance	8,251	503	301	1,038	10,093	8,925
Planned maintenance	3,442	159	94	-	3,695	5,081
Major repairs	4,445	-	-	-	4,445	2,473
Bad debts	141	(1)	5	16	161	37
Depreciation of housing properties	8,159	322	299	-	8,780	8,292
Accelerated depreciation of development scheme	1,942	-	-	-	1,942	1,301
Write-off of housing components replaced in the year	512	14	3	-	529	599
	41,761	1,940	1,008	2,054	46,763	40,716
Operating surplus	9,193	1,871	1,539	2,701	15,304	16,800
Void losses	1,320	151	87	18	1,576	1,275

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

5. Gain on disposal of property

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Disposal proceeds of fixed assets	9,242	7,939	8,996	7,861
Carrying value and costs to sell	(3,952)	(3,018)	(3,925)	(3,006)
	5,290	4,921	5,071	4,855
Transferred to recycled capital grant fund	(254)	(667)	(254)	(666)
	5,036	4,254	4,817	4,189

6. Interest receivable - on loans, bank deposits, gilts and government liquidity funds

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank interest receivable	20	-	11	-
Interest on loan to subsidiary	-	-	657	602
Dividends from fixed asset investments	-	-	204	-
	20	-	872	602

7. Interest and financing costs - on loans, bank overdrafts and other loans

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	4,568	4,617	4,568	4,617
Interest payable to parent	10,583	6,783	10,584	6,784
Interest payable to subsidiary	-	-	1	22
	15,150	11,400	15,152	11,423
Interest on pension scheme net liability	108	93	108	93
Borrowing costs capitalised	(1,926)	(1,301)	(1,675)	(1,227)
	13,332	10,192	13,585	10,289

The interest rate used to capitalised borrowing costs is 5.00% (2022: 3.71%). Interest on bank loans and payable to parent includes a loan amortised cost credit of £4,398k (2022: £4,045k)

8. Operating surplus is stated after charging

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Depreciation of housing properties	8,779	8,193	8,778	7,717
Amortisation of intangible assets	189	278	189	196
Depreciation of other property, plant and equipment	239	229	141	114
Write-off of housing components replaced in year	530	557	530	374
Accelerated depreciation on development scheme	1,942	1,301	1,942	-
Operating lease rentals – plant and equipment	148	148	24	27
Auditor's remuneration (excl. VAT) - audit services	93	82	70	61
- other services	-	-	-	-

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

9. Employee information

	TCH Group 2023	TCH Group 2022	Association 2023	Association 2022
Average number of full-time equivalent persons	290	220	222	162

The average number of full time equivalent persons (FTE's) is calculated by taking the average of the number of FTE's at the 1 April and at the 31 March.

Staff costs (for above persons)

	TCH Group 2023	TCH Group 2022	Association 2023	Association 2022
Wages and salaries	10,931	8,333	9,991	6,519
Social security costs	1,118	829	1,027	649
Pension cost	841	635	821	587
	12,890	9,797	11,839	7,755

Directors' and senior executives' remuneration

The key management personnel are defined as the Board, the Chief Executive and the Executive Management Team.

The full-time equivalent number of staff, including the key management personnel falling into the following remuneration bandings (including salary, bonus and pension contributions), are as follows:

	2023 No.	2022 No.
£60k to £70k	10	7
£70k to £80k	5	4
£80k to £90k	5	4
£90k to £100k	2	-
£100k to £110k	3	1
£110k to £120k	1	3
£120k to £130k	2	-
£130k to £140k	1	-
£150k to £160k	-	1
£170k to £180k	1	1
£200k to £210K	-	1
£210k to £220K	1	-

Executive Management Team emoluments

	TCH Group 2023 £'000	TCH Group 2022 £'000
Emoluments (including benefits in kind)	466	537
Pension contributions	56	59

The highest-paid Director during the year was the Chief Executive (2022: Chief Executive), whose remuneration details (salary, bonus and other benefits), excluding pension contributions, are shown below:

	Salary	Other benefits	Total	Total
	2022 £'000	2022 £'000	2022 £'000	2021 £'000
Highest-paid Director	195	2	197	190

The Chief Executive is a member of the defined contribution pension scheme, to which the Company makes a contribution. He is an ordinary member of the scheme and no special conditions apply. The Company's contributions to the scheme were £18k (2022: £16k).

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

9. Employee information (continued)

Non-Executive Board Members' emoluments (TCH Group, subsidiary boards and committees)

	£
Deidre Moss (Chair)	18,500
Valerie Marshall	9,000
Iain McPherson	8,507
Marianne Ismail	8,000
Susan Martin	8,000
Martyn Burke	8,000
Paul Wenham	8,000
Kim Hill	7,116
Melanie Forrester	7,000
Gary Lester	5,000
Joanna Boswell	5,000
Andy Mackay	4,438
	<u>96,561</u>

Gaylene Kendall (TCH Board member) is also a Peabody Committee member and is remunerated by Peabody.

10. Taxation

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax on (deficit)/surplus for the year	(244)	4	1	4
Deferred tax	(87)	(150)	(87)	71
Tax charge/(credit) on (deficit)/surplus on ordinary activities	<u>(331)</u>	<u>(146)</u>	<u>(86)</u>	<u>75</u>
Factors affecting the tax charge				
The tax assessed for the period is lower than the standard rate of corporation tax in the UK, as explained below:				
Surplus/(deficit) for the year, before tax	11,737	15,584	12,989	17,485
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax of 19% (2021: 19%)	2,230	2,961	2,468	3,322
Effects of:				
Fixed asset timing differences	-	(5)	-	0
Adjustment to tax charge in respect of prior period	(186)	(364)	-	-
Remeasurement of deferred tax in respect of change in tax rates	(98)	123	(78)	78
Surpluses/(deficits) exempt from corporation tax	<u>(2,277)</u>	<u>(2,861)</u>	<u>(2,476)</u>	<u>(3,325)</u>
Total tax charge	<u>(331)</u>	<u>(146)</u>	<u>(86)</u>	<u>75</u>

Factors that may affect future tax charges

TCH is a charitable housing association and is not liable to corporation tax on its charitable activities.

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

11. Fixed assets - housing properties

TCH Group

	Properties held for letting				Properties under construction				Total
	General needs	Intermediate	Rent to HomeBuy	Shared ownership & leasehold	General needs	Intermediate	Rent to HomeBuy	Shared ownership & leasehold	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Deemed / historic cost									
At 1 April 2022	783,582	30,499	5,530	81,121	28,259	1,850	-	23,400	954,241
Additions	-	-	-	-	33,612	712	-	32,228	66,552
New components (replacements)	11,953	170	-	-	-	-	-	-	12,123
Schemes completed	40,460	-	-	30,127	(40,460)	-	-	(30,127)	-
Property disposals	(2,229)	-	-	(1,739)	-	-	-	-	(3,968)
Component replacements	(2,085)	(95)	-	-	-	-	-	-	(2,180)
Transfer to current assets	230	-	-	(9,040)	-	-	-	-	(8,810)
Purchase from parent	-	-	-	920	-	-	-	-	920
Transfer of tenure	-	-	1,267	(933)	-	-	-	-	334
Impairment	-	-	-	-	(173)	-	-	(399)	(572)
At 31 March 2023	831,911	30,574	6,797	100,456	21,238	2,562	-	25,102	1,018,640
Depreciation and impairment									
At 1 April 2022	(60,426)	(3,006)	(181)	(3)	-	-	-	-	(63,616)
Depreciation charge for the year	(8,399)	(314)	(66)	-	-	-	-	-	(8,779)
Accelerated depreciation	(1,942)	-	-	-	-	-	-	-	(1,942)
Depreciation on property disposals	175	-	-	-	-	-	-	-	175
Depreciation on component disposals	1,575	78	-	-	-	-	-	-	1,653
At 31 March 2023	(69,017)	(3,242)	(247)	(3)	-	-	-	-	(72,509)
Net book value									
At 31 March 2023	762,894	27,332	6,550	100,453	21,238	2,562	-	25,102	946,131
At 31 March 2022	723,156	27,493	5,349	81,118	28,259	1,850	-	23,400	890,625

The net book value of leasehold land and buildings included above is £5.9m (2022: £5.9m). Additions to housing properties in the course of construction during the year included capitalised interest of £1.9m (2022: £1.3m) at an average interest rate during the year of 5.00% (2022: 3.71%).

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

11. Fixed assets - housing properties (continued)

Association	Properties held for letting				Properties under construction				Total
	General needs	Intermediate	Rent to HomeBuy	Shared ownership & leasehold	General needs	Intermediate	Rent to HomeBuy	Shared ownership & leasehold	
Deemed / historic cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	787,314	30,665	5,530	83,837	26,290	1,684	-	21,619	956,939
Additions	-	-	-	-	34,304	712	-	32,228	67,244
New components (replacements)	11,953	170	-	-	-	-	-	-	12,123
Schemes completed	41,323	-	-	30,744	(41,323)	-	-	(30,744)	-
Property disposals	(2,229)	-	-	(1,739)	-	-	-	-	(3,968)
Component replacements	(2,085)	(95)	-	-	-	-	-	-	(2,180)
Transfer to current assets	-	-	-	(9,040)	-	-	-	-	(9,040)
Reclassification	2	-	-	-	-	-	-	-	2
Purchased from parent	-	-	-	920	-	-	-	-	920
Transfer of tenure	-	-	1,267	(933)	-	-	-	-	334
Impairment	-	-	-	-	(173)	-	-	(399)	(572)
At 31 March 2023	836,278	30,740	6,797	103,789	19,098	2,396	-	22,704	1,021,802
Depreciation and impairment									
At 1 April 2022	(60,404)	(3,006)	(181)	-	-	-	-	-	(63,591)
Depreciation charge for the year	(8,399)	(314)	(66)	-	-	-	-	-	(8,779)
Accelerated depreciation	(1,942)	-	-	-	-	-	-	-	(1,942)
Depreciation on property disposals	175	-	-	-	-	-	-	-	175
Depreciation on component disposals	1,575	75	-	-	-	-	-	-	1,650
At 31 March 2023	(68,995)	(3,245)	(247)	-	-	-	-	-	(72,487)
Net book value									
At 31 March 2023	767,283	27,495	6,550	103,789	19,098	2,396	-	22,704	949,315
At 31 March 2022	726,910	27,659	5,349	83,837	26,290	1,684	-	21,619	893,348

The net book value of leasehold land and buildings included above is £5.9m (2022: £5.9m). Additions to housing properties in the course of construction during the year included capitalised interest of £1.9m (2022: £1.3m) at an average interest rate during the year of 5.00% (2022: 3.71%).

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

11. Fixed assets - housing properties (continued)

Improvements to properties - TCH Group and Association

	2023	2022
	£'000	£'000
Replacement of components	12,234	6,825
Non component improvements taken to statement of comprehensive income	4,445	2,473
	<u>16,679</u>	<u>9,464</u>

12. Fixed assets - Investment properties

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Valuation at 1 April	19,062	18,317	18,301	17,641
(Deficit)/surplus on revaluation	1,198	745	1,148	660
Transfer from current assets	-	-	-	-
Transfer of tenure	-	-	-	-
Valuation at 31 March	<u>20,260</u>	<u>19,062</u>	<u>19,449</u>	<u>18,301</u>

TCH Group's market rent properties (included in investment properties above) are fair valued annually at 31 March. The valuation (fair value) is in accordance with the Appraisal and Valuation Manual of RICS using the Market Value Subject to Tenancy basis (MV-ST). The valuation was undertaken by the Group's professional external valuers, Savills. The valuation was £19,046k (2022: £18,155k). TCH Group's other investment properties (two commercial properties) were valued in 2022/23 at £1,214k (2022: £906k) using a rent capitalisation method.

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

13. Other plant, property and equipment - TCH Group and Association

	Freehold offices & premises	Solar panels	Computer equipment	Office equipment & fixtures	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	2,399	2,471	156	3,199	8,225
Additions	-	-	9	17	26
At 31 March 2023	2,399	2,471	165	3,216	8,251
Depreciation					
At 1 April 2022	(853)	(783)	(99)	(173)	(1,908)
Charge for the year	(29)	(99)	(48)	(63)	(239)
At 31 March 2023	(882)	(882)	(147)	(236)	(2,147)
Net book value					
At 31 March 2023	1,517	1,589	18	2,980	6,104
At 31 March 2022	1,546	1,688	57	3,026	6,317

14. Intangible assets

	TCH Group Computer software	Association Computer software
Cost	£'000	£'000
At 1 April 2022	1,154	1,035
Additions	98	98
At 31 March 2023	1,252	1,133
Accumulated amortisation		
At 1 April 2022	(673)	(554)
Charge for the year (operating expenditure)	(189)	(189)
At 31 March 2023	(862)	(743)
Net book value		
At 31 March 2023	390	390
At 31 March 2022	481	481

15. Fixed asset investments

	TCH Group 2023	TCH Group 2022	Association 2023	Association 2022
	£'000	£'000	£'000	£'000
Investment in subsidiaries				
Countrywise Repairs Ltd. (51% owned)	-	-	102	102
Town & Country Housing Repairs Ltd.(60% owned)	-	-	120	-
Monson Homes Limited (100% owned)	-	-	25,000	25,000
	-	-	25,222	25,102
Investment in MORhomes plc	20	20	20	20
	20	20	25,242	25,122

Countrywise Repairs (incorporated in England) is a joint venture subsidiary which carried out repairs and maintenance services to the Group's properties. It ceased trading on 31 March 2022

Countrywise Repairs (incorporated in England) is a joint venture subsidiary which carries out repairs and maintenance services to the Group's properties. It started trading on 1 November 2022

Monson Homes Limited (incorporated in England) develops homes for TCH and for itself for outright sale. MORhomes plc is a social housing treasury vehicle constituted as a non traded public company with listed debt instruments.

TOWN AND COUNTRY HOUSING

Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

16. Current assets - properties for sale

	TCH Group 2023 £'000	TCH Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Completed properties	8,228	2,242	8,228	2,242
Properties under construction	24,653	27,192	-	4,854
	<u>32,881</u>	<u>29,434</u>	<u>8,228</u>	<u>7,096</u>

17. Debtors

	TCH Group 2023 £'000	TCH Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Due within one year				
Rent debtors	2,042	2,591	2,042	2,591
Less: provision for bad and doubtful debts	(641)	(547)	(641)	(547)
	<u>1,401</u>	<u>2,044</u>	<u>1,401</u>	<u>2,044</u>
Amounts owed by subsidiary undertakings	-	-	381	143
Prepayments	1,161	1,151	1,054	1,072
Outstanding insurance settlements	244	245	244	245
Sales ledger debtors	618	206	675	319
VAT receivable	103	945	74	70
Other debtors	790	477	472	477
	<u>4,317</u>	<u>5,068</u>	<u>4,301</u>	<u>4,370</u>

18. Creditors: amounts falling due within one year

	TCH Group 2023 £'000	TCH Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Accrued loan interest and commitment fees	923	897	923	897
Trade creditors	3,428	5,587	3,364	2,447
Accruals	9,655	9,561	8,678	9,864
Amounts owed to subsidiary undertakings	-	-	-	4,000
Amounts owed to parent undertaking	3,494	2,791	1,455	2,791
Rent received in advance	2,708	3,121	2,708	3,121
Retentions on contracts	815	578	507	353
Other creditors	54	14	1,567	30
VAT payable	164	-	194	55
Corporation tax payable	1	4	1	4
Other taxation and social security payable	-	-	506	-
Recycled capital grant fund (note 21)	212	639	212	639
Housing loans	794	794	794	794
	<u>22,248</u>	<u>23,986</u>	<u>20,909</u>	<u>24,995</u>

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

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

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Debt (Note 29)	117,134	118,891	37,135	38,891
Loan from parent (Note 29)	432,300	382,736	432,300	382,736
Loans from subsidiary undertaking – due after more than five years	-	-	79,821	79,821
Deferred capital grant (note 20)	27,665	24,583	27,665	24,583
Recycled capital grant fund (note 21)	940	1,042	939	1,042
Leaseholder and tenant monies in respect of future major repairs	2,427	2,094	2,427	2,094
Retentions	740	1,010	49	127
Deferred tax	239	514	239	325
	<u>581,445</u>	<u>530,870</u>	<u>580,576</u>	<u>529,619</u>

At 31 March 2023, 7,281 properties with a net book value of £577m were charged to lenders as security for debt and loan from parent undertaking.

As part of the merger with Peabody most of TCH Group's building society and bank debt was transferred to Peabody. It was replaced with an inter-company loan.

During the year, the average interest rate (including margins) for TCH Group and Company was 4.60% (2022: 3.85%). Interest is paid quarterly on the inter-company and bank loans and every six months on the bond. The fixed rates of interest charged during the year varied from 2.09% to 6.58% depending upon the age of the fix. Variable rates of interest ranged from 4.35% to 5.27%. The weighted average interest rate for fixed rates of interest at 31 March 2023 was 4.66% (2022: 4.99%). The weighted average interest rate for floating rates of interest at 31 March 2023 was 4.49% (2022: 1.65%). The weighted average period for which interest rate was fixed at 31 March 2023 was 17.1 years (2022: 17.3 years). The benchmark for determining the interest rate payments on the floating liability was in all cases the Sterling Overnight Index Average.

Debt comprises of a building society loan which is repayable by instalments and a bond which is repayable at the end of the term. The loan from parent is repayable by instalments. The timing of repayment instalments is set out in note 29 (maturity of debt).

The Company has separate bank accounts totalling £1,279k which are maintained to match leaseholder sinking funds. These are included within the balances shown as cash at bank and in hand of £7,129k (Association as at 31 March 2023).

20. Deferred capital grant - TCH Group and Company

	2023	2022
	£'000	£'000
At 1 April		
Grants received	24,583	18,306
Released to statement of comprehensive income	3,382	6,530
At 31 March	<u>27,965</u>	<u>24,836</u>

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

20. Deferred capital grant - TCH Group and Association (continued)

Grant received or receivable at 31 March

	2023	2022
	£'000	£'000
Social Housing Grant – revenue reserves	161,572	161,572
Other grant	9,433	8,885
Social Housing Grant – deferred creditor	27,665	24,583
Recycled capital grant fund	1,151	1,682
At 31 March	<u>199,821</u>	<u>198,404</u>

21. Recycled capital grant fund (RCGF) - TCH Group and Association

	2023	2022
	£'000	£'000
At 1 April	1,682	2,155
Grants recycled	254	667
Use of grant – new build	(802)	(1,140)
	<u>1,151</u>	<u>1,682</u>
Due within one year	212	639
Due within two years	667	376
Due within three years	272	667
At 31 March	<u>1,151</u>	<u>1,682</u>

All of the fund relates to activities within areas covered by Homes England.

22. Controlling party

TCH is controlled by its parent undertaking, Peabody Trust an entity incorporated in England and Wales. Copies of its financial statements can be obtained from the registered office: 45 Westminster Bridge Road, London SE1 7JB

TOWN AND COUNTRY HOUSING GROUP
Year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

23. Pensions

Defined contribution scheme

TCH Group operates a defined contribution retirement benefit scheme for qualifying employees. The total expense charged to the statement of comprehensive income in the period ended 31 March 2023 was £507k (2022: £352k).

Defined benefit scheme

TCH Group participates in the Kent County Council Superannuation Fund, a funded defined benefit final salary scheme with assets and liabilities held in a separately administered fund. The fund was closed to new entrants in 2003 and is subject to the regulations of the Local Government Superannuation Scheme. Contributions to the scheme are determined by a qualified actuary on the basis of the valuations, using the projected unit method.

Pension benefits depend upon age, length of service and salary level.

A full triennial actuarial valuation of the defined benefit scheme was carried out at 31 March 2022 by a qualified independent actuary. Contributions to the scheme are made by the Group on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing at the year end.

Reconciliation of present value of plan liabilities

	2023	2022
	£'000	£'000
At 1 April	27,666	28,888
Current service cost	315	352
Interest cost	739	572
Actuarial (gains) from change in financial assumptions	(9,606)	(1,680)
Actuarial gain from change in demographic assumptions	(660)	-
Experience loss on defined benefit obligation	1,770	70
Estimated benefits paid	(658)	(596)
Contributions by scheme participants	48	60
At 31 March	<u>19,614</u>	<u>27,666</u>

TOWN AND COUNTRY HOUSING GROUP
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NOTES TO THE FINANCIAL STATEMENTS

23. Pensions (continued)

Reconciliation of fair value of plan assets

	2023		2022	
	£'000		£'000	
At 1 April	24,256		24,089	
Interest income on fund assets	649		479	
Return on assets less interest	(337)		22	
Other actuarial gain	212		-	
Administration expenses	(15)		(14)	
Contributions by employer including unfunded	176		216	
Contributions by fund participants	48		60	
Estimated benefits paid	(658)		(596)	
At 31 March	24,331		24,256	
Present value of defined benefit obligation	(19,614)		(27,666)	
Surplus restriction to nil net asset / liability position	(4,717)		-	
Net pension scheme liability	-		(3,410)	
Amounts recognised in surplus for the year:				
Current service cost	315		352	
Administration expenses	15		14	
Interest costs	90		93	
	420		459	
Analysis of actuarial gain/(loss) recognised in other comprehensive income:				
Actual return on fund assets in excess of interest cost	(337)		22	
Experience (loss) on defined benefit obligation	(1,770)		(70)	
Changes in financial assumptions	9,606		1,680	
Change in demographic assumptions	660		-	
Other actuarial gain	165		-	
Surplus restriction to nil net asset / liability position	(4,717)		-	
	3,607		1,632	
Composition of plan assets				
Equities	15,526		15,614	
Gilts	133		148	
Other bonds	3,196		3,349	
Property	2,429		2,849	
Cash	436		501	
Infrastructure	829		-	
Absolute return fund	1,782		1,795	
Total plan assets	24,331		24,256	
Principal actuarial assumptions used at the balance sheet date				
Discount rate			4.80%	2.70%
Future salary increases			3.40%	3.70%
Future pension increases			2.90%	3.20%
Mortality rates (life expectancy in years from age 65 years)	2023	2023	2022	2022
	Males	Females	Males	Females
Retiring today	21.1	23.5	21.6	23.7
Retiring in 20 years	22.3	25.0	23.0	25.1

TOWN AND COUNTRY HOUSING GROUP
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NOTES TO THE FINANCIAL STATEMENTS

24. Financial commitments

Capital commitments are as follows:

	Group	Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Contracted for but not provided for:				
Construction of properties for rent	33,820	54,288	2,739	6,770
Construction of properties for sale	7,052	16,310	283	711
	40,872	70,598	3,022	7,481
Approved by the Board but not contracted for:				
Construction of properties for rent	24,157	24,157	-	-
Construction of properties for sale	9,868	9,868	-	-
Approved by the Board but not contracted for	34,025	34,025	-	-
	74,897	104,623	3,022	7,481

The above commitments will be financed primarily by cash and borrowings and Social Housing Grant. At 31 March 2023, TCH Group had funding facilities (including bond proceeds) in place totalling £493m, with £14m undrawn.

25. Operating leases - TCH Group and Association

Minimum lease payments and receipts under non-cancellable operating leases:

	2023	2022
	£'000	£'000
Amounts payable as lessee		
Plant and machinery:		
Within one year	6	13
Between one and five years	-	6
	6	19
Land and buildings:		
Within one year	1	24
Between one and five years	79	-
	80	24
Amount receivable as lessor		
Land and buildings:		
Within one year	6	50
Between one and five years	-	6
	6	56

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NOTES TO THE FINANCIAL STATEMENTS

26. Accommodation in management - TCH Group and Association

The following numbers of units were in management at the end of the year:

At 31 March 2023	Owned & directly managed No.	Owned & managed by others No.	Total owned No.
Social housing			
General needs	6,620	42	6,662
Affordable	1,259	8	1,267
Affordable sheltered	128	-	128
Sheltered	346	-	346
Intermediate	284	-	284
Rent to HomeBuy	38	-	38
Shared ownership	978	-	978
	<u>9,653</u>	<u>50</u>	<u>9,703</u>
Non-social housing			
Market rented	140	-	140
All housing	<u>9,793</u>	<u>50</u>	<u>9,843</u>

At 31 March 2022	Owned & directly managed No.	Owned & managed by others No.	Total owned No.
Social housing			
General needs	6,531	42	6,573
Affordable	1,167	8	1,175
Affordable sheltered	127	-	127
Sheltered	348	-	348
Intermediate	285	-	285
Rent to HomeBuy	33	-	33
Shared ownership	856	-	856
	<u>9,347</u>	<u>50</u>	<u>9,397</u>
Non-social housing			
Market rented	140	-	140
All housing	<u>9,487</u>	<u>50</u>	<u>9,537</u>

	2023 No.	2022 No.
Leaseholders	<u>438</u>	<u>426</u>

27. Called-up share capital-non-equity

	2023 £	2022 £
At 1 April	12	14
Issued during the year	-	-
Surrendered during the year	-	(2)
As at 31 March	<u>12</u>	<u>12</u>

TOWN AND COUNTRY HOUSING GROUP

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NOTES TO THE FINANCIAL STATEMENTS

28. Related parties

Key management personnel

Details of remuneration of key management personnel are shown in note 9.

Tenant Board Members

Two members of the Board (Kim Hill and Melanie Forrester) are tenants of TCH. Their tenancy agreements pre-date their appointment to the Board, and their terms are standard, with rents and service charges calculated in accordance with our normal policies. In aggregate, the annual rent and service charges payable by the two members in the year totalled £8,610 (2022: £8,225). At 31 March 2023, one rent account was in credit and the other had a nil balance. The aggregate balance on the accounts was a credit of £1,022 (2022: credit of £1,826). The credit balances are unsecured and represent pre-payment of rent and service charges. They will be applied to future debits to their rent accounts.

Inter-company

The Group has transactions and balances with three subsidiaries – MHL, CWR and TCH Repairs – in order to recharge overhead costs within the Group. These charges are based on a calculation of the actual costs of delivering support services including a reasonable proportion of overheads. A consistent basis has been used in 2022/23 to that used in prior years. Total amounts recharged were £1,209k (2022: £1,082k).

Monson Homes Limited (MHL) constructs and develops housing schemes on behalf of the Group. MHL charges TCH for its actual costs in procuring construction services plus a mark-up of 4% or 10% (depending upon the degree of management required). MHL also sells completed units to TCH at cost plus 4%. In 2022/23, the amounts charged by MHL on this basis totalled £44,849k (2022: £32,375k). MHL has a loan from TCH at SONIA plus 2% with a revolving facility of £60m, it is secured by a floating charge over all of MHL's assets and is repayable in 2027. At 31 March 2023 the amount loaned was £500k (2022: £Nil). MHL loans surplus cash to TCH at an interest rate that TCH could obtain on its surplus cash. At 31 March 2023 the amount loaned was £Nil (2022: £4,000k).

Countrywise Repairs Limited (CWR) is a 51%-owned subsidiary with Wates Living Space Limited owning the remainder. CWR undertook property repairs for the Group up until 31 March 2022. The amounts charged to TCH in 2023 were £1,234k (2022: £6,172k). The amount due to CWR from TCH and vice versa (unsecured inter-company trade debtor/creditor) at 31 March 2023 was £Nil (2021: £103k).

TCH Repairs Limited (TCHR) is a 60%-owned subsidiary with Fortem Solutions owning the remainder. From 1 November 2022 TCHR undertakes property repairs for the Group. The amounts charged to TCH in 2023 were £3,430k (2022: £Nil). The amount due to TCHR from TCH and vice versa (unsecured inter-company trade debtor/creditor) at 31 March 2023 was £124k (2022: £Nil).

TCH has entered into a loan agreement with TCHG Capital PLC (a special-purpose vehicle for raising bond finance) to borrow the monies raised from an £80m bond issue. A total of £80m (2022: £80m) had been drawn at 31 March 2023. TCHG Capital PLC's shares are held by an independent trustee with TCH having an option to purchase them. TCH meets all of TCHG Capital's net interest and running costs so that it achieves a break-even position. TCHG Capital PLC's results are included in the consolidated TCH Group financial statements.

Peabody Group Board members

Jennie Daly is a director of Taylor Wimpey plc. Entities in this group provide development and construction services to TCH and Peabody Group. The amounts charged to TCH in 2023 were £4,276k (2022: £4,999k). The amount owing at 31 March 2023 was £Nil (2022: £nil).

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NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments

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

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
Financial assets	£'000	£'000	£'000	£'000
<i>Measured at undiscounted amount receivable</i>				
- Amounts due from subsidiaries	-	-	381	143
- Rent arrears and other receivables	2,919	2,972	2,792	3,086
- Cash and cash equivalents	9,378	7,490	7,129	4,981
	12,297	10,462	10,302	8,210
Financial liabilities				
<i>Debt at nominal value:</i>				
Loan from parent undertaking	366,605	313,605	366,605	313,605
Bond	80,000	80,000	-	-
Loan from subsidiary	-	-	79,821	79,821
Bank and building society loans	32,327	33,122	32,327	33,122
	478,933	426,727	478,753	426,548
<i>Debt measured at amortised cost:</i>				
Loan from parent undertaking	433,755	382,749	433,755	351,835
Bond	80,000	80,000	-	-
Loan from subsidiary	-	-	79,821	79,821
Bank and building society loans	37,928	39,685	37,928	49,308
	551,685	502,434	551,505	480,964
<i>Maturity of debt:</i>				
Within one year	794	794	794	794
Between two and five years	30,740	10,794	30,740	10,794
After five years	447,397	415,139	447,217	414,960
	478,933	426,727	478,752	426,548
Other financial liabilities:				
<i>Measured at undiscounted amount payable</i>				
- Amounts owed to subsidiaries	-	-	-	4,000
- Trade and other creditors	19,082	20,954	19,249	17,909
	19,082	20,954	19,249	21,909

Interest rate and liquidity risk of financial liabilities

Interest rate risk

TCH Group borrows at both fixed and floating rates of interest. It does not borrow in foreign currencies. At 31 March 2023, 68.8% of TCH Group's net borrowings were at fixed rates.

Liquidity risk

TCH Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities.

TOWN AND COUNTRY HOUSING GROUP
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NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (continued)

Interest expense through the statement of comprehensive income

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest expense for financial liabilities at amortised cost	13,332	10,192	13,585	10,289

Interest income through the statement of comprehensive income

	TCH Group	TCH Group	Association	Association
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest income for financial assets at amortised cost	-	-	657	602
Interest income for financial assets at undiscounted amount receivable	20	-	215	-
	20	-	872	602

30. Analysis of changes in net debt

TCH Group	At April 2021	Cash Flows	Fair value movement	Non cash movements	At 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Cash at bank & in hand	7,490	1,888	-	-	9,378
Bank loans due within one year	(794)	-	-	-	(794)
Bank loans due greater than one year	(38,890)	-	962	794	(37,134)
Loan from parent undertaking due greater than one year	(382,736)	(53,000)	3,436	-	(432,300)
Bond	(80,000)	-	-	-	(80,000)
Total	(494,930)	(51,112)	4,398	794	(540,850)

31. Subsequent events

On 4 April 2023 Town & Country Housing received via a statutory transfer of undertaking Rosebery Housing Association.

On 12 June 2023 Town & Country Housing acquired 5 extra care schemes comprising of 252 homes and 35 staff from Rapport Housing and Care.