

# Report and Financial Statements 2022/23



Housing People

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## Legal and administrative details

### Board

**Peter Howard-Williams**  
Chair

**Darren Galliford**  
Vice Chair

**Stephanie Henshaw**  
Audit and Risk Committee  
Chair

**David Pike**  
(retired 21/9/2022)

**Phil Sweet**  
(resigned 30/1/2023)

**Nick Yeo**  
(resigned 22/3/2023)

**Louise Cumberland**

**Janet Gale**

**Samantha Johnson**

**Tom Woodman**  
Chief Executive

**Asad Butt**  
(appointed 21/9/2022)

**Christopher Lovegrove**  
(appointed 21/9/2022)

### Directors

**Tom Woodman**  
Chief Executive

**Yvonne Woodward**  
Finance Director  
(appointed 16/5/2022)

**Clare Beach**  
Director of Housing & HR

**Anne Seaborne**  
Director of Development

**Timothy Lewry**  
Director of Property Services  
(resigned 28/2/2023)

**Kevin Alexander**  
Director of Property Services  
(appointed 3/4/2023)

### Company Secretary

**Nicola Hallam**

### Registered name and address

**Cornerstone Housing Limited**  
Cornerstone House  
Western Way  
Exeter  
Devon EX1 1AL

### Registered numbers

Mutuals Public Register:  
14457R  
Regulator of Social Housing:  
L1047

### External Auditors

**CLA Evelyn Partners Limited**  
15-17 Cumberland Place,  
Southampton SO15 2BG

### Internal Auditors

**Beever and Struthers**  
The Colmore Building, 20  
Colmore Circus Queensway,  
Birmingham B4 6AT

### Solicitors

**Trowers & Hamlins**  
The Senate, Southernhay  
Gardens, Exeter EX1 1UG

### Bankers

**Barclays Bank PLC**  
20 High Street, Exeter EX4  
3LL

### Funders

**MORHomes**  
Future Business Centre,  
Kings Hedges Road,  
Cambridge, CB4 2HY

**The Housing Finance Corporation Ltd**  
3rd Floor, 17 St Swithin's Lane,  
London EC4N 8AL

**Orchardbrook (National Westminster)**  
10 Upper Bank Street,  
London, E14 5HJJ

**Affordable Housing Finance plc**  
3rd Floor, 17 St Swithin's  
Lane, London EC4N 8AL

## Chair and Chief Executive review

### In a changing world Cornerstone continues to make a difference

At Cornerstone Housing, we are not a property company, we are a people company. We put our customers and our staff team at the heart of everything we do.

We believe that home is what makes everything else possible. By offering safe, stable, affordable homes, we open the door to health and wellbeing, work and education, family, friends and communities.

After responding to the challenges raised by Brexit and the pandemic, 2022/23 was a year of economic turmoil as we faced challenges to our costs from high inflation and moved to a full programme of investment in our existing homes. However, despite this we were able to maintain our overall surplus at £0.8m (2022: £1.22m).

Value for money (VFM) remains a key theme for the Board, as set out in the VFM section later in this report. Our budget for 2023/24 is focused on continuing our investment in existing homes and increasing the supply of new homes.

The cost-of-living crisis has affected all of us and we have provided support and advice to our tenants throughout the year. Despite the increasing cost pressures they are facing, rent arrears performance for our customers remains strong at 0.53% (2022: 0.29%). We have continued to support customers in difficulty through signposting to debt advice services, direct advice and small grants. Operational performance on lettings has improved in the year with average relet performance at 15 days (2022: 18 days).

The first year of our new customer service strategy has seen our Resident Engagement Panel complete a review into the extent to which we are listening to customer voices and a review of our customer standards. We have completed preparations for the new regulatory requirements on Tenant Satisfaction Measures, and we began completing more regular quarterly perception surveys in June. The main project for the coming year is implementation of a Customer Relationship Management (CRM) system to ensure we can monitor performance against standards and improve the delivery of services to our customers.

In common with many other housing associations, we have experienced a small drop in overall customer satisfaction to 87% (2022: 88%). This level of satisfaction remains in line with the top 25% of our Housemark benchmarking group. However, it is an area of concern for us and we are working closely with the Resident Engagement Panel to address this.

We have continued work with Julian House helping young people at risk of homelessness. We lease a number of properties to Julian House, enabling them to set up trainer tenancies helping young people to progress to stability and independence, and ensuring vulnerable people are 'tenancy ready'.

During the year we have completed our move to a component replacement programme, installing new windows, kitchens, external insulation and solar panels to far more properties than would have been achievable had we continued our previous whole-house improvement programme. The flexibility and commitment of our in-house labour team has

been fundamental to achieving this.

We replaced nearly 100 kitchens during the year and 108 properties had their windows replaced. 100 fire doors were replaced and we replaced 35 boilers in order to improve energy efficiency.

We only have 82 properties below energy rating EPC level C, and we are on track for these to be improved to level C well in advance of the government's 2030 target. Our asset management strategy includes our aspiration to be carbon-neutral by 2050 and sets out the early milestones towards this.

In 2022-23, we delivered 10 new homes. Our development strategy sets out our aspirations to increase development, and we have supported this ambition through our refinancing which has provided cash for new homes, supported by a currently undrawn revolving credit facility (RCF). We continue to identify and secure new opportunities in a crowded marketplace, eventually increasing to developing 40 homes each year.

In autumn 2021 we completed our refinancing at historically low rates, providing stability, certainty and cost-effectiveness. Our current borrowing is all at fixed rates so the increases in interest rates during the year have not affected our interest costs. We have £11m of undrawn credit facility which we do not expect to use until 2026.

Our Board reviewed our business plan in May 2023, stress-testing against a wide range of eventualities linked to our risk map. Given the volatile economic situation we are currently stress-testing the plan at least six-monthly. This is particularly in respect of further rent caps in 2024 and potentially beyond.

During the year we reviewed our corporate strategy and the Board agreed that it remains a sound base for our work and agreed a new programme of projects and targets for its delivery. There is more detail on our strategy later in this report.

Like many other companies, we came out of the acute stage of the pandemic with a number of people challenges. Staff were concerned about communications and were uncertain about our future direction of Cornerstone. Sickness absence was high and staff turnover had increased as people sought new opportunities.

We listened carefully to our teams and worked with them to create new approaches. During 2022 we worked together to implement new people and communications strategies.

Reflecting on changing staff priorities we now offer more flexibility, putting wellbeing first and increasing focus on the "whole self". Communication has been improved with new channels of communication between all staff and managers. We have achieved greater clarity and fairness on pay and introduced a new range of benefits for all staff.

We introduced shorter, more regular staff surveys to help us become more responsive to employees' needs, and in May 2022 satisfaction levels had increased from 68% to 87% and our Employee Net Promotor Score increased to 58.

Our continued emphasis on staff well-being has included increased focus on mental health, with more mental health first aiders trained and awareness days. We continue to offer hybrid and flexible working to all office staff and flexible family friendly arrangements for our trades team.

Work on professional standards has included a review of qualifications within our wider management teams in line with priorities set out by the government. We are well positioned with many of our required management team qualified to level 4 or above. We have four members of staff due to complete Chartered Institute of Housing qualifications in the coming year.

During the year we benchmarked salaries upon recruitment and reflected changes with existing staff, making sure we offer at least median benchmarked salaries for all roles. While this has increased costs it is also an investment in our services, with a fairly remunerated team providing high-quality services.

We were delighted to win the best employer award at the Exeter Property Awards this year in recognition of our journey in making Cornerstone a great place to work. We were also pleased to learn in July 2023, that the Regulator had confirmed our regulatory rating as G1/V1 following their In-depth Assessment completed in the Spring.


Our thanks and the thanks of the Board go to all our staff for their dedicated and committed work over the year.

Longstanding non-executive David Pike retired from the Board this year, and we also said goodbye to Phil Sweet and Nick Yeo. Our thanks go to them all for their valued years of service. Following an external recruitment process we welcomed Asad Butt and Christopher Lovegrove to the Board.

In conclusion, thanks to our staff and board team, our work last year has made a sound contribution to achieving our long-term strategy. Now in 2023/24 we will take that forward in the new economic environment, with the support and help of our customers, in pursuit of our purpose and vision.

  
Peter Howard-Williams (Sep 27, 2023 14:46 GMT+1)

Peter Howard-Williams  
**Chair**

  
tom woodman (Sep 27, 2023 15:49 GMT+2)

Tom Woodman  
**Chief Executive**

## Three-year summary of financial highlights

<b>Statement of comprehensive income</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2019/21*</b>
Turnover	£7,716k	£7,872k	£10,446k
Percentage change in turnover*	-2%	13%	-13%
Operating cost and cost of sale	£6,074k	£5,760k	£7,437k
Surplus on sale of property	£68k	£73k	£113k
Operating surplus	£1,813k	£2,272k	£3,321k
Operating margin	22%	28%	31%
Total comprehensive income	£489k	£2,003k	£1,741k

<b>Statement of financial position</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2019/21*</b>
Fixed assets	£69,384k	£69,065k	£67,834k
Creditors due > one year	£40,577k	£40,811k	£33,705k
Revenue reserves	£34,169k	£33,680k	£31,677k
Gearing	33%	32%	32%

<b>Key financial indicators</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2019/21*</b>
Properties owned and managed	1,417	1,410	1,387
New homes built	10	25	2
Debt per home	£21k	£21k	£17k
Rent losses from voids and bad debts	£51k	£84k	£200k

\* 2019/21 was an 18 month period and the change in turnover has been adjusted accordingly

## Strategic report

### About us

We are a local charitable housing association based in Exeter, Devon. We provide affordable homes to help meet the local housing shortage in the Exeter area and we make sure that our homes are safe, stable and affordable.

### Our strategy

Our strategy sets out our long-term direction and ethos, together with the projects and metrics that we will use to deliver our goals and measure our progress.

Our current strategy covers the period to 2028. It links closely to our 30-year long-term financial plan which ensures that we have resilient and robust foundations for our ambitions.

We review the strategy annually with our latest review completed by the Board in May 2023.

The strategy contains the following elements:

- our purpose, vision and values
- cross-cutting themes that run through our work
- our framework for risk management (as outlined later in this report)
- high-level projects that will support delivery of our vision
- key metrics that enable us to measure our progress.

### Our purpose

Home is what makes everything else possible. By offering safe, stable, affordable homes, Cornerstone opens the door to health and wellbeing, work and education, family, friends and communities.

### Our vision and values

We work together to create places that people love to come home to. We achieve this by focusing on great places, great services, a great business and great people. We are ambitious and responsible and we are positive and kind.

In support of our purpose, vision and values we have four cross-cutting themes that run throughout our strategy and are used in all aspects of our work and decision-making:

- equality, diversity and inclusion
- safety, health and wellbeing
- financial viability and value for money
- environmental sustainability.



## Our performance

During the year ended 31 March 2023 the total comprehensive income was £0.5m (2022: £2.0m).

As set out earlier in this report, our prime focus is the delivery of services and improvements to existing customers and homes. There was £1.4m (2022: £1.09m) of improvement work capitalised in the year, reflecting our ongoing investment in our housing stock.

The Board agreed the following key metrics to be achieved by March 2026 to demonstrate delivery of our strategy:

Our high-level measures and targets are that by March 2026 we will:	2022/23 Progress
Maintain overall customer satisfaction at top quartile level, and maintain customer trust and net promoter scores at their current level or better;	Overall customer satisfaction was 86% during 2022/23. The 2021/22 top quartile level was 87%. Our net promoter score was 44 which was below our 2022 performance of 48.
Improve customer satisfaction with both the quality of homes and with neighbourhoods as a place to live, each from third quartile to top quartile;	Customer satisfaction with their neighbourhoods as a place to live increased to 77% in 2023, compared with 76% in 2022
Carry out component replacements in our existing homes as set out in the annual budget and asset management plan;	The programme was delivered as planned in 2022/23
Improve the energy efficiency of our existing homes as set out in the annual budget and asset management plan, and be on target for all homes to be at EPC level C by 2030;	We have 82 homes that are at EPC D or lower and a budget of £120k has been included in the business plan to bring these up to EPC C by 2030
Maintain safety of our homes at 100% compliance in respect of gas, electric, fire, water, asbestos and lifts safety;	99.9% of gas safety checks were carried out on time with one property that went outside the deadline due to access issues. We met the 100% for all other safety checks.
Increase our housing stock by the number of new homes set out in the business plan and create a pipeline to support our development ambitions;	We provided 10 new homes during 2022/23 and a pipeline has been created to continue the delivery of new homes in line with the business plan.
Improve staff satisfaction and employee net promoter score year on year; and	The staff net promoter score increased from 5 to 58 during 2022/23 and overall staff satisfaction increased from 67% to 89%
Annually achieve our target business plan total cost per existing home and remain within all the Board's financial golden rules.	The business plan remains within the golden rules and cost per home for new builds is averaging below the target.

## Value for money

Value for money (VFM) is a key focus for our Board and we are continuously striving to improve the way we work to provide better services to our tenants, improve our homes and build more affordable homes.

We fully embrace the VFM Standard and Code of Practice published by the Regulator of Social Housing (RSH). The standard requires registered providers to publish a statement within their accounts to help stakeholders to understand their performance in relation to VFM. This includes performance against metrics set by the RSH and requires organisations to demonstrate performance against their own targets, linked to strategic objectives.

Adoption of the standard enables our Board to ensure that:

- optimal benefit is derived from our resources and assets;
- we have a robust approach to decision making for improving our VFM; and
- we report on the VFM metrics and explain plans to address outliers.

The Report and Financial Statements for the year ending 31 March 2023 have been produced in accordance with the standard enabling us to benchmark performance with other providers.

In the sections below we consider our VFM performance during 2022/23 against each of the key enablers in our vision statement: great places, great services, a great business and great people.

We show our benchmarked performance against all quartiles in the peer benchmark (southwest) group of 20 housing associations, alongside the national averages. These measures have been mandated by the RSH, including the definition of the measure, which sometimes differs to measures elsewhere in the financial statements and to our financial covenants.

We also provide a summary of the progress made on our plans to improve VFM.

## VFM regulatory metrics

	2022/2023 Actual	2021/22 Actual	2020/21 Actual	2022/23 Target	Peer Group 1 Median 2021/2022	Peer Group 2 Median 2021/2022	Sector Median 2021/2022
1. Reinvestment %	3.5%	4.7%	3.7%	2.4%	5.9%	6.8%	6.5%
2a New supply (social housing units)	0.7%	1.8%	0.1%	0.4%	1.8%	1.9%	1.4%
2b. New supply delivered (non-social housing units)	0.00%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3. Gearing	32.9%	32.1%	32.3%	31.4%	41.8%	39.2%	44.1%
4. EBITDA MRI interest cover	185%	238.0%	228.0%	216.0%	158.0%	180.5%	145.7%
5. Headline social housing cost per home	£4,014	£3,379	£3,368	£4,085	£4,247	£4,233	£4,151
6a. Operating margin (social housing lettings)	24.5%	30.8%	33.1%	33.2%	25.1%	21.7%	23.3%
6b. Operating margin (overall)	22.3%	27.6%	30.2%	33.7%	22.0%	20.2%	20.5%
7. Return on capital employed	2.4%	3.0%	3.2%	3.3%	3.3%	3.0%	3.2%

We benchmark against 3 peer groups, taking the top quartile performance as a comparison. Our benchmark groups are:

- peer group 1 –all housing associations with 1-20,000 homes in the south east and south west
- peer group 2 - a group of 20 housing associations with a social housing stock presence in the south west of more than 50%
- peer group 3 – whole sector

(Data published by the RSH for 31 March 2022)

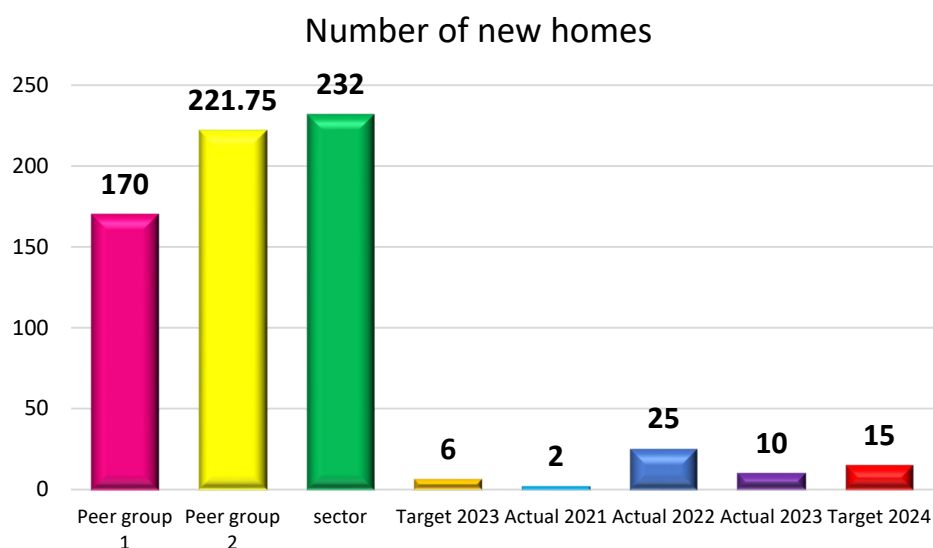
Value for money in 2022/23, considered against our four strategic themes

**Great places – our work in 2022/23**

This strategic theme includes all our work on safety, new building, improving existing homes, managing neighbourhoods, and achieving zero-carbon in homes.

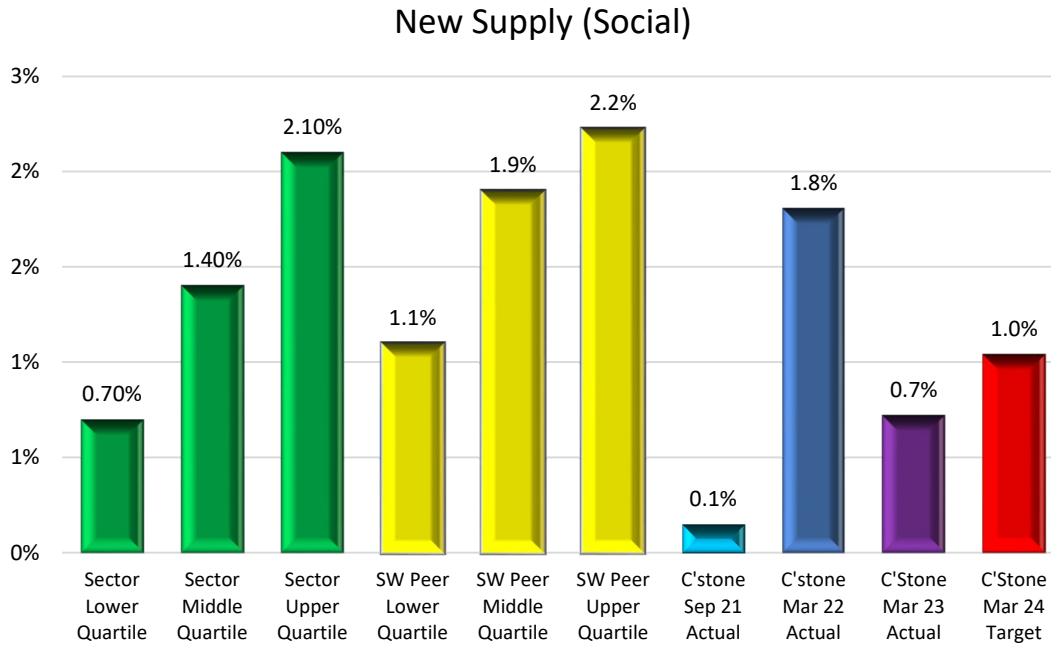
New homes developed

We are committed to meeting housing need through developing new homes in accordance with the Board’s strategy set out earlier in this report. In 2021/22 we completed a refinancing exercise to increase the funding available. As at 31 March 2023, we have £11m of undrawn funding available.



All developments are funded by our cash reserves, additional loans and grants. We work in collaboration with local developers, supported by Homes England, to build more homes to provide additional quality homes for people who are in housing need. Our 30-year business plan demonstrates that our commitment to development can be achieved and that we will continue to meet our covenants, objectives and financial obligations going forward.

In 2022/23, we delivered 10 new homes; 6 social rented homes in Beacon Avenue in Exeter, 2 shared ownership and 2 affordable homes in Uffculme.

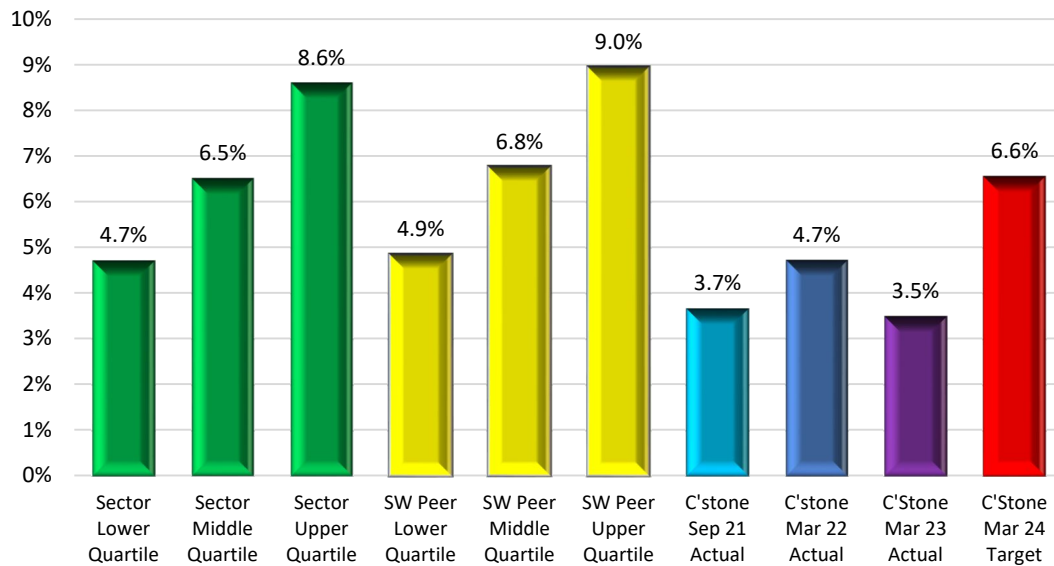


We are aiming to complete 15 new homes in 2023/24 and our medium-term goal is to deliver 40 new homes each year. This will bring us in line with the upper quartile of our peer groups.

### Reinvestment in housing

The reduction in 2022/23 reflects the slowdown in our development programme as we prepared to build a new pipeline. We increased the investment in existing homes to £1.4m (2022: £1.1m) and plan to spend £1.6m on our homes in 2023/224. Our reinvestment rates have historically been lower compared against our peer group, and the Board took this into account in increasing the ambition within our new strategy and the new funding arranged in 2021. We are planning for 15 new social homes to be delivered in 2024-25, increasing to 25 new homes in 2026-27. Our ambition is to deliver 200 homes over the next five years and the new funding put into place during the year is part of our strategy to deliver this.

### Reinvestment - %

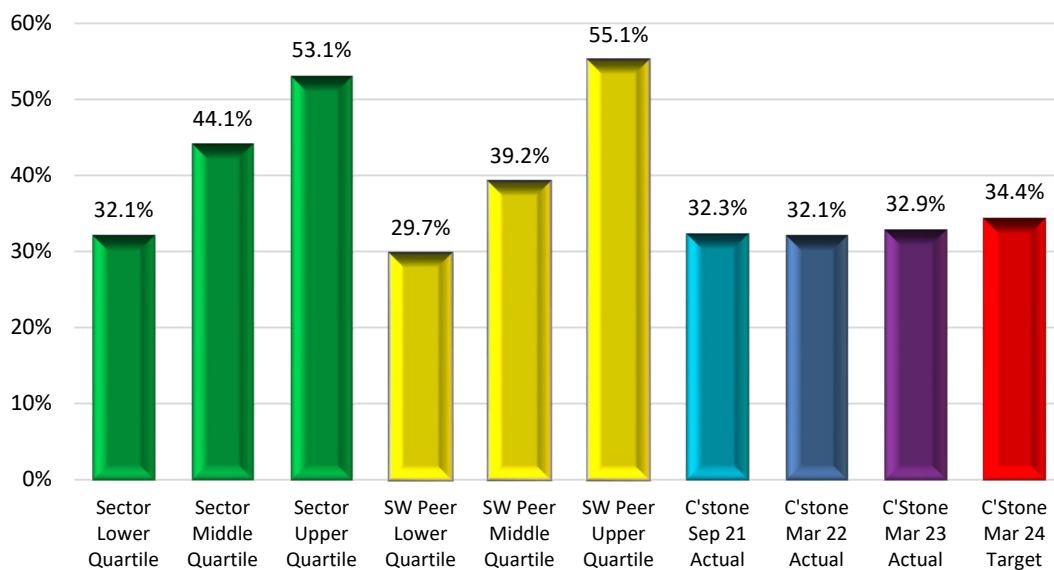


### Gearing

This metric assesses the dependence on debt finance. Our gearing over the last three years has remained consistently low and it reflects the Board's financial risk appetite. We have funded large-scale improvements through working capital and used bank borrowing to develop new homes whilst ensuring we can comfortably meet funders' requirements.

Once our development programme accelerates with an associated drawing down of current facilities, we will see an increase in gearing from 2025 onwards moving us nearer the median for our peer group but still below the sector median.

### Gearing - %

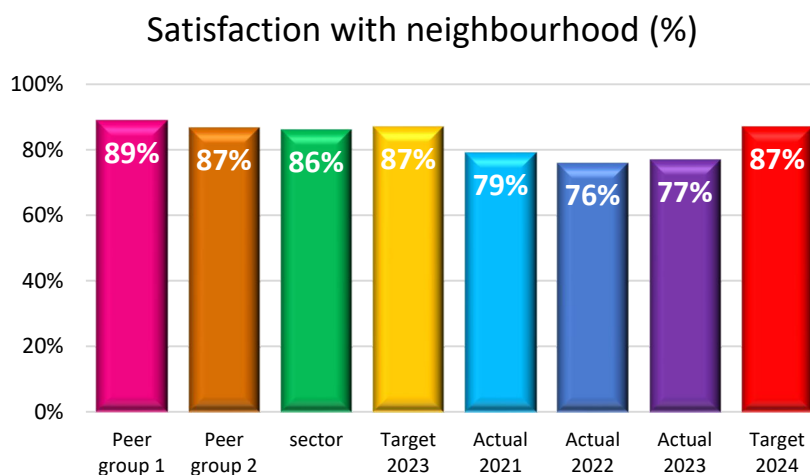


## Investing in communities

As a local community housing association, we ensure that we maximise our impact on the communities we serve. As well as supporting local businesses via our supply network we also work with partners to support their work in communities.

Our Director of Housing is a member of the Council Housing & Development Advisory Board for Exeter City Council and is also on the board of Devon Home Choice. We are committed to positive engagement with residents and to working with partners to support vulnerable and at-risk customers. This includes participation with best practice groups for safeguarding and customer involvement and multi-agency meetings with colleagues in policing, probation, health, child protection and other voluntary sector specialists.

## Customer satisfaction with neighbourhoods



Customer satisfaction with their neighbourhoods as a place to live increased to 77% in 2023, compared with 76% in 2022. We have increased resources in our housing team, reviewed our approach to managing noise nuisance and provided new ways for customers to give feedback to us on things that matter to them.

## Plans for improving VFM for 'great places' in 2023/24

Plans for VFM improvements in 2023/24 include the following:

- continuing implementation of the asset management strategy to invest in our existing homes.
- continuing our work on addressing the zero-carbon agenda and embedding increased post-2030 improvement costs into our business plan
- delivering our new development strategy to maximise the number of homes developed taking account of customer aspirations, housing need and sustainability
- considering the measurement of social value as a means of tracking progress against our strategic purpose and objectives
- responding to the priorities identified in the 2022 customer survey specifically around how we look after our physical neighbourhoods and outside spaces

**Great services – our work in 2022/23 and plans for 2023/24**

This strategic theme includes all customer services, our customer relationship and customer voice. Great places and safe places are a co-production between Cornerstone and our residents.

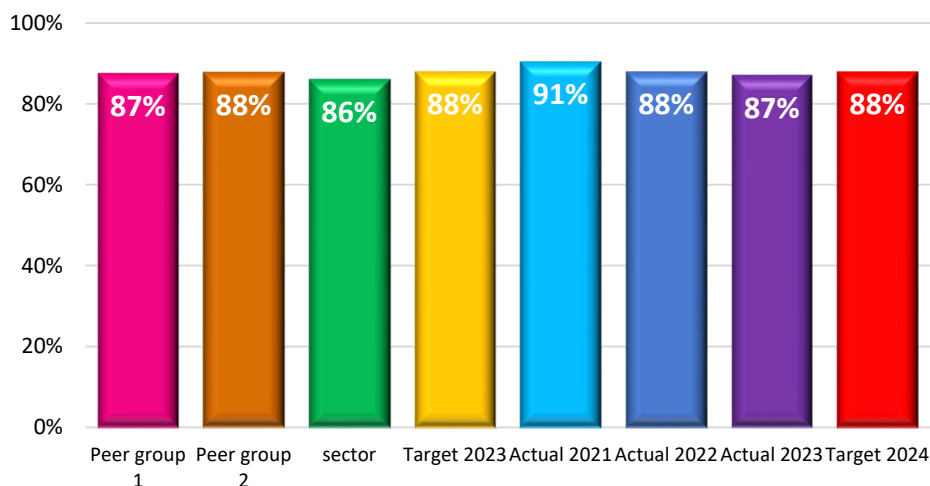
Over the year we have continued to work closely with our residents panel to improve services and take account of the views of residents. This has included improving the diversity of our panel via new members and the launch of a youth panel. The panel also completed a review into the extent to which we are listening and acting upon customer views.

We carried out our regular Star survey in autumn 2022, and headline results included:

- net promoter score 44 (2022: 48) (UKCSI benchmark 23.5);
- overall satisfaction 86% (2022: 88%) (top quartile peer benchmark for Housemark 88%); and
- satisfaction with repairs and maintenance 92% (2022: 93%).
- satisfaction that we listen and act upon customer views 75% (2022: 71%)

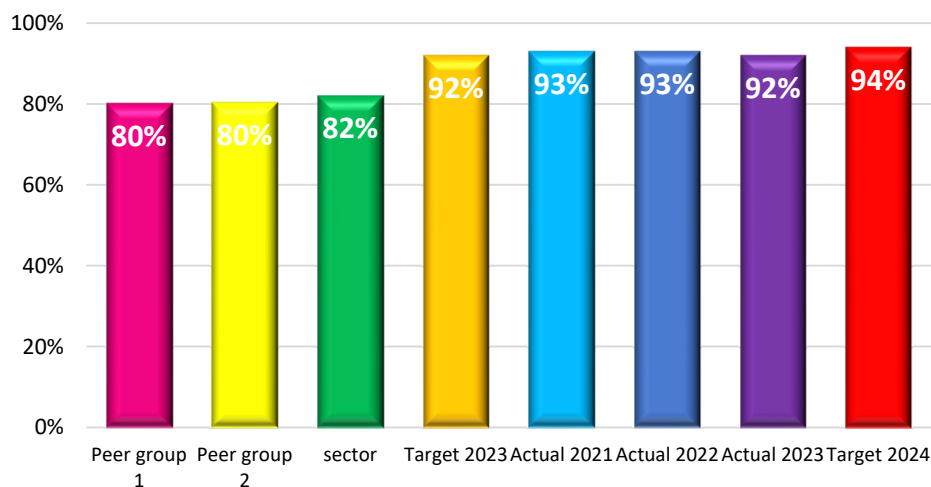
We are working closely with the Resident Engagement Panel to understand the slight decline in satisfaction, but we note early results from TSM’s are that we compare favourably with our peers.

Overall customer satisfaction (%)





### Satisfaction with repairs and maintenance (%)

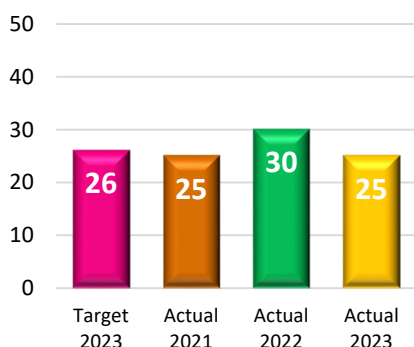


### Plans for improving VFM for 'great services' in 2023/24

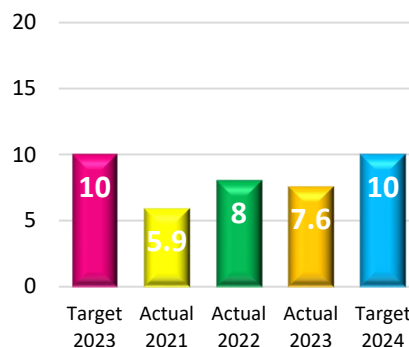
#### Plans for VFM improvements in 2023/24 include the following:

- Implementing a customer relationship management system to enhance customer service, customer engagement and improve our interactions with customers.;
- exploring our ability to offer customers digital access to home and neighbourhood safety information, as well as refreshing our website to enhance navigation on mobile platforms;
- improving our strategic engagement with other organisations including mapping our community partners and current degree of engagement;
- completion of the tenant census with analysis of results for use in strategy development and service delivery; and
- resident consultation, linked to our work on customer voice, on the standards and outcomes that form part of the customer services, asset management and development strategies.

### Number of complaints per 1,000 homes



### Complaints response time (working days)



**Great business**

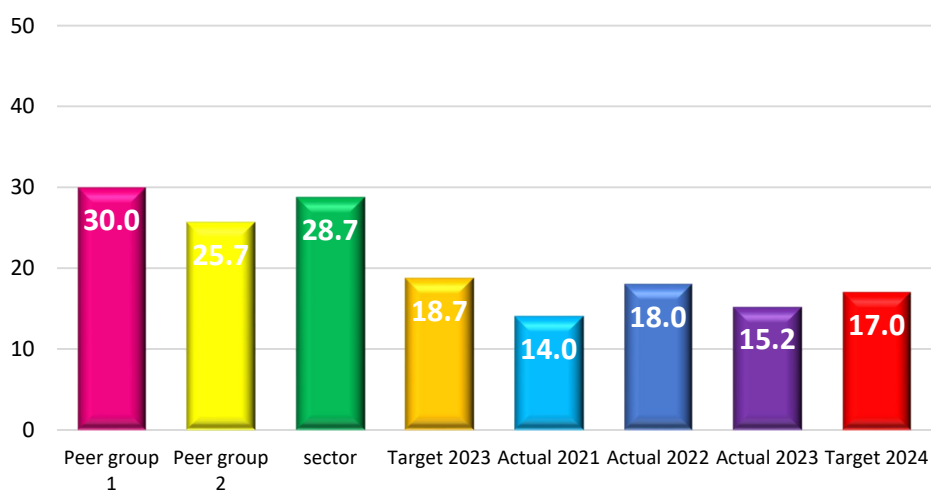
This strategic theme includes all elements of VFM, efficiency, financial and operational effectiveness, business resilience, and net zero-carbon in the workplace.

During 2022/23 we have completed the following projects to improve VFM:

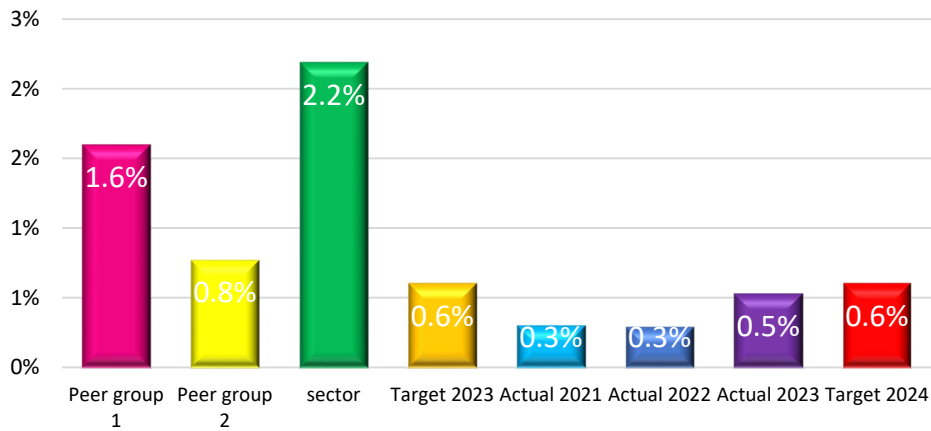
- transfer of our data management system on to the Microsoft SharePoint platform
- a full move to component replacement instead of whole house improvements
- creating and delivering the development pipeline for future new homes
- increasing staff engagement and resilience

This investment increased resilience and enabled us to continue to deliver customer services and landlord safety compliance during the ongoing challenges raised by the pandemic.

Average re-let times in days



### Current tenant arrears (%)

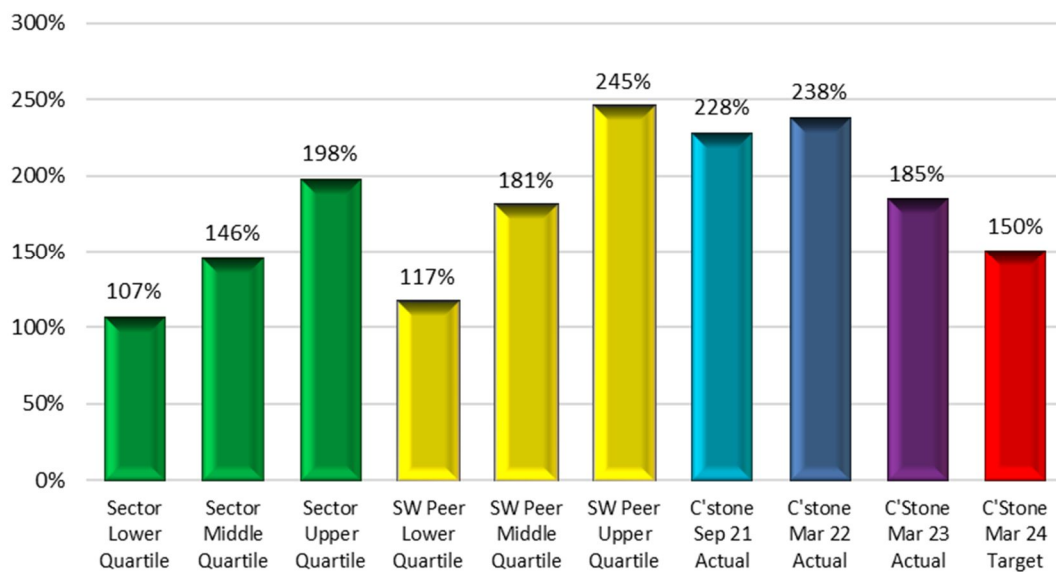


Despite the cost-of-living crisis, we have kept our overall arrears within target at 0.53%. During this time, we have continued to support customers with advice on their finances, including funding specialist one-to-one support and vouchers to help people with emergency living expenses.

### Interest cover

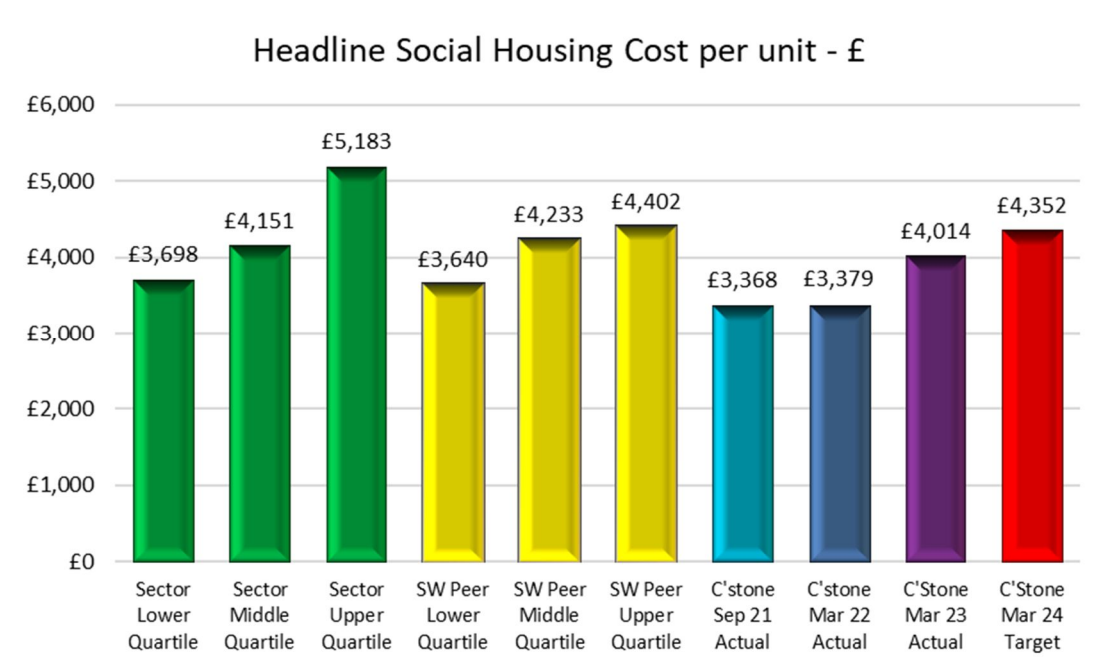
EBITDA-MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge. We can comfortably cover interest payments on outstanding debt with interest cover of 185%. Our Board stress tests our 30-year business plan regularly and it has a clear understanding of what would cause us significant financial distress. We have mitigating strategies to deal with key exposures.

### EBITDA MRI Interest Rate Cover - %



### Headline social housing cost per unit

The unit cost metric assesses the headline social housing cost as defined by the Regulator.



Our social housing cost per unit has increased year on year by 19% (£635.50 per home) to £4,014 (2022: £3,379). This was below our target for the year of £4,085 due to a pension accounting adjustment. The increase is due to investment in ensuring the health and safety of tenants, delivering the necessary component replacement programme and enhanced services to tenants as well as investment in the pay and conditions for staff. Total spending on repairs and maintenance has increased by £346 per home and our investment in existing homes increased by £288 from £1,316 to £1,605 per home. For 2023/24, there will be pressures on our costs arising from the increasing inflation affecting the costs of supplies and services but these will be carefully monitored and managed through the year.

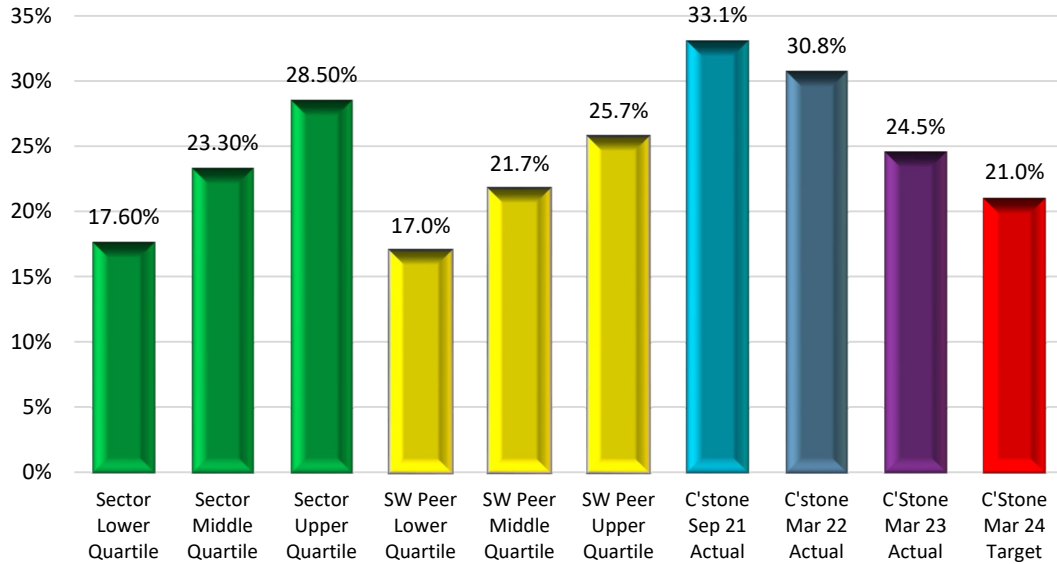
### Operating margin

The operating margin demonstrates the profitability of the Association. Increasing margin is one way of evidencing the financial efficiency of a business.

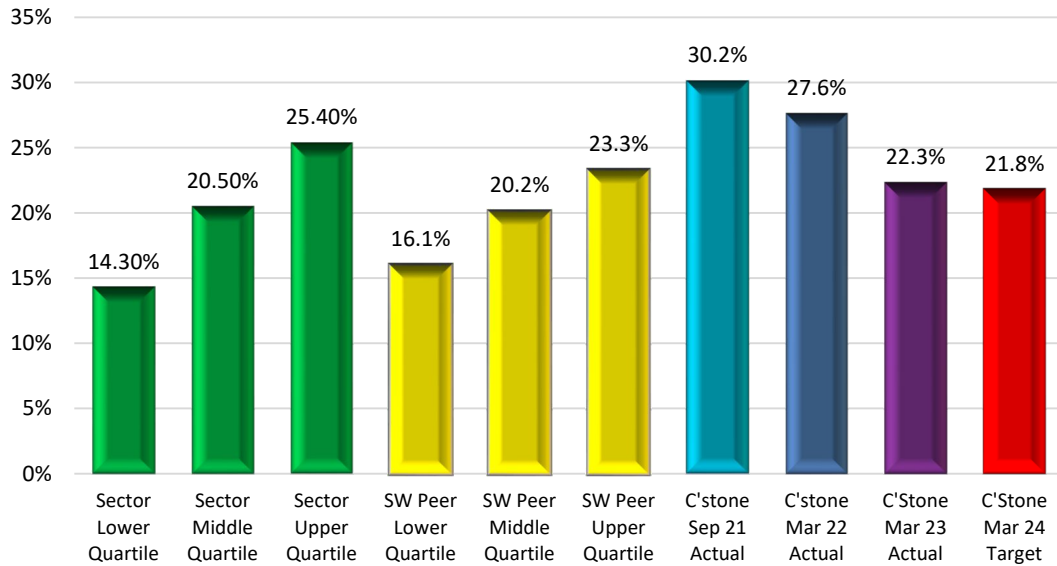
The operating margin on Social Housing Lettings (SHL) relates solely to income and expenditure attributable to social housing activities. During the year our operating margin on Social Housing Lettings was 24% (2022: 31%). While there was an increase in income of 6%, this was offset by an increase in spending, particularly on investment in our existing homes.

Alongside social housing activities, operating margin overall includes all other activities (e.g. shared ownership first tranche sales and disposals). During the year our overall operating margin was 22% (2022: 28%).

### Operating Margin (SHL) - %

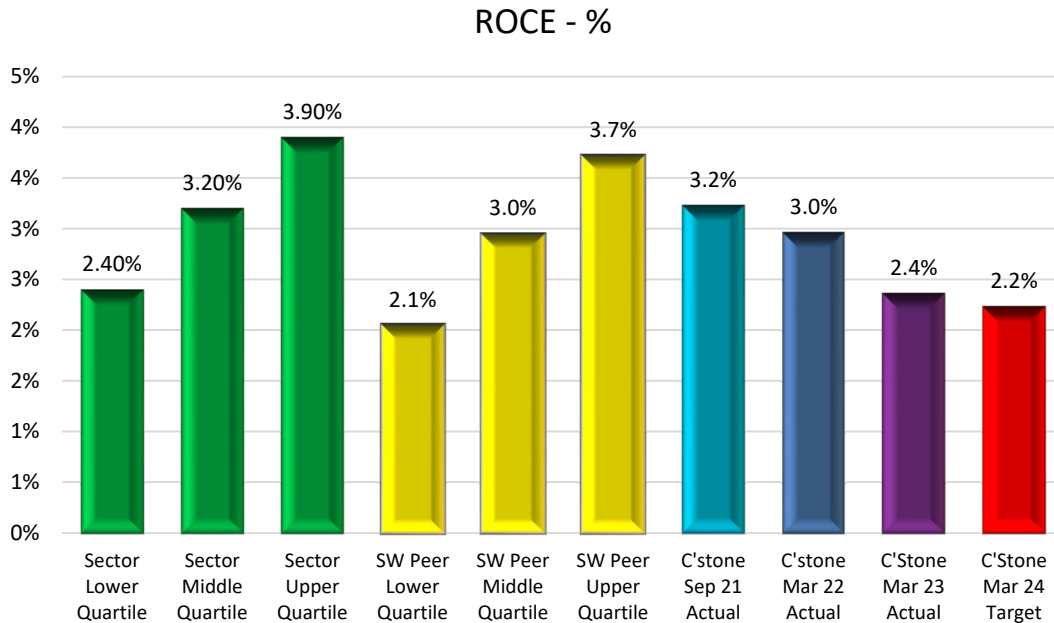


### Operating Margin (Overall) - %



### Return on capital employed (ROCE)

This metric compares the operating surplus to total assets less current liabilities. It is a common measure in the commercial sector to assess the efficient investment of capital resources. The small reduction in year-on-year ROCE reflects the increase in our costs.



### Plans for improving VFM for 'great business' in 2023/24

- further developing a new equality, diversity and inclusion plan;
- developing an IT plan for future service development and continuing infrastructure investment;
- review of our insurance policies;
- implementing the outcome of an external governance review;
- identifying where we could gain most by changing how we work including how we use our current office and depot locations;
- reviewing our purchasing and payment systems with a view to improving efficiency and delivering savings; and
- strengthening our contract management arrangements to ensure that our existing contracts continue to deliver VFM.

### Great people

This strategic theme includes being a great place to work and the continuing development of all staff to reach their potential.

We have a particular focus on employee wellbeing and have ongoing activities to promote mental health in the workplace.

We improved our rewards package by introducing tool allowances for our trades staff, the ability to buy and sell annual leave, improved mileage rates and new apps for supporting people experiencing stress and menopause. We also extended 360° appraisals to the wider management team.

Staff satisfaction has continued to rise from 86% to 89% in spring 2023, more frequent surveys and regular monthly in person briefings from the Executive Team allowed us to respond to staff issues and needs more rapidly. We were proud to win the best employer award at the Exeter Property Awards this year in recognition of our work in making Cornerstone a great place to work.

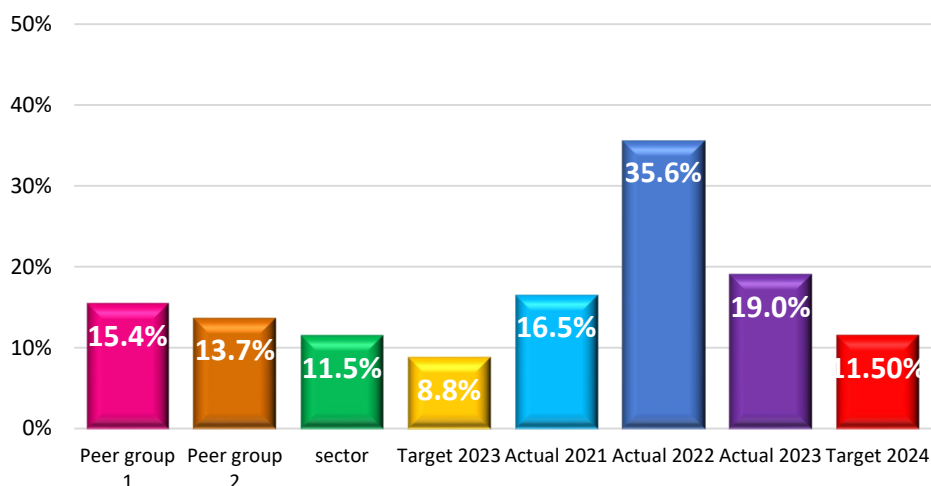
Plans for VFM improvements in 2023/24 include the following:

- implementing a People Strategy that ensures Cornerstone is a great place to work with opportunities for learning and development;
- improving our employee onboarding process to ensure a consistent approach to induction and training;
- consider ways in which we can improve flexibility for people across the business, including those in the DLF and front-line services;
- providing training to increase knowledge and upskill our customer services team in repairs diagnostics, particularly around healthy homes to combat damp and mould, to improve both business and customer experience;
- identifying our ‘future leaders’ and develop a ‘future leader programme’, a succession plan for our leadership roles;

We will measure success in the following ways:

- overall satisfaction with us as an employer, with a target for 90% satisfaction (currently 89%);
- employee net promoter score with a target of +10 (currently +57.8);
- sickness absences, with a target for top quartile level (currently 11.9 days per employee);
- staff turnover, with a target for top quartile level (currently 19%, down from 33%)
- specific diversity targets linked to the EDI strategy.

Staff turnover (%)



## Report of the Board

### Financial risk management objectives and policies

Cornerstone's financial instruments comprise borrowings, cash and items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance our operations.

The existence of these financial instruments exposes us to financial risks. The main risks arising from our financial instruments are considered by the Board to be interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

Cornerstone finances its operations through retained surpluses and loans. The Association's exposure to interest rate fluctuations on its borrowings is managed by using both fixed and variable rate facilities. Currently all our drawn down borrowings are at fixed rates.

#### Liquidity risk

Cornerstone manages financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. At the year end, the Association had £11 million of undrawn loan facilities in addition to drawn borrowings and an undrawn overdraft facility of £50k.

#### Credit risk

Cornerstone's principal credit risk relates to tenant arrears. This risk is managed by providing support to tenants and by closely monitoring the arrears of self-funding tenants. Welfare reform changes to the benefits system have continued to be identified as a key risk to Cornerstone and the Board continues to monitor the impact of these changes.

### National Housing Federation (NHF) Code of Governance

The Board adopted the 2020 NHF Code of Governance with effect from 1 April 2021 and we comply with the principal recommendations of the Code.

As part of this we have adopted a six-year maximum length of service for non-executive board members, except where in the best interests of the organisation and have agreed a transitional period to achieve this while ensuring the transfer of knowledge from our existing non-executives.

### Tenant involvement

We actively encourage tenants' involvement in decision-making. A Resident Engagement Panel of tenants scrutinises our activities and service standards and a Cornerstone resident sits on the Board.



## Board members and executive officers

The Board is responsible for the strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Chief Executive and Executive Team that comprises the Finance Director, Director of Property Services, Director of Development and Director of Housing & HR. The Executive meet weekly and regularly attend Board meetings.

The Board meets formally six times a year for regular business and more frequently if there are specific additional issues to discuss. During 2022/23 the Board has met seven times. There are two committees: Audit & Risk; and Remuneration & Nominations. For time-limited projects the Board appoints members to 'task-and-finish' groups to oversee progress and report back to the Board. During the year, these have included groups on Gas Safety.

The current board members and the executive officers are set out at the beginning of this report.

Executive officers who served during the year are shown at the beginning of this report. The Chief Executive, Tom Woodman, was a board member throughout the year. No executive officers have any interest in Cornerstone's shares. Officers act as executives within the authority delegated by the Board.

Our non-executive board members have been remunerated as set out in note 13.

Our Board is drawn from a wide background with experience in housing both as professionals and as tenants along with people from outside the social housing sector bringing together professional, commercial and local experience. Members of our Board have worked in accountancy, dentistry and the NHS, banking, development, coaching and housing. They bring a wide range of skills and experience to our oversight and decision-making. We currently have three vacancies. In 2023 we will be recruiting 2 additional members and a chair elect. The chair elect will work alongside the current chair until the 2024 AGM when our current chair will step down.

The gender balance of the Board is 56% male and 44% women (2022 60%;40%)

## Employees

Our strength lies in the quality and commitment of our employees. Our ability to meet our objectives and responsibilities to tenants in an efficient and effective manner depends upon the contribution of employees throughout Cornerstone.

We continue to provide information on our objectives, progress and activities through regular office and departmental meetings, the senior management team and staff. We provide training focused on quality and customer service and regularly seek employees' views on how to improve services and on matters of common concern. During the year, we have introduced more frequent staff newsletters, briefings and vlogs to improve communication with our teams.

In all areas of our work, we are committed to equality, diversity and inclusion and promote awareness of this commitment.

We have developed a new communications strategy with the aim of raising our profile and brand awareness and working with partners to deliver great services.

We have a particular focus on employee wellbeing and have a range of ongoing activities to promote mental health in the workplace.

## Health and safety

The Board prioritises its responsibilities on all matters relating to health and safety. We have detailed health and safety policies and provide staff with training and education on health and safety matters.

We have an ongoing programme of on-site inspections using an independent consultancy for support and challenge. In addition, annual audits are conducted at our depot and main office sites. The Health and Safety Committee (a staff group chaired by the Chief Executive) meets monthly to discuss issues and monitor compliance and performance. The minutes from this meeting are included in each set of board papers. The KPIs reported to the Board include health and safety compliance and accident reporting.

## Board report

The Board presents its report and the audited financial statements of Cornerstone Housing Ltd for the year ended 31 March 2023.

We are a registered provider and must meet the standards of the Regulator of Social Housing comprising: the governance and financial viability standard; the value for money standard; the rent standard; the tenant involvement and empowerment standard; the home standard; the tenancy standard; and the neighbourhood and community standard.

During 2022/23 we assessed our compliance with all these standards using the Resident Engagement Panel to provide additional scrutiny and assurance on the consumer standards and the Board certifies compliance with the standards.

The annual general meeting was held on 27 September 2023. A resolution to reappoint CLA Evelyn Partners Limited as auditors was agreed at the annual general meeting.

## Approval

The report of the Board was approved by the Board on 27 September 2023 and signed on its behalf by:



[Nicola Hallam \(Sep 27, 2023 18:41 GMT+1\)](#)

Nicola Hallam  
**Secretary**

## Statement of Board members' responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year. Under that law the board has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Housing SORP 2018 Statement of Recommended Practice for social housing providers have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

  
tom woodman (Sep 27, 2023 15:49 GMT+2)

**Tom Woodman**  
Chief Executive

## Statement on internal controls

### Purpose

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The risk-based system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Cornerstone is ongoing and has been in place throughout the year and to date.

Key elements of the control framework include:

### Identification and evaluation of key risks

We have a risk management framework for identifying and evaluating risks which are recorded in the risk register. The framework has been subject to detailed review and enhancement and continues to be strengthened on an ongoing basis. The complete risk register is considered annually by the Board together with a review of the risk appetite. The Executive Team reviews the register on an ongoing basis with any changes highlighted at each Board meeting following review by the Audit and Risk Committee. This provides a consistent and continual mechanism for the identification and evaluation of Cornerstone's risks, ensuring that any significant changes affecting key risks are reported to the Board.

### Internal control framework

Our ability to identify and manage the organisation's exposure to key risks is fundamental to the effectiveness of the internal control environment. Elements included in Cornerstone's internal control framework are:

- strategic planning and reporting to ensure that the Board and Executive Team are alert to changes in the internal and external environment
- regular performance monitoring across all areas of the organisation
- the recruitment and development of experienced and qualified staff combined with a robust staff appraisal system
- control over developments and improvement programmes
- regular review of policies and procedures and their effectiveness
- an open and effective communication network across the organisation.

### Information and reporting systems

Financial reporting procedures include detailed budgets approved by the Board for the year ahead and forecasts for subsequent years, in addition to regular supplementary financial reports including cashflow and treasury monitoring and reporting. Comprehensive management accounts are reviewed quarterly by the Board. Regular reports are scheduled throughout the year to monitor progress and performance across all areas of our activities including comparison of actual performance compared with key performance indicators.

### Monitoring

The effectiveness of the system of internal controls is the subject of management reporting and discussion. The Audit and Risk Committee takes an active part in reviewing the adequacy of the internal control systems in place, and ensures corrective action is taken in relation to any significant control issues. This review is supplemented by regular internal audit reports which provide independent assurance to the Board through reports to the Audit and Risk Committee.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNERSTONE HOUSING LIMITED

### Opinion

We have audited the financial statements of Cornerstone Housing Limited (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows, Reconciliation of Net Debt and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### Basis for opinion

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

### Conclusions relating to going concern

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

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

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

### Other information

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

We have nothing to report in this regard.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

#### **Responsibilities of the Board**

As explained more fully in the Statement of Board's Responsibilities set out on page 27, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

We obtained a general understanding of the Association's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations and the entity's policies and procedures regarding compliance. We also drew on our existing understanding of the Association's industry and regulation.

We understand that the Association complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- A risk assessment framework and register that includes regular review and scrutiny by the Board and Audit and Risk Committee;
- An annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing; and
- The Board's close oversight through regular board meetings and compliance reporting

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the association's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Association:

- FRS 102, the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022, in respect of the preparation and presentation of the financial statements;
- Health and safety regulations; and
- Regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Performed a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations; and
- Reviewed any correspondence between the Regulator of Social Housing and the Association.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the Association's processes and controls surrounding manual journal entries; and
- Reviewing and challenging estimates made by management;

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

### **Use of our report**

This report is made solely to the Association's members, as a body, in accordance section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

*CLA Evelyn Partners Limited*

CLA Evelyn Partners Limited (Sep 27, 2023 18:56 GMT+1)

### **CLA Evelyn Partners Limited**

Statutory Auditor  
Chartered Accountants

Cumberland House  
15-17 Cumberland Place  
Southampton  
Hants  
SO15 2BG

**STATEMENT OF COMPREHENSIVE INCOME**

	<b>Note</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
<b>Turnover</b>	3	7,716	7,872
Cost of sales	3	-	(387)
Operating costs	3	(6,074)	(5,373)
Other operating income	3	103	87
Surplus on property sales	7	68	73
<b>Operating surplus</b>	3, 6	1,813	2,272
Interest receivable and other income	8	174	8
Interest payable and similar charges	9	(1,139)	(1,062)
<b>Surplus on ordinary activities for the year</b>		848	1,218
<b>Other comprehensive income</b>			
Actuarial surpluses/(losses) in respect of pension scheme	12	(359)	785
<b>Total comprehensive income for the year</b>		489	2,003



**Cornerstone Housing Limited****Report and financial statements for the year ended 31 March 2023****STATEMENT OF CHANGES IN EQUITY**


	<b>Called up share capital</b>	<b>Revenue reserve</b>	<b>Total equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2021	-	31,677	31,677
Total comprehensive income for the period	-	2,003	2,003
Balance at 1 April 2022	-	33,680	33,680
Total comprehensive income for the period	-	489	489
Balance at 31 March 2023	-	34,169	34,169

**STATEMENT OF FINANCIAL POSITION**


	Note	2023 £'000	2022 £'000
<b>Tangible assets</b>			
Housing properties (depreciated cost)	15	67,006	66,585
Other tangible fixed assets	16	2,378	2,480
		<u>69,384</u>	<u>69,065</u>
Long term investment	17	339	339
		<u>69,723</u>	<u>69,404</u>
<b>Current assets</b>			
Stock	18	125	19
Debtors	19	377	199
Investments	20	405	405
Cash at bank and in hand		7,481	8,168
		<u>8,388</u>	<u>8,791</u>
<b>Creditors: amounts falling due within one year</b>	21	(1,331)	(1,610)
		<u>7,057</u>	<u>7,181</u>
<b>Net current assets</b>			
		<u>76,780</u>	<u>76,585</u>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	22	(40,577)	(40,811)
Provisions: pension deficit liability	12	(2,034)	(2,094)
		<u>34,169</u>	<u>33,680</u>
<b>Net assets</b>			
		<u><u>34,169</u></u>	<u><u>33,680</u></u>
<b>Represented by:</b>			
<b>Capital and reserves:</b>			
Non-equity share capital	26	-	-
Revenue reserve		34,169	33,680
		<u>34,169</u>	<u>33,680</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 27 September 2023

  
Peter Howard-Williams (Sep 27, 2023 14:46 GMT+1)

P Howard-Williams  
Chairman

  
tom woodman (Sep 27, 2023 15:49 GMT+2)

T Woodman  
Board Member

  
Nicola Hallam (Sep 27, 2023 18:41 GMT+1)

Nicola Hallam  
Secretary

**STATEMENT OF CASH FLOWS**

	Note	2023 £'000	2022 £'000
<b>Net cash inflow from operating activities</b>	27	2,504	3,915
<b>Cash flows from investing activities</b>			
Sale of housing properties		173	204
Purchase and construction of housing properties		(1,083)	(1,923)
Interest received		105	10
Capital improvements to existing housing properties		(1,397)	(1,087)
Acquisitions of other fixed assets		(9)	(23)
Grants received to support capital expenditure		98	10
<b>Net cash flows from investing activities</b>		<u>(2,113)</u>	<u>(2,809)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(1,071)	(832)
Breakage costs - refinancing		-	(104)
Investment in MORhomes		-	(339)
Housing loans received		-	19,014
Housing loans repaid		(7)	(12,369)
<b>Net cash flows from financing activities</b>		<u>(1,078)</u>	<u>5,370</u>
Net increase in cash and cash equivalents		(687)	6,476
Cash and cash equivalents at beginning of year		8,168	1,692
<b>Cash and cash equivalents at 31 March</b>		<u><u>7,481</u></u>	<u><u>8,168</u></u>

The accompanying notes form part of these financial statements.

**Cornerstone Housing Limited**  
**Report and financial statements for the year ended 31 March 2023**

**RECONCILIATION OF NET DEBT**

	<b>At 1 April 2022</b>	<b>Cash flows</b>	<b>Other non cash changes</b>	<b>At 31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	8,168	(687)	-	7,481
	<hr/> 8,168	<hr/> (687)	<hr/> -	<hr/> 7,481
<b>Borrowings</b>				
Debt due within one year	(7)	7	(8)	(8)
Debt due after one year	(29,649)	-	8	(29,641)
	<hr/> (29,656)	<hr/> 7	<hr/> -	<hr/> (29,649)
Total	<hr/> (21,488)	<hr/> (680)	<hr/> -	<hr/> (22,168)

## **1 ACCOUNTING POLICIES**

### **Legal status**

Cornerstone Housing Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing with the Regulator of Social Housing. Cornerstone is a public benefit entity as defined by FRS 102 and was incorporated in England. The registered trading address is Cornerstone House, Western Way, Exeter, EX1 1AL.

### **Accounting policies and basis of preparation**

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

The principal accounting policies of Cornerstone are set out below.

### **Measurement convention**

The financial statements are prepared under the historical cost convention except for certain housing loans which are stated at their fair value.

### **Going concern**

The Financial Statements have been prepared on a going concern basis. The Board assess Cornerstone's ability to continue as a going concern and have concluded that there is reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these accounts.

### **Turnover and revenue recognition**

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income and service charges are recognised in the period to which they relate. Proceeds on sales are recognised on completion. Other income is recognised as receivable on the delivery of services provided.

Revenue grants are credited to the Statement of Comprehensive Income over the period in which the related expenditure is incurred.

### **Interest payable**

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of Social Housing Grant (SHG) received in advance; or
- b) a fair amount of interest on borrowings of the Association, as a whole, after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is expensed as incurred.

## **Cornerstone Housing Limited**

### **Report and financial statements for the year ended 31 March 2023**

#### **Pensions**

The cost of providing retirement pensions and related benefits is accounted for in accordance with Section 28 of FRS 102 'Employee Benefits'.

Cornerstone has two pension schemes operating; defined benefit and defined contribution, both of which are with the Social Housing Pension Scheme (SHPS).

The defined benefit scheme is closed to new members and is a final salary pension scheme for some of its employees and is a multi-employer defined benefit scheme.

The assets of the schemes are held and managed separately from those of the Association. The pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The pension scheme surpluses (to the extent that they are recoverable) or deficits are recognised in full. The movement in the scheme surpluses/deficits is split between operating charges, finance items and actuarial gains and losses.

Where a scheme is in deficit the Association recognises its liability for this obligation.

New employees are auto enrolled into the defined contribution pension scheme.

#### **Taxation**

Cornerstone is an exempt charity and is therefore not subject to corporation tax on its charitable activities.

#### **Value Added Tax**

The Association is not registered for VAT and the financial statements include VAT that is not recoverable.

#### **Housing properties**

Housing properties include properties available for rent and retained interests in properties sold under shared ownership leases and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and directly attributable development administration costs.

Enhancement expenditure consists of works to existing properties which result in an increase in the net rental stream and is capitalised only to the extent that the total costs, including enhancements, do not exceed the greater of net realisable value and value in use.

Interest on net borrowings, to the extent that it is financing developments, is capitalised up to the date of practical completion of the scheme. Interest capitalised is net of interest receivable on SHG received in advance of practical completion.

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

**Donated land**

Land donated is added to cost at the market value of the land at the time of the donation.

**Social Housing Grant and other capital grants**

Social Housing Grant (SHG) and other capital grants receivable, including donated land, in respect of the capital cost of housing properties, are initially recognised at book value as a long term liability, specifically as deferred grant income and released through the statement of comprehensive income as turnover over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost in line with SORP 2018.

SHG due from Homes England is included as a current asset and SHG received in advance is included as a current liability.

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

All SHG remains repayable unless abated or waived by Homes England but, with the Agency's agreement, is subordinated to other loans.

**Depreciation and impairment of housing properties**

Housing properties are split between land, structure costs and, where the Association has a maintenance liability, major components that require periodic replacement.

No depreciation is provided on freehold land. Structure costs are depreciated by equal annual instalments over the estimated useful economic life from the date of acquisition. Where the Association has a maintenance liability for components these costs are depreciated separately over their estimated useful lives.

**Rented properties:**

Structure – new build	-	Not exceeding 100 years
Structure – other	-	Not exceeding 100 years
Roofs	-	50 years
Kitchens	-	25 years
Bathrooms	-	30 years
Windows and doors	-	30 years
Mechanical systems for heating, ventilation and plumbing	-	40 years
Heating - gas boiler	-	15 years
Heating – electric	-	20 years
Heating – air source heat pump	-	20 years
Electrics	-	40 years
Lifts	-	20 years
<b>Shared ownership properties</b>	-	Not exceeding 100 years

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Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Housing properties are reviewed annually for evidence of impairment. Where there is evidence of impairment properties are written down to their recoverable amount.

Components earmarked for removal, during periods of major improvement works to existing properties, are considered an indicator of impairment and are written down to nil net book value.

Components replaced as part of an individual component replacement programme are written-off on completion of the replacement.

#### Other tangible fixed assets

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

Depreciation is provided on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	-	At 2% straight line
Motor vehicles	-	At 25% reducing balance
Loose tools and equipment	-	At 20% straight line
Office furniture, fittings and equipment	-	At 25% straight line
Service assets	-	At 5% straight line
Computer equipment	-	At 25% straight line
Computer software	-	Between 10% and 25% straight line
Cycle scheme	-	Hire Agreements between Cornerstone and employee repaid over 12 months



**Bad and doubtful debts**

Provision is made against rent arrears of current and former tenants as well as miscellaneous debts to the extent that they are considered irrecoverable. All former tenant arrears are fully provided for in the year that they occur.

**Stocks**

Stocks are of building materials and are stated at the lower of cost and net realisable value.

**Properties held for sale and work in progress**

Shared ownership first tranche sales and properties under construction are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

**Cyclical repairs and maintenance**

The Association has established a regular programme of cyclical repair and maintenance. The actual costs are charged to the statement of comprehensive income as incurred.

**Current asset investments**

Current asset investments comprise short term money market deposits and are held at cost, including accrued interest.

**Financial instruments**

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

A listed investment and loan note were acquired last financial year. These are shown as long term investments. Listed shares are held at fair value and the loan note is held at amortised cost using the effective Interest rate method.

Tenant arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## **2. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make significant judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

### **Estimation uncertainty**

#### **a) Estimated useful lives of housing properties and other tangible assets**

At the date of capitalising tangible fixed assets, Cornerstone estimates the useful life of the asset based upon management's judgement and experience. Due to the significance of capital investment to Cornerstone, variances between actual and estimated economic lives could affect Cornerstone's result positively or negatively.

#### **b) Impairment of trade and other account receivables**

Cornerstone estimates the recoverable value of trade and other account receivables. When assessing the impairment, management consider factors including the current credit rating of the account, the ageing profile and historical experience. As at 31 March 2023 rent and service charges receivable, net of provision for bad and doubtful debts, is set out in note 19.

#### **c) Pensions**

Cornerstone has obligations to pay pension benefits to certain employees. The cost of the benefits and the present value of the obligation depends on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

### 3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	<b>Note 2023</b>					
	Turnover	Other operating income	Cost of sales	Operating costs	Surplus on property sales	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	7,716	-	-	(5,823)	-	1,893
<b>Other social housing activities</b>						
Development costs not capitalised	-	-	-	(251)	-	(251)
Shared ownership first tranche sales	-	-	-	-	-	-
Other income	10	103	-	-	-	103
Surplus on property sales	7	-	-	-	68	68
	<u>7,716</u>	<u>103</u>	<u>-</u>	<u>(6,074)</u>	<u>68</u>	<u>1,813</u>
	<b>2022</b>					
	Turnover	Other operating income	Cost of sales	Operating costs	Surplus on property sales	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	7,267	-	-	(5,031)	-	2,236
<b>Other social housing activities</b>						
Development costs not capitalised	-	-	-	(342)	-	(342)
Shared ownership first tranche sales	605	-	(387)	-	-	218
Other income	10	87	-	-	-	87
Surplus on property sales	7	-	-	-	73	73
	<u>7,872</u>	<u>87</u>	<u>(387)</u>	<u>(5,373)</u>	<u>73</u>	<u>2,272</u>

There were no non-social housing activities in the year.

**4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	<b>General needs housing £'000</b>	<b>Shared ownership £'000</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
<b>Income from social housing lettings</b>				
Rent receivable net of identifiable service charges	6,969	167	7,136	6,699
Service charges receivable	235	18	253	245
Amortised government grant	326	1	327	323
<b>Turnover from social housing lettings</b>	<u>7,530</u>	<u>186</u>	<u>7,716</u>	<u>7,267</u>
<b>Expenditure</b>				
Management	(1,344)	(56)	(1,400)	(952)
Services	(333)	(18)	(351)	(289)
Routine maintenance	(1,087)	-	(1,087)	(862)
Planned maintenance	(489)	-	(489)	(219)
Major repairs expenditure	(877)	-	(877)	(769)
Bad debts	(16)	-	(16)	(19)
Depreciation of housing properties	(1,776)	(35)	(1,811)	(1,677)
Other costs - SHPS other pension adjustments (see note 12)	471	-	471	353
Other costs - SHPS deficit contributions paid (see note 12)	-	-	-	(381)
Other costs - gardening, aids and adaptations, and operating leases	(263)	-	(263)	(216)
<b>Operating costs on social housing lettings</b>	<u>(5,714)</u>	<u>(109)</u>	<u>(5,823)</u>	<u>(5,031)</u>
<b>Operating surplus on lettings</b>	<u>1,816</u>	<u>77</u>	<u>1,893</u>	<u>2,236</u>
Income foregone as a result of voids	<u>35</u>	<u>-</u>	<u>35</u>	<u>65</u>

**5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT**

At the end of the year accommodation in management for each class of accommodation was as follows:

	<b>2023 units</b>	<b>2022 units</b>
<b>Social housing</b>		
Owned and managed:		
Rented	1,324	1,318
Shared ownership	57	57
Owned and managed by others:	11	8
Managed:		
Rented	25	27
<b>Total owned and/or managed</b>	<u>1,417</u>	<u>1,410</u>
<b>Accommodation in development at 31 March</b>	<u>2</u>	<u>6</u>

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**6. OPERATING SURPLUS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
The operating surplus is arrived at after charging:		
Depreciation of housing properties	1,811	1,677
Depreciation of other tangible fixed assets	111	120
Auditors' remuneration (excluding VAT) :		
- Fees payable to the Association's auditors for the audit of the financial statements	21	15
- Other audit services	1	1
Operating lease rentals - land and buildings	151	150

**7. SURPLUS ON PROPERTY SALES**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Disposal proceeds	173	204
Less: cost of sales	(105)	(131)
	68	73

**8. INTEREST RECEIVABLE AND OTHER INCOME**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank and deposits	174	8

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Loans and bank overdrafts	1,094	920
Breakage costs - refinancing	-	104
Interest payable capitalised on developments under construction	(7)	(28)
Net interest expense in respect of defined benefit pension provision (note 12)	52	66
	1,139	1,062
Capitalisation rate used to determine the finance costs capitalised during the year	2.81%	1.80%

**10. OTHER INCOME**

Other income generated includes commercial rental (71k) and tenant recharges for repairs to housing stock (23k)

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Other income	103	87
	103	87

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#### 11. EMPLOYEES

The average monthly number of employees expressed as full time equivalents:

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Housing & administration	31	26
Direct labour force	25	29
Estate based staff	1	1
	<u>57</u>	<u>56</u>

Employee costs:	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	1,982	1,741
Social security costs	186	165
Other pension costs	156	134
	<u>2,324</u>	<u>2,040</u>

The Association's employees are members of the Social Housing Pension Scheme (SHPS).

#### 12. PENSIONS

Cornerstone participates in the Social Housing Pension Scheme (SHPS) with the selected benefit structure of a defined contribution scheme for entrants since 1 October 2010. Employees who participated in the pension scheme prior to 1 October 2010 have a benefit structure of a defined benefit scheme.

##### **Social Housing Pension Scheme (SHPS): Defined Benefit Pension Scheme**

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

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

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

During the year Cornerstone contributed 21.17% of pensionable salary for defined benefit members of the SHPS defined benefit pension scheme.

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

**12. PENSIONS (continued)**

**Present values of defined benefit obligation, fair value of assets and defined benefit liability**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	8,927	13,987
Present value of defined benefit obligation	(10,961)	(16,081)
Deficit in plan	<u>(2,034)</u>	<u>(2,094)</u>
Defined benefit liability to be recognised	<u><u>(2,034)</u></u>	<u><u>(2,094)</u></u>

**Reconciliation of opening and closing balances of the defined benefit liability**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit liability	(2,094)	(3,166)
Service costs	(4)	(70)
Contributions	483	431
Interest expense	(52)	(66)
Actuarial movements	5,224	1,093
Return of assets	(5,583)	(308)
Other expenses	(8)	(8)
Defined benefit obligation at end of year	<u><u>(2,034)</u></u>	<u><u>(2,094)</u></u>

**Reconciliation of opening and closing balances of the defined benefit obligation**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	16,081	17,033
Current service cost	4	70
Expenses	8	8
head	444	369
Contributions by plan participants	26	44
Actuarial (gains)/ losses due to scheme experience	(463)	428
Actuarial gains due to changes in demographic assumptions	(25)	(255)
Actuarial gains due to changes in financial assumptions	(4,736)	(1,266)
Benefits paid and expenses	(378)	(350)
Defined benefit obligation at end of year	<u><u>10,961</u></u>	<u><u>16,081</u></u>

**Reconciliation of opening and closing balances of the fair value of plan assets**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at start of period	13,987	13,867
Interest income	392	303
Experience on plan assets (excluding amounts included in interest income) - loss	(5,583)	(308)
Contributions by the employer	483	431
Contributions by plan participants	26	44
Benefits paid and expenses	(378)	(350)
Fair value of plan assets at end of year	<u><u>8,927</u></u>	<u><u>13,987</u></u>

**Defined benefit costs recognised in Statement of Comprehensive Income (SOI)**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	4	70
Expenses	8	8
Net interest expense	52	66
Defined benefit costs recognised in SOI	<u>64</u>	<u>144</u>

**Defined benefit costs recognised in other comprehensive income**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Experience on plan assets (excluding amounts included in net interest cost) - loss	(5,583)	(308)
Experience gains and (losses) arising on the plan liabilities	463	(428)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	25	255
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	4,736	1,266
Total amount recognised in other comprehensive income - gain / (loss)	<u>(359)</u>	<u>785</u>

**Key Assumptions**

	<b>2023</b>	<b>2022</b>
	% per annum	% per annum
Discount Rate	4.86	2.79
Inflation (RPI)	3.19	3.57
Inflation (CPI)	2.77	3.19
Salary Growth	3.77	4.19
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)	Life expectancy at age 65 (Years)
Male retiring in 2021	21.0	21.1
Female retiring in 2021	23.4	23.7
Male retiring in 2041	22.2	22.4
Female retiring in 2041	24.9	25.2

**Social Housing Pension Scheme (SHPS): Defined Contribution Pension Scheme**

Entrants to the pension scheme since 1 October 2010 participate in the SHPS defined contribution scheme.

The pension cost charge representing contributions payable by Cornerstone to the scheme for the year amounted to £86,074 (2022: £78,296)



### 13. KEY MANAGEMENT PERSONNEL

Key management personnel are the Executive Team and the Board. They are detailed in the Legal and Administrative details section of these accounts.

At 31 March 2023, the Chief Executive is a member of the Board.

The remuneration paid to key management personnel during the period was as follows:

#### Key management personnel (including executive directors)

	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	2023 Total £'000	2022 Total £'000
Aggregate emoluments of non-executive board members	23	-	-	23	22
Aggregate emoluments of key management personnel	355	-	26	381	370
Total	<u>378</u>	<u>-</u>	<u>26</u>	<u>404</u>	<u>392</u>

In addition social security costs were incurred for key management personnel compensation of £44,782 (2022: £38,857).

	2023 £'000	2022 £'000
The emoluments payable to the highest paid executive in the period, excluding pension contributions	<u>102</u>	<u>98</u>

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply.

#### Employee by banding

	2023 Number	2022 Number
100,001 to 110,000	1	-
£90,001 to £100,000	-	1
£80,001 to £90,000	-	-
£70,001 to £80,000	1	-
£60,001 to £70,000	<u>1</u>	<u>1</u>

### 14. TAXATION

The Association has charitable status and its activities during the year did not give rise to a corporation tax liability

15. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

	Social housing properties held for letting	Social housing properties under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	86,363	939	3,546	-	90,848
Additions	-	826	-	104	930
Works to existing properties	1,397	-	-	-	1,397
Interest capitalised	-	3	-	4	7
Schemes completed	1,709	(1,709)	108	(108)	-
Component disposals	(352)	-	-	-	(352)
Property disposals	-	-	(106)	-	(106)
At 31 March 2023	89,117	59	3,548	-	92,724
<b>Depreciation and impairment</b>					
At 1 April 2022	23,984	-	279	-	24,263
Depreciation charge	1,689	-	35	-	1,724
Released on replacement of components	(266)	-	-	-	(266)
Released on disposal	-	-	(3)	-	(3)
At 31 March 2023	25,407	-	311	-	25,718
<b>Net book value</b>					
At 31 March 2023	63,710	59	3,237	-	67,006
At 1 April 2022	62,379	939	3,267	-	66,585

The difference of £87k between the depreciation charge above (£1,724k) compared to Note 4 (£1,811k) is explained by the net book value of component disposals above (£352k minus £266k) being charged to the depreciation of housing properties expenditure line.

**15. TANGIBLE FIXED ASSETS - PROPERTIES (continued)**

**Expenditure on works to existing properties**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Components capitalised - Mount Dinham almshouses	-	128
Components capitalised - Other schemes	1,397	959
	<u>1,397</u>	<u>1,087</u>
Amounts charged to the income and expenditure account	877	769
	<u>2,274</u>	<u>1,856</u>

**Finance costs**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate amount of finance costs included in the cost of housing properties	926	919
	<u>926</u>	<u>919</u>

**Housing properties book value net of depreciation**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Freehold land and building	61,781	59,971
Long leasehold land and buildings	5,225	6,614
	<u>67,006</u>	<u>66,585</u>

**Additions to completed housing properties in the year**

	<b>Social housing properties</b>	<b>Shared ownership properties</b>	<b>2023 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Additions comprise:			
Schemes completed	1,709	108	1,817
Components capitalised on existing properties	1,397	-	1,397
	<u>3,106</u>	<u>108</u>	<u>3,214</u>
Total additions for the year	<u>3,106</u>	<u>108</u>	<u>3,214</u>

**16. FIXED ASSETS - OTHER**

	<b>Freehold buildings £'000</b>	<b>Motor Vehicles £'000</b>	<b>Computer Equipment £'000</b>	<b>Fixtures Fittings &amp; Equipment £'000</b>	<b>Cycle Scheme £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 April 2022	2,838	277	288	194	1	3,598
Additions	6	-	-	3	-	9
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	2,844	277	288	197	1	3,607
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
At 1 April 2022	547	222	187	161	1	1,118
Charge for the year	57	14	33	7	-	111
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	604	236	220	168	1	1,229
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>						
At 31 March 2023	2,240	41	68	29	-	2,378
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2022	2,291	55	101	33	-	2,480
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Cornerstone Housing Limited****Report and financial statements for the year ended 31 March 2023****17. INVESTMENTS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Listed investments	117	117
Loan note	222	222
	<u>339</u>	<u>339</u>

**18. STOCK**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Shared ownership first tranches - work in progress	112	-
Other stock - building materials	13	19
	<u>125</u>	<u>19</u>

**19. DEBTORS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Rent and service charges receivable	52	24
Recharges receivable	38	32
Less: provision for bad and doubtful debts	(42)	(33)
	<u>48</u>	<u>23</u>
Other debtors	17	-
Prepayments and accrued income	312	176
	<u>377</u>	<u>199</u>

**20. CURRENT ASSET INVESTMENTS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Money market deposits	<u>405</u>	<u>405</u>

Under the terms of our loan agreements with The Housing Finance Corporation Limited and Affordable Housing Finance plc, we are required to maintain investment balances equal to one year's interest on the loans. Therefore, whilst the above amount is disclosed as a current asset investment, the Association is required to maintain a similar balance for the period of both loans up to 2043.

**Cornerstone Housing Limited****Report and financial statements for the year ended 31 March 2023****21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans (note 24)	8	7
Recycled capital grant fund (note 25)	10	10
Trade creditors	297	444
Rent and service charges received in advance	311	374
Other creditors	188	157
Accruals and deferred income	189	295
Deferred capital grant (note 23)	328	323
	<u>1,331</u>	<u>1,610</u>

**22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans (note 24)	29,641	29,642
Arrangement fees capitalised	<u>(117)</u>	<u>(110)</u>
	29,524	29,532
Deferred capital grant (note 23)	11,028	11,262
Other long term creditors	<u>25</u>	<u>17</u>
	<u>40,577</u>	<u>40,811</u>

The premium and discount arising on loan issues are amortised over the term of the loan to which it relates as part of the effective interest rate charge.

**23. DEFERRED CAPITAL GRANT**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	11,585	11,898
Grant received	98	10
Released to income	<u>(328)</u>	<u>(323)</u>
At end of year	<u>11,355</u>	<u>11,585</u>
Amounts to be released within one year	328	323
Amounts to be released in more than one year	<u>11,027</u>	<u>11,262</u>
	<u>11,355</u>	<u>11,585</u>

The balance on Deferred Capital Grant shown above is net of amortised grant already released to the Statement of Consolidated Income and Reserves.

The gross Capital Grant received is £17.1m (2022 £17.0m) with a cumulative total of £5.7m (2022 £5.4m) amortised to reserves.

**Cornerstone Housing Limited****Report and financial statements for the year ended 31 March 2023****24. HOUSING LOANS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Debt is repayable as follows:</b>		
<b>Due within one year</b>		
Other loans	<u>8</u>	<u>7</u>
	<u>8</u>	<u>7</u>
<b>Due after one year</b>		
Other loans	<u>29,641</u>	<u>29,642</u>
	<u>29,641</u>	<u>29,642</u>
Total loans	<u>29,649</u>	<u>29,649</u>

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>The housing loans are repayable as follows:</b>		
Within one year or on demand	8	7
One year or more but less than two years	9	8
Two years or more but less than five years	34	30
Five years or more	<u>29,598</u>	<u>29,604</u>
	<u>29,649</u>	<u>29,649</u>

**Borrowing facilities**

Cornerstone has undrawn facilities available at 31 March as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Expiring between one and two years	-	-
Expiring between two and five years	<u>11,000</u>	<u>11,000</u>

**Financial liabilities**

The interest rate profile of the Association's financial liabilities as at 31 March was:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Fixed rate	<u>29,649</u>	<u>29,649</u>
Total borrowings	<u>29,649</u>	<u>29,649</u>

The fixed loans are for terms maturing between 20 and 28 years at interest rates ranging from 2.81% to 12.61% including margins. The weighted average interest rate of these loans is 3.42% (2022:3.42%).

The weighted average period is 25 years (2022:26 years)

**Cornerstone Housing Limited****Report and financial statements for the year ended 31 March 2023****25. RECYCLED CAPITAL GRANT FUND**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	<u>10</u>	<u>10</u>
At end of year	<u>10</u>	<u>10</u>
Recycled capital grant		
Amounts due within one year	<u>10</u>	<u>10</u>
	<u>10</u>	<u>10</u>

**26. NON-EQUITY SHARE CAPITAL AND RESERVES**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Issued and fully paid</b>		
At beginning of year	13	11
Shares issued during the year at £1 par	2	3
Shares cancelled during the period at £1 par	<u>(5)</u>	<u>(1)</u>
At end of year	<u>10</u>	<u>13</u>

All shares have equal voting rights at the Annual General Meeting of the Association. The shares do not have rights to any dividends, nor to a distribution in winding-up, and they are not redeemable. The revenue reserve is the accumulated reserves for the business.

**27. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating surplus</b>	1,813	2,272
Adjustments for non-cash items:		
Surplus on property sales	(68)	(73)
Grant amortisation	(327)	(323)
Depreciation, impairment and amortisation of housing properties	1,811	1,677
Depreciation, impairment and amortisation of other tangible fixed assets	111	120
Pension costs	(471)	(353)
Decrease/(Increase) in stock	(106)	329
Decrease/(Increase) in debtors	(109)	17
(Decrease)/Increase in creditors	<u>(150)</u>	<u>249</u>
Net cash inflow from operating activities	<u>2,504</u>	<u>3,915</u>



**28. FINANCIAL COMMITMENTS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital commitments for which no provision has been made</b>		
Expenditure contracted for but not provided in the accounts	344	111
Expenditure authorised by the board, but not contracted	3,454	370
Total	<u>3,798</u>	<u>481</u>

Capital commitments of £3.8m will be financed through borrowings under existing loan arrangements.

**Operating lease commitments**

The future minimum lease payments under non-cancellable leases are as follows:

<b>Due:</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	130	145
Within one to two years	129	130
Within two to five years	336	354
After five years	613	688
	<u>1,208</u>	<u>1,317</u>

**29. RELATED PARTIES**

**Key management personnel**

Key management personnel received remuneration as reported in note 13.

A member of the Board has a close relative employed by the Association and is also a current tenant of the Association paying monthly rent. Rent and service charges payable during the year were £5,150.52 (2022: £4,947.72) . There were no rent arrears owing at the year end.

**30. ULTIMATE CONTROLLING PARTY**

There is no ultimate controlling party.