



Empowering People Inspiring Communities Limited

Financial statements

For the year ended 31 March 2023

Charity Number: 1118644

Company Number: 3333405

Regulator of Social Housing Number: L4167

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Chair's Foreword

Whilst I was officially appointed as Chair in April 2023, I observed Board meetings and away days from February 2023 and had an extensive handover from the Chair, S Funnell who stepped down in March 2023.

The last year has seen many changes within EPIC, as the Board and Executive Team continued to respond to the Regulatory downgrade to G3 issued in August 2021. The Board and Interim Executive Team focused on delivering the Governance Recovery and Improvement Plan (GRIP) agreed with the Regulator and supported by Savills. The skills and experience of the Interim Executive Team along with the refreshed Board proactively ensured that the safety of tenants was front and centre, in a time of economic turmoil with rising inflation and supply chain challenges.

The delivery of the GRIP involved the recruitment and appointment of a permanent Chief Executive and Executive Team. This new team has been able to build on the work undertaken in the early part of 2022-23 and is now well-established. The Board took overall responsibility for matters relating to audit, risk and operations, as both the Audit & Risk Committee and the Operations Committee were collapsed.

The focus and delivery of the GRIP was driven by a Board Recovery Working Group (RWG) established in 2021. Key decisions undertaken included the creation of a Control Framework, encompassing, but not limited to, legal and regulatory context, refreshing and modernising the Articles of Association, Board and Committee structure and associated terms of reference, constitutional documents, corporate plan, financial regulations, risk management framework, safeguarding, equality and diversity and delegated authorities.

I must pay credit to the previous Chair, S Funnell and Vice Chair, P Lunio for their ongoing commitment and work with the Board and the Interim and permanent Executive Team in addressing the previous Regulatory failings and driving forward improvements in governance and systems of control within EPIC.

The main focus during the year has been to stabilise the business and regain a compliant rating of G2, which was formally confirmed by the Regulator on 31st May 2023.

In addition to my own appointment, an additional 3 Board Members were recruited to commence service in April 2023, one of which secured the post of Chair of the re-instated Audit and Risk Assurance Committee from April 2023.

The refreshed and strengthened Board has adopted the findings of the fundamental strategic review carried out in 2022, resulting in the Corporate Plan 2022-2025, with the vision: to be a good landlord.

Four strategic objectives were established:

- **SERVICES** – providing inclusive and accessible services meeting local and regulatory standards.
- **ASSET MANAGEMENT** – providing good quality & safe homes.
- **PEOPLE** – valuing & investing in our people to deliver desired outcomes.
- **GOVERNANCE** – operating as a well-governed, financially viable organisation and ensuring our services meet the required standards.

The Corporate Plan and related budget increase in our investment in staffing and our properties will enable us to provide services to meet the upcoming changes in the Consumer Standards as well as our existing commitments within the Economic Standards.

Simon Wilson

Chair

Board Members, Executive Officers, Company Information

Board Members		Date Joined/ Resigned	Other Committee Membership	Board Meeting Attendance		
				Attended No.	Total No.	% Attendance
Stephen Funnell	B Chair/RM	Apr 17/Mar 23	n/a	6(B)5(R)	6(B)5(R)	100%
Peter Lunio	Vice Chair	Sep 17	n/a	4	6	67%
Andrew Milroy	RM	Oct 18/Sept 22	n/a	2(B)5(R)	2(B)5(R)	100%(B)/ 100%(R)
Juliet Powell	TM	Nov 20/Sept 22	n/a	0	3	0%
Rob Emery	LA	May 20	n/a	6	6	100%
Robert Kent		Mar 20/Dec 22	n/a	1	3	33%
Nick Leggett		Mar 20	ARAC	5	6	83%
Rachel Challinor	R Chair	Oct 21	n/a	6(B)5(R)	6(B)5(R)	100%
Amandeep Jhawar		Nov 21	ARAC	4	6	67%
Dave Newmarch		Oct 21	n/a	4	6	67%
Colin Small		Nov 21	ARAC	4	6	67%
Simon Wilson	B Chair	Apr 23	n/a	n/a	n/a	n/a
Margaret Dodwell	A Chair	Apr 23	ARAC	n/a	n/a	n/a
Alun Bragg		Apr 23	ARAC	n/a	n/a	n/a
Jonathan Moore		Apr 23	n/a	n/a	n/a	n/a

Key:

B Chair *Board Chair*

A Chair *Audit and Risk Assurance Committee Chair (ARAC to commence in 2023-24)*

R Chair *Recovery Working Group Chair*

TM *Tenant Member*

LA *Local Authority Member – No longer relevant post-update of Articles of Association*

Board Members, Executive Officers, Company Information

Executive Officers

Chief Executive	T Johnson	Appointed 18.07.22
Interim Finance Director	D Glass	Appointed 01.06.21
Director of Corporate Services	D Glass	Appointed 26.07.22
Director of Housing	C Gleghorn	Appointed 30.08.22
Head of Business Support Services	K Heath	Appointed 08.08.22
Interim Director of Asset Management	J Mitchell	Appointed 14.02.22
Director of Asset Management & Building Compliance		Appointed 22.08.22
Changes		
Interim CEO	R Rance	Resigned 26.07.22
Interim Housing Director	L Clayton	Resigned 06.09.22

Company Information

Registered Office	131-141 Ubberley Road, Bentilee, Stoke on Trent, Staffordshire, ST2 0EF
Company Secretary	D Glass appointed 26.07.22 formerly R Rance until 26.07.22
Company No.	3333405
Charity No.	1118644
Regulator of Social Housing Registration No.	L4167
Auditor	Beever and Struthers, One Express, 1 George Leigh Street, Manchester M4 5DL
Bank	The Co-operative Bank plc, Birmingham Commercial Banking Centre, 118-120 Colmore Row, Birmingham, B3 3BA
Key lender	Triodos Bank, Deanery Road, Bristol, BS1 5AS

Report of the Board

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

Principal activities

Empowering People Inspiring Communities (EPIC) is a charitable registered provider of social housing and is administered by a Board of 11 members. We are a community-based housing association managing 1,384 homes predominantly in the Bentilee area of Stoke-on-Trent. The vast majority of our homes are for general social housing residents, but we also have 23 leasehold properties. Full details of the stock and tenure is shown in Notes 3 and 4 of these financial statements.

Board and governance

EPIC is governed by a Board who (up until March 2023) provided their time and commitment on a voluntary non-remunerated basis. The Board shall comprise of a minimum of 5 and a maximum of 12. The Board members who served during the period are shown on page 4, along with those appointed from April 2023.

Our Executive Officers are listed on page 4; they are not members of the Board. They act as an Executive within the authority delegated to them by the Board, as set out in the revised EPIC Control Framework. The remuneration of the Executive team, along with details of the highest-paid officer, is detailed in Note 7 of these financial statements.

The Board has ultimate responsibility for the governance of the Company. The Board's central role is to direct the organisation's work; that is to determine strategic direction and policies. The Board agrees policies and makes decisions on all matters that might create significant financial or other risk to the Company; or which raise material issues of principle. Management, that is the implementation of Board policies, is delegated to the paid staff.

Committee structure

The two former formal Committees, Operations Committee and Audit and Risk Committee, were both suspended in 2021/22 in response to the Regulatory regrade to G3 enabling the governance structure to be reviewed. The Audit & Risk Assurance Committee was reinstated in April 2023 with the recruitment of an external Chair who is also a Board Member.

In October 2021, a Recovery Working Group was appointed to oversee the delivery of the Governance Recovery & Improvement Plan (GRIP).

Meetings during the year ended 31 March 2023	
Board	6
Recovery Working Group	5

In addition to the Board meetings outlined above there were 2 and a half days of dedicated time for the Board to have more generative discussions in November 2022 and February 2023 to discuss and review progress against the corporate plan and focus on the Long-Term Financial Plan.

Report of the Board

There were also a number of sessions facilitated by Savills from July to September 2022 for the entire Board and Executive to participate in the creation of a revised risk appetite and risk framework.

In addition to the above, a small Board working party also met to discuss the detail of the rent increases prior to the recommendations of the Executive Team presenting the proposals to the wider Board.

Appointment of Board Members

Board members are appointed in a formal process and are formally appointed at the next relevant Board Meeting.

Board skills, quality & experience

Board members should collectively possess the qualities and skills to take decisions and monitor performance. Collectively the Board needs to bring experience and understanding of a broad range of topics including, but not limited to, finance, development, residents' issues and local housing need.

Board Code of Conduct

Board members have an obligation to ensure that their private or personal interests do not influence their decisions or compromise their ability to always act in the best interests of EPIC and those whom it seeks to serve. They must not use their position to obtain personal gain of any sort.

Regulatory Judgement/Regulatory Notice

Historical Background

During the year 2020-21 circumstances arose that resulted in a post-year-end referral to the Regulator of Social Housing whereupon EPIC was placed upon the Grading Under Review listing.

The final outcome of this review was published in late August 2021 and resulted in a regrade to G3.

Update 2022-23

The Interim Executive Team appointed in 2021-22 continued to work with the Board and Regulator following the establishment of the GRIP and Corporate Plan. A permanent Executive Team was successfully appointed and took up their posts between July and August 2022. The newly established Executive Team continued the relationship with Savills, and the Regulator and followed the plan to recruit and appoint a new Chair for the Board as part of the succession planning, and also a new Chair of the Audit & Risk Assurance Committee. Two further Board Members were also recruited at this time, and all attended as observers at Board meetings prior to their formal appointments in April 2023. The new Executive Team also collated and submitted the required evidence and data required by the Regulator to conduct a grading review.

All of the data and updates required by the Regulator were submitted by October 2022 to enable the Regulator to observe the Board meeting on 13th December 2022 and prepare a report for internal review by the Regulator in line with their processes.

Report of the Board

On 31st May 2023, we were informed that all of the work and improvements in relation to governance and management had resulted in an regrade from G3 to G2.

Internal controls assurance

The Board Acknowledges its overall responsibility for establishing and maintaining the whole system of internal controls at EPIC and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives, and to provide reasonable assurance against material misstatement or loss.

Through the implementation of the Governance Recovery and Improvement Plan (GRIP), established following the regrade to G3 and the creation of the Board Member-led Recovery Working Group, the Board has been central to the fundamental reviews and improvements enacted to the systems of control.

EPIC's memorandum and articles of association have been fundamentally reviewed and modernised to bring them in line with current practice within the sector. This culminated in the development of EPIC's Control Framework, which comprehensively details the following areas:

- Overview and orientation, including legal and regulatory context, composition of the Board and Committees, key stakeholders.
- Governance framework, including articles of association, mission, control framework and financial regulations, risk management, policies, and procedures.
- Control framework, including operational structure, staff ethics and culture and remuneration of Board and Executives.
- Financial delegations, including financial control, budgeting, financial planning, payments, payroll and pensions and insurance and all other relevant areas.

During the financial year 2022-23, a fundamental review of EPIC's approach to risk management was undertaken, facilitated with the support of Savills. The new framework was published in September 2022. The updated strategic risk register identifies the risks, and the potential and actual controls in place, with responsibility of each risk area and responsibility of key controls to individual post holders and records updates. The Executive Team provides regular updates to the ARAC.

Regular reporting to the Board on progress against the Corporate Plan, financial and operational outcomes, health and safety compliance and complaints monitoring.

Robust strategic and business planning processes with detailed budgets, assumptions, stress testing against a range of scenarios, with potential mitigations identified for deployment.

A program of internal audits is in place with annual updates from TIAA during 2022-23 on progress against outstanding audit recommendations. This has been further strengthened with the introduction of progress updates as a standing agenda item at every ARAC meeting.

A series of self-assessments have taken place and were submitted to the Regulator as part of the grading review, along with supporting documentation as evidence of progress. These included assessments against Consumer and Economic Standards, and the NHF Code of Governance 2015.

The Regulator formally regraded EPIC to a compliant rating of G2 in May 2023 after working closely with the Executive Team and the Board and reviewing all of the data submitted, further demonstrating / validating the improvements made by EPIC in respect to its Governance and its management of its system of internal controls.

The work undertaken throughout the year is as a result of a fundamental change to the leadership, structure, systems, controls, and processes put in place. This is further evidenced in the internal audit annual report for 2022-23 from the Head of Internal Audit, TIAA, which states:

Report of the Board

"TIAA is satisfied that, for the areas reviewed during the year, EPIC Housing has reasonable and effective risk management, control, and governance processes in place."

Continuous improvement and embedding all that has been achieved in 2022-23 will remain a core focus for 2023-24, along with working with the Board, Regulator of Social Housing, and staff to enhance and improve on service delivery and improvements to the quality of tenants' homes.

Donations

No donations were made during the year – Nil (2021: £nil).

Directors' insurance

EPIC's Board members and officers have personal liability insurance through the organisation's company insurance. Cover was in place throughout the year and no claims were made.

Provision of information to the Auditor

The members of the Board who were in the meeting on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the members of the Board have confirmed that they have taken all the steps that they ought to have taken as members of the Board in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditor

Beever and Struthers were re-appointed as auditor at the Board Meeting on 6th September 2022. They have confirmed their willingness to continue in office.

Approval

The report of the Board was approved by the Board on 21st September 2023 and signed on its behalf by:



Daniel Glass
Company Secretary

Strategic Report

What we do

EPIC were formed in 1998 following a stock transfer from Stoke-on-Trent City Council. Our vision is to be a good landlord. We offer houses, flats and bungalows for rent. We also offer a number of houses through our Rent-to-Buy scheme, where tenants can purchase their home, after a 5-year tenancy at a discounted rent. We acquired 4 shared-ownership properties from Bromford, and 1 has since bought the remaining share. We work closely with three local authorities and a range of other partners to ensure our housing helps meet the needs of local people.

Vision, Mission, Objectives and Beliefs

Our Vision

To be a good landlord.

Our Strategic Objectives

The Corporate Plan and strategy sets out EPIC's clear purpose, to be a good landlord, and our strategic objectives of:-

- **SERVICES** – providing inclusive and accessible services meeting local and regulatory standards
- **ASSET MANAGEMENT** – providing good quality & safe homes
- **PEOPLE** – valuing & investing in our people to deliver desired outcomes
- **GOVERNANCE** – operating as a well-governed, financially viable organisation and ensuring our services meet the required standards

Our Mission

Working to be a good landlord by:

- Providing quality housing services
- Providing homes that are building-safety compliant
- Providing an effective responsive repair service
- Providing a service developed with, and influenced by, our tenants
- Responding to our tenants' needs and feedback
- Working in partnership with local landlords and community service providers

What We Believe/Our Values

As a charity our values are intrinsic to how we go about doing business. Any financial surplus we make goes back into our services for the benefit of our tenants, ensuring we act in line with our charitable ethos. Our core values are:

- **Fairness:** We treat people equally and make decisions based on facts, not personal opinions.
- **Respect:** We treat people with respect, and act with courtesy.
- **Understanding:** We are empathetic, approachable and act professionally.
- **Integrity:** We are honest, dependable and do what we say we will.
- **Teamwork:** We work with our customers to ensure we deliver high-quality services. We believe that using our combined strengths makes us a better organisation.
- **Excellence:** We take pride in what we do, help others, are precise and accurate and strive to improve services.

Strategic Report

Value for Money

The Regulator of Social Housing Value for Money Standard and Code requires providers to report in their statutory accounts against the metrics defined by the Regulator. These metrics are defined in the 'Value for Money Metrics' document issued by the Regulator.

The table below details EPIC's performance against both the Value for Money Metrics as well as the Sector Scorecard indicators.

The main focus during 2022-23 has been on addressing the compliance and governance issues identified in 2021 and progressing EPIC towards recovery and a G2 grading. As such a number of the metrics have reduced including: gearing, EBITDA and ROCE. The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity and our score is favourable compared to the sector median. The level of gearing has decreased slightly as a result of the capital repayments; however, it remains considerably below the sector median. Our Headline Social Housing cost per unit has increased by over 24% as a result of the investment to make the required improvements to our homes and having increased staff resources but still remains lower than the sector median.

Value for Money Metrics					
	2021/22	2022/23	EPIC Forecast Target	Sector Median (all) 2021	Sector Median (all) 2022
Reinvestment % <i>This metric looks at investment in properties including existing stock and new stock. This is calculated as a percentage of value of total properties.</i>	24.0%	1.6%	1.0%	5.8%	6.5%
New supply delivered (social housing) as a % of total stock <i>This sets out the number of new social housing units that have been acquired or developed in the year as a proportion of total units.</i>	0.0%	0.0%	0.0%	1.3%	1.4%
New supply delivered (Non social housing) as a % of total stock <i>This sets out the number of new Non social housing units that have been acquired or developed in the year as a proportion of total units.</i>	N/A	N/A	N/A	N/A	N/A
Gearing % <i>This shows the proportion of our borrowing compared to our assets. A high gearing could indicate that we have taken on too much borrowing however low gearing could indicate that we have capacity to borrow more.</i>	29.3%	28.0%	30.8%	43.9%	44.1%
EBITDA – MRI (Interest Cover) <i>This shows how much cash the organisation is generating compared to interest payments. Any result above 100% means that we are generating surplus cash over and above interest payments</i>	337.3%	162.7%	236.3%	183.0%	146.0%
Headline social housing cost per unit (£) <i>The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator of Social Housing</i>	2,626	3,272	3,553	3,730	4,150
Operating Margin % Social Housing <i>This is an indicator of operating efficiency and business health as it measures the amount of surplus generated from turnover on our day to day activities</i>	18.1%	11.5%	10.1%	26.3%	23.3%
Operating Margin % Overall <i>This is an indicator of operating efficiency and business health as it measures the amount of surplus generated from turnover on our day to day activities</i>	17.8%	11.5%	11.2%	23.9%	20.5%
Return on capital employed (ROCE) % <i>This metric compares the operating surplus to total assets less current liabilities and assesses the efficient investment of capital resources</i>	2.0%	1.5%	1.2%	3.3%	3.2%

Please note that the forecast target included is derived from applying the calculation methodology to the Board approved forecast for 2022-23.

In line with our current strategy, we are not investing in any additional units at the current time, hence zero percentage in new supply.

Strategic Report

Other Metrics			
	Actual 2021/22	Actual 2022/23	Forecast Target 2022/23
Voids <i>This measure illustrates the % rent lost through empty (void) stock %</i>	1.49	1.44	1.74
Management cost per unit <i>This metric shows the cost per unit incurred in managing our properties £</i>	1,460	1,779	2,281
Service charge cost per unit <i>This metric shows the service charge cost per unit £</i>	103	123	127
Maintenance cost per unit <i>This metric shows the average maintenance cost per unit including responsive repairs and planned revenue repairs £</i>	892	892	639
Rent Arrears <i>This shows how % of rent arrears compared to rent charged %</i>	3.59	4.77	N/A
Rent Receivable <i>This shows how effective we are at collecting rents due %</i>	97.62	98.36	97.50

Whilst void costs are lower than the previous year, they are significantly higher than they would have been, as the Board and Executive decided not to let any voids in the six blocks impacted by the fire improvement works until all of the interim measures were in place reducing the risks to moderate.

The increase in management costs reflects the additional costs of delivering the GRIP, with the need for an interim Executive Team, third party support and advice and the recruitment of the new Executive Team, along with the impacts of inflation.

Financial review

The Statement of Comprehensive Income for the year ended 31 March 2023 and the Statement of Financial Position at 31 March 2023 are shown on pages 22 and 23. The key financial highlights for EPIC are as follows:

- The total comprehensive income for the year of £142,387 compares to £989,105 in 2021-22. This is significantly impacted by a negative swing in the actuarial valuation of the pension scheme deficit, from an actuarial gain of £450,436 in 2021-22 to an actuarial loss of £142,783 in 2022-23.
- The surplus for the year before pension adjustments reflects a fall from £538,669 in 2022 to £285,171 in 2023, a reduction of £253,498. Note 2 illustrates the movement in key operating areas.
- The key areas where costs have increased are:
 - Management costs are £464k higher than in 2021-22; this is mainly as a result of the costs associated with the interim Executive Team in the first part of 2022-23, the costs associated with recruiting the new Executive Team, and costs associated with delivering the Governance and Recovery Improvement Plan agreed with the Regulator.
 - Routine maintenance costs increased by £506k to £993k from £486k 2021-22. This reflects the identification and remedial costs associated with damp and mould and disrepair cases at circa £215k. Additional EICRs and remedial works of £154k, procurement and installation of CO alarms £31k, and as a result of the first full year of the 3-star gas service contract equating to an increase of circa £82k.
 - Major repairs were £242k; this incorporates the costs associated with the fire improvement measures in respect of compartmentation works. The Board approved the capitalisation of composite fire doors, so these costs are captured in the component costs within the statement of Financial Position. The costs in 2021-22 of £753k included the interim fire improvement works, including the installation

Strategic Report

of integrated alarms and waking watch to support a simultaneous evacuation policy in the blocks identified as requiring improvements.

- The bad debt charge increased by £100k to £169k, mainly due to the creation of a bad debt provision associated with tenant recharges in respect of repairs.
- Financing costs are broadly in line with last year at £520k, versus £529k in 2021-22. The loan note explains that all loans are fixed until 2030-31. Turnover of £5,721,678 versus £5,425,044 in 2022 represents a net increase of £296,634, which equates to 5.47%. This is as a result of the combination of the additional income from the Bromford stock acquired in May 2021 being under ownership for the full year, and the rent increase applied in April 2022 of 4.1%. Void losses were £82,558, which was slightly higher than in 2021-22 of £80,945.
- Based on the statement of comprehensive income, the operating surplus for the year of £806,058 equates to 14.09% of turnover, compared to 19.71% in 2022 when the operating surplus was £1,068,900. The decrease in operating margin is primarily as a result of the additional costs outlined above.
- The Statement of Financial Position shows an overall increase of £142k, from £28.46m to £28.6m. The main movements are outlined below:
 - Assets decreased by £504k as a net result of the depreciation charge in the year, net of the component acquisitions in the year.
 - Trade debtors reduced by £47k mainly due to an increase in tenant-related bad debt provision along with a reduction in prepayments.
 - The year-end cash and short-term investment position increased by £386k from £3.326m to £3.712m, as a result of the trading results.
 - Creditors less than 1 year increased by £190k mainly as a result of an increase in the year-end accruals to £823k from £468k in 2021-22, which was offset by trade creditors reducing from £221k in 2022 to £80k in 2022-23.
 - The amount related to creditors over 1 year decreased by £536k, mainly as a result of the capital repayments, and release of deferred capital grant, offset by an increase in the recycled capital grant fund provision.
 - The Provision for the pension deficit increased, reflecting the change in the actuarial valuation net of the pension deficit payments made during the year.
 - The surplus of £142k related to the trading results in 2022-23 accounts for the movement in reserves.

Funding and Treasury

In relation to funding and Treasury activity, our sole lender is Triodos. Our principal bank providing day-to-day transactional support is the Co-operative Bank PLC. As at 31st March 2023, arranged facilities were £19.3m, all of which was drawn by May 2021. All the total debt drawn is at fixed interest rates until 2031.

Following the Regulatory regrade to G3, we have worked closely with our funders, ensuring that they are fully informed of our recovery plans, the progress that we are making against these and the interactions we are having with the Regulator.

We fully complied with the 2 key loan covenants, and as at 31st March 2023 Interest Cover was 163% against a minimum 110% and Asset Cover was 139% versus a minimum of 125%.

Strategic Report

Whilst the long-term financial plan shows that we do not require any additional funding at the year-end, there were 680 units of unencumbered units of stock, subject to satisfactory gearing and interest cover providing approximate security headroom of MV-STT of £23.9m.

Treasury activities are controlled and monitored by the Board and are executed by the Corporate Services Director. EPIC's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance operations.

Future plans, risks and uncertainties

- The Board completed a comprehensive strategic review during 2021 and reset the corporate strategy. The focus in 2022-23 was on delivering the Governance Recovery and Improvement Plan that was agreed with the Regulator. We had our first meeting with the Operational Team at the Regulator for Social Housing in July 2023 as we have now transferred to their oversight following the regrade to G2. The Board and Executive are working in conjunction with Savills to complete and conduct an IDA-ready assessment, prior to formally requesting an IDA from the Regulator. We will be working closely with the Operational Team at the Regulator to ensure that we are ready prior to applying for the IDA.
- During 2021-22 the operational priority was to ensure full compliance with consumer standards and, importantly, safeguarding the health and safety of our tenants. This was highlighted as a key concern by the Regulator and extensive work was undertaken in the identified properties, namely 43 blocks that each contain six flats. The intermediate fire safety remediation actions were all completed by March 2022, reducing all risks to moderate. We are well advanced with the next phase of work to install appropriate fire-stopping doors and address the compartmentation issues and complete all of the outstanding fire risk assessment actions in 2023-24.
- The Audit and Risk Assurance Committee was re-established in April 2023 and the forward plan has been developed to align with the Committee's new terms of reference. The core tasks will be to manage the external internal audit program (which is focused / targeted at our key areas of risk), review progress against implementing internal audit actions, and undertake a series of deep dives, conduct comprehensive and regular reviews of the strategic risk register, receive, and review corporate health and safety, incidents of fraud and report back appropriately to the Board.
- A Governance and Remuneration Committee has been established from September 2023. in order to focus on key areas of improvement and feed into the Board with regards to employment matters including staff pay and governance.
- A Board-led working party has been established to review our Corporate Plan to identify potential changes for 2024 onwards. We have a two-day Board away day planned for November 2023 so that the Board can consider the future strategy in light of our regrading back to G2. Further time is allocated in February 2024 for the Board to consider the work on the revised corporate strategy.
- The Asset Team have continued to focus on our stock condition data. This will establish a prioritised formal stock investment program. Where we have identified gaps in the data a stock condition survey will have been carried out.
- The rate of inflation and cost-of-living crisis still remains a challenge and an ongoing risk to EPIC and our strategy. As such, extensive modelling will be undertaken including a range of stress-testing scenarios to model the potential impacts on the long-term financial plan, along with varying rates of inflation and incorporating potential rent caps, as part of the business planning cycle.

Strategic Report

- We have developed an interim ICT Strategy / Plan to ensure that our IT infrastructure is updated and that all core systems are updated to appropriate versions during 2023-24, with a view to improving the tenant experience, data integrity and increasing security and efficiency. We are working with a range of third-party suppliers to deliver these improvements.

The Governance and Financial Viability Standard

The Board and Executive have diligently worked with Savills and the Regulator to deliver the agreed Governance Recovery and Improvement Plan. Following the Regulator's formal publication on 31st May 2023 confirming our regrading back to G2, the Board can confirm compliance with the Governance and Financial Viability Standard. As outlined in the section on Regulatory Judgement / Notice EPIC is actively preparing for an IDA and will be approaching the Regulator later in the year, with a view to regaining a G1 rating.

National Housing Federation Code of Governance

The Board has adopted the National Housing Federation's "Code of governance: Promoting board excellence for housing associations (2015 edition)" at the meeting on the 25th January 2022. The Board considered an update in respect to compliance with the 2015 code at the meeting on 19th July 2022, and this formed part of the evidence for the regrading. Work is ongoing to adopt the 2020 Code of Governance, and this is incorporated into continuous improvement plans.

Statement of Board members' responsibilities

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

Registered Provider legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the Association will continue in business.

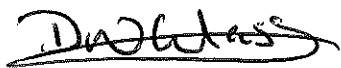
The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with Housing Association legislation. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Team are responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom

Strategic Report

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

Approved by the Board on 21st September 2023 and signed on its behalf by:



Daniel Glass
Company Secretary

Independent Auditor's Opinion

Opinion

We have audited the financial statements of Empowering People Inspiring Communities Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Board's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Board's report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained.

Responsibilities of the Board

As explained more fully in the Board's Responsibilities Statement set out on page 15-16, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Companies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.

Empowering People Inspiring Communities Limited
Financial Statements for the year ended 31 March 2023



- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud.
- We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing, recognising the nature of the company's activities and the regulated nature of the company's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls, we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Empowering People Inspiring Communities Limited
Financial Statements for the year ended 31 March 2023



Use of the audit report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

H. Knowles

Helen Knowles (Senior Statutory Auditor)
For and on behalf of
Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 27th September 2023

Statement of Comprehensive Income

		Year Ended 31 March 2023 £	Year Ended 31 March 2022 £
	Note		
Turnover	1,2	5,721,678	5,422,580
Operating costs	2	(5,065,063)	(4,457,983)
Gain on disposal of property, plant and equipment	21	149,443	104,303
Operating surplus		806,058	1,068,900
Interest receivable net of indexation of RCGF interest		(331)	(415)
Interest and financing costs	5	(520,557)	(529,817)
Surplus before taxation		285,170	538,668
Taxation		-	-
Surplus for the year after taxation		285,170	538,668
Other comprehensive income			
Actuarial gain/(loss) in respect of pension scheme	16	(142,783)	450,436
Total comprehensive income for the year		142,387	989,104

The results relate wholly to continuing activities and the notes on pages 26 to 43 form an integral part of these accounts.

Statement of Financial Position

	Note	As At 31 March 2023 £	As At 31 March 2022 £
Fixed assets			
Tangible fixed assets	9	50,557,168	51,060,911
Investments in subsidiary	10	1	1
		<u>50,557,169</u>	<u>51,060,912</u>
Current assets			
Trade and other debtors	11	441,833	489,065
Investments	12	13,658	13,608
Cash and cash equivalents	12	3,698,108	3,312,268
		<u>4,153,599</u>	<u>3,814,941</u>
Less: Creditors: amounts falling due within one year	13	<u>(1,743,063)</u>	<u>(1,554,069)</u>
Net current assets		<u>2,410,536</u>	<u>2,260,872</u>
Total assets less current liabilities		<u>52,967,705</u>	<u>53,321,784</u>
Creditors; amounts falling due after more than one year	14	<u>(23,870,628)</u>	<u>(24,407,094)</u>
Provisions for liabilities			
Pension – defined benefit liability	16	(491,000)	(451,000)
Total net assets		<u>28,606,077</u>	<u>28,463,690</u>
Reserves			
Revaluation reserve		9,121,346	9,426,346
Revenue reserve		19,484,731	19,037,344
Total Reserves		<u>28,606,077</u>	<u>28,463,690</u>

Company registration number 3333405.

The financial statements on pages 22 to 43, were approved and authorised for issue by the Board on 21st September 2023 and were signed on its behalf by:



S Wilson – Chair



D Glass – Company Secretary

Statement of Changes in Reserves

	Revenue Reserve	Revaluation Reserve	Total
	£	£	£
Balance at 31 March 2021	17,772,240	9,703,346	27,475,586
Surplus 2021/22	989,104	-	989,104
Right to Acquire Property Disposals (Reversal of Revaluation)	-	(1,000)	(1,000)
Transfer between reserves (excess depreciation)	276,000	(276,000)	-
Balance at 31 March 2022	19,037,344	9,426,346	28,463,690
Surplus 2022/23	142,387	-	142,387
Transfer between reserves (excess depreciation)	305,000	(305,000)	-
Balance at 31 March 2023	19,484,731	9,121,346	28,606,077

Statement of Cash Flows

	Note	Year ended 31 March 2023 £	Year ended 31 March 2022 £
Net cash generated from operating activities (see below)		1,839,921	3,361,292
Cash flow from investing activities			
Purchase of tangible fixed assets		(813,409)	(12,242,440)
Proceeds from sale fixed assets		336,000	400,000
Grants received		-	21,572
Interest received		1,311	118
Cash flow from investing activities		(474,017)	(11,820,750)
Cash flow from financing activities			
Interest paid		(520,557)	(529,817)
New secured loans		-	10,300,000
Repayment of borrowing		(457,378)	(447,296)
Subtotal		(977,936)	9,322,887
Net change in cash and cash equivalents		385,888	863,429
Cash and cash equivalents at beginning of the year		3,325,877	2,462,447
Cash and cash equivalents at end of the year	12	3,711,765	3,325,876
Cash flow from operating activities			
Surplus before taxation		285,171	538,668
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		1,129,277	1,065,851
Movement in bad debt provision		158,234	71,289
Movement in trade and other debtors		(111,002)	1,212,240
Movement in trade and other creditors		192,469	204,574
Pension costs less contributions payable		(113,783)	(84,564)
Adjustments for investing or financing activities:			
Surplus from the sale of tangible fixed assets		(152,702)	(108,041)
Government grants utilised in the year		(68,631)	(68,956)
Interest payable		520,557	529,816
Interest received		331	415
Net cash generated from operating activities		1,839,921	3,361,292

Reconciliation of Net Debt	At the Beginning of the Year £	Cashflows £	At the End of the Year £
Cash and Cash Equivalents	3,325,877	385,888	3,711,765
Housing Loans Due in 1 Year	(457,378)	(11,650)	(469,028)
Housing Loans Due After 1 Year	(17,750,399)	469,801	(17,280,598)
	(14,881,900)	844,039	(14,037,861)

Notes to the Financial Statements

Legal Status

Empowering People Inspiring Communities Limited is incorporated under the Companies Act 2006 as a company limited by guarantee without share capital and is registered with the Regulator of Social Housing in England as a Private Registered Provider as defined by the Housing and Regeneration Act 2008 and the Charity Commission.

Principle Accounting Policies

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018. The Association is a Public Benefit Entity and has applied the Public Benefit Entity Section of FRS102.

The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The accounts are prepared on the historical cost basis and are presented in sterling for the year ended 31 March 2023.

The financial statements have been prepared in compliance with FRS102.

(b) Going concern

The Association's financial statements have been prepared on a going-concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

(c) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Categorisation of housing properties**

The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that all property is held for social benefit.

- **Impairment**

Impairment is recognised where the carrying value of a cash-generating unit exceeds the higher of the net realisable value or its value in use. The Association has identified a cash-generating unit for impairment assessment purposes at a property unit level.

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash-generating unit is recognised by a charge to the Statement of Comprehensive Income.

Notes to the Financial Statements

Principle Accounting Policies (continued)

- **Impairment (continued)**

Following a trigger for impairment, impairment tests are performed based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash-generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property.

The cash flows are derived from the Long-Term Financial Plan and do not include restructuring activities that the association is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Following the assessment of impairment, no impairment losses were identified in the reporting period.

- **Development expenditure**

The Association capitalises development expenditure in accordance with the accounting policy described on page 29. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

- **Pension and other post-employment benefits**

Until May 2016 staff were on various Social Housing Pension Schemes (SHPS), depending on when they joined the organisation. This included a final salary scheme, career average earnings and defined contribution. The final salary scheme and career average earnings both defined benefit schemes (DB) schemes closed in May 2016. We continue to have liabilities related to the DB schemes and are paying deficit payments as required by SHPS. The pension scheme offered from May 2016 is a defined contribution (DC) scheme. There are no ongoing liabilities to the DC scheme.

The minimum contribution levels set by law effective from April 2019 are as follows:

5% Employer contribution, 3% Employee contribution, 8% Total contribution. Employees can opt to contribute over and above 3%.

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for

Notes to the Financial Statements

Principle Accounting Policies (continued)

quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high-quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in Note 16.

(d) Other key sources of estimation and assumptions

- **Tangible Fixed Assets**

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

(e) Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and for its investment function Homes England, and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for letting, net of voids.

(f) Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. Where variable service charges are used, the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long-term creditors.

(g) Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

- **Loan finance issue costs**

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Notes to the Financial Statements

Policies (continued)

(h) Taxation

The Association gained charitable status on 2 April 2008 and therefore its general activities fall outside the scope of the United Kingdom Taxation legislation. The Association is exempt for VAT purposes.

(i) Housing properties

Tangible fixed assets are stated at deemed cost or cost, less accumulated depreciation. The Association has elected to use a previous GAAP valuation of the housing properties as deemed cost on transition to FRS102.

All properties and land are freehold. Freehold land held for development is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UEls), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UEls for identified components are as follows:

	Years
Housing Structure	100
Roof	60
Windows	25
Bathrooms	30
Kitchens	20
Boilers	15
Heating Distribution Systems	30
Electrical Rewires	30
Solar panels	25
Composite Doors	30

Other Tangible Fixed Assets

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
Freehold Offices	50
Office furniture	10
Office equipment	4
Tools and equipment	2
Computer equipment	2-5

The Association has elected to use a previous GAAP valuation of the freehold offices as deemed cost at transition to FRS102 in 2016.

(j) Capitalisation of interest and administration costs

No interest or administration costs are capitalised. There is potential to capitalise administration costs if directly attributable to development.

Notes to the Financial Statements

Principle Accounting Policies (continued)

(k) Property managed by other parties

Where the Association carries the majority of the financial risk on property managed by other parties, income arising from the property is included in the Statement of Comprehensive Income Account.

The assets and associated liabilities are included in the Association's Statement of Financial Position.

(l) Leasing

Payments for operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(m) Investments

Investments held in subsidiaries are stated at cost less accumulated impairment and are included in fixed assets. Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

(n) Short-term debtors and creditors

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

(o) Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as turnover.

(p) Social housing grant and government grants

Where acquisitions have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model.

SHG must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable and, in that event, is a subordinated unsecured repayable debt.

(q) Non-monetary government grant

On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is amended and included as income in the Statement of Comprehensive Income.

(r) Recycling of capital grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Notes to the Financial Statements

Principle Accounting Policies (continued)

(s) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

(t) Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The Association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multi-employer pension scheme, and defined contribution scheme administered by TPT Retirement Solutions ('TPT').

The deficit payments related to the Defined Benefit, final salary scheme is charged as a management expense, in line with the SHPS deficit repayment plan.

(u) Reserves policy

The Association is able to freely utilise the revenue reserves to further its objectives. In line with our approved Business Plan, we are currently utilising our reserves for improving our existing stock. When reviewing any opportunities, we need to ensure that whilst fulfilling the Association's objectives and aims that they are also financially viable in the longer term.

(v) Financial instruments

All loans held by the Association are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially; and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted.

Financial Assets

Trade and Other Debtors

Trade and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment loss.

A provision for impairment of trade debtors is established where there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Comprehensive Income for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Comprehensive Income.

Financial Liabilities

Trade and Other Creditors

Trade and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price less any amounts settled.

All loans held by the Association are classified as basic financial instruments in accordance with FRS102.

Notes to the Financial Statements

1 Turnover, cost of sales, operating expenditure and operating surplus

2023

	Turnover £	Cost of sales £	Operating expenditure £	Operating surplus £
Social housing lettings (note 2)	5,721,678	-	5,065,063	656,615
Activities other than social housing	-	-	-	-
Total	5,721,678	-	5,065,063	656,615

2022

	Turnover £	Cost of sales £	Operating expenditure £	Operating surplus £
Social housing lettings (note 2)	5,422,580	-	4,457,983	964,597
Activities other than social housing	-	-	-	-
Total	5,422,580	-	4,457,983	964,597

Notes to the Financial Statements

2 Turnover and operating expenditure

	2023 £	2022 £
Income		
Rent receivable net of identifiable service charges	5,495,755	5,198,283
Service charges income	157,292	157,806
Net rental income	5,653,047	5,356,089
Sundry income	-	(2,465)
Total turnover from social housing lettings	5,653,047	5,353,624
Amortised government grants (Note 15)	68,631	68,956
Turnover from social housing lettings	5,721,678	5,422,580
Operating expenditure		
Management	2,462,389	1,998,135
Service charge costs	169,636	141,636
Routine maintenance	992,546	486,171
Major repairs expenditure	242,027	753,353
Movement in Bad debt provision	168,979	68,232
Depreciation of housing properties	1,029,486	1,010,456
Operating expenditure on social housing lettings	5,065,063	4,457,983
Operating surplus from social housing lettings	656,615	964,597
Void rental losses	82,558	80,945

3 Accommodation owned, managed and in development

	No. of properties		No. of properties	
	Owned	Managed	Owned	Managed
	2023	2023	2022	2022
Social Housing				
Under Management at the end of the year:				
General needs housing – Social Rent	1,102	-	1,106	-
– Affordable Rent	172	-	170	-
– Intermediate	87	-	89	-
– Leasehold	23	-	20	-
– Shared Ownership	3	-	3	-
General needs housing – Under Construction	0	-	1	-
	1,387	-	1,389	-

4 Accommodation managed by others

EPIC owns property managed by other bodies.	No of properties	No of properties
	2023	2022
General needs – Social Rent	20	20

Notes to the Financial Statements

5 Interest and financing costs

	2023	2022
	£	£
Deferred benefit pension charge	11,000	20,000
Amortisation of Loan arrangement fees	17,524	24,212
Loan interest payable	492,033	485,605
	520,557	529,817

6 Surplus on ordinary activities

	2023	2022
	£	£
The operating surplus is stated after charging/(crediting):-		
Annual audit of the Association's financial statements	28,458	19,152
Fees payable to the auditor for other services to the Association:		
Taxation compliance services	-	540
Operating lease rentals – Office equipment	1,373	-
Depreciation of housing properties	987,352	978,734
Depreciation of other fixed assets	99,791	55,395
Amortisation of grant	(68,631)	(68,956)

7 Key Management Personnel

	2023	2022
	£	£
The aggregate emoluments paid to or receivable by Directors and the executive management team	253,285	398,345
The pension contributions paid to the key management personnel	12,061	13,461
The emoluments paid to the highest-paid Director excluding pension contributions	74,725	116,482

The Chief Executive is an ordinary member of the pension scheme. The pension scheme offered from May 2016 was a defined contribution scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by EPIC of £3,173 (2022: £1,432) was paid in addition to the personal contributions of the Chief Executive.

Key Management Personnel are defined as the members of the Board and Executive Team.

Notes to the Financial Statements

8 Employee information

The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:

	2023 No.	2022 No.
Office staff	22	18
Wardens, caretakers and cleaners	1	1
Total employees	23	19
	£	£
Staff costs		
Wages and salaries	882,095	639,903
Social security costs	86,773	62,752
Other pension costs (Defined benefit & defined contribution)	47,390	37,879
Total Employee Costs	1,016,258	740,534

Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the year

	No.	No.
£60,001 to £70,000	1	1
£70,001 to £80,000	1	-
£80,001 to £90,000	-	-
£110,001 to £120,000	-	1
£120,001 to £130,000	-	-
£230,001 to £240,000	-	-

Notes to the Financial Statements

9 Tangible fixed assets

	Social Housing Properties Completed £	Social Housing Properties Not Completed £	Land £	Freehold offices £	Office Furniture and equipment £	Total £
Cost or valuation						
At 31.3.22	59,177,722	75,237	50,000	188,046	527,178	60,018,183
Revaluation	-	-	-	-	-	-
Additions						
Properties	76,305	-	-	-	65,910	142,215
Additions						
Components	671,193	-	-	-	-	671,193
Component						
Replacements	(101,734)	-	-	-	-	(101,734)
Property						
Disposals	(215,727)	-	-	-	-	(215,727)
Transfer to						
Completed	75,237	(75,237)	-	-	-	-
Disposals	-	-	-	-	(588)	(588)
At 31.3.23	59,682,996	-	50,000	188,046	592,500	60,513,542

Depreciation / impairment						
At 31.3.22	8,473,749	-	-	18,185	465,338	8,957,272
Charge for year	987,352	-	-	3,514	96,277	1,087,143
Components						
replaced	(37,811)	-	-	-	-	(37,811)
Property						
Disposals	(49,642)	-	-	-	-	(49,642)
Disposals	-	-	-	-	(588)	(588)
At 31.3.23	9,373,648	-	-	21,699	561,027	9,956,374

NBV 31.3.23 **50,309,348** - **50,000** **166,347** **31,473** **50,557,168**

NBV 31.3.22 50,703,973 75,237 50,000 169,861 61,840 51,060,911

	2023	2022
	£	£
Components capitalised	671,192	218,231
Amounts charged to expenditure	242,026	753,353

Notes to the Financial Statements

10 Fixed asset investments

	2023	2022
	£	£
At 31.3.22	1	1
Additions in the year	-	-
At 31.3.23	1	1
Net book value 31.3.23	1	1
Net book value 31.3.22	1	1

The Company owns 100% of the issued share capital of EPIC Regeneration Services Limited, a company incorporated in England and Wales. This Company has aggregate capital and reserves of £1 and has been dormant since incorporation.

Under the provision of section 371 of the Companies Act 2006 the Association is exempt from preparing consolidated accounts and has not done so. Therefore, these accounts show information about the Association as an individual entity.

11 Trade and other debtors

	2023	2022
	£	£
Rent arrears	269,871	192,435
Less: provision for bad debts	(242,463)	(169,695)
Other debtors	75,211	113,105
Prepayments and accrued income	339,214	353,220
Total	441,833	489,065

All debtors are due within one year.

12 Cash and cash equivalents

	2023	2022
	£	£
Money market investments	13,658	13,608
Cash at bank and in hand	3,698,108	3,312,268
Total	3,711,766	3,325,876

Included in the above is £105,489 (2022:£103,134) held on trust for Leaseholders.

13 Creditors: amounts falling due within one year

	2023	2022
	£	£
Trade creditors	79,100	221,470
Deferred capital grant (Note 15)	68,631	68,956
Rents and service charges paid in advance	197,581	234,452
Service charge balances held on behalf of leaseholders	105,489	103,135
Accruals and deferred income	823,234	467,574
Loans and overdrafts	469,028	457,378
Other creditors	-	-
Total	1,743,063	1,552,965

Loans are secured by housing properties, see note 23.

Notes to the Financial Statements

14 Creditors: amounts falling due after more than one year

	2023	2022
	£	£
Deferred Capital Grant (Note 15)	6,398,471	6,499,277
Loans	17,280,598	17,750,399
Recycled Capital Grant Fund	191,559	157,418
Total	23,870,628	24,407,094

Loans are secured by housing properties, see Note 23.

15 Deferred capital grant

	2023	2022
	£	£
At 31.3.22	6,568,232	6,655,616
Grant received in the year	-	21,572
Grant transferred Re Property Disposals	(32,500)	(40,000)
Amortised in the year	(68,631)	(68,956)
At 31.3.23	6,467,101	6,568,232
Amount due to be released in less than 1 year	68,631	68,956
Amount due to be released after 1 year	6,398,470	6,499,276
Total	6,467,101	6,568,232

16 Provision For Liabilities – Social housing pension scheme

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK and administered by TPT Retirement Solutions.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m (2017 – £1,522m). A Recovery Plan has been put in place with the aim of recovering this deficit by 30 September 2028.

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

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

Notes to the Financial Statements

Fair value plan of assets , present value of defined benefit obligation and defined benefit asset/(liability)

	2023	2022
	£'000	£'000
Fair value of plan assets	2,249	3,552
Present value of defined benefit obligation	2,740	4,003
(Deficit)/surplus in plan	(491)	(451)
Unrecognised surplus	-	-
Defined benefit (liability)/asset to be recognised	(491)	(451)

Reconciliation of opening and closing balances of the defined benefit obligation

	2023	2022
	£'000	£'000
Defined benefit obligation at start of period	4,003	4,109
Current service cost	-	-
Expenses	4	4
Interest expense	111	90
Member contributions	-	-
Actuarial losses (gains) due to scheme experience	183	272
Actuarial losses (gains) due to changes in demographic assumptions	(5)	(58)
Actuarial losses (gains) due to changes in financial assumptions	(1,536)	(360)
Benefits paid and expenses	(20)	(54)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	2,740	4,003

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

	2023	2022
	£'000	£'000
Fair value of plan assets at start of period	3,552	3,143
Interest income	100	70
Experience on plan assets (excluding amounts included in interest income) – gain (loss)	(1,498)	305
Employer contributions	115	88
Member contributions	-	-
Benefits paid and expenses	(20)	(54)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	2,249	3,552

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was £1,398,000.

Notes to the Financial Statements

Defined benefit costs recognised in the statement of comprehensive income (SOC1)

	2023 £'000	2022 £'000
Current service cost	-	-
Expenses	4	4
Net interest expense	11	20
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in Statement of Comprehensive Income (SOC1)	15	24

Defined benefit costs recognised in other comprehensive income (SOC1)

	2023 £'000	2022 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	(1,498)	305
Experience gains and losses arising on the plan liabilities – gain (loss)	(183)	(272)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	5	58
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)	1,536	360
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	(140)	451
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	-	-
Total amount recognised in Other Comprehensive Income – gain (loss)	(140)	451

Notes to the Financial Statements

Assets

	2023	2022
	£'000	£'000
Global Equity	42	682
Absolute Return	24	143
Distressed Opportunities	68	127
Credit Relative Value	85	118
Alternative Risk Premia	4	117
Fund of Hedge Funds	-	-
Emerging Markets Debt	12	103
Risk Sharing	166	117
Insurance-Linked Securities	57	83
Property	97	96
Infrastructure	257	253
Private Debt	100	91
Opportunistic Illiquid Credit	96	119
High Yield	8	31
Opportunistic Credit	-	13
Cash	16	12
Corporate Bond Fund	-	237
Liquid Credit	-	-
Long Lease Property	68	91
Secured Income	103	132
Liability Driven Investment	1,036	991
Net Current Assets	6	10
Currency Hedging	4	(14)
Total assets	2,249	3,552

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	2023	2022
	% per annum	% per annum
Discount Rate	4.83%	2.78%
Inflation (RPI)	3.16%	3.47%
Inflation (CPI)	2.81%	3.14%
Salary Growth	3.81%	4.14%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	2023	2022
	Life expectancy at age 65	Life expectancy at age 65
	Years	Years
Male retiring in 2023	21.0	21.1
Female retiring in 2023	23.4	23.7
Male retiring in 2043	22.2	22.4
Female retiring in 2043	24.9	25.2

Notes to the Financial Statements

17 Capital commitments

The table below shows the financial implications and sources of funding to deliver the signed contracts with Homes England.

	2023 £	2022 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	335,000	10,773,433
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	-
Capital commitment	335,000	10,773,433

EPIC expects these commitments to be financed with:

Triodos loan facilities	-	10,300,000
Social housing grant (in line with spend)	-	-
Internally generated resources (revenue reserve)	335,000	473,433
Total	335,000	10,773,433

18 Contingent liability

If EPIC were to withdraw from all forms of the Social Housing Pension Scheme it has been calculated that our debt on withdrawal as at 30th September 2021 would be £2,839,599. We have no plans to exit from the scheme at the present time.

19 Grant and financial assistance

	2023 £	2022 £
Total accumulated SHG received or receivable at 31 March:		
Held as deferred capital grant	6,863,114	6,895,614
Total	6,863,114	6,895,614

20 Related parties

The Board, as at March 2023, has no Tenant Board members. As at March 2022 there was a Tenant Board member and the rent charged to the Tenant Board member to March 2022 was £3,298. There was a balance owing on the account as at March 2022 of £353.20.

21 Surplus on disposal

Two houses and three flats have been sold in the current financial year under the Right to Acquire (RTA) and Right to Buy (RTB).

	2023 £	2022 £
Sale Proceeds	336,000	400,000
Less:		
Associated selling fees	(2,671)	(3,738)
Write off cost (NBV)	(183,886)	(291,959)
Surplus on disposal	149,443	104,303

Notes to the Financial Statements

22 Recycled capital grant fund

	2023	2022
		£
Opening balance of fund	157,418	91,885
Inputs/Withdrawals	32,500	65,000
Interest Accrued	1,642	533
At 31.3.23	191,560	157,418

23 Loans

At the financial year end, EPIC had drawn down a total of £19.3m. The loans are secured against EPIC Housing's stock, over a 25-year term, and are on a fixed-interest basis.

	2023	2022
	£	£
Maturity of debt		
In less than one year	469,028	457,378
In more than one year but less than two years	483,010	469,027
In more than two years but less than five years	1,595,040	1,685,975
In greater than five years	15,202,547	15,595,397
Total	17,749,625	18,207,777

24 Interest rate risk and exposure

As at 31st March 2022 the following amounts were drawn down and had been fixed on 20th March 2020:

Facility 1 – £4,533,576.98 – 2.553% – Fixed until 20/03/2030

Facility 2 – £3,821,496.49 – 2.653% – Fixed until 20/03/2030

The additional drawdown of £10.3m in April 2021 was also fixed for a period of 10 years:

Facility 3 – £5,000,000 – 2.779% – Fixed until 21/04/2031

Facility 4 – £5,300,000 – 2.879% – Fixed until 21/04/2031 (Interest only until April 2026)

EPIC Treasury Management & Investment Policy sets out that when looking at any aspect of interest rate exposure, it is important to remember that overall interest rate risk management is about reducing risk and increasing certainty. It is not about best guessing or predicting the way interest rates will move.

Any sensitivity analysis will be applied to all variable-rate borrowing and to any fixed-term borrowing after its maturity date, using market forecast rates.

The Board must approve the use of hedging instruments subject to the Rules of the Association and the regulators guidelines/approval. In such cases a hedging strategy must be prepared and appended to the Treasury Management & Investment Policy, which must state the type of instruments to be used, the value limits, the counterparties involved and the periods for which they will be in place.

25 Post balance sheet events

There are no Post Balance Sheet Events of any significance to report.