



Heart  
of Medway



# Heart of Medway Housing Association Ltd

Annual Report and Financial Statements  
Year ended 31 March 2024

Registered Community Benefit Society | Registration number: 31076R

<b>PAGE</b>	<b>CONTENTS</b>
1	INTRODUCTION TO THE FINANCIAL STATEMENTS
2	HEART OF MEDWAY AT A GLANCE
4	STRATEGIC REPORT
10	VALUE FOR MONEY STATEMENT
12	REPORT OF THE BOARD OF MANAGEMENT
19	INDEPENDENT AUDITOR'S REPORT
23	STATEMENT OF COMPREHENSIVE INCOME
24	STATEMENT OF FINANCIAL POSITION
25	STATEMENT OF RESERVES
26 – 40	NOTES FORMING PART OF THE FINANCIAL STATEMENTS

# INTRODUCTION TO THE FINANCIAL STATEMENTS



Welcome to the Heart of Medway Housing Association Annual Report 2024. This year marked a significant achievement for Heart of Medway Housing Association as it grew above one thousand homes. First formed in October 2010 it has invested over £160 million in providing social housing , primarily in the Medway and Maidstone areas.

This would not have been possible without the support of mhs homes which, up to mhs homes becoming a charity in 2018, provided around £60 million through gift aid. The financial strength of mhs Group has also been pivotal in accessing private finance, with Heart of Medway raising £50 million in private placements. This has been key in providing much needed social housing that otherwise would not have been possible.

A major success in the year was acquiring 255 properties from another registered provider. This has allowed us to increase our presence in key areas , leading to greater financial and operational efficiencies and most importantly to deliver a high quality customer focused service to the residents of these homes.

As Heart of Medway moves into the next phase of its journey the focus is on ensuring that the homes are energy efficient, safe and of excellent quality. We start from a strong base on with over 92% of our homes at Energy performance Certificate (EPC) "C" or above and 100% meeting the Decent Homes Standard.

Customer safety continues to be of paramount importance, and our commitment was recognised by the mhs Group being one of the first organisations in the UK to be awarded a "Building a Safer Future" Charter Champion status as part of a new robust building safety assessment process.

Acting on the feedback we receive from our customers through our engagement activities drives how we shape our services, and we are therefore delighted that customer satisfaction continues to increase. Our thanks also go to the Customer Scrutiny Panel who help drive improvement across our services. We welcome the new Sector Tenant Satisfaction Measures, and our performance to date on these is encouraging.

The impact on our customer of the cost-of-living challenges continues. We currently provide a number of ways to support customers and signpost them to specialist assistance where required, including our Customer Support Fund, budgeting advice and providing free energy advice to help save money on bills and keep warm. Our message to customers is to get in touch as soon as they think they're getting into financial difficulty. We believe strongly that people shouldn't be made to feel ashamed about their financial situation and shouldn't feel embarrassed about reaching out for help.

We continue to be a financially strong, ambitious, and innovative organisation and are in a strong position to face the challenges of the future as we continue to help more people enjoy good-quality, affordable homes.

A handwritten signature in black ink, appearing to read 'Mark Miles Lea'. The signature is fluid and cursive, written over a light blue horizontal line.

**Mark Miles Lea**  
**Chair**

# HEART OF MEDWAY - AT A GLANCE

## Financial Highlights

	2023/24	2022/23
Turnover	£7.4 million	£6.7 million
Operating Surplus	£1.1 million	£2.0 million
Surplus excluding movement in fair value	£0.0 million	£1.4 million
EBITDA MRI <sup>1</sup>	£2.9 million	£2.9 million
Debt less cash and cash equivalents	£47.9 million	£23.2 million
EBITDA – MRI <sup>1</sup> / turnover	40%	46%
EBITDA - MRI <sup>1</sup> / Net interest Costs	229%	365%
Net Debt / EBITDA - MRI <sup>1</sup>	16.7	7.9

<sup>1</sup> EBITDA – MRI: Earnings before interest, tax, depreciation, capitalised major repairs and surplus on sale of fixed assets

## Operational Highlights

	2023/24	2022/23
Total stock owned and managed	1,247	968
% Homes at Decent Homes Standard	100%	100%
% Homes at EPC band C or above	93%	95%
New homes brought into management	14	55
New homes started on site	0	58
Homes purchased from a registered provider	255	0
% Customer satisfied with overall services	78%	70%

**Heart of Medway** employs no staff with all management and repairs services being provided through an Intra Group Agreement with mhs homes that acknowledges and supports the Registered Provider status of **Heart of Medway**.



# HEART OF MEDWAY - AT A GLANCE

## Our Services

**General needs** form the majority of Heart of Medway stock at 743 homes and are primarily for individuals and families unable to rent or buy at a market value. We ensure our rents are affordably priced for our customers by letting them at between 60% to 80% of market rents. Rent increases are limited by the Rent Standard that is published by the Regulator of Social Housing.

**Supported living** properties are aimed at people 60 years and over, with Heart of Medway having one scheme with 54 flats, with a communal lounge. We provide regular support to help keep people living independently.

**Shared ownership** is where customers purchase a share in the equity of their home and pay rent to us on the remainder, with the option to purchase the whole property over time and is a great way to get a foot on the property ladder. Heart of Medway own 271 of shared ownership properties.

**Foyers** provide a safe place for young people between the ages of 16-25 to live, learn and make the transition to independent adulthood. They offer personal development and other services to help young people reconnect with learning, increase their employability, improve their health and wellbeing and develop their leadership potential. **Heart of Medway** manages two foyers, with 36 spaces in total, with the buildings leased from **mhs homes**.

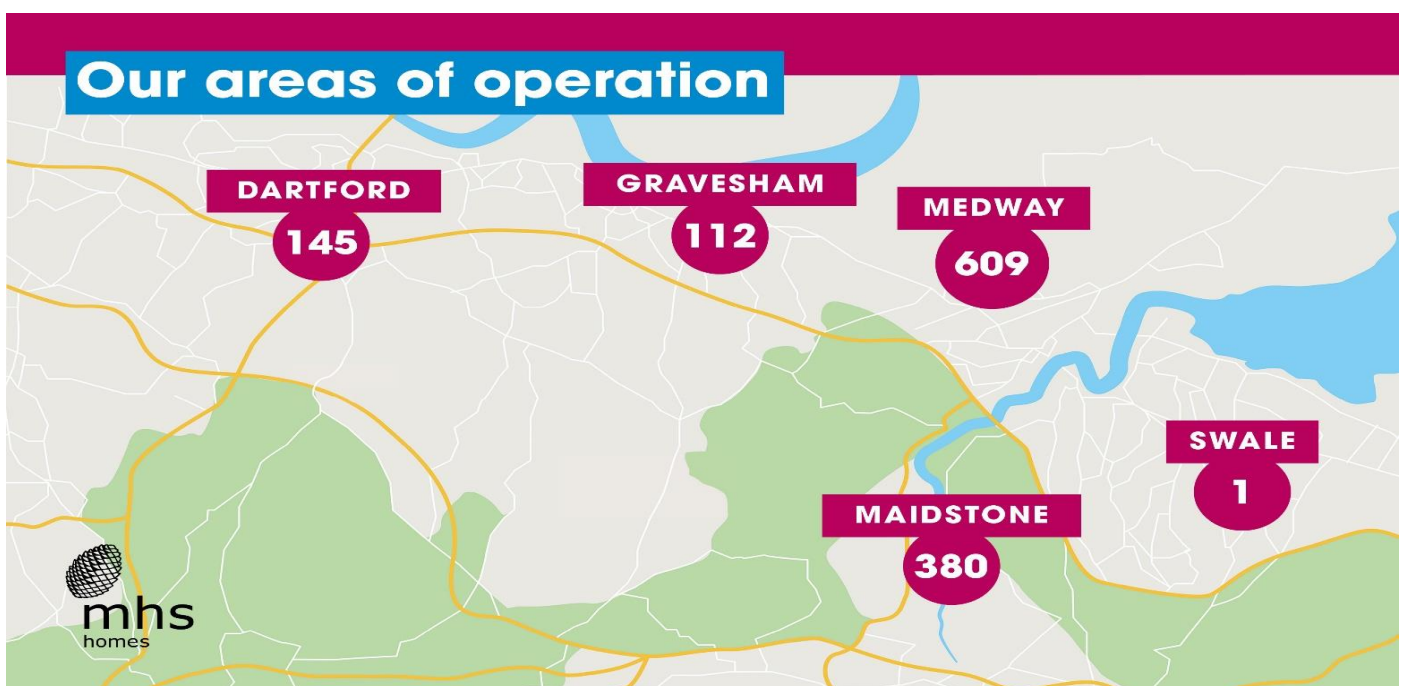
**Market Rented Properties** are available for customers who can afford to rent at market levels, with 17 of these properties owned.

**Intermediate rents** are let at submarket rent and are designed to help first time buyers who can't yet afford to buy a home but want the chance to save for a deposit to purchase a home. We have 24 of these homes within our stock.

There are also 78 social leaseholders, 18 managed freeholders and 6 homes managed by a 3<sup>rd</sup> party, though from the 1<sup>st</sup> April these are managed by Heart of Medway.

## Our Locations

All our properties are in Kent as shown in the map below



# STRATEGIC REPORT

## AN OVERVIEW OF 2023/24 RESULTS

### Comparison of operating surplus with last year

When results are compared with last year there has been a reduction in the operating surplus which reflects increased depreciation and impairment costs along with additional financing costs. The calculation of earnings before interest, depreciation, (including impairment), capitalised repairs and sale of fixed assets remained constant with the previous year.

	<b>£'000</b>
Increased income from social housing	691
Decrease in repair costs	61
Increases in depreciation & impairment	(1,246)
Increase in service charge costs	(265)
Increase in other costs	(148)
<b>Decrease in surplus from social housing lettings</b>	<b>(907)</b>
Decrease in surplus from sale of other fixed assets	(88)
Increase in surplus from non-social housing activities	83
<b>Decrease in operating surplus compared to 22/23</b>	<b>(912)</b>
<b>Increase in financing costs</b>	<b>(538)</b>
<b>Reduction in surplus before fair value adjustment from 22/23</b>	<b>(1,450)</b>

### Turnover

The turnover from rental properties has increased as new units have come into management along with the annual rent increase.

### Impact of stock transfer

In January 2024 Heart of Medway purchased 255 homes from another housing provider. A private placement of £20 million was arranged and drawdown in January 2024 to fund the purchase.

### Sales of Properties

Sale of fixed assets represented staircasing on existing shared ownership homes. There were no new shared ownership homes sold, as was expected, due to **Heart of Medway** moving away from shared ownership to developing grant funded rented properties. This is consistent with the Group Development Strategy as new shared ownership homes are developed in mhs homes.

### Increase in depreciation and impairment

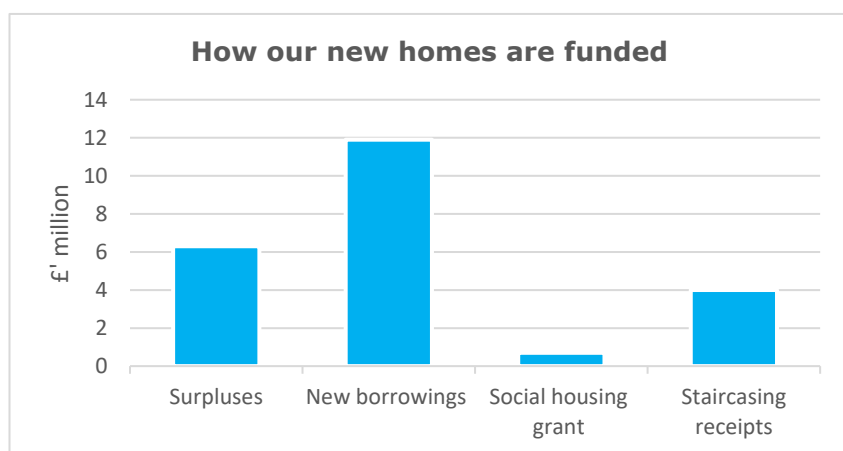
An impairment charge of £742,000 (2023 : £nil) reflects the additional costs incurred on a development scheme due to contractor insolvency.

# STRATEGIC REPORT

## Future Plans

The Strategic Plan for mhs homes Group has the ultimate ambition to help end the housing crisis in north Kent by providing safe and sustainable homes. Heart of Medway has a critical role in supporting this ambition. Our ambition is underpinned by the belief that decent housing should be a basic human right. We do what we do because everyone should have a decent home. As a leading housing charity, we have a responsibility to use our resources effectively to tackle the housing crisis, to help those in housing need and provide safe and sustainable homes.

The 2024 -2027 strategic plan has been approved by the Group Board following consultation with customers and the Medway Place Board, which comprises key stakeholders involved with strategic discussions about Medway.



Over the next three years Heart of Medway will be investing £23 million in new properties with 102 social rented units forecast to complete. This investment will be funded through a combination of loans, surpluses from day to day activities and staircasing receipts from shared ownership homes.

The new borrowing is arranged and priced with security in place.

Over the next three years there will also be over £7 million invested in our current homes, which will ensure that all of our homes will continue to meet Decent Homes Standard and stay on track to meet the target that all homes meet the EPC C band by 2030, with the position currently at 92%.

The financial ratios below from the long term financial plan, approved by the Board in February 2024, show that the amount of debt, as compared to its earnings, falls rapidly over the next 5 years as intercompany debt is repaid.

Group Ratio	2025	2026	2027	2028	2029
EBITDA* MRI: Turnover	46.0%	47.6%	53.1%	54.1%	53.9%
Ratio of Debt: EBITA-MRI*	18.1	16.5	13.2	12.3	11.6
EBITDA-MRI*: Interest Payable %	204.2%	162.0%	191.2%	199.1%	202.2%

\* EBITDA – MRI: Earnings before interest, tax, depreciation and capitalised major repairs expenditure. Property sales including shared ownership first tranche are also included.

# STRATEGIC REPORT

## Financial review

The last 5 years financial performance along with key ratios is summarised below and shows that Heart of Medway has grown in size by over 50% in the last 5 years. Surpluses have fallen as debt to fund the increase has risen. No new developments are planned after the current schemes on site, ensuring Heart of Medway is able to continue to comfortably meet banking covenants as noted on page 5.

<b>Year Ending 31 March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Units of housing stock	841	840	915	968	1,247
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Turnover	5,024	5,336	5,529	6,653	7,433
Expenditure	2,989	3,211	3,931	4,922	6,526
<b>Surplus before sale of assets</b>	<b>2,035</b>	<b>2,125</b>	<b>1,598</b>	<b>1,731</b>	<b>907</b>
Disposal of assets	426	306	401	251	163
<b>Operating surplus</b>	<b>2,461</b>	<b>2,431</b>	<b>1,999</b>	<b>1,982</b>	<b>1,070</b>
Net interest cost	367	198	151	579	1,117
<b>Surplus \ (loss) before fair value</b>	<b>2,094</b>	<b>2,233</b>	<b>1,848</b>	<b>1,403</b>	<b>(47)</b>
Net fixed assets	85,338	102,062	119,786	123,324	150,948
Investments	3,330	3,454	3,650	3,840	3,829
Net current assets \ (liabilities)	13,136	1,783	(361)	5,765	1,471
Social housing grant (SHG)	13,586	15,318	16,429	18,208	18,601
Loans	9,780	9,760	19,504	29,483	49,371
Intercompany debt	232	1,658	4,535	510	4,134
Provision for liabilities and charges	-	-	-	528	-
<b>Total reserves</b>	<b>78,206</b>	<b>80,563</b>	<b>82,607</b>	<b>84,200</b>	<b>84,888</b>
<b>Financial Performance</b>					
EBITDA-MRI*: Turnover	61%	59%	52%	46%	29%
Ratio of Net Debt: EBITDA-MRI*	(1.4)	1.9	7.1	7.9	22.2
Ratio of EBITDA-MRI*: Interest Payable	773%	788%	605%	365%	170%
<b>Other Key Ratios</b>					
Void: net rental income	0.8%	1.5%	1.1%	0.8%	0.9%
Bad Debt: net rental income	1.0%	1.3%	0.9%	0.8%	1.8%

Bad debt increased due to the inherited rent arrears on the stock purchased from another registered provider, however due to the timing of the acquisition in the year, these arrears were not offset by a full year of income from the properties"

\* EBITDA – MRI: Earnings before interest, tax, depreciation, capitalised major repairs and surplus on sale of fixed assets



# STRATEGIC REPORT

## Customer Safety

### Building Safety

As at the end of March 2024 all properties met the Decent Homes Standard.

Building safety remains of paramount importance, and there are robust procedures and comprehensive controls in place regarding fire safety which are reviewed and tested on a regular basis. We have a Primary Authority Agreement in place with Kent Fire and Rescue Service, which is a legally recognised partnership, to make sure we keep our buildings and customers safe. No buildings owned by Heart of Medway have ACM cladding. Heart of Medway owns 1 block above 18 metres or over 6 storeys that fall under the requirement of The Building Safety Act to create Building Safety Cases.

<b>Building name</b>	<b>No of storeys</b>	<b>No of homes</b>	<b>Cladding</b>
The Auditorium	7	16	The cladding is defined as non-combustible or low risk in the Building Regulations, meaning that it improves the fire safety standards of the building and protects our customers living within it.

As at 31 March 2024 all Fire Risk Assessments were up to date. We have completed a programme of identifying any issues on the buildings over 11 and below 18 metres. With the exception of one block, all these works were completed during 23/24. This block, of 28 flats is forecast to be completed during 24/25 and full preventative actions such as an upgraded alarm system are in place until that work is complete.

During the year Heart of Medway invested £0.9 million (2023 - £1.2 million) on fire safety remediation costs, all of which was accounted for in operating costs.

### Damp and Mould

Following the tragedy in Rochdale, we have worked hard to understand and remedy problems around damp & mould in our homes. We have adopted a 'zero tolerance' approach to damp and mould and have created a dedicated team to tackle the issue. We've completed a comprehensive review of our approach to damp and mould, and in doing so have reviewed the published learning outcomes on Awaab's case as well as a self-assessment against the Housing Ombudsman of the spotlight report on damp and mould. The review led to 26 recommendations across 7 themes which have been developed into an action plan with a task and finish group assigned. The progress against this plan is monitored by our Building and Safety Task group which has senior oversight by the Executive team. As of the end of March, there were 94 reported cases of damp and mould open for HoM. Whilst these cases are open on our system, all of them have been visited and repairs are either in progress or have been completed. We keep the cases open for an additional 3 months to monitor that the remedy has resolved the problem, before we close the case.

# STRATEGIC REPORT:

## Treasury management

During the year a £20m private placement repayable in 2055 was received that was used to fund development activity including the purchase of properties from another registered provider.

The treasury management for the Group is governed by a Treasury Policy and Strategy which is reviewed and approved by the Board. The Group Treasury Committee monitors treasury activities and makes recommendations to the Boards of **Heart of Medway** and **mhs homes**.

**Heart of Medway** operates a prudent approach to Treasury with:

- 100% of all debt on fixed interest rates.
- A revolving interest free credit facility with mhs homes of £45 million.

The association had £54.1 million of loans outstanding at 31 March 2024 (2023 - £30.5 million), further details of which are below.

- The intercompany debt stood at £4.1 million (2023: £0.5 million).
- £50 million of external debt repayable as below.
  - £10 million in 2038
  - £20 million in 2044
  - £20 million in 2055

Spare security of £51 million, as calculated under existing use value – social housing, is available to Heart of Medway for future funding if required.

## Risk management

Full details in risk management are contained in the mhs homes group accounts but in summary the Heart of Medway Board consider a number of strategic risks with the key risk areas considered below.

<b>Risk</b>	<b>Mitigations and assurances</b>
<b>Failure to provide homes decent, safe, compliant &amp; sustainable homes</b>	<ul style="list-style-type: none"><li>• Champion status under the Building A Safer Future Charter.</li><li>• We have a Primary Authority Partnership with Kent Fire &amp; Rescue Service.</li><li>• Intrusive Type 4 Fire risk assessments in high-risk buildings.</li><li>• Landlord compliance reports are presented to all boards.</li><li>• Dedicated Damp and Mould and Building and Customer Safety teams.</li><li>• Our stock condition data is validated externally.</li><li>• Every property to be surveyed every 5 years.</li><li>•</li></ul>
<b>Failure to maintain long-term financial viability and failure to meet existing covenants</b>	<ul style="list-style-type: none"><li>• Long term financial planning with robust stress testing.</li><li>• Annual review and approval of golden rules to test and reaffirm risk appetite.</li><li>• Regular economic updates from our Treasury advisors.</li><li>• Annual review of Treasury policy including substantial buffers around liquidity</li></ul>
<b>Failure to maintain excellent customer service levels</b>	<ul style="list-style-type: none"><li>• Regular and in depth customer surveys</li><li>• A rigorous, clear, transparent and timely complaints procedure</li><li>• Customer Service Excellence accreditation</li><li>• Customer Experience training</li></ul>

# VALUE FOR MONEY STATEMENT

## Tenant Satisfaction Measures

The Tenant Satisfaction Measures (TSMs) have been introduced by the Regulator of Social Housing in England to assess how well landlords are doing in providing good quality homes and services and helps tenants hold social housing landlords to account. Our results are also published on our website.

There is much in these results to be proud of and we compare well to other social landlords in the overall results on satisfaction, though we will continue to look seek better outcomes in future years. We have benchmarked our results against data provided by a 3<sup>rd</sup> party organisation, who looked at the outcomes of 84 RP's. This has identified specific areas where improvement is required, especially around our approach to complaints and anti-social behaviour. Our performance on non-emergency repairs is also below what we expect. In response there has been both an increase in the resources allocated to these areas and reviews on how we can improve efficiency.

### Measure as at 31 March 2024

	Result	
	Heart of Medway	Benchmarking
Overall satisfaction with the service provided by us	<b>78%</b>	71%
<b>Keeping properties in good repair</b>		
Satisfaction with repairs carried out	<b>79%</b>	72%
Satisfaction with time take to complete repairs	68%	68%
Satisfaction that the homes provided are well maintained	<b>82%</b>	71%
<b>Maintaining building safety</b>		
Satisfaction we provide a home that is safe	<b>82%</b>	77%
<b>Respectful and helpful engagement</b>		
Satisfaction that we listen to our customer's views and act on them	<b>54%</b>	62%
Satisfaction that we keep our customers informed about things that	<b>71%</b>	70%
Agreement that we treat customers fairly and with respect	<b>87%</b>	77%
<b>Effective handling of complaints</b>		
Satisfaction with our approach to handling complaints	<b>44%</b>	37%
<b>Responsible neighbourhood management</b>		
Satisfaction that we keep communal areas clean and well maintained	<b>68%</b>	65%
Satisfaction that we make positive contributions to neighbourhoods	<b>70%</b>	63%
Satisfaction with our handling of anti-social behaviour	<b>58%</b>	59%
<b>Building Safety</b>		
Gas safety checks completed	100%	
Fire safety checks completed	100%	
Asbestos safety checks completed	100%	
Water safety checks completed	100%	
Lift safety checks completed	92.9%	
<b>Decent homes and repairs</b>		Benchmarking information not available
Homes that do not meet the Decent Homes Standard	0	
Non-emergency repairs completed within target timescale	53.2%	
Emergency repairs completed within target timescale	90.2%	
<b>Anti-social behaviour</b>		
Cases relative to the size of the landlord (number of cases per 1,000 properties)	16	
Cases that involve hate incidents, relative to the size of the landlord	0	

# VALUE FOR MONEY STATEMENT

## How we ensure value for money

There are established policies and arrangements ensuring that value for money is being obtained, including:

- The Strategic Plan sets challenging targets on both cost reduction and operating margins. The **Heart of Medway** Board has a keen interest in seeing Value for Money delivered and reviews an annual report.
- The Board agree and monitor our annual budget, with detailed work taking place in the Group Finance Risk and Audit Committee.
- There is an annual programme of investment in the housing stock which is based on a 30-year stock investment plan for replacing building components such as windows, roofs, kitchens, bathrooms which maintains our stock at 100% Decent Homes Standard.
- Intrinsically linked to the Asset Management Strategy is our approach to active asset management in which every property has been reviewed for maintenance costs (both past and future), income, ease of re-let and management considerations.
- There is a comprehensive and regularly reviewed Procurement Strategy that sets out the rules on quotes, tenders and approval of new contracts. Where possible supply chains are consolidated to provide greater scope for efficiency and reducing costs.
- The customer scrutiny panel have undertaken robust service reviews with clear recommendations made to the Executive and Heart of Medway Board.

## Our performance compared to comparable organisations

**Heart of Medway** benefits from being in the Group structure as can be demonstrated when compared with other organisations in the Southeast under 10,000 units in the 2023 Value for Money Metrics published by the regulators. Scores at or better than median in this selection are shown in green.

Metric	Budget	Actual		VFM comparison
	2025	2024	2023	Median <sup>1</sup>
Investment in - new and existing properties	12.3%	5.6%	4.4%	7.4%
New supply delivered – social housing	0%	2.1%	6.0%	1.8%
New supply delivered – non-social housing	0%	0%	0%	0%
Gearing	43%	34%	19%	56%
EBITDA: interest rate cover	190%	229%	365%	149%
Social housing cost per unit £	4,000	3,580	3,689	5,144
Operating margin (overall)	30%	14%	26%	23%
Return on capital employed	1.8%	0.7%	1.5%	3.5%

<sup>1</sup> Sourced from the Global account 2023 for associations in the South East owning up to 10,000 homes

The number of new homes handed over in the last two years is considerably higher than that expected for organisation of this size, though development will pause when the current programme ends in 2026/27. This will then allow intercompany debt to be repaid. No new units are programmed to be completed in the upcoming year, with the investment in new properties reflecting expenditure on properties being completed in the following year.

## VALUE FOR MONEY STATEMENT

The decline in operating margin reflects the impairment charge on a scheme where additional costs were incurred due to contractor insolvency. Interest cover and cost per unit continue to be better than the median though they reflect the increased investment in stock and debt levels in future years. The lower figure for return on capital compared to the sector reflects that the stock is relatively new.

### Performance against our own targets

During the budget and business planning process the value for money metrics are calculated so we can address areas of under performance during the year which are noted below.

Metric	Actual 2024	Budget 2024
Investment in properties - new and existing	5.6%	10.0%
New supply delivered – Social Housing	2.1%	2.0%
New supply delivered – Non Social Housing	0%	0%
Gearing	34%	25%
EBITDA interest rate cover	229%	217%
Social housing cost per unit £	3,580	3,750
Operating margin (overall)	14%	19%
Return on capital employed	0.7%	1.1%

There were delays in the development programme meaning that the investment in new properties was slower than budgeted. The acquisition of 255 homes from a Registered Provider resulted in an increase in gearing above that budgeted, as this opportunity wasn't anticipated at the beginning of the year. It has led to a reduction in cost per unit, though this increases 2024/25 as work on the backlog repairs in the transfer stock takes place, falling back in subsequent years. The decline in operating margin reflects the impairment charge on a scheme where additional costs were incurred due to contractor insolvency.

Other key indicators through the year	Target	As at 31 March 2024	As at 31 March 2023
<b>Green denotes achieving target Red denotes not achieving target</b>			

<u>Customer satisfaction</u>	80%	78%	70%
------------------------------	-----	-----	-----

Though just below target the Board were delighted to see a significant increase in customer satisfaction. We see no reason why this improvement should not continue in future years.

<u>13 week average of gross rent arrears</u>	4.5%	5.8%	4.93%
--	------	------	-------

The increase in rent arrears was disappointing, however the Group Board has approved additional resources have been invested into front line staff for the upcoming year.

<u>Average turnaround time for voids</u>	30	38	31
--	----	----	----

A short term issue in our Foyers, since resolved, contributed to this increase and we are confident of seeing significant improvement in the upcoming year.

<u>Repairs completed right first time</u>	90%	88%	87%
---	-----	-----	-----

A year-on-year improvement, though slightly less than an ambitious target.



# REPORT OF THE BOARD OF MANAGEMENT OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

## Board of management

	Position	
Mark Miles Lea	Chair	Appointed 11 <sup>th</sup> July 2024
Lord Roy Kennedy	Chair	Resigned 9th July 2024
Sally Ironmonger	Trustee	
Vivienne Astall	Trustee	
Philip Huxham	Trustee	
Peter Brown	Trustee	
Jun Jei Chai	Trustee	Appointed 5 <sup>th</sup> October 2023
Elizabeth Barton	Trustee	Resigned 13 <sup>th</sup> July 2023

## Registered Office

Heart of Medway Housing Association Limited  
Broadside  
Leviathan Way  
Chatham  
Kent  
ME4 4LL

## Auditors – External

BDO LLP  
31 Chertsey Street  
Guildford  
Surrey  
GU1 4HD

## Bankers

National Westminster Bank Plc

## Legal Status

Registered Society no 31076R  
Registered with the Regulator of Social Housing

**Ultimate Parent Undertaking:** The Association is a subsidiary undertaking of **mhs homes limited**, a private company limited by guarantee and a charity registered in England and Wales from 16 March 2018. The accounts are available from the Association's registered office at Broadside, Leviathan Way, Chatham, Kent ME4 4LL.

# REPORT OF THE BOARD OF MANAGEMENT OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

## Principal activities and review of the business

**Heart of Medway Housing Association Limited ("Heart of Medway")** is registered as a community benefit society under the Co-operative and Community Benefit Societies Act 2014 and with the Regulator of Social Housing. It was incorporated in October 2010 to enable **mhs homes group ("The Group")** to continue to access Social Housing Grant and therefore assist **the Group** in its objective to provide new social housing. It has charitable status for corporation tax purposes.

## Objectives

The objectives of **Heart of Medway** are to provide social housing, other housing, accommodation, and assistance to help house people, along with any other charitable activities not prohibited for a community benefit society registered with the regulator as a non-profit registered provider.

## Compliance with Governance and Financial Viability Standard

**Heart of Medway** undertakes an annual review of compliance against this standard, which is certified by the Board. This confirms compliance against the standard for the year and to the date of signing of the accounts. **Heart of Medway** is the registered subsidiary of an unregistered parent, **mhs homes limited (mhs homes)**, which is fully committed to ensuring that **Heart of Medway** complies with the RSH Governance and Financial Viability Standard. **mhs homes** has formalised the management arrangements in place through an Intra Group Agreement that acknowledges and supports the Registered Provider status of **Heart of Medway**.

## Corporate Governance

**Heart of Medway** has adopted the National Housing Federation's Excellence in Governance Code of Governance (2020) and complies with all principles and provisions. An intra group agreement (IGA) manages the relationship between **Heart of Medway** and **mhs homes**. Both parties record their intentions to be treated as a group and each covenant to carry on its business in accordance with the Group objectives. This agreement was last reviewed and agreed by the Board in 2023. It states that **Heart of Medway** will appoint the Group Chief Executive as its Chief Executive and the group Company Secretary as its Company Secretary. The Group Chief Executive is appointed by and accountable to the Parent board and also owes a duty of care to all group board members. Housing management is delegated to the Parent, **mhs homes**, through a Management Agreement.

Two non-executive members of the Board are also members of the **mhs homes** Board and receive a fee in respect of their role at mhs homes. The Board has devised its own procedure with respect to conduct, adopting the National Housing Federation Code of Conduct 2022, and probity. There is a system of open declaration recorded in the minutes of Board meetings and for other matters occurring outside the Boardroom there is a Declarations Register. This is accessible to all members of the Board and is systematically scrutinised by the Finance, Risk and Audit Committee.

## Role of the Board

The Board Comprises of between five and twelve Directors. During the year there are at least 5 meetings, one of which is the Annual General Meeting. The role of the Board is to govern **Heart of Medway**; to fulfil its regulatory duty, to provide accountability, to resolve tensions between stakeholders, to give advice to management, to provide strategic direction and to be collectively responsible for the proper stewardship of the organisation.

The Board holds Away Days to challenge its own performance and keep updated. The agenda covers strategy, board development, teambuilding, financial matters, and vision and business proposals. The Board, as part of the **mhs homes group**, is part of a structure that includes a Customer Scrutiny panel, Group Finance, Risk and Audit Committee, Health and Safety Committee, Treasury Committee and Remuneration Committee. Full details are included in the **mhs homes** accounts.

# **REPORT OF THE BOARD OF MANAGEMENT OUR STRUCTURE, GOVERNANCE AND MANAGEMENT**

## **Composition of the Board**

Details of membership during the course of the year are shown on page 11. During the year the Board held 10 meetings (2023: 8) at which the average attendance rate was 91% (2023: 94%).

## **Board member's responsibilities**

The board members are responsible for preparing the report of the board of management and the financial statements in accordance with applicable law and regulations. Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are 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 and the Housing SORP: Statement of Recommended Practice for registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are 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 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. They are 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 board is responsible for ensuring that the report of the board of management is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2022.

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **Going Concern**

The Directors have reviewed the plans up to July 2025 based on normal business planning, the long term financial plans, stress testing and control procedures. Future plans and development aspirations will be comfortably funded by an inter-company facility of £45 million, of which £4.1 million is drawn at the year end. Stress testing has confirmed that the Association could sustain significant increases in expenditure or fall in income and still be able to work with all covenants from our lenders. All loans are on fixed interest rates and there is therefore no exposure to changes in interest rates. Therefore, the Board have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements

# **REPORT OF THE BOARD OF MANAGEMENT OUR STRUCTURE, GOVERNANCE AND MANAGEMENT**

## **Qualifying third party indemnity provisions**

The directors have the benefit of an indemnity which is a qualifying third-party indemnity provision. The indemnity was in force throughout the last financial year and is currently in force. The group also purchased and maintained directors' and officers' liability insurance in respect of itself and its directors throughout the financial year.

## **Auditor**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditor for the purpose of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware. BDO LLP has expressed their willingness to continue. A resolution for the re- appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

## **Creditor Payment Policy**

It is the policy to agree terms of payment with suppliers at the time of negotiating the transaction and abide by those arrangements conditional on being satisfied that the goods or services are in accordance with the agreed specification.

# REPORT OF THE BOARD OF MANAGEMENT ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

## Statement of Internal Control

The Group Board has overall responsibility for establishing and maintaining the whole system of internal control for the organisation and for reviewing its effectiveness. Full details are included in the mhs homes accounts. The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Groups assets and interest.

As part of the mhs homes group the full details of resident involvement, internal controls, impact on the environment and major risks can be found in the mhs homes accounts, along with the full group overview of the year.

In accordance with the RSH regulatory framework, mhs homes must support and assist Heart of Medway to comply with the regulatory requirements. The focus on financial controls extends to the commitment of resources for monitoring operations, compliance testing, reputational risk evaluation and a wide range of risk management activities. This has included stress testing of different scenarios and the creation of an Assets & Liabilities Register. Self-assessments against the Governance and Viability Standard have found that the Heart of Medway is compliant. In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

Heart of Medway has adopted the National Housing Federations Code of Governance 2020. We are compliant to the Code. The process adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some key elements of the controls framework, includes the items listed below:

- **Control environment and control procedures**

The Board retains responsibility for a defined range of matters covering strategic, operational, and financial and compliance issues, including treasury strategy and large new investment projects. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection. The Group Board has adopted the National Housing Federation Code of Conduct 2022 and disseminated it to all employees who provide services to **Heart of Medway**. This sets out the expectations with regard to the quality, integrity and ethics of its employees.

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for identification, evaluation and control of significant risks through the Risk Management Strategy. This puts in place a formal and on-going process of management review for all areas of **Heart of Medway's** activities. The Leadership Team regularly reviews and receives reports on significant risks facing the organisation, and the Chief Executive is responsible for reporting to the Group Finance, Risk and Audit Committee and the **Heart of Medway** Board any significant changes affecting key risks. The key risks for the association are: -

- 1) Failure to ensure tenants are safe at home and colleagues are safe at work.
- 2) Failure to invest sufficiently in current properties to ensure our homes are high quality, safe and energy efficient.
- 3) Failure of data security.
- 4) Failure to maintain long-term financial viability and failure to meet existing covenants.

These, and other risks, are described in detail in the **mhs homes** Group statutory accounts.



# **REPORT OF THE BOARD OF MANAGEMENT ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS**

- **Information and financial reporting systems**

The Board approves a strategic plan in each financial year, which includes longer-term financial plans and limits on investment in its various activities. Financial reporting procedures include detailed budgets for the year ahead, management accounts produced monthly and forecasts for the remainder of the financial year. These are reviewed in various levels of detail by appropriate staff and in summary on a quarterly basis by the Board. The Board also regularly reviews progress towards the achievement of key business objectives, targets and outcomes.

- **Fraud**

The Board has a policy on fraud covering prevention, detection and reporting of fraud and the recovery of assets. A register is maintained of any frauds or potential frauds. The Finance, Risk and Audit Committee reviews the fraud register at each meeting and has taken the results of these reviews into account in its report to the Board.

- **Audit assurance**

A summary of all internal reports and the resultant actions are reported to the Group Finance, Risk and Audit Committee during the year. The Business Assurance Manager, who is a Chartered Auditor, has direct access to the Group Finance, Risk and Audit Committee and presents the Audit Reports. An audit plan was agreed by the Committee for 2023/24. The internal audit service is co-sourced with the audit contractor, RSM-UK. The Committee met 6 times during the financial year and considered internal control and risk at each of its meetings. A report of each Group Finance, Risk and Audit Committee is presented to the Board and the Business Assurance Manager reports directly to the Board every six months.

BDO LLP are our external auditor. The Board receives a report from the external auditors identifying any financial internal control weaknesses that may have come to their attention in the course of their audit of the financial statements. This letter is considered by the Group Finance, Risk and Audit Committee and the Board. The Committee met with the internal and external auditors during the year without the presence of paid staff or executive directors.

The Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Committee makes an annual report to the Board, which the Board has received.

- **Anti-bribery policy statement**

We seek to maintain the highest standards of ethics and integrity in the way we conduct our business. We recognise that bribery and corruption, in all its forms, is illegal and unacceptable. Our bribery policy statement has been integrated into our code of conduct and our gifts and hospitality policy, adopted by the Group Board for the whole organisation, and made available on our intranet.

- **Financial Controls**

On behalf of the Board, the Group Finance Risk and Audit Committee have reviewed the effectiveness of the system of internal control, which operates across the Group for the year ended 31 March 2024. Recognising the importance of this Committee, the membership includes two independent committee members. The Chair is also a non-executive director on the Group board. The system of internal financial control includes:

- The operation of formal policies and procedures, including the documentation of key systems and processes recorded in Financial Regulations, Standing Orders and Delegated Arrangements which enables the monitoring of controls and restricts the unauthorised use of assets.

# REPORT OF THE BOARD OF MANAGEMENT

## ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

- Regular reviews take place to ensure that procurement takes place in a manner that complies with Financial Regulations and Delegated Arrangements.
- A proactive approach to fraud based on prevention and detection rather than being reactive to frauds that have taken place. An Anti-Fraud and Corruption Policy is in place, which is reviewed and approved by the Group Board. A fraud risk register is incorporated within the Risk Management Framework and controls are monitored regularly. The organisation has a whistleblowing policy encouraging staff to raise issues of malpractice or irregularities which are investigated independently under the Public Interest Disclosure Act. The Group Finance Risk and Audit Committee also receive reports if issues are raised.
- Suitably qualified and experienced staff take responsibility for important business functions. Budgets and forecasts are prepared and reviewed on a systematic basis, which enables the Board and management to monitor the key business risks, financial performance and track progress against targets. All major new initiatives, commitments and investment projects are subject to formal authorisation procedures, through relevant committees comprising Board members and other suitably experienced and qualified executives.

- **Performance Indicators**

Reports are presented to the Board covering key performance indicators across its activities. These are subject to a continuous review to reflect current targets and business priorities. Reports cover progress against the annual business plan, budget performance information, treasury management, equal opportunities, employee sickness and absence, staff turnover, housing statistics, health and safety and customer complaints.

- **Other External Sources of Advice and Evaluation**

The Board has at its disposal a wide range of independent external sources of advice to validate control mechanisms, verify performance and report on findings. Quality assurance is assessed through the regular renewal of ISO and Customer Service Excellence standards. The Group's commitment to drive improvement by listening to customers is supported by the use of various methods to measure customer insight. Ad-hoc advice on legal issues is provided by Trowers & Hamblins, who are leading lawyers in the sector. Other expert professionals are engaged from time to time; for example, JLL advises on matters of stock valuation and Trowers & Hamblins on new loan facilities.

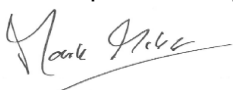
- **Monitoring and corrective action**

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

**The Heart of Medway Board confirms there were no material failures in its control environment, and an effective control framework has been in place for the 2023/24 year and up until the adoption of these accounts.**

### **Approval**

This report was approved by the Board on 11 July 2024



Mark Miles Lea  
11 July 2024

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART OF MEDWAY HOUSING ASSOCIATION LIMITED**

## **Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2024 and of the Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Heart of Medway Housing Association Limited ("the Association") for the year ended 31 March 2024 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in 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).

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Independence**

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

## **Conclusions relating to going concern**

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

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

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

## **Other information**

The board are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information 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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART OF MEDWAY HOUSING ASSOCIATION LIMITED**

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

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

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

## **Responsibilities of the Board**

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

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

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

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

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

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

*Non-compliance with laws and regulations*

Based on:

- Our understanding of the Association and the industry in which it operates;
- Discussion with management; those charged with governance and the Finance, Risk and Audit Committee; and
- Obtaining and understanding of the Association's policies and procedures regarding compliance with laws and regulations.

we considered the significant laws and regulations to be the applicable accounting framework, the Accounting Direction for Private Registered Providers of Social Housing and UK tax legislation.

The Association is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Regulator of Social Housing's Regulatory Standards, Data Protection and the health and safety legislation.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART OF MEDWAY HOUSING ASSOCIATION LIMITED**

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of internal audit reports;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of Fire Safety Reports.

## *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Association's policies and procedures relating to:
- Detecting and responding to the risks of fraud; and
- Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Revenue recognition relating to property sales.

Based on our risk assessment, we considered the areas most susceptible to fraud to be journal entries, judgements and estimates and the revenue recognition relating to property sales.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year which met a defined risk criteria, plus a random sample of journals, by agreeing to supporting documentation;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing;
- Assessing significant estimates made by management for bias and
- Agreeing a sample of property sales to underlying documentation and confirming the recognition in the correct accounting period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART OF MEDWAY HOUSING ASSOCIATION LIMITED

## Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
9EDBE2FE668E4BE...  
BDO LLP

Statutory Auditor  
Guildford

Date: 31 July 2024

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	Note	Total 2024 £'000	Total 2023 £'000
Turnover	4	7,433	6,653
Operating costs	4	(6,526)	(4,922)
Surplus on disposal of fixed assets	8	163	251
<b>Operating surplus</b>		<b>1,070</b>	1,982
Movement in fair value of investment properties	12	(11)	190
<b>Operating surplus after fair value adjustment</b>		<b>1,059</b>	2,172
Other interest receivable and similar income	9	3	6
Interest payable and financing costs	10	(1,120)	(585)
<b>(Loss) / Surplus before taxation</b>		<b>(58)</b>	1,593
<b>Taxation</b>		-	-
<b>Total comprehensive (loss)/income for the financial year</b>		<b>(58)</b>	1,593

All income and expenditure is derived from continuing operations.

The notes on pages 26 to 40 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Note	2024 £'000	2023 £'000
<b>Fixed assets</b>			
Tangible fixed assets – housing properties	11	<b>150,948</b>	123,324
Investment properties	12	<b>3,644</b>	3,655
Other investments	13	<b>185</b>	185
		<b>154,777</b>	127,164
<b>Current assets</b>			
Debtors – receivable within one year	14	<b>558</b>	231
Short term deposits		<b>935</b>	413
Cash and cash equivalents		<b>2,147</b>	6,816
		<b>3,640</b>	7,460
<b>Creditors: amounts falling due within one year</b>	15	<b>(2,169)</b>	(1,695)
<b>Net current assets</b>		<b>1,471</b>	5,765
<b>Total assets less current liabilities</b>		<b>156,248</b>	132,929
Creditors: amounts falling due after more than one year	16	<b>(72,106)</b>	(48,201)
Provision for liabilities and charges	20	-	(528)
<b>Net assets</b>		<b>84,142</b>	84,200
<b>Capital and reserves</b>			
Non—Equity Share Capital	21	-	-
Income and expenditure reserve		<b>84,142</b>	84,200
		<b>84,142</b>	84,200

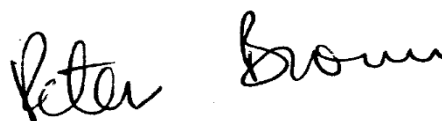
These financial statements were approved and authorised for issue by the Board on 11 July 2024 and were signed on its behalf by:



M Miles Lea  
Chair



L Humphrey  
Company Secretary



P Brown  
Board Member

The notes on pages 26 to 40 form part of these financial statements.

## STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2024

	<b>Income and Expenditure reserve £'000</b>
<b>Balance at April 2023</b>	84,200
Total comprehensive (loss) for the year	(58)
<b>Balance at 31 March 2024</b>	<b>84,142</b>

	<b>Income and Expenditure reserve £'000</b>
<b>Balance at April 2022</b>	82,607
Total comprehensive income for the year	1,593
<b>Balance at 31 March 2023</b>	<b>84,200</b>

There is no other comprehensive income.

The notes on pages 26 to 40 form part of these financial statements.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

## 1 Legal status

The association is registered with the Co-operative and Community Benefits Societies Act 2014 in the United Kingdom and is registered with the Regulator of Social Housing in England as a social housing landlord. The Association is a Public Benefit Entity.

## 2 Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Heart of Medway includes the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, Financial Reporting Standard 102 – The Financial standard applicable in the United Kingdom and Republic of Ireland (FRS102), The Housing SORP: The Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The following principal accounting policies have been applied:

### **Going concern**

On the basis of their assessment of the association's financial position and resources, the Board believe that the association is well placed to manage its business risks. After reviewing the budget of **Heart of Medway** for 2024/25, based on normal business planning and control procedures, the Directors have a reasonable expectation that **Heart of Medway** has adequate resources to continue in operational existence for the foreseeable future. Future plans and development aspirations will be comfortably funded by the inter-company facility of £45 million, which as at the year-end only £0.1 million had been drawn. Stress testing has confirmed that the Association could sustain significant increases in expenditure or fall in income and still be able to work with all covenants from our lenders. All loans are on fixed interest rates and there is therefore no exposure to changes in interest rates. Therefore, the Board have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements

### **Cash flow statement**

Under FRS 102 the association is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the association in its own published consolidated accounts.

### **Income**

Income is measured at the fair value of the consideration received or receivable. The association generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties);
- Service charges receivable;
- Social Housing grants; and
- Proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical and are formally let, income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale, all other income is recognised on a receivable basis.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

## 2 Accounting policies (continued)

### **Supported housing schemes**

The association receives Supporting People grants from Medway Council. The grants receivable in the period as well as costs incurred in the provision of support services have been included in the Statement of Comprehensive Income.

### **Service charges**

The association operates both the variable and fixed method for calculating and charging service charges to its tenants and leaseholders. Where variable service charges are used expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable with any adjustments made in subsequent years.

### **Value Added Tax**

The association 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 to the extent that it is suffered by the association and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

### **Finance instruments**

Financial assets and liabilities are recognised when the association becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities.

FRS 102 requires that financial instruments are measured at amortised cost using the effective interest method with finance costs that are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. The difference between this and transaction price is not material, so financial instruments have been measured at transaction price. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **Tangible fixed assets**

#### **Social Housing Properties**

Social Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable).

The cost of social housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development. Directly attributable costs of acquisition include capitalised interest calculated on a proportional basis. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Social Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in properties under construction and held at cost less any impairment, and are transferred to completed properties when ready for letting.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

## 2 Accounting policies (continued)

### ***Depreciation of social housing property***

Social Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life. The structure and other major components are depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure – Houses	100
Structure – Flats	65
Kitchen	20
Bathroom and new central heating	30
Roofs	50
Boiler	15
Electrics	30
External windows & cold water mains	30
Fire Door External	30
Adaptions	20
Shared Ownership – Flats	65
Shared Ownership - Houses	100

The costs of replacement or restoration of these components are capitalised and depreciated over the same average useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

### ***Shared ownership properties and staircasing***

Under Shared Ownership arrangements, the association disposes of a long lease to the occupier; the lease premium paid is for between 25% and 75% of the value. The occupier has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed. A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset and stated at the lower of cost and net realisable value; and that retained by the association, which is recorded as a fixed asset in the same manner as for general needs housing properties. Proceeds of sale for first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold (“staircasing”) are reflected in the statement of comprehensive income as a surplus or deficit on sale of housing properties.

### ***Allocation of costs for mixed tenure and shared ownership developments***

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

### ***Financial assets***

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

## 2 Accounting policies (continued)

### **Recycled Capital Grant Fund**

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct Heart of Medway to recycle capital grants or to make repayments of the recoverable amount. The association adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

### **Social Housing Grant**

Where developments have been financed wholly or partly by social housing grant the amount of grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure.

Where social housing grant funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until reinvested in a replacement property. If there is no requirement to repay or recycle the grant on disposal of the asset any unamortised grant remaining within the creditors is released and recognised as income with the comprehensive statement of income.

### **Stock and Work in Progress**

Stock represents work in progress and completed properties, including housing properties developed for transfer to other registered providers and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche. Stock is held at the lower of cost and net realisable value.

### **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.

### **Recoverable amount of rental and other trade receivables**

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

### **Cash and cash equivalents**

Cash and cash equivalents in the association's balance sheet consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less.

### **Leasehold Sinking Funds**

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

### **Concessionary loans**

Concessionary loans are those loans received by Heart of Medway from mhs homes that are made:

- to further its public benefit objectives,
- at a rate of interest which is below the prevailing market rate of interest
- to be repayable on demand.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

## 2 Accounting policies (continued)

### **Investment properties**

Investment properties consist of market rented properties not held for social benefit. They were valued in March 2023 by Jones Lang LaSalle LLP in accordance with the current UK national supplement (the RICS Red Book) published by the Royal Institution of Chartered Surveyors on the basis of Market Value and amended in line with the changes in values as reported by land registry for the local authority area these properties are held for the year to March 2024. The properties are valued every three years with the in-between years adjusted the land registry as this provides reasonable estimate of the value compared to the costs of obtaining this information.

The change in fair value is recognised in the statement of comprehensive income. No depreciation is provided.

### **Provisions**

Provisions are recognised for liabilities of uncertain timing or amounts. Provision is made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle a legal or constructive obligation at the balance sheet date.

## 3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the association's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

### **Other key sources of estimation uncertainty**

Tangible fixed assets (see note 11) 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. These consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Housing property assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Rental and other trade receivables (debtors) (see note 14) are estimates for receivables relating to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Investment Properties (see note 12) are measured at cost on initial recognition and subsequently carried at fair value determined by external valuers in March 2023 and then uplifted in the current year by reference to the land registry price increases compared to the costs of obtaining this information.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

### 4 Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover	Operating costs	Sale of fixed assets	Operating surplus
	2024 £'000	2024 £'000	2024 £'000	2024 £'000
<b>Social housing lettings (Note 5)</b>	<b>6,968</b>	<b>(6,128)</b>	-	<b>840</b>
<b>Other Social Housing Activities:</b>				
Supporting People	192	(342)	-	(150)
Sale of fixed assets	-	-	163	163
<b>Activities Other than Social Housing:</b>				
Market rented properties	273	(56)	-	217
	<b>7,433</b>	<b>(6,526)</b>	<b>163</b>	<b>1,070</b>

	Turnover	Operating costs	Sale of fixed assets	Operating surplus
	2023 £'000	2023 £'000	2023 £'000	2023 £'000
<b>Social housing lettings (Note 5)</b>	6,277	(4,530)	-	1,747
<b>Other Social Housing Activities:</b>				
Supporting People	192	(277)	-	(85)
Sale of fixed assets	-	-	251	251
<b>Activities Other than Social Housing:</b>				
Market rented properties	184	(115)	-	69
	<b>6,653</b>	<b>(4,922)</b>	<b>251</b>	<b>1,982</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

### 5 Income and expenditure from social housing lettings

	General needs £'000	Affordable Rents £'000	Sheltered Housing £'000	Foyers £'000	Shared Ownership £'000	Total 2024 £'000	Total 2023 £'000
<b>Income</b>							
Rents net of identifiable service charges	946	3,583	386	92	984	5,991	5,383
Service Charge income	84	259	23	201	193	760	680
Other income	-	-	1	1	12	14	16
Amortised government grants	64	95	24	-	20	203	198
<b>Turnover from social housing lettings</b>	<b>1,094</b>	<b>3,937</b>	<b>434</b>	<b>294</b>	<b>1,209</b>	<b>6,968</b>	<b>6,277</b>
<b>Expenditure</b>							
Management	118	341	41	-	91	591	515
Service charge costs	84	353	23	201	192	853	588
Routine maintenance	56	358	6	51	13	484	308
Planned maintenance	65	115	20	15	-	215	214
Major repairs	128	909	80	46	-	1,163	1,401
Bad debts	49	40	3	25	3	120	48
Depreciation of housing properties:							
- Annual charge	362	1,160	148	-	198	1,868	1,431
- Impairment	-	-	742	-	-	742	-
- Accelerated on disposal of components	-	92	-	-	-	92	25
<b>Operating costs on social housing lettings</b>	<b>862</b>	<b>3,368</b>	<b>1,063</b>	<b>338</b>	<b>497</b>	<b>6,128</b>	<b>4,530</b>
<b>Operating surplus on social housing lettings</b>	<b>232</b>	<b>569</b>	<b>(629)</b>	<b>(44)</b>	<b>712</b>	<b>840</b>	<b>1,747</b>
<b>Void losses</b>	<b>(12)</b>	<b>(14)</b>	<b>(3)</b>	<b>(29)</b>	<b>-</b>	<b>(58)</b>	<b>(48)</b>

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

## 6 Units of housing stock

	Total 2023	Purchased from Registered Provider	New builds	Transfers	Total 2024
<b>Social housing:</b>					
General needs housing	154	117	24	-	295
General needs affordable rent	444	4	-	-	448
Sheltered housing affordable rent	54	-	-	-	54
Intermediate rent	-	24	-	-	24
Shared ownership	237	38	-	(4)	271
Social leaseholders	21	53	-	4	78
<b>Social housing owned</b>	<b>910</b>	<b>236</b>	<b>24</b>	<b>-</b>	<b>1,170</b>
<b>Social housing managed on behalf of mhs homes</b>					
Foyers	36	-	-	-	36
<b>Non-social housing:</b>					
Managed freeholders	5	13	-	-	18
Market rented	17	-	-	-	17
<b>Total owned and managed accommodation</b>	<b>968</b>	<b>249</b>	<b>24</b>	<b>-</b>	<b>1,241</b>
<b>Social housing managed by other associations</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>Total</b>	<b>968</b>	<b>255</b>	<b>24</b>	<b>-</b>	<b>1,247</b>

	2024	2023
Units under construction: Commitments contracted		
Houses		-
Flats	22	36
Sheltered	44	46
Units under development: Commitments approved but not contracted		
Houses	-	-
Flats	46	44
	<b>112</b>	126

## 7 Operating Surplus

	2024 £'000	2023 £'000
This is arrived at after charging:		
Depreciation of housing properties:		
- annual charge	1,868	1,431
Accelerated depreciation on replaced components	92	25
Auditor's remuneration (excluding VAT):	36	28
Management fee to mhs homes limited	605	527

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

### 8 Surplus on disposal of fixed assets

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Shared ownership properties:		
Disposal proceeds	<b>388</b>	541
Cost of disposals	<b>(224)</b>	(289)
Legal and other fees	<b>(1)</b>	(1)
<b>Surplus on sale of fixed assets</b>	<b>163</b>	251

### 9 Interest receivable

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable	<b>3</b>	6
<b>Total interest receivable</b>	<b>3</b>	6

### 10 Interest and financing costs

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	<b>1,241</b>	768
Amortisation of issue costs	<b>25</b>	21
Arrangement fees	<b>(14)</b>	16
	<b>1,252</b>	805
Interest capitalised on construction of housing properties	<b>(132)</b>	(220)
<b>Total interest costs</b>	<b>1,120</b>	585



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

### 11 Tangible fixed assets: Housing properties

	General Needs completed £'000	Shared Ownership completed £'000	General Needs under construction £'000	Total £'000
<b>Cost or valuation:</b>				
<b>At 1 April 2023</b>	<b>101,408</b>	<b>19,337</b>	<b>13,138</b>	<b>133,883</b>
Additions:				
- construction costs	-	-	7,999	7,999
- Acquired from other registered providers	16,981	5,029	-	22,010
- works to existing properties	541	-	-	541
Completed schemes	5,507	-	(5,507)	-
Disposal under Staircasing	-	(240)	-	(240)
Disposal of replaced components	(168)	-	-	(168)
<b>At 31 March 2024</b>	<b>124,269</b>	<b>24,126</b>	<b>15,630</b>	<b>164,025</b>
<b>Depreciation:</b>				
<b>At 1 April 2023</b>	<b>8,592</b>	<b>1,267</b>	-	<b>9,859</b>
Charge for the year	1,670	198	-	1,868
Eliminated under Staircasing	-	(16)	-	(16)
Disposal of replaced components	(76)	-	-	(76)
<b>At 31 March 2024</b>	<b>10,186</b>	<b>1,449</b>	-	<b>11,635</b>
<b>Impairment:</b>				
<b>At 1 April 2023</b>	467	233	-	700
Charge for the Year	-	-	742	742
<b>At 31 March 2024</b>	<b>467</b>	<b>233</b>	<b>742</b>	<b>1,442</b>
<b>Net book value at 31 March 2024</b>	<b>113,616</b>	<b>22,444</b>	<b>14,888</b>	<b>150,948</b>
Net book value at 31 March 2023	92,349	17,837	13,138	123,324

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

## 11 Tangible fixed assets: Housing properties (continued)

The group considers schemes to represent separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018, along with individual properties where appropriate. An impairment of £741,544 (2023: £0) against a scheme was recognised in the year reflecting additional costs following the insolvency of the contractor.

The estimated value in use of the social housing stock is £126 million (2023: £85 million).

The net book value of housing properties may be further analysed as:

	<b>2024</b> <b>£'000</b>	<b>2023</b> <b>£'000</b>
Freehold	<b>149,361</b>	121,710
Long leasehold	<b>1,587</b>	1,614
	<b>150,948</b>	123,324
<b>Interest capitalisation</b>		
Interest capitalised in the year	<b>132</b>	220
Cumulative interest capitalised	<b>2,853</b>	2,721
<b>Works to properties</b>		
Improvements to existing properties capitalised	<b>541</b>	54
Major repairs expenditure to income and expenditure account	<b>623</b>	1,318
	<b>1,164</b>	1,372

## 12 Investment properties: Market Rent

	<b>Completed</b> <b>£'000</b>	<b>Under Construction</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>At 1 April 2023</b>	3,655	-	3,655
Revaluation	(11)	-	(11)
<b>At 31 March 2024</b>	<b>3,644</b>	<b>-</b>	<b>3,644</b>

Investment properties consist of market rented properties. Investment properties are measured at fair value determined by external valuers in March 2023 and then uplifted in the current year by reference to the land registry price increases. The loss on revaluation of investment property arising of £10,965 (2023: gain of £190,000) has been credited to the Statement of Comprehensive Income for the year.

The fair value calculation was based on a triangulated methodology of :-

1. A 10 year Discounted Cashflow (DCF) adopting the following assumptions:-
  - 29% Running costs
  - Rental growth of 3.1 % a year
  - Discount rates of between 6.5% - 7.5% depending upon the property
2. A Cap and Collar Approach to the resulting % of Vacant Possession Value based on the experience of the residential investment market as at the valuation date.
3. Analysis of gross and net yields

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

### 12 Investment properties: Market Rent (continued)

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	<b>2024</b> <b>£'000</b>	<b>2023</b> <b>£'000</b>
Historic cost	<b>3,407</b>	3,407
Accumulated depreciation	<b>(552)</b>	(462)
	<b>2,855</b>	2,945

### 13 Other investments

	<b>2024</b> <b>£'000</b>	<b>2023</b> <b>£'000</b>
Other Investments	<b>185</b>	185
	<b>185</b>	185

### 14 Debtors

	<b>2024</b> <b>£'000</b>	<b>2023</b> <b>£'000</b>
<b>Due within one year</b>		
Rent and service charge arrears	<b>529</b>	366
Less: Provision for doubtful debts	<b>(277)</b>	(135)
	<b>252</b>	231
Grant receivable	<b>35</b>	-
Other debtors	<b>271</b>	-
	<b>558</b>	231

### 15 Creditors: amounts falling due within one year

	<b>2024</b> <b>£'000</b>	<b>2023</b> <b>£'000</b>
Deferred capital grant	<b>203</b>	198
Rent and service charges received in advance	<b>124</b>	147
Trade Creditors	-	80
Sinking fund balances	<b>935</b>	413
Accruals and Deferred income	<b>907</b>	848
Other Creditors	-	9
	<b>2,169</b>	1,695

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

### 16 Creditors: amounts falling due after more than one year

	2024 £'000	2023 £'000
Loans (Note 17)	49,371	29,483
Deferred capital grant (Note 18)	18,520	18,051
Recycled capital grant fund (Note 19)	81	157
Amounts owed to group undertakings (Note 17 & 23)	4,134	510
	<b>72,106</b>	48,201

### 17 Loans and borrowings: maturity of debt

	2024 £'000	2023 £'000
Loans	50,000	30,000
Less issue costs	(629)	(517)
	<b>49,371</b>	29,483
<b>Maturity of debt</b>	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
In more than five years	54,134	30,140
	<b>54,134</b>	30,140

The debt in Heart of Medway is comprised of the private placements noted below. The interest rates are all fixed for the duration of the loans.

- £10 million due in 2038 @ 3.68%
- £20 million due in 2055 @ 2.67%
- £20 million due in 2044 @ 6.01%

mhs homes has provided a intercompany loan that stands at £4.1 million (2023 : £0.51 million. The loan is provided to further its public benefit objectives, at nil rate, unsecured and is repayable by 2038 and is therefore treated as a concessionary loan.

### 18 Deferred capital grant

	2024 £'000	2023 £'000
Opening balance	18,249	16,470
Less: Transfers from\ (to) recycled capital grant fund	76	(19)
Grant amortised	(203)	(198)
Grant received	601	1,996
	<b>18,723</b>	<b>18,249</b>
Less: deferred capital grant falling due within one year	(203)	(198)
	<b>18,520</b>	<b>18,051</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

### 19 Recycled capital grant fund

	<b>£'000</b>
At 1 April 2023	157
Output to fund: Transfers to deferred capital grant fund	(76)
At 31 March 2024	<b>81</b>

### 20 Provision

	<b>2024 £'000</b>	<b>2023 £'000</b>
Fire Safety Provision	-	528

The fire safety provision was as a result of providing for works with regards to fire safety for a block of flats which did not meet Building Regulations and as such additional work is required to achieve compliance. The original contractor has now taken responsibility for this work and therefore the provision has been released.

### 21 Share Capital

	<b>2024</b>	<b>2023</b>
At 1 April	<b>8</b>	8
Shares issued in the year	<b>1</b>	-
Shares cancelled in the year	<b>(1)</b>	-
At 31 March	<b>8</b>	8

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled, and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

### 22 Capital commitments

	<b>2024 £'000</b>	<b>2023 £'000</b>
Construction		
Commitments contracted but not provided	<b>14,283</b>	14,375
Commitments approved by the Board but not contracted	<b>11,144</b>	9,627
	<b>25,427</b>	24,002
Capital commitments for the association will be funded as follows		
Social housing grant	<b>691</b>	1,258
Loans	<b>12,943</b>	15,800
Sale of properties	<b>4,019</b>	-
Reserves	<b>7,774</b>	6,944
	<b>25,427</b>	24,002

### 23 Related party disclosures

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

The Board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £3,999 (2023: £3,747) and the tenant had an arrears balance of £241 at the 31 March 2024 (31 March 2023: £18).

The ultimate controlling party of the association is mhs homes limited a registered charity incorporated under CA2006 registered in England & Wales whose financial statements are available from the association's registered office at Broadside, Leviathan Way, Chatham, Kent ME4 4LL.

## Transactions with non-regulated entities

mhs homes provides management services, other services and loans to Heart of Medway. The quantum and basis of those charges is set out below.

	Management charges		Interest charges	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
mhs homes	605	527	-	-

## Intra-group management charges

Intra-group management fees are payable to the parent organisation, mhs homes. A fixed charge per unit is agreed on an annual basis.

## Intra-group interest charges and loan ( see note 17)

Interest is charged on the loan provided by mhs homes to Heart of Medway in accordance with the loan agreement. The loan agreement was revised and approved by both organisations in 2015.

Entity granting loan	Entity receiving loan	Opening balance £'000	Movement £'000	Closing balance £'000
mhs homes	Heart of Medway	510*	3,624	4,134

\*Corrected from £140,000 shown in 2023 note.

## 24 Contingent liabilities

Heart of Medway receives grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. Heart of Medway has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2024, the value of grant received in respect of these properties that had not been disposed of was £33.3 million (2023: £19.8 million). As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

### Total Social Housing Grant received or receivable to date is as follows:

	2024 £'000	2023 £'000
Recycled Capital Grant	81	157
Capital Grant	33,250	19,636
<b>Total Grant</b>	<b>33,331</b>	19,793