



LUTON COMMUNITY HOUSING LIMITED

trading as

SQUARED

FINANCIAL STATEMENTS

For the year ended

31 March 2023

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

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LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

BOARD MEMBERS AND ADVISORS

BOARD OF MANAGEMENT

Glyn Early
David Cheesman
Iain Smith
Mostaque Koyes
Jo Simcox (joined Feb 2023)

Chair

SECRETARY

Lynda Rees

REGISTERED OFFICE

Bramingham Business Park
Unit B2, Enterprise Way
Luton
LU3 4BU

BANKERS

National Westminster Bank
Park Centre
210 Butterfield, Great Marlings
Luton
LU2 8DL

AUDITORS

Knox Cropper LLP
Chartered Accountants
65 Leadenhall Street
London
EC3A 2AD

SOLICITORS

Perrin Myddelton LLP
10 Waterside
Station Road
Harpenden, Herts
AL5 4US

REGULATOR OF SOCIAL HOUSING REGISTERED NUMBER

L1518

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 NUMBER REGISTERED WITH FINANCIAL CONDUCT AUTHORITY

19688R

MEMBER OF THE NATIONAL HOUSING FEDERATION

1082

HMRC VAT number

220801948

HMRC charitable number

ZD04314

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD

OVERVIEW

The Board presents its report and the audited financial statements for Luton Community Housing Limited trading as Squared for the year ended 31 March 2023. Squared is a Co-operative and Community Benefit public entity.

Principal activities

The principal activities of Squared, are the provision of, management and maintenance of social housing, including support, advocacy, human resource and people management services for other businesses and cleaning and gardening services for the local community.

During the year under review, Squared continued to provide a range of services. Our Vision is "Inspiring Lives" and our mission is "Placing Customers at the heart of everything that we do by providing Homes, Support and Opportunity" and, as with all areas of our work, continuing to carry out activities to improve life opportunities for our customers.

Most people would rather be contributing members of society and our customers are no different. In recognition of this we have continued to work with customers, assisting them to obtain training, leading to permanent employment. We continued to seek opportunities to do this through our coaching staff roles.

Review of the business

Squared made a deficit of £900,652 in 2023 compared with a deficit £4,435 in 2022 with reserves of more than £1.4m. This surplus is generated from a turnover of £7,200,921 (2022: £7,091,627). Squared found it challenging to meet one funding covenant in 2022-23 due to the deficit and funders provided an amended covenant while Squared undertook an independent business review to assist stakeholders to understand the reasons for the deficit and agree a way forward.

Capital assets

Housing properties are included on the balance sheet at their net book value, after the deduction of depreciation, of £26,908,367 (2022: £26,707,608).

	2023		2022	
	£		£	
Historical cost	33,572,504		33,138,437	
Depreciation	<u>(6,664,137)</u>		<u>(6,430,829)</u>	
Depreciated cost	26,908,367		26,707,608	
Financed by:				
- Grants	12,628,413	(38%)	12,654,507	(38%)
- Loans	13,835,749	(41%)	13,145,249	(40%)
- Reserves	1,433,699	(4%)	2,334,351	(7%)

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

HOMES

Customers

In April 2022, rent policy followed Government legislation for both general needs and supported housing activities, with an increase of CPI plus 1% for rents and service charges increasing by CPI.

Squared continued to use Language Line and Luton Interpreting and Translation Services (LITS) to assist in communicating with customers whose first language is not English.

Our Housing Services team use a tenancy credit check tool to monitor financial stability. Although this tool can also assist in detecting the occasional fraudulent tenancy, our aim is to identify customers in financial distress and provide the necessary support to them to improve their circumstances.

We have continued to improve take up and expanded the service of our customer portal (My Squared). We have 278 registered members so far, customers are paying rent, reporting repairs, using online forms and making suggestions using our customer portal and via our website.

We work closely with customers experiencing adverse impacts of benefit changes and refer to external agencies who have experience in this area for assistance.

The last full Star Survey was in 2019-20 and this independent survey is scheduled to take place by Acuity in 2023-24. This will include the suite of new Tenant Satisfaction Measures recently introduced by the Regulator of Social Housing.

Housing for older people

There were 28 properties at Squared designated for older people in the year (2022: 28), for whom we provide a fortnightly surgery for these customers. There are also 8 one-bedroom flats in Barton-Le-Clay for elderly persons who are independent and do not need a visiting service or warden. Another 12 one-bedroom flats are provided for the over 50s group in the Farley Hill area.

Private Leasing Scheme

For this scheme, Squared leases properties as temporary accommodation, from private landlords and lets them to people nominated by Luton Borough Council from their homeless families waiting list and from the Homeless Prevention Team. At 31 March 2023 there were 201 units in management (2022: 215), 48 units of these properties are owned by Squared (2022: 43). There was 1 new lease signed (2022: 1), None of the landlord lease agreements ended (2022: 9) and 33 leases were renewed (2022: 43). These properties require intensive housing management in accordance with the needs of the client group. Seven properties have been transferred from this scheme to the LLS joint venture (2022: 11). Eight leases ended in order for properties to be returned to the landlords (2022: Nil).

Luton Lets Squared (LLS)

Squared continued working in partnership with Luton Borough Council on the joint-venture known as Luton Lets Squared, providing more opportunities to rent from an ethical landlord in the private market. This service leases properties from private landlords to provide to LBC as accommodation for homeless people. There were 114 properties in the joint venture by 31 March 2023 (2022: 94), 5 of which were owned by Squared (2022: 3) and transferred from our private leasing scheme. This joint venture ceased to exist from 31 July 2023 as external funding is no longer available. All customer and landlord leases are in the name of Squared and will continue to be managed by Squared.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

HOMES (continued)

HOMES WITH SUPPORT

Supported Housing

Supported Housing department continued working with the local authority, Luton Borough Council, providing support to 8 Unaccompanied Asylum-Seeking Children (UASC), running in-house managed projects and providing next steps accommodation pathways.

Hostel projects managed by our in-house team

In the year to 31 March 2023, the in-house managed projects showed a surplus of £266,340 (2022: 229,555), before mortgage repayments and contribution to central costs and sinking funds. Turnover was £680,784 (2022: £686,232) and operating costs were £414,444 (2022: £456,677). The Supported Housing steady-state contracts were maintained at £180,807 for 2022-23.

Houses in Multiple Occupation

Squared provides 150 (2022: 164) units of shared HMO accommodation providing safe and secure housing for single homeless customers with low to medium support needs who can live semi-independently. We are one of the only providers in Luton to offer supported housing at rates affordable to working people, as well as people in receipt of benefits. Our HMO Co-ordinators visit our HMO properties regularly and customers receive support personalised to their needs, with issues such as addiction, mental health, and offending. We work with customers to help identify their personal goals and support them to achieve those goals, and actively participate in Luton Homeless Partnership. Placements are for up to two years with the aim of customers moving on to independent, secure accommodation. All Homes with Support customers are also eligible for other services Squared offers, such as our in-house mental health therapy service, offering sessions with a trained therapist; and our Purposeful Employment service for additional support accessing employment in line with the customer's goals.

Next Steps Accommodation Programme

Next Steps Accommodation Programme in partnership with Luton Borough Council to provide more security for customers and enhance the already existing pathways continued in 2022-23. Homes England revenue funding of £36,790 was receivable in the year (2022: £39,000), for the first year of revenue funding for a role offering Intensive Floating support and Housing Management, over 3 years, not only for the 3 new tenants housed in Squared Next Steps Accommodation apartments but to all of Squared's over 200 customers who are within 6 months of move on, which will free up the existing Pathways more quickly. In 2023-24 Homes England confirmed funding extended for a fourth year for £33,088.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

HOMES WITH SUPPORT (continued)

Community partnering

Squared also provides accommodation to local charity NOAH, to be made available to individuals with no recourse to public funds.

PROPERTY SERVICES

Maintenance and major repairs

Squared is committed to maintaining and improving its stock. Excluding overheads, £157,074 (2022: £42,692) was spent on major repair expenses, and £525,905 (2022: £525,471) on responsive maintenance. With a further £162,806 (2022: £194,500) on 84 components (2022: 83), such as bathrooms, kitchens and boilers. We spent £142,775 (2022: £40,945) on structural capital improvements required to improve the existing useful lives of specific properties.

We have a growing and expanding in-house maintenance team and provide additional work and opportunities as well as a responsive service to customers, while working to maintain our estates and carry out compliance checks.

Asset management

Last year we commissioned a 2nd phase of stock condition survey programme to support our work in complying with the Energy Efficiency Standard for Social Housing (EESH) as well as Decent Homes Standards. Phase 1 was completed in the 2021-22 financial year. Now that all the information is available, we will be planning the best use of all our stock for the future, including exploring opportunities to access the Social Housing Decarbonisation Fund. The priority for this review will be a combination of reducing both running costs for customers and on-going maintenance costs for the organisation, ensuring that future investment in existing stock is focused on improvements rather than on reactive repairs.

SHIFT (Sustainable Homes Index for Tomorrow)

Squared is looking to make environmental improvements starting with examining the energy efficiency of all our homes. This will enable Squared to implement appropriate retrofits that (using the fabric 1st approach in all that we do) meet the PAS2030 Green Deal and ECO installations of all our homes. Not only will this help reduce CO2 emissions, but it will also help reduce fuel bills for customers. This will help make our existing homes warmer in winter, cooler in summer with better indoor air quality so our customers are able to stay healthy.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

PROPERTY SERVICES (continued)

Cleaning and Gardening Squared (CGS)

In the year to 31 March 2023, Cleaning and Gardening Squared social enterprise showed a surplus of £11,490 (2022: 58,873). Turnover was £264,752 (2022: £277,532) and operating costs were £253,262 (2022: £218,659).

Trading as a department of Squared and operating as a social enterprise, CGS has continued to empower its customers that are currently unemployed or those that experience long-term unemployment and some of the hard-to-reach individuals within the local communities by providing a sustainable employment programme and unique training opportunities. Beneficiaries have acquired accredited cleaning and gardening qualification through a targeted training and certificated programme.

During the year, CGS continued to meet its targets for external and internal customers in terms of service delivery. CGS supported housing facilities and HMOs by continuing to provide void cleaning and gardening maintenance services to improve the quality and cleanliness of re-let properties and reduced the void period significantly. We also used the opportunity to maintain our estates.

Rubbish clearance activity, as part of the social enterprise, continued to do well in the last financial year, when we responsibly removed over 70 metric tons of general household waste.

We plan to continue with our community service to support customers over 55 years with skeletal impediment in maintaining their gardens this summer. We aim to set up a gardening support service for elderly people that have and love their gardens but can no longer maintain them themselves.

Community Investment Projects

Tool Bank

To get this initiative off the ground we are grateful for the donations of gardening equipment from George Brown in Leighton Buzzard to help launch the project. The remainder of the equipment was purchased by Squared.

The Tool Bank enables customers of Squared to borrow, free of charge, garden tools and equipment to help maintain and improve their gardens. We anticipate that 20% of our customers would benefit from the scheme and expect this to grow significantly over time.

Property Purchases and Sales

There were 3 property sales (2022: Nil) and no property purchases in the year (2022: Nil). Sales proceeds are £1.23m and accounting gain is £532k, grant to be recycled to future developments within 3 years is £632k.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

HEALTH & SAFETY

We continued to strengthen our approach to Health & Safety across Squared, working closely with Sureteam H&S Consultants to ensure that we are providing our services safely and complying with Health & Safety regulations and have robust practices in place.

All teams worked collaboratively to continue actioning the 12-month Health & Safety Plan to minimise risks.

The annual H&S Audit 2022 was undertaken with members of Squared's team, including leadership, operational management and team members in Summer 2022 using the auditing tool "Safe365". Our audit score significantly increased, evidencing that the Health & Safety Plan recommended in 2021 and then implemented was achieving results.

Squared had progressed with training team members and managers with certified Level 2 and Level 3 courses being undertaken; teams were now more proactive and were challenging and querying H&S issues and concerns. All our teams are responsible for ensuring the health and safety of customers, fellow team members and other stakeholders.

To enable Squared to create a focused and supported way forward to ensure a robustly managed Safety Management System (SMS), a role was introduced to further develop Squared's Compliance Framework and consolidate data; additionally the role helps with administering compliance related tasks maintaining momentum between the Sureteam Consultants visits.

The outcomes and recommendations of the audit have helped us focus on and prioritise areas for improvement to minimise risk, keep everyone safe and protect our properties too. The audit is a useful tool for us to continuously improve our service offering and ensure all team members are working within safe practices and environments.

Squared has a robust H & S Policy in place which is in date and approved by the Board. The policy is reviewed by Sureteam in consultation with Squared when changes within the business take place, or legislation and best practice requires this. Sureteam continue to work strategically alongside the leadership and management teams to provide support and help drive continuous improvement in a coordinated approach.

PEOPLE EXCELLENCE (PE_x)

Leadership Team (LT)

The Leadership Team comprises the Chief Executive, Lynda Rees; Deputy Chief Executive, Kierson Benfield; and Director of People Excellence, Claire Bryan.

Operational Team (OT)

Operational Team (OT) is made up of senior and junior managers and manages the operational link between the Leadership Team and the rest of the workforce.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

PEOPLE EXCELLENCE (continued)

Ensuring the continuation of excellence in people management throughout the organisation

The PEx team have continued to be integral to supporting and advising managers and teams across Squared, helping them to gradually stabilise following the earlier transition from the lockdown periods. We continued applying our 'PEx Partnering' approach to coach managers and team members; ensuring we are keeping abreast of changing legal obligations and best practice and contributing to minimising risks to the health and safety of team members, customers, and all stakeholders.

We implemented a new HR self-service portal "Employment Hero" in August 2022 as part of our continual drive to improve the digital experience for team members and maximise efficiency.

Investing in our people – 12 months review

Following our successful achievement of the IIP Gold reaccreditation award in 2022, moving forwards into 2023 our IIP assessor met with the leadership team to undertake a 12-month review of our progress towards our action plan.

This helped us to focus on how we use measurement tools and data relating to our team members to further drive business performance, maintain our forward-thinking culture and ensure newer team members embrace the vision and culture we aspire to.

Future proofing our staffing resources

We continued to focus on our organisational design to ensure business objectives were delivered and business continuity sustained; reviewing our Property Services structure to ensure the team is effectively resourced.

Fair reward and recognition

In 2021/22 we reviewed our Pay Grading Structure Framework, which resulted in pay reviews/ pay increases for team members. The leadership team's salary review was exempt to the above and in 2022/23 the review of the leadership team's salary was outsourced to an external reward consultant for benchmarking and recommendations; to ensure an independent and impartial approach was implemented to assist the Board in making evidence-based decisions on leadership remuneration at Squared.

Following a full review of employee benefits in the previous year, in 2022 we introduced a new online benefits platform, providing a central location for all team members to access and self-serve, including, but not limited to: access to health cashplan, pension contributions, life assurance, buying and selling of annual leave, shopping discounts/cashback, wellbeing initiatives.

In consultation with Squared's team members we reviewed the employee recognition scheme, implementing "You're a Diamond" incentive scheme linked to Squared's values, colleague recognition and our 60th year of business.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

'One Squared' - 60 years

In celebration of our 60th year anniversary and to further embed our One Squared culture, team members joined together in the creation of a company video to highlight why individuals like working for Squared. The video evidenced our team members embracing the Squared values, ensuring that our customers receive only quality and excellence in services.

Our customer-facing service teams came together at a Customer Operations Awayday to collaboratively review practices and processes, improving and developing consistent working approaches across our teams, resulting in a better service offering for our customers.

Introducing OKRs

Emphasis was placed on further developing our approach to setting objectives and targets across Squared, with the introduction of OKR's, supporting team members to stay on track to deliver their objectives and key results, enhancing customer services across Squared and enabling greater focus in teams and to ensure commercially sound decisions are made.

Transformational development across Squared

The delivery of our transformational development programme continued to achieve leadership and management excellence. The key focus of the programme for 2022-23 was 'developing a commercial mindset and approach'.

We continued to provide our internal Coaching programme, using a coaching approach to build confidence and empower rather than dictate (V coaching model), treating customers with respect.

Our Homes with Support team annual training programme continued and included training on managing trauma and creating a psychologically-informed environment for our customers; building resilience in our team coaching and supporting customers with complex issues and needs.

Encouraging even more self-responsibility for personal development, we introduced a new e-learning platform "Go1" linked to our new HR self-service portal, enabling our team members' access to a library of e-learning; encouraging team members to explore their own development needs.

Inspiring our people

We continued to maximise employee engagement and wellbeing levels, actively involving our teams to participate in Squared initiatives:

- Fair & Squared – group engaged in our commitment to FREDIE (fairness, respect, equality, diversity, inclusion and engagement for all).
- The Exchange – quarterly staff meeting.
- Staff Conference 2023 – focusing on "Be More..."; be more compliant, be more customer-focused, be more commercially-minded.
- Continued implementing our 60th Anniversary initiatives.
- Held a virtual mindfulness session every Wednesday lunchtime.
- Engagement Survey outcomes were consistently above 75%, evidencing an engaged workforce.
- Quarterly team meeting template introduced to offer guidance to teams and encourage participation and employee voice – empowering and involving team members.
- Annual Work Positive day – providing a valuable opportunity for team members across Squared to join together and focus on their mental, physical and financial wellbeing.
- Employers Against Domestic Abuse – programme with LAWC

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Quality of services

Squared strives to provide quality services, matching or exceeding the best. We do this through a committed and well-trained team, which also reflects the local community and our customers. To test the quality of our services we have applied for accreditation through external assessments as follows:

- Investors In People Gold – we are proud to have been reaccredited as a Gold standard Investor in People in 2023, evidencing our commitment to strive for excellence as an employer. Furthermore, Squared was then nominated as one of the Investors In People Top 20 Gold Organisations (50 to 249 employees) nationally, a phenomenal achievement.
- Leaders in Diversity – to test our performance in the way we manage diversity throughout the organisation, this recognises those organisations that have performed particularly well in EDI and benchmarks them against others.

Very few organisations in Luton have achieved this level of recognition of their approach to diversity and nationally only a few organisations have achieved Leaders in Diversity. Squared is proud to use the logo on all our paperwork and has achieved number 30 in the year in the National Centre for Diversity Top 100 organisations.

Consultancy

In 2022-23, we continued to provide 4 organisations with advice and support from our HR Services, having taken the strategic decision to place increased focus on provision of services and support to the Squared managers and teams. Examples of support provided include: delivery of recruitment training for senior managers; business partnering to support a client's own HR team to provide a seamless HR advisory service during a transition of HR management; supporting the merger of two organisations; and succession planning support.

Post Balance Sheet events

There are no post balance sheet events to report.

Prior Year Adjustment

There are prior year adjustments to report for VAT due of £29,613 already reported to HMRC and for PAYE estimated at £127K, until calculations are finalised and reported.

Funding

Most recent loan arrangement for £5 million was signed with RBS on the 11 January 2019 against the same properties already charged to RBS. This brings total borrowings to £13.8M as £2.2M has been paid down from the original £16M.

At the 31 March 2023, Squared has over 350 unsecured properties available to offer as loan collateral, with management's internal estimate of open market value being £50 million.

The open market value is not used for accounting purposes and does not reflect our intention to dispose of assets held for social housing purposes, however, it provides an indication of the worth of the housing property assets of Squared, should these assets be made available for sale with vacant possession on the open property market.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

The Board

During the year, there was 1 addition to the membership of the Board of Management (2022: Nil). The 5-year business plan continues to be reviewed and updated by the Board. Squared continues to actively seek new board members, with specific skills to help it achieve its vision. New board members with relevant knowledge and experience as well as tenant board members are always sought, and applications are welcomed. There are currently 5 board members. There are vacancies for up to 7 more members, especially tenant board members.

Statement of the board's responsibilities

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

The law requires the Board of Management to prepare financial statements for each financial year. Under that law, the Board of Management has elected to prepare Squared's financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The Board of Management must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Squared and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board of Management is responsible for keeping adequate accounting records that are sufficient to show and explain Squared's transactions and disclose with reasonable accuracy at any time the financial position of Squared and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for private registered providers of social housing 2022 and the Statement of Recommended Practice: Accounting by registered social housing providers (SORP 2018). They are also responsible for safeguarding the assets of Squared and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

Squared continued to be affected by uncertainty from the regulatory environment, government economic policy and economic uncertainty. These include the direct and indirect impacts of; Brexit, Covid-19 pandemic as well as inflationary pressures due to the war in Ukraine and the recent increases in the Bank of England base rate.

Squared experienced a decline in trading performance in 2022/23, due to a number of reasons, such as an increase in the number of empty properties as well as an increase in arrears having to be written off, and the impact of the increase in loan interest rates.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Going Concern (continued)

This decline in trading performance resulted in a forecast breach in Squared's annual interest cover test at 31 March 2023. Since then, we have continued to work closely with our funders and advisors to agree a way forward. An independent business review has been carried out by external consultants to inform all stakeholders and aid us in reviewing our strategy.

This meant that sales proceeds of properties sold because they were uneconomical to repair were not able to be used to purchase new units and instead provided liquidity to service debt commitments.

Our main lender NatWest has been very supportive in;

- providing a covenant waiver for the interest cover test at 31 March 2023.
- providing a capital repayment holiday for £309.5K due in 26 June, until 15 February 2024.
- contributing £15K of financial support for the appointment of external consultants carrying out an Independent Business Review.

Following the bank's assessment of our business, NatWest has advised that they will work with us to agree the plan for a repayment of borrowing over the next 2 years by 15 February 2024.

The Board and Leadership Team are now working on a revised 5-year Business Plan for our lenders, based on performance in 2023-24 so far, taking conclusions and recommendations of the report into account. This will include repayment proposals to NatWest in accordance with their strategy due by 15 February 2024.

The existing 2-year forecast model adjusted case prepared by external consultants, demonstrates that Squared has adequate resources to continue to trade and repay loan interest and capital as they fall due for the next 2 years while we work with NatWest on replacing the existing loan facilities.

Squared has over 350 unsecured properties with a market value of £50m, some of which can be made available to secure the additional funding for re-investment in development programmes and future growth.

On this basis, the Board has a reasonable expectation that Squared has adequate resources to meet committed contractual expenditure and all known liabilities as they fall due and to continue in operation for the foreseeable future.

The Board continues to adopt the going concern basis for preparing the financial statements.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Internal Control

The Board acknowledges that it is responsible for the system of internal control within Squared and for reviewing its effectiveness. The Board recognises that such systems are designed to manage rather than eliminate risks of failure to achieve the business objectives of Squared. Such systems can only provide reasonable rather than absolute assurances against material misstatements or losses.

The process for identifying, evaluating and managing significant risks faced by Squared is ongoing and has been in place for the year under review, and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board and managed by the Management Team.

The Board has retained the management authority for reviewing the internal controls systems. The Board reviews policies regularly and a cycle has been established to ensure this regular review continues.

The following policies and procedures are in place to support the Board's assurance on internal controls:

- Code of governance
- Commitment made to "NHF Code of Integrity at Work" by each staff member
- Complaints
- Conflict of Interest
- General Data Protection Regulations
- Delegated Authorities
- Disciplinary, Grievance & Capability
- Disclosure & Barring Service
- FREDIE (Fairness, Respect, Equality, Diversity, Inclusion & Engagement)
- Financial Regulations
- Gifts and Hospitality
- Health & Safety
- Internal Fraud
- Probity and Propriety
- Programme of independent Internal Audit
- Risk Management
- Whistleblowing

An internal audit is carried out periodically by an independent organisation. The last review took place in March 2018.

The Board have not had to deal with any material internal control problems in the year. The Leadership Team would highlight such problems to the Board and an action plan for the Management Team to carry out would be agreed at Board level. There are no regulatory concerns currently outstanding with the Regulator of Social Housing and the Board is satisfied that the internal controls are constantly being reviewed to identify areas of improvement.

Risk

The Board accepts that no organisation can provide a service, and grow, without taking some risk. Therefore, on an annual basis, the Board reviews the risks faced by Squared, and is satisfied that the risk management is adequate and is continuously under review.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Governance

The Board adopted the NHF Code of Governance 2020 at the June 2021 board meeting. The Board considers that Squared meets the requirements of both the NHF Code of Governance and HCA governance and viability standard with the following minor exceptions:

- **Compulsory retirement of board members after 3 full terms (9 years).**

Two co-opted Board members have completed more than 9 years' service and have not retired at the following Annual General Meeting. The Board feels that the 9-year service rule is difficult for a small association to achieve without depleting the board of valuable skills and stability. The Board therefore intends to continue re-appointing longer-term members as co-optees for as long as it is of benefit to Squared. The Board continues to seek additional board members with appropriate skills and knowledge and the skills and commitment of long-standing Board members is valued along with the continuity and stability that this provides.

- **Strategy for board renewal**

The Board recruited 1 new member during the year. This recruitment provides a board member working for a larger housing association who has a wealth of experience in this business sector.

Marketing and Communications

Over the last year, our Marketing and Communications team has continued to develop their plans for a marketing programme to strengthen our organisation by raising our profile as an inclusive, caring, approachable, forward-thinking and lively organisation. As well as managing Squared's organisation-wide news and promotional activity, our Marketing and Communications team continue to work with our various teams to deliver their specific marketing and communications needs, to support our services and keep our customers updated and informed.

As part of the Luton Homeless Partnership, our team has supported the partnership by helping to communicate its messaging and activities through social media activity and also by contributing to content planning.

We are continuing to increase our digital footprint by utilising digital marketing to communicate with our customers and to raise our profile locally through social media platforms, video content, digital advertising, sponsored content and email. We are working with our wider teams to identify customer touchpoints in every service to explore digital communication solutions to improve communication and service efficiency for our customers, for example website bots to help support customers with their queries and questions.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Value for money (VfM)

The Value for Money (VfM) standard was issued by the Regulator of Social Housing (RSH) with effect from 1 April 2018. The standard requires that registered providers must:

- ✓ clearly articulate their strategic objectives.
- ✓ have an approach agreed by their board to achieving VfM in meeting these objectives and demonstrate their delivery of VfM to stakeholders.
- ✓ through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs.
- ✓ ensure that optimal benefits is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

Squared's vision is Inspiring Lives and our mission is to Place Customers at the heart of everything that we do by providing Homes Support and Opportunity.

Squared's strategic objectives for the next 5 years are;

- Growth of services.
- Achieve operational excellence.
- Improve asset management.
- Increase surplus.

Squared is committed to providing good quality, safe and secure homes that people want to live in. We will create spaces that give people the chance to live well and thrive. We will provide the right support services that people need. We will be guided by the principles of economy, effectiveness and efficiency at all levels within the business. Squared will be looking for additional loan funding and aim to get the best use of all of the resources available to us by investing in developments wisely and sustainably. We will identify older properties that are inefficient to repair/refurbish for sale, re-investing proceeds in newer properties to reduce repair costs.

By considering VfM within teams at all levels of the business, we will be able to provide high quality services to our residents at the lowest possible cost with the best possible outcomes. We will seek to maximise our income and minimise our costs. We will use the resulting operating surpluses to provide new homes, improve existing homes and provide services of genuine value to our residents and to the wider community.

Squared formally reviews its performance on VfM, including VfM metrics set up by RSH, comparing ourselves to our benchmarking peer group and reporting this to the Board annually.

Peer Group Benchmarking

Squared is a member of a benchmarking group Acuity London Group (ALG). Our performance data is submitted to SPBM (Skills and Projects Benchmarking Group) run by Acuity in partnership with House Mark. We monitor our performance with ALG because we recognise that some more useful insight can be gained from comparing ourselves with organisations operating in inner London boroughs of a similar size. Specialist benchmarking clubs offer the opportunity to meet with colleagues from similar organisations facing similar challenges to network, share ideas and to learn from each other.

The peer comparison results for our benchmarking group are published below with last year's results and future year's targets linked to our strategic objectives.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Peer Group Benchmarking

Growth of Services

During the year, there was no change in units as indicated. 2023-24 target will be met by the Belmont Road development of 9 additional supported hostel units.

METRIC	Prior Year 2021/22	Report Year 2022/23	Peergroup median 2022/23	Targets			
				2022/23	2023/24	2024/25	2025/26
New supply delivered (Social housing units) %	0.8	0	0.51	0	9	0	0
Reinvestment %	2.3	5.5	3.75	5	5	5	5

Achieve operational excellence

Our independent and anonymous star survey of all our tenants is taking place in 2023-24, which will be critical to inform us on satisfaction levels and possible improvements, with particular focus on the new Tenant Satisfaction Measure, recently introduced by the Regulator of Social Housing. Property Services team are not satisfied with the drop in targets recently and additional staff members have been recruited to assist in making the improvements required.

METRIC	Prior Year 2021/22	Report Year 2022/23	Peergroup median 2022/23	Targets			
				2022/23	2023/24	2024/25	2025/26
Repairs fixed on first visit	92	85	87.2	95	97	99	100
% emergency repairs completed within target	91	75	99.3	80	90	95	100
% non-emergency repairs completed within target	0	85	93.5	90	95	99	100

Improve asset management

Most of our asset management KPIs are favourable compared to the prior year although not when compared to our peer group. We are now using injunctions to resolve the difficulties with obtaining access to properties to carry out gas checks. Stock condition surveys of most of the owned properties have been carried out, information from which will inform our asset management strategy.

METRIC	Prior Year 2021/22	Report Year 2022/23	Peergroup median 2022/23	Targets			
				2022/23	2023/24	2024/25	2025/26
% Homes with EPC C or better	48	51	74.27	60	65	70	75
Percentage of gas safety checks completed	94	93	100	100	100	100	100
Repairs per unit	3.5	4.4	3.28	1	3	2	1
Gearing (RSH and Scorecard measure)	54	56	27.86	55	50	50	50

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Peer Group Benchmarking (continued)

Increase Surplus

We have experienced poorer income collection across all schemes due to an unusually high staff turnover post pandemic combined with difficulty recruiting and retaining staff. We increased wages by 5% in August 2022 in order to help existing staff weather the cost-of-living crisis while we continue the work to fill vacant posts and work with customers to improve these KPIs. This is partly the impact of the rules preventing evictions during the pandemic. We are working with our local authorities to access prevention and hardship funds for genuine cases, those who cannot pay, and issuing eviction notices for those customers who will not pay so we can reverse these trends and reduce the impact of increased homelessness in our community.

METRIC	Prior Year 2021/22	Report Year 2022/23	Peergroup median 2022/23	Targets			
				2022/23	2023/24	2024/25	2025/26
% void losses - GN	0.7	1.3	1.09	1	1	1	1
Ave re-let time - GN	47	100	36.08	80	75	70	65
Re-lets as % stock - GN	3	5	5	5	5	5	5
Void losses - HFOP	3.4	2.6	1.3	3	2.5	2	1.5
Ave re-let time - HFOP	32	74	38	70	60	50	40
Re-lets as % stock - OP	21	10	9.9	10	10	10	10
% void losses - Supported	20	10	5.72	9	8	7	6
Average re-let time - Supported	85	30	36.5	40	35	30	25
Ave days lost due to sickness absence	8.7	3.1	5.9	8	7	6	5
% rent collected - GN & HFOP	96.4	98.5	98.79	99	100	100	100
% rent collected - GN	96.5	97.6	99.38	99	100	100	100
Rent collected - Supported	67	93	97.7	98	99	100	100
Rent arrears net of unpaid HB - GN	8	7.5	5.18	7	6.5	6	5.5
Current tenant arrears - GN only	8.3	6.8	4	5	4	3	3
Current arrears - Supported	3.7	5.2	5.08	5	4	3	3
Former arrears - Supported	9.6	12.5	5.1	5	4	3	3
UC arrears as a percentage of total arrears	45	30	25.85	28	26	24	22
Former tenant arrears - GN only	3.2	4.4	1.15	3	3	3	3
Rent written off - GN only	1.1	0.2	0.1	1	1	1	1
Rent collected from current tenants - HFOP	94.6	94.3	97.6	95	96	97	98
Current tenant arrears - HFOP	8	7.5	3.41	4	4	4	4
Rent written off - HFOP	1.2	4.8	0.37	4	4	4	4
Former tenant arrears - HFOP	4.6	10	3.88	8	7	6	5

Value for Money and RSH

Financial performance has been challenging due to a combination of circumstances that we are working to resolve such as high loan interest rate and high inflation impacting labour and materials and almost all costs. Where possible, we have negotiated or tendered rates for responsive repair and planned investment works, and we are exploring the advantages of procurement frameworks particularly for material supply.

METRIC	Prior Year 2021/22	Report Year 2022/23	Peergroup median 2022/23	Targets			
				2022/23	2023/24	2024/25	2025/26
Cost per property of Housing Management	431	538	563	400	500	450	400
Cost per property of responsive repairs and void works	870	1504	1068	1400	1350	1300	1250
Cost per property - Major and cyclical works	427	1599	1590	500	1000	900	800
Overhead costs as a percentage of turnover	23	14	14	10	10	10	10
Operating margin (overall)	5	-13	20.9	3	5	8	10
Operating margin (social housing lettings)	35	33	23.64	25	25	25	25
EBITDA MRI (as a percentage of interest)	137	-225	166.9	100	110	120	130
Return on Capital Employed (ROCE) %	1	-1.28	2.55	2	2.5	3	3.5
Headline social housing cost per unit	3152	7426	6294.5	3000	7000	6500	6000

Key: GN – General Needs

HFOP – Housing for Older People

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Peer Group Benchmarking (continued)

Remedial action plan for 2023-24

- Void loss - appointment of new HMO Co-ordinator and updating roles within the team.
- Bad debts - working closely with customers to access prevention funds and hardship funds for genuine cases and applying to the court to evict customers who are unresponsive.
- Customer satisfaction - organising independent 3-yearly Star Survey and continuing regular internal quarterly survey to inform improvements and report on new TSMs introduced by the Regulator of Social Housing. Square have purchased CX-Feedback system to facilitate the surveys internally.
- Repair target times - appointment of new Property Services Manager and surveyor and re-structure of the team, increasing hours for roles and introducing new roles to ensure compliance and meeting repair targets.
- Gas Certificates - serve section 21 notices as soon as access is not gained at a property.
- We acknowledge a high management cost due to our Supported Housing and Coaching activities as well as making investments in new technology.
- Update all policies with new clearer layouts.
- Map processes organisation-wide to improve efficiency.
- Introduce new housing system MRI Housing Enterprise with integrated document management and finance system to improve efficiency and effectiveness of our activities.

Other VfM activities

Below there are some other financial metrics that are used to monitor the outcomes from our VfM activities.

Return on assets

	31 March 2023	31 March 2022
Tangible fixed assets	£28,187,932	£27,933,421
Surplus/(deficit) for the year	(£900,652)	(£4,435)
Return on Net Assets	-3.28%	-0.02%
Return on Capital Employed	-1.17 %	0.9%

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

REPORT OF THE BOARD (continued)

Ongoing VfM activities (continued)


Cost of delivering services

FINANCIAL RATIOS	31 March 2023	31 March 2022
Total borrowing to Net Worth (including acquisition costs)	0.59	0.56
Total borrowing to Net Worth (excluding acquisition costs)	0.96	0.86
Operating profit to Interest Payable	-1.64	0.98
Value of charged properties to outstanding debt	124%	132%

Value-for-money improvements during 2022-23

- Management programme took place for senior and junior managers.
- Ongoing review of organisation structure to ensure we have the right people with the right roles in place at Squared.
- Use of Virtual College online for e-learning. Saves approx. 75% of running face-to-face training sessions.
- Continued subscription to Perkbox/Perks at Work staff benefit scheme and staff incentive scheme as part of our investment in staff to improve retention and reduce staff turnover.
- Use of Workplace for internal communication, which is free for not-for-profit organisations. Usual cost would be £4 per person per month. Value for Money gain of £3,840 each year.
- Use of Networx system for recruitment, removes the need to purchase a separate candidate management system. Value for Money gain of £5k minimum annually.
- Carry out benchmarking to other similar organisations in order to compare, obtain new ideas and carry out improvements.
- Cleaning and Gardening Squared (CGS) social return on investment (SROI) from last year's budget (budget : social impact) indicates that for every £1 spend, 21p is used to create social impact for the community.
- PEx external client services income enables us to resource and operate with increased people management support to Squared.

By order of the Board of Management


.....
Glyn Early
Chair

Lynda Rees

.....
Lynda Rees
Secretary

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LUTON COMMUNITY ASSOCIATION LTD TRADING AS SQUARED**

Opinion

We have audited the financial statements of Luton Community Housing trading as Squared for the year ended 31st March 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Capital and Reserves and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that various factors including increased interest rates and high inflation affecting customers' ability to pay rent have lead to deficits impacting the Association's ability to meet liabilities as they fall due and the requirement to refinance the Housing Loans. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Association's ability to continue to adopt the going concern basis of accounting included evaluation of the 5 year Business Plan and review of the correspondence with the Association's Funder. Our key observations are that the Funder, although requiring the Loans to be refinanced, is continuing to support the Association by allowing the loans to be refinanced over a 2 year period and providing an overdraft facility. This support provides the Association with the time to make the changes set out in the Business Plan in particular the property sales.

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 of the Board, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LUTON COMMUNITY ASSOCIATION LTD TRADING AS SQUARED (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 need for our audit.

Responsibilities of the Board

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 83 of the Co-operative and Community Benefit Society Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Association and determined that the most significant are the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Co-operative and Communities Benefit Societies Act 2014, and the Housing and Regeneration Act 2008.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LUTON COMMUNITY ASSOCIATION LTD TRADING AS SQUARED (continued)

- We understood how the Association is complying with those frameworks via communication with those charged with governance, together with the review of the Association's documented policies and procedures.
- We assessed the susceptibility of the Association's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. These included risks associated with revenue recognition, application of accounting estimates and management override of controls, which were discussed and agreed by the audit team.
- Our approach included agreeing the Association's recognition of income to the terms of tenancy agreements, reviewing the assumptions used and controls applied in the calculation of accounting estimates, the review of journal entries processed in the accounting records and the investigation of significant and unusual transactions identified from our review of the accounting records.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the board members with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Association.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with 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 opinion we have formed.

Knox Cropper LLP

Knox Cropper LLP
Chartered Accountants and Statutory Auditor
65 Leadenhall Street
London
EC3A 2AD

Date 15/12/2023

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	2(a)	7,200,921	7,091,627
Operating costs	2(a)	(8,054,968)	(6,829,158)
Gain on property disposal		<u>532,159</u>	<u>-</u>
Operating (deficit)/surplus		(321,888)	262,469
Interest receivable and other income	5	246	24
Interest payable and similar charges	6	(579,010)	(266,928)
Deficit for the year		<u>(900,652)</u>	<u>(4,435)</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>(900,652)</u>	<u>(4,435)</u>

These financial statements were approved on **29 November 2023** and were signed by:

Lynda Rees

Secretary



Board member



Chair

The notes on pages 28 to 49 form part of these accounts.

A statement of movement in reserves is set out on page 27.

The results for both years are wholly attributable to continuing activities.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

STATEMENT OF FINANCIAL POSITION at 31 MARCH 2023

	Notes	2023 £	2022 restated £
Tangible fixed assets			
Housing properties	10	26,908,367	26,707,608
Investment properties	19	426,712	426,712
Intangible fixed assets	10	153,706	79,097
Other tangible fixed assets	10	699,147	720,004
		<u>28,187,932</u>	<u>27,933,421</u>
Current assets			
Debtors due within one year	11	1,657,501	1,102,847
Cash and cash equivalents		191,360	259,886
		<u>1,466,141</u>	<u>1,362,733</u>
Creditors: amounts falling due within one year	12	<u>(2,220,021)</u>	<u>(1,634,300)</u>
		<u>(2,220,021)</u>	<u>(1,634,300)</u>
Net current assets/liabilities		<u>(753,880)</u>	<u>(271,568)</u>
Total assets less current liabilities		<u>27,434,052</u>	<u>27,661,852</u>
Creditors: amounts falling due after more than one year	13	<u>(26,000,353)</u>	<u>(25,327,502)</u>
Total net assets		<u>1,433,699</u>	<u>2,334,351</u>
Capital and reserves			
Non-equity share capital	14	14	14
Revenue reserve		1,433,685	2,334,337
Total net assets		<u>1,433,699</u>	<u>2,334,351</u>

These financial statements were approved on 29 November 2023 and were signed by:

Lynda Rees

Secretary

[Signature]

Board member

[Signature]

Chair

The notes on pages 28 to 49 form part of these accounts.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2023

	Notes	2023 £	2022 £
Net cash generated from operating activities	17	96,839	374,020
Cash flow from investing activities			
Purchase of other fixed assets		(89,509)	(101,612)
Purchase of tangible fixed assets		(1,176,157)	(575,671)
Purchase of intangible fixed assets		(75,540)	(2,208)
Social Housing capital grant		-	3,660
Disposal Proceeds		681,385	94,006
Interest received		246	24
		(659,575)	(581,800)
Cash flow from financing activities			
Interest paid		(579,010)	(266,928)
New loan drawdown		1,000,000	500,000
Loan repaid		(309,500)	(309,500)
		111,490	(76,428)
(Decrease)/increase in cash		(451,246)	(284,208)
Cash and cash equivalents at start of the year		259,886	544,093
Cash and cash equivalents at end of the year		(191,360)	259,886

Analysis of changes in Net Debt

	Brought Forward 01/04/2022	Cashflows	Other non-cash Changes	Carried Forward 31/03/2023
Cash and cash equivalents	259,886	(451,246)	-	(191,360)
Borrowings				
Debt due within one year	(309,500)	-	-	(309,500)
Debt due after one year	(12,335,749)	309,500	-	(12,026,250)
	(12,645,249)	309,500	-	(12,335,750)
Total	(12,385,363)	(141,746)	-	(12,527,110)

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES for the year ended 31 MARCH 2023

	Share capital £	Restricted reserve £	Revenue reserve £	2023 Total £	2022 Total restated £
Reserves					
Balance at 1 April restated	14	-	2,334,337	2,334,351	2,338,786
Total comprehensive income for the year	-	-	(900,652)	(900,652)	(4,435)
Adjustment	-	-	-	-	-
Transfer between reserves	-	-	-	-	-
Balance at 31 March	14	-	1,433,685	1,433,699	2,334,351

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

1. Legal Status

Squared is incorporated in England and Wales under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority and is a registered provider of social housing within the Housing and Regeneration Act 2008. Squared is registered with The Regulator of Social Housing (RSH).

Squared's principal activities are stated in Report of the Board of Management on page 3.

Squared's registered office is Bramingham Business Centre, Unit B2, Enterprise Way, Luton, LU3 4BU.

2. Principal Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Squared's financial statements.

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards, "FRS102", the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Statement of Recommended Practice for Accounting by Registered Social Housing Providers (SORP 2018) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022 ("the Direction").

In accordance with FRS102 (3.3A), Squared is a public benefit entity that has applied the "PBE" prefixed paragraphs.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with Squared's accounting policies.

The financial statements are presented in sterling, which is the functional currency of the entity. Monetary amounts in the financial statements are rounded to the nearest £.

The principal accounting policies of Squared are set out on the following pages.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Going Concern

Assessment

In accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Board of Management have considered a period of 12 months from the date of signing of these financial statements and concluded that the use of the going concern assumption is appropriate, despite there being material uncertainties in the following areas;

- Recent deficits impacting ability to meet liabilities as they fall due
- High interest rates increasing cost base
- High inflation increasing cost base and reducing customers' ability to pay rent
- Requirement to refinance loans by funder

The current 5-year business plan outlines necessary painful decisions to increase income and cut costs, including detailed actions for Squared to get back into surplus within the next 2 years, with the support of our funders and production of a draft fall-back strategy early next year.

While the necessary actions are taking place, property sales will take place to generate sufficient cash to reduce the debt levels in preparation for refinancing, service debt and run operations until we are making the required surplus. Squared's overdraft facility of £450k will be in use at specific times during the next few years.

Uncertainties

Levels of interest rates and inflation in the future continue to be difficult to predict.

How quickly we can achieve property sales is also uncertain and we are working on a guide for most suitable properties, with high maintenance costs, smaller bedroom sizes that are attractive for sale, in the event that any of those are vacated.

Possible change in government within the next year could see changes in legislation that could have an impact on our plans.

The Board of Management has concluded that the use of the going concern is appropriate however there is a material uncertainty as set out above that may cast significant doubt on the entity's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

3. Principal accounting policies (continued)

Turnover

Turnover represents rental income receivable, supporting people income, fees and revenue grants receivable from local authorities (Luton Borough Council and Central Bedfordshire Council), and Public Health Luton. Supporting people income is made up of grants received from Luton Borough Council and revenue funding from Homes England.

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within the creditors in the balance sheet.

Service charge income is accounted for on the basis of the value of goods or services supplied in the previous period. Any over or under recovery of service charge amounts due is reflected in the service charge income in the following year.

Government capital grant received is amortised to income over the useful life of the structure of the property.

Fixed assets and depreciation

Housing properties are held for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less depreciation and impairment. Squared accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives. The particular components' useful economic lives when new are as follows and are capitalised at purchase cost:

Land	Infinite
Structure	100 years
Windows	30 years
Central Heating	15 years
Bathroom	30 years
Kitchen	20 years
Wiring	30 years
Roof	50 years

Where land cost is not known, an estimate is based on the matrix issued by the National Housing Federation using the Property Market Report from the Valuation Office.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Fixed assets and depreciation (continued)

Expenditure on items not separately identified as components is capitalised if it results in incremental future benefit, for example an increase in the net rental stream over the life of the property, and the carrying amount of any replaced components or part component is written off.

Unit B2, Birmingham Business Park

This property is used for administrative purposes and is also rented out to external local businesses. The part used for administrative purposes is classified as property, plant and equipment with depreciation on a straight-line basis over 100 years after deducting the land cost. The part rented out is classified as an investment property.

Properties in the course of construction are stated at cost and are transferred into housing properties when completed.

Other fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is charged to the Income Statement on an annual pro rata basis as follows:

	Rate	Basis
Office improvement works	4%	Over life of lease
Office/computer equipment	10%/33%	Straight line
Property fixtures & fittings	25%	Straight line
Motor vehicles	25%	Reducing balance
Website development	20%	Straight line

Investment property

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are initially measured at cost and subsequently at fair value. Revaluation surpluses and deficits are recognised as part of the income statement.

Intangible fixed assets

Intangible fixed assets are non-monetary assets without physical substance, which are measured at cost and will be written off as benefits are derived as follows:

	Rate	Basis
Software	10%	Straight line

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Government grant

Government grant is a grant from Homes England to reduce the capital cost of social housing developments.

Government grant comprises social housing grant, grant from local authorities and other government sources.

Capital grants received for housing properties are recognised in income over the expected life of the asset they have funded on a straight-line basis under the accrual model. The unamortised element of the government grant is recognised as deferred income in creditors.

Under most circumstances, if housing properties are disposed of, Social Housing Grant is repayable to the Homes England or subject to restrictions on use and included in the creditors "The Recycled Capital Grant Fund".

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes a specific future performance related condition on Squared is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Short term employee benefits

Pension costs

Squared contributes to a defined contribution pension scheme. Contributions are charged to the income and expenditure account in accordance with the rules of the scheme. Differences between contributions payable and those actually paid are shown as either accruals or prepayments in the balance sheet.

Holiday Pay

Holiday pay is accrued as services are rendered. Any differences are shown as either accruals or prepayments in the Statement of Financial Position.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Employee termination benefits

Where Squared has committed to pay employee termination benefits before the year end, those benefits are accrued in the current year.

Financial Instruments

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

Financial assets and liabilities comprise investments, trade and other debtors, cash and cash equivalents, trade and other payables and loans.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when, there exists a legally enforceable right to set off the recognised amounts and Squared intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Financial Instruments (continued)

Financial assets are derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled;
- Squared transfers to another party substantially all the risk and rewards of ownership of the financial asset; or
- Squared, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires. Squared does not use standalone derivative financial instruments to reduce exposure to interest rate movements.

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

Non-financial assets

Non-financial assets comprise tangible fixed assets. Squared's tangible fixed assets are assessed for impairment at each reporting date. Where indicators are identified, then an assessment is undertaken to compare the carrying amount of assets or cash-generating units for which impairment is indicated to their recoverable amounts. If there is objective evidence of impairment, an impairment loss is recognised immediately in the Statement of Comprehensive Income.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Impairment (continued)

Value in use represents the present value of the future cash flows expected to be derived from an asset or cash-generating unit, appropriately adjusted to account for any restrictions on their use. The assessment of value in use may involve considerations of the service potential of the assets or cash-generating units, provided the property concerned is being used for social housing and is in demand. Value in use for assets held for their service potential represents the depreciated replacement cost, being the most economic cost required to replace the service potential of the asset. Depreciated replacement cost is the lower of the cost of constructing or acquiring a replacement asset to provide the same level of service potential. The cost of acquiring a replacement asset could be either through purchasing an equivalent property on the open market or purchasing an equivalent property from another registered provider, providing there is considered to be an active market.

Where indicators exist for a decrease in impairment loss previously recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

Financial assets comprise trade and other debtors and cash and cash equivalents.

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

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

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Judgements and estimates

Impairment

From 1 April 2016, Squared has reduced social housing rents by one per cent per annum and although this came to an end in 2019/20, this was a trigger for impairment and a review was carried out accordingly.

As a result, in April 2016, we estimated the recoverable amount of its housing properties as follows:

- a) determined the level at which recoverable amount is to be assessed (i.e. the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme or building;
- (b) estimated the recoverable amount of the cash-generating unit by using fair value;
- (c) calculated the carrying amount of the cash-generating unit; and
- (d) compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme or building, using appropriate construction costs provided by a local architect. Comparing this to the carrying amount of each scheme, it was concluded that no impairment charge was required against our social housing properties.

Recoverable Amount

The recoverable amount of a scheme is the higher of its fair value less costs to sell and its value in use. Value in use for housing schemes which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. Depreciated replacement cost is the most economic cost required to replace the service potential of an asset. Construction costs provided by a local architect have been compared with EUV-SH and there is not considered to be any impairment of property.

Useful Lives

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the asset. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to circumstances which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing properties are disclosed above and include the useful economic life of property structure at 100 years and that properties have no residual values at the end of useful life.

These are conservative assumptions that have been aligned with general practice followed by registered housing providers.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Judgements and estimates (continued)

Basic versus other

Following a review in accordance with FRS102 (Section 11) all financial instruments are considered to be basic.

Bad debt provision

The trade debtors balance of £1,344,628 (2022: £1,124,558) recorded in Squared's statement of financial position comprises a relatively large number of small balances. All former tenant balances are provisioned in full and specific current tenant provisions are made where necessary following review by operational teams.

PLS handback provision

Held to cover cost of repairs upon hand back of property to a private landlord and reviewed annually. This provision is currently capped at £1,200, which is the average current financial exposure experienced following a review of the costs of repairing properties handed back to private landlords over the last year.

Valuation of investment property

After initial recognition in October 2015, investment property is measured at its fair value based on the valuation in April 2021 by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property valued. Management do not consider that there has been a material change to the value of the property since the valuation date.

Identification of housing property components

Housing property depreciation is calculated on a component-by-component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected, listed in the accounting policies fixed asset and depreciation section, are those which reflect how the major repairs to the property are managed.

Restricted reserves

There are no restricted reserves to report.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023 (continued)

2. Principal accounting policies (continued)

Operating leases

Rentals payable under operating leases are charged in the Statement of Comprehensive Income on a straight-line basis over the lease term.

VAT

Squared charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on expenditure to the extent that it is suffered by Squared and not recoverable from HM Revenue and Customs. The balances shown in these accounts are inclusive of VAT where applicable.

Capitalisation of interest

Interest on the mortgage or loan deemed to be financing a development is capitalised up to the date of practical completion of a housing scheme.

Supported Housing

The transactions incurred directly by managing agencies leasing our properties are not included in the financial statements.

Landlord Leasing Schemes

The property leases are taken out for durations of one, two or three years. The assets are not reflected in Squared's statement of financial position except for 48 units (2022: 43) which are owned.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

2(a) Turnover, operating costs and operating surplus

	2023			2022 restated		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
Notes	£	£	£	£	£	£
Social Housing Lettings	2 (b) 6,820,575	(6,677,368)	143,207	6,723,202	(6,119,684)	603,518
Other Social Housing Activities	380,346	(1,356,434)	(976,088)	368,425	(692,849)	(324,424)
Development overheads not capitalised	-	(21,166)	(21,166)	-	(16,625)	(16,625)
Total	7,200,921	(8,054,968)	(854,047)	7,091,627	(6,829,158)	262,469

Income for week 53 recognised in turnover in 2023 £Nil (2022: £Nil).

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

2(b) Particulars of income and expenditure from social housing lettings

	2023				2022			
	Supported Housing £	General Housing £	Private Leasing £	Total £	Supported Housing £	General Housing £	Private Leasing £	Total £
Income from social housing lettings								
Rent receivable net of identifiable service charges	1,033,761	2,045,025	1,575,860	4,654,646	212,076	1,982,409	2,287,205	4,481,690
Service charges receivable	1,261,325	153,333	-	1,414,658	448,297	132,648	790,982	1,371,927
Net rents receivable	2,295,086	2,198,358	1,575,860	6,069,304	660,373	2,115,057	3,078,187	5,853,617
Amortisation of government grant	35,465	118,841	-	154,306	43,059	118,869	822	162,750
Revenue grants receivable	271,487	-	-	271,487	309,186	-	-	309,186
Donations and other income	48,353	12,588	144,636	205,577	6,100	19,830	236,619	262,549
Fees from schemes managed by agents	119,901	-	-	119,901	135,100	-	-	135,100
Total income from social housing lettings	2,770,292	2,329,787	1,720,496	6,820,575	1,153,818	2,253,756	3,315,628	6,723,202
Expenditure on social housing letting activities								
Services	562,123	134,938	7,354	704,415	327,824	139,031	244,948	711,803
Management	1,380,944	750,564	659,014	2,790,522	770,901	929,945	954,874	2,655,720
Routine maintenance	173,398	269,899	82,608	525,905	42,411	247,013	236,047	525,471
Rent losses from bad debts	142,501	12,241	96,378	251,120	24,120	23,480	97,443	145,043
Major repairs expenditure	12,727	101,217	43,130	157,074	2,197	31,248	9,247	42,692
Depreciation of housing properties	78,606	324,331	19,374	422,311	62,446	319,107	42,238	423,791
Private Leasing Scheme - landlords' rent/incentive	451,948	-	1,374,073	1,826,021	-	-	1,615,164	1,615,164
Operating surplus on social housing letting activities	2,802,247	1,593,190	2,281,931	6,677,368	1,229,899	1,689,824	3,199,961	6,119,684
Rent loss from voids	(31,955)	736,597	(561,435)	143,207	(76,081)	563,932	115,667	603,518
	(350,754)	(31,323)	(39,634)	(421,711)	(183,595)	(19,600)	(169,575)	(372,770)

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

3	Key management personnel	2023 £	2022 £
	Expense payments made to the Board of Directors of the association	<u>348</u>	<u>465</u>
	Aggregate remuneration for key management personnel		
	Basic salary	195,150	178,412
	Benefits in kind	5,181	3,983
	Pension contributions	<u>51,028</u>	<u>43,697</u>
		251,359	226,092
	National insurance contributions	<u>23,674</u>	<u>20,486</u>
		<u>275,033</u>	<u>246,578</u>

Key management personnel have remained at 3 in the Leadership Team.

Emoluments of highest paid director, the Chief Executive (excluding pension contributions, including benefits in kind and excluding employers NI).	51,383	54,533
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Squared currently operates a Group Personal Pension Scheme which is funded by contributions from Squared and the individual. The Chief Executive is an ordinary member of the pension scheme, and Squared's contribution was 8% for the year, amounting to £10,839 (2022: £6,118).

Related party transactions

Squared purchased printing services valuing £5,874 (2022: £3,916) from Bartham Group, a company controlled by board member Mostaque Koyes.

4 Employee information

The average full-time equivalent (F.T.E.) of persons employed during the year, based on 37 hours per week, was:	2023 No.	2022 No.
---	-------------	-------------

Office staff	28	19
Residential staff, caretakers, maintenance workers and cleaners	<u>35</u>	<u>34</u>
	<u>63</u>	<u>53</u>

	2023 £	2022 £
Staff costs (for the above persons):		
Wages and salaries	2,002,920	1,681,648
Social security costs	176,634	140,180
Other pension costs	120,077	116,347
Redundancy payments	<u>23,067</u>	<u>32,558</u>
	<u>2,322,698</u>	<u>1,970,733</u>

Reduction in Wages and Salaries is linked to reduction in key management personnel and vacant posts

There were employees who earned more than £60,000 as follows	2023	2022
	Number of Employees	Number of Employees
Band		
£70,000 - £80,000	2	2
£60,000 - £70,000	<u>1</u>	<u>2</u>
	<u>3</u>	<u>4</u>

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

5	Interest receivable and similar income	2023 £	2022 £
	Interest on deposit accounts	<u>246</u>	<u>24</u>
6	Total Interest payable less interest capitalised		
	On bank loans, overdrafts and other loans:		
	Total Interest payable during the year	579,010	267,197
	Interest capitalised during the year	-	269
		<u>579,010</u>	<u>266,928</u>
7	Operating surplus	2023 £	2022 £
	Surplus on ordinary activities is stated after charging:		
	Depreciation	533,837	528,535
	Auditor's remuneration in their capacity as auditors (excl. VAT)	9,000	9,000
	Operating rentals - land and buildings	1,826,022	1,615,164
	Operating rentals - plant and machinery	<u>52,757</u>	<u>50,752</u>
8	Taxation		
	Squared has charitable model rules and its surpluses and gains are free from taxation provided that they are dealt with in accordance with the rules.		
9	Operating lease commitments		
	At 31 March 2023 Squared is committed to the total following minimum lease payments in respect of non-cancellable operating leases :		
		2023 £	2022 £
	Land and buildings		
	Within one year	1,722,605	1,566,905
	Expiring in two to five years	<u>1,212,225</u>	<u>1,398,770</u>
		£	£
	Plant and machinery		
	Within one year	52,757	50,752
	Expiring in two to five years	<u>80,810</u>	<u>124,053</u>

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

10a Tangible fixed assets

	Housing properties held for letting owned	Housing properties held for letting leased improvements	Housing properties currently under construction	Total Housing properties	Office Broomingham Head Office owned	Intangibles	Motor vehicles, fixtures & fittings & other equipment	2023 Total	2022 Total
	£	£	£	£	£	£	£	£	£
Cost									
At beginning of year	32,483,826	155,189	499,422	33,138,437	426,712	80,028	1,271,412	34,916,589	34,388,350
Additions to properties	142,775	-	870,576	1,013,351	-	75,540	89,509	1,178,400	484,991
Work to existing properties	162,806	-	-	162,806	-	-	-	162,806	194,500
Transfers	191,217	-	(191,217)	-	-	-	-	-	-
Disposals	(742,090)	-	-	(742,090)	-	-	-	(742,090)	(151,252)
At end of year	32,238,534	155,189	1,178,781	33,572,504	426,712	155,568	1,360,921	35,515,705	34,916,589
Depreciation									
At beginning of year	6,275,640	155,189	-	6,430,829	24,671	931	953,449	7,409,880	6,974,421
Charge for the year	423,470	-	-	423,470	3,717	931	106,649	533,837	529,466
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(190,162)	-	-	(190,162)	-	-	-	(190,162)	(94,006)
At end of year	6,508,948	155,189	-	6,664,137	28,388	1,862	1,060,098	7,754,485	7,409,880
Depreciated cost	25,729,586	-	1,178,781	26,908,367	398,324	153,706	300,823	27,761,220	27,506,709
Social Housing & Other Grants									
At the beginning of the year	12,654,507	-	-	12,654,507	-	-	-	-	-
Receivable during the year	-	-	-	-	-	-	-	-	-
Amortised in the year	(154,306)	-	-	(154,306)	-	-	-	-	-
Recovered in the year	128,212	-	-	128,212	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At end of year	12,628,413	-	-	12,628,413	-	-	-	-	-

The total Social Housing Grant received at the balance sheet date was £16,430,446 (2022: £16,430,446)

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

10a Tangible fixed assets (continued)

	Housing properties held for letting owned	Housing properties held for letting leased improvements	Housing properties currently under construction	Total Housing Properties	Office Bramingham Head Office owned	Intangibles	Motor vehicles, fixtures & fittings & other equipment	2023 Total	2022 Total
	£	£	£	£	£	£	£	£	£
Net book value At 31 March 2023	25,729,586	-	1,178,781	26,908,367	398,324	153,706	300,823	27,761,220	27,506,709
At 31 March 2022	26,208,186	-	499,422	26,707,608	402,041	79,097	317,963	27,506,709	

Cost	2,023 Total	2,022 Total
Housing properties comprise:		
Freehold	29,180,288	28,746,221
Long leasehold	4,392,216	4,392,216
	33,572,504	33,138,437

Additions to properties during the year included:
Administrative direct and indirect costs

During the year, £462,655 (2022: £278,137) was spent on existing housing properties held for letting.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

10b Housing Properties

	Land		Structure		Other Components		2023		2022	
	£	£	£	£	£	£	£	£	£	£
Cost										
At beginning of year	8,002,187	17,445,333	7,191,495				32,639,015		32,521,490	
Additions to properties	-	236,286	97,706				333,992		40,945	
Component replacements	-	-	162,806				162,806		194,500	
Disposals	(115,754)	(448,332)	(178,004)				(742,090)		(117,920)	
At end of year	7,886,433	17,233,287	7,274,003				32,393,723		32,639,015	
Depreciation										
At beginning of year	-	3,118,570	3,312,259				6,430,829		6,089,602	
Charge for the year	-	167,238	256,232				423,470		423,791	
Depn on disposal	-	(82,971)	(107,191)				(190,162)		(82,564)	
At end of year	-	3,202,837	3,461,300				6,664,137		6,430,829	
Net book value										
At 31 March 2023	7,886,433	14,030,450	3,812,703				25,729,586		26,208,186	
At 31 March 2022	8,002,187	14,326,763	3,879,236				26,208,186			

Under most circumstances, if housing properties are disposed of Social Housing Grant is repayable to Homes England or subject to restrictions on permitted use and included in the creditors within "The Recycled Capital Grant Fund".

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

11	Debtors	2023	2022
		£	£
	Amounts falling due within one year:		
	Rental debtors	1,344,628	1,124,558
	Less: bad debt provision	<u>910,428</u>	<u>(656,352)</u>
		434,200	468,206
	Other debtors:		
	Buildings Insurance	58,440	52,002
	Staff loans	-	330
	Others	1,164,861	582,309
		<u>1,657,501</u>	<u>1,102,847</u>

		2023	2022
		£	restated £
12	Creditors: amounts falling due within one year		
	Rents in advance	333,221	329,931
	Taxation and social security payable	46,207	172,380
	Loan capital repayable within one year (see note 13)	309,500	309,500
	Private Leasing repairs provision	285,297	261,567
	Pension	24,531	14,694
	Accruals and deferred income	584,337	341,769
	Purchase ledger control account	482,622	41,709
	Deferred Income - capital grants	154,306	162,750
		<u>2,220,021</u>	<u>1,634,300</u>

The 2022 taxation and social security payable balance has been restated to include VAT and PAYE liabilities relating to earlier periods.

13	Creditors: amounts falling due after more than one year	2023	2022
		£	£
	Deferred grants	11,841,939	12,491,753
	Loans	13,526,249	12,835,749
	Recycled Grant Liability	632,165	-
		<u>26,000,353</u>	<u>25,327,502</u>

Housing loans from banks and building societies are secured by specific charges on Squared's housing properties and are repayable at an average rate of interest of 4% (2022: 1.76%) in instalments due as follows:

Loan Maturity Analysis		2023	2022
		£	£
	Less than one year	309,500	309,500
	Between one and two years	619,000	619,000
	Between two and five years	928,500	928,500
	In five years or more	11,978,749	11,288,249
		<u>13,835,749</u>	<u>13,145,249</u>

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

14	Non-equity share capital	2023	2022
		£	£
	Allotted, issued and fully paid:		
	At beginning of year	14	14
	Added during the year	1	-
	Deducted during the year	(1)	-
	At end of year	<u>14</u>	<u>14</u>

Each member holds one share of £1 in Squared. The shares have limited rights.

They carry no entitlement to dividend, they are not repayable and do not participate in a winding up.

They carry an entitlement to vote at Squared's Annual and Special General Meetings.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

15	Capital commitments	2023 £	2022 £
	Expenditure contracted for but not provided	264,857	1,260,000
	Expenditure approved but not contracted	-	283,800
		<u>264,857</u>	<u>1,543,800</u>

Squared is able to fund the expenditure above due to recently negotiated loan funding and property sales

16	Property units in management	2023 No.	2022 No.
	General needs housing - Social	353	353
	General needs housing - Affordable	12	12
	Supported - Social	110	142
	Sheltered - Social	28	28
	Supported House of Multiple Occupation	159	172
	Private Leasing Scheme	42	43
	Luton Lets Squared Joint Venture	114	94
	Total properties in management	<u>818</u>	<u>844</u>

26 units are no longer managed, 23 due to property sales the remainder returned to landlords

150 HMO units (2022: 164) recategorised as Supported

	Property units owned	2023 No.	2022 No.
	General needs housing - Social	353	353
	General needs housing - Affordable	12	12
	Supported - Social	103	139
	Sheltered - Social	28	28
	Supported House of Multiple Occupation	44	38
	Private Leasing Scheme	4	8
	Luton Lets Squared Joint Venture	7	3
	Total properties owned	<u>551</u>	<u>581</u>

44 HMO units (2022: 38) recategorised as Supported

Properties owned and managed under the Luton Lets Squared Joint Venture are rented under an agreement with the local authority, Luton Borough Council.

LUTON COMMUNITY HOUSING LIMITED T/A SQUARED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2023 (continued)

17	Reconciliation of operating surplus to net cash inflow from operating activities		
		2023	2022
		£	£
	Operating (deficit)/surplus	(321,888)	289,597
	Depreciation of tangible assets	533,837	528,535
	(Gain)/loss on disposal of fixed assets or asset replacement	(514,090)	57,246
	Amortised grant received	(154,306)	(162,750)
	Other non cash changes	(150,632)	(92,843)
		<u>(607,079)</u>	<u>619,785</u>
	Working capital movements		
	Increase in debtors	(554,654)	(282,489)
	Increase in creditors	1,258,572	36,724
	Net cash inflow from operating activities	<u>96,839</u>	<u>374,020</u>

18	Deferred capital grant	Capital Grant Fund	Recycled Grant Fund	2023	2022
		£	£	£	£
	Aggregate amount received				
	At 1st of April 2022	12,817,257	-	12,817,257	12,636,096
	Additions	-	-	-	181,161
	Transfer	(503,953)	503,953	-	-
	At 31st March 2023	<u>12,313,304</u>	<u>503,953</u>	<u>12,817,257</u>	<u>12,817,257</u>
	Released to Income & Expenditure				
	At 1st of April 2022	(162,750)	-	(162,750)	-
	Released in the year	(154,306)	-	(154,306)	(162,750)
	Recovered in the year	-	128,212	128,212	
	At 31st March 2023	<u>11,996,248</u>	<u>632,165</u>	<u>12,628,413</u>	<u>12,654,507</u>

19	Investment Properties		
	Valuation	2023	2022
		£	£
	At 1 April 2022	426,712	426,712
	Additions	-	-
	Revaluation	-	-
	At 31 March 2023	<u>426,712</u>	<u>426,712</u>
	Net Book Value		
	At 31 March 2023	<u>426,712</u>	<u>426,712</u>
	At 31 March 2022	<u>426,712</u>	

The investment property was revalued in 2021. Management consider there to be no material difference in fair value between the date of acquisition and the reporting date.

Document Information

Document

Title	Squared Draft year end accounts to Mar23 post audit draft v6
ID	3e9627a4-89d7-4eaf-842f-ef7a9186ff4e
Status	Signed
Sender	Jacqueline Constantine (jacky.constantine@squared.org.uk)
Dept/business	Team at Squared
Dept/business ID	finance-team-at-squared
PDF Certified	True

Signers

Name	Authentication
Lynda Rees <lynda.rees@squared.org.uk>	Email
Simon Goodridge <simon.goodridge@knoxcropper.com>	Email

History

Event	Email	IP address	Date/Time
Squared Draft year end accounts to Mar23 post audit draft v6 created by Jacqueline Constantine	jacky.constantine@squared.org.uk	91.198.3.30	Fri, 15 Dec 2023 14:57:25 +0000
Squared Draft year end accounts to Mar23 post audit draft v6 emailed to Lynda Rees	jacky.constantine@squared.org.uk		Fri, 15 Dec 2023 14:57:26 +0000
Squared Draft year end accounts to Mar23 post audit draft v6 visited by Lynda Rees	lynda.rees@squared.org.uk	78.143.197.112	Fri, 15 Dec 2023 15:11:43 +0000
<lynda.rees@squared.org.uk> Ticked checkbox for statement: I confirm that I am authorised to accept the terms of this document.	lynda.rees@squared.org.uk	78.143.197.112	Fri, 15 Dec 2023 15:11:48 +0000
Browser geo-location provided: Lat 51.6726497, Long -1.5502922	lynda.rees@squared.org.uk	78.143.197.112	Fri, 15 Dec 2023 15:11:48 +0000
Ticked checkbox for statement: I understand that accepting the terms of this document creates a legally binding obligation.	lynda.rees@squared.org.uk	78.143.197.112	Fri, 15 Dec 2023 15:11:49 +0000
Signature applied (page 21)	lynda.rees@squared.org.uk	78.143.197.112	Fri, 15 Dec 2023 15:12:40 +0000
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Signature applied (page 26)	lynda.rees@squared.org.uk	78.143.197.112	Fri, 15 Dec 2023 15:12:54 +0000
Squared Draft year end accounts to Mar23 post audit draft v6 emailed to Simon Goodridge	jacky.constantine@squared.org.uk		Fri, 15 Dec 2023 15:12:56 +0000
Squared Draft year end accounts to Mar23 post audit draft v6 visited by Simon Goodridge	simon.goodridge@knoxcropper.com	109.151.194.77	Fri, 15 Dec 2023 17:52:40 +0000
<simon.goodridge@knoxcropper.com> Ticked checkbox for statement: I confirm that I am authorised to accept the terms of this document.	simon.goodridge@knoxcropper.com	109.151.194.77	Fri, 15 Dec 2023 17:52:47 +0000
Browser geo-location provided: Lat 51.401149, Long -0.250418	simon.goodridge@knoxcropper.com	109.151.194.77	Fri, 15 Dec 2023 17:52:47 +0000
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