

SAMUEL LEWIS FOUNDATION

England & Wales · Charity number 206611

Details

Other names	THE SAMUEL LEWIS DWELLINGS TRUST, THE SAMUEL LEWIS HOUSING TRUST
Status	Registered
Legal form	Other
Registered	1962-05-06
Register	View on the Charity Commission register

Contact

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Activities

Objects: TO RELIEVE NEED IN ENGLAND BY THE PROVISION OF HOUSING AND HOSTELS WITH ANCILLARY AMENITIES AND SERVICES FOR PERSONS IN NEED OF SUCH UPON TERMS APPROPRIATE TO THEIR MEANS.

Activities: Social Housing

Classification

- **How:** Provides Buildings/facilities/open Space
- **What:** Accommodation/housing
- **Who:** The General Public/mankind

Geography

- **Area of benefit:** NATIONAL
- Throughout London

Finances

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£3,203,411	£1,416,213	£54,564,138	0
2024-03-31	£1,830,000	£307,000	£32,599,000	0
2023-03-31	£1,939,000	£163,000	£27,190,000	0
2022-03-31	£1,748,000	£58,000	£28,130,000	0
2021-03-31	£1,802,000	£839,000	£28,499,000	0

Trustees

Name	Role	Appointed
SOUTHERN HOUSING		2025-04-28

Linked charities

- EASON GRUAZ HOMES (206611-1)
- CHARITY OF JULIA SPICER FOR ALMSHOUSES (206611-2)
- HEWITT HOMES (206611-3)
- THE FELLOWSHIP HOUSES TRUST (206611-4)

Accounts



Annual Report

2024-25



CASE STUDY

**SAMUEL LEWIS
ESTATE MURAL**

Residents have been supported in bringing new vibrancy to a historic space in Islington through a transformation thanks to a vibrant mural. The park, at our Samuel Lewis Estate in Liverpool Road, is now blossoming with a colourful mural featuring artwork designed and painted by residents themselves.

Rich in Southern Housing heritage, this location was established through the Samuel Lewis Housing Trust in 1901, following the death of English philanthropist and money-lender Samuel Lewis. His legacy funded a trust dedicated to providing housing solutions.

The playpark started its colourful transformation when fresh new flooring was installed by one of our contractors Chas Berger in summer 2024, and the area began to come to life. The Community also wanted to create a new community mural.

With support from our partners Ovia, Niblock and Arbor projects, the space was made ready and could begin its artistic transformation.

Workshops with residents took place from January 2025 and focussed on capturing the community's spirit and vision for a tranquil outdoor space. The colourful mural features a river flowing from one side of the mural to the other, passing butterflies, dragonflies and flowers across the 30ft yellow wall with an eye-catching sun beaming from the centre.

This resident-led project aims to create a beautiful, tranquil outdoor space for everyone to enjoy while strengthening community bonds and neighbourhood pride. It improves wellbeing with access to pleasant outdoor areas and provides creative outlets for residents to express themselves.

Independent Auditor's Report to the Members of Southern Housing

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2025 and of the Group's and the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 Southern Housing ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2025 which comprise the Group and Association statement of comprehensive income, the Group and Association statement of financial position (balance sheet), the Group and Association statement of changes in reserves, the consolidated statement of cash flows, analysis of change in net debt 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. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

On 16 December 2022, Optivo and Southern Housing Group amalgamated to become Southern Housing. We were first appointed as auditors to Optivo for the year ended 31 March 2014 and for Southern Housing Group for the year ended 31 March 2022. In considering our independence we use the Optivo appointment date.

Following a tender process for the 31 March 2024 financial audit, we were the recommendation of the Audit and Risk Committee, and we were re-appointed by the Board on 7 November 2023 to audit the financial statements for the year ending 31 March 2024 and four subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 12 years, covering the years ending 2014 to 2025.

We remain independent of the Group and the Parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board’s assessment of the Group and the Parent Association’s ability to continue to adopt the going concern basis of accounting included:

- We obtained management’s assessment that supports the Board’s conclusions with respect to the disclosures provided around going concern.
- We assessed the internal forecasting process to confirm the forecasts are prepared by appropriate personnel that are aware of the detailed figures in the forecast and also have a high level understanding of the entity’s market, strategy and profile in the customer base, and the potential impact that current economic pressures might have on these forecasts.
- We challenged the key assumptions used by management in the preparation of their forecasts based on our knowledge of the business and the general economic environment.
- We tested the mechanical accuracy of the forecasts, assessing historical forecasting accuracy and understanding management’s consideration of downside sensitivity analysis.
- We assessed scenarios modelled by management which included a range of stress tests to analyse the impact of risks from the emerging change in inflation, high interest rates and possible lower rent settlements from the Government. We challenged the assumptions used and available mitigating actions included within these scenarios and reviewed the stress test calculations.
- We challenged management on the suitability of any mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions.

- We obtained and assessed the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management’s financial covenant compliance calculations through to March 2027 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. We assessed the facility and covenant headroom calculations and re-performed sensitivities on management’s base case and stressed case scenarios.
- We considered the development plan over the going concern period and specifically the availability of funding for contracted commitments within the plan.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenarios.

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 Group and the Parent 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.

Overview

KEY AUDIT MATTER		2025	2024
KEY AUDIT MATTER	The recoverable amount of property developed for sale is materially misstated	✓	✓
	Impairment of social housing rental property assets under construction	✓	✓
MATERIALITY	Group financial statements as a whole £90.6m (2024: £88.8m) based on 1.3% of total assets (2024: 1.3% of total assets)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. On the basis of this, we identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

The group is highly centralised with 21 components all based in the UK, in the same location, and all subject to group management oversight. The group structure is designed to support the overall social purpose of the group, with a combination of charitable and commercial entities. Components generally have the same accounting function and group management and therefore are subject to a common control environment. For our scoping assessment, we identified components as legal entities, aligned with statutory audit requirements in the UK.

To determine components in scope, we performed risk assessment procedures to identify areas in the Group's financial statements that may be at risk of material misstatement. We used both qualitative and quantitative factors to perform this assessment including evaluating the size, complexity, and nature of each entity's activities, reviewing significant transactions or estimates and any changes in the business environment.

We identified the specific areas that could lead to a material misstatement at Group level. As part of our Group audit, we assessed each component against the risks of material misstatement identified.

For components in scope, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included:

- procedures on the entire financial information of the component, including performing substantive procedures and tests of operating effectiveness of controls
- procedures on one or more classes of transactions, account balances or disclosures
- specific audit procedures.

Based on our risk assessment we identified one component that required full scope audit of their complete financial information due to the extent to which these components contribute to the identified Group risks of material misstatement. We identified a further four components that required audit procedures over specific financial statement areas due to the extent to which certain financial statement areas within these components contributed to the identified Group risks of material misstatement.

The remainder of the components were not identified as contributing to identified Group risks of material misstatement and the financial information of these components were principally subject to analytical review procedures performed by the Group audit team. All work was performed by the Group audit team.

Procedures performed centrally

We considered there to be high degree of centralisation of financial reporting and similarity of the group's activities in relation to going concern, building safety and impairment. We therefore designed and performed procedures centrally in these areas.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

The recoverable amount of property developed for sale is materially misstated

As explained in the note 17 accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £163.1m.

For completed properties at the balance sheet date an assessment is needed of the anticipated selling price and costs to sell.

For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete and sell.

This area also represents a key area of estimation uncertainty for management, as described in note 2.

Due to the volume of property developed for sale and the inherent estimation uncertainty in determining both sales proceeds and costs to complete we considered there to be a significant risk (compared to specific materiality) that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained management’s assessment of the recoverable amount of properties developed for sale as part of their year end procedures.

For a sample of properties developed for sale, we have performed a combination of the following:

1. FOR SALES PRICE	- compared expected selling prices to sales prices achieved after the year end, evidence of sales reservations, sales prices achieved for similar units in the year, valuation of properties for marketing purposes and other selling prices of similar properties in the locality. - performed a retrospective review comparing estimated selling prices at 31 March 2024 with the prices achieved in the year for units sold in the year; and - where third party valuation is used, for a sample of properties, checked expert estimates against publicly available selling prices for comparable properties. - performed a sensitivity of selling prices based on publicly available data.
2. FOR COSTS TO COMPLETE	- obtained the works contract and confirmed the nature of the contract as fixed or variable. - obtained the latest contract valuation to identify agreed contract variations. - obtained details of the expected costs to complete from the latest forecast outturn and agreed the forecast total contracted cost of the development to the latest contract documentation. - reviewed invoices and valuation certificates recorded after the year end in order to assess completeness of expenditure and forecast costs to complete. This was also performed for completed units to confirm completeness of cost and the ‘completed’ status. - assessed the accuracy of cost forecasting by looking at outturn costs compared with budget and forecast at the end of the prior year on schemes that completed in the year. - for development schemes in progress, we attended the year-end Impairment Working Group (IWG) meeting and reviewed minutes of other IWG meetings throughout the year. Where the IWG minutes, or other audit procedures performed indicated potential issues, we discussed those issues with the Head of Commercial and/or individual Project Managers (corroborating as required).
3. FOR COSTS TO SELL	where material, considered computations of selling costs and compared against known selling costs that have been incurred in the year.

KEY OBSERVATIONS

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

KEY AUDIT MATTER**The recoverable amount of housing property is materially misstated**

As described in note 13, the Association annually assess housing properties for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount.

Assets are required to be reviewed for indicators of impairment annually. If such indicators exist, an impairment assessment and estimate of the recoverable amount must be performed.

This area also represents a key area of estimation uncertainty for management, as described in note 2.

Due to the inherent estimation uncertainty in determining the recoverable amount, we considered there to be a significant risk and therefore a key audit matter.

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Having obtained management's assessment of indicators of impairment, and subsequent impairment review calculations where indicators of impairment were identified, we have:

- considered whether management had included all asset groups (including all tenure types) in their assessment of indicators of impairment, and whether management have considered all relevant impairment indicators
- for schemes where an indicator was identified, reviewed management's calculations of the recoverable amount of the scheme and corroborated assumptions that were used to support these calculations.
- considered the completeness of the schemes that were identified using our knowledge obtained through other procedures performed in our audit
- where a management expert valuation was used to support managements assessment we confirmed the competence of any expert used by management and assessed their valuation methodology and assumptions used in the valuation.
- reviewed the appropriateness and completeness of the disclosures in the financial statements and accompanying narrative reports.

KEY OBSERVATIONS

Based on our procedures we noted no exceptions.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance

materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	GROUP FINANCIAL STATEMENTS		PARENT ASSOCIATION FINANCIAL STATEMENTS	
	2025	2024	2025	2024
FINANCIAL STATEMENT MATERIALITY				
Materiality	£90.6m	£88.8m	£86.1m	£87.5m
Basis for determining materiality	1.3% of total assets	1.3% of total assets	1.2% of total assets	1.3% of total assets
Performance materiality	£63.4m	£62.2m	£60.2m	£61.3m
Basis for determining performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality
SPECIFIC MATERIALITY				
Specific materiality	£12.1m	£10.9m	£11.5m	£10.5m
Basis for determining specific materiality	1.8% of revenue	1.8% of revenue	1.8% of revenue	1.8% of revenue
Specific performance materiality	£8.5m	£7.7m	£8m	£7.3m
Basis for determining specific performance materiality	70% of materiality	71% of materiality	70% of materiality	70% of materiality

Rationale for the benchmarks applied

A housing association's key stakeholders are primarily focused on the value of the stable, rented asset portfolio, as their debt is secured on these assets. Total assets is therefore considered to be the appropriate benchmark for determining overall materiality. However, we also determined that for other classes of transactions and balances in income and expenditure recognised within the statement of comprehensive income that are used in covenant calculations and sector benchmarking metrics, as well as other financial statement areas such as property for sale stock and rent arrears that are subject to greater scrutiny by key stakeholders, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of the users of the financial statements. As a result, we applied a specific materiality calculated using Revenue as the benchmark to these balances and transactions.

We have determined that 70% of materiality is an appropriate basis for performance materiality based on our previous experience of the audit and factors such as the low levels of misstatements previously identified partially offset by some areas of the financial statements subject to significant estimation uncertainty.

Performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Parent Association whose materiality and performance materiality are set out above, based on a percentage of between 0.1% and 18% (2024: 0.1% and 16%) of Group performance materiality dependent on a number of factors including size and our assessment of the risk of material misstatement of those components. Component performance materiality ranged from £720 to £11.2m (2024: £24 to £11.9m).

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £1.8m (2024: £1.7m) in relation to financial statement materiality and £241k in relation to specific materiality (2024: £219k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative and 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 Statement of the Board's responsibilities, 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 Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or 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 Group and the industry in which it operates;
- Discussion with management, those charged with governance and the Audit and Risk Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Group 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 Regulator of Social Housing's Regulatory Standards, employment law, Financial Conduct Authority ("FCA") regulations, data protection, fire safety legislation and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- 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;
- Discussions with relevant individuals responsible for those areas, such as the Executive Director of Assets & Sustainability;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

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 the Audit and Risk Committee regarding any known or suspected instances of fraud
- Obtaining an understanding of the Group'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 meetings 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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through accounting estimates in relation to net realisable value of properties developed for sale and recoverable amount when assessing impairment and inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (ie non risky journals);
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the net realisable value of properties developed for sale (see Key Audit Matter 1) and impairment of properties (see Key Audit Matter 2).

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 is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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:

BDO LLP

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BDO LLP

Statutory Auditor
London, UK

Date 13 August 2025

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

Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing. This disclosure is given for reporting purposes to the Charity Commission. Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties. Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ring fenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £m	Number of units
Liverpool Road	1910	0.3	247
Jubilee Cottages	1935	0.7	28
Palliser Road	1927	1.0	57
Beech House	1936	0.7	10

Fund balances are represented by:

	2025 £m	2024 £m
Property, plant & equipment	33.4	18.9
Stock	3.9	5.1
Cash	15.3	15.3
Total assets less current liabilities	52.6	39.3

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Social housing and other grants	(6.7)	(6.7)
Total net assets	45.9	32.6

NET INCOME FROM PERMANENT ENDOWED ASSETS

Income from lettings	2.2	1.8
Less expenditure on letting activities	(0.5)	(0.3)
Surplus on letting activities	1.7	1.5

EASON GRUAZ HOMES

EASON GRUAZ HOMES

Annual Report for the year ended 31 March 2025

Registered Charity number: 220271

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MEMBERS, ADVISORS AND BANKERS

Trustee	Southern Housing - Appointed as corporate Trustee on 22 May 2017
Board Members of Southern Housing Board	Sir Peter Dixon (Chair) Paul Hackett Geanna Bray Michelle Dovey Janet Collier Damien Régent Eugenie Turton Philip Blume Ian Wilson Daisy Armstrong Robert Clark Mark Everard – Appointed 29 January 2025 Billy Brown – Appointed 26 March 2025 William Howard Cresswell – Resigned 31 May 2025
Secretary	Puneet Rajput
Registered office	Fleet House 59-61 Clerkenwell Road London EC1M 5LA
Auditor	BDO LLP 2 City Place Gatwick RH6 0PA
Principal solicitor	Devonshires Salisbury House London Wall London EC2M 5QY
Principal banker	Barclays Bank plc Churchill Place Canary Wharf London E14 5RB
Registration	Registered Charity number: 220271

TRUSTEE'S REPORT

The Trustee presents its annual report together with the financial statements of Eason Gruaz Homes (Charity) for the year ended 31 March 2025.

Structure, Governance and Management

Eason Gruaz Homes was founded by an indenture dated 4 September 1901 and was the Charity of Mrs Ann Hays.

Southern Housing is the sole Corporate Trustee of the Charity. The Southern Housing Board is responsible for the strategic management and good governance of Eason Gruaz Homes on behalf of the Trustee, whilst operational management has been delegated to the Chief Executive and staff of Southern Housing by the Trustee. Southern Housing provides support services such as risk management; IT, financial services and facilities management to Eason Gruaz Homes.

The skills and expertise of Southern Housing (acting as the Trustee) are regularly reviewed to ensure the Charity has a capable and efficient Board. Appointment to the Board is in accordance with the rules of Southern Housing.

Objectives and Activities

In the indenture, a piece or parcel of land was conveyed to Ann Hays in Valenciennes Road, Sittingbourne in the Parish of Milton. On this land, Ann Hays proceeded:

“With the erection on the said piece of land, certain buildings intended to be used as almshouses and intended to complete the same, fit for occupation”.

Ann Hays then directed the almshouses should be known as “Eason Gruaz Homes”.

She further directed that:

“The inmates of the said almshouses should be eight in number to be selected as thereafter provided and being either male or female of whom some might be married couples. Each inmate should, when elected, be of the age of 40 years upwards and of good repute, but no qualifications should be imposed as to religious tenets or beliefs”.

Residents are selected on this basis by approval from the Trustee.

The continuing objective of the Trustee of Eason Gruaz Homes is to meet the conditions of the indentures above. Its activities centre around this objective and manifest itself through the provision of housing management services, enabling residents to achieve high levels of independent living. Under the stated objectives, the Charity provides housing for people in need. Although the Charity is not a registered almshouse, it provides comparable activities to that of an almshouse and operates within the spirit of the original gift.

EASON GRUAZ HOMES - TRUSTEE'S REPORT

Business Review and Future Plans

The Charity made a surplus for the year of £19k (2024: £21k).

A high level of service has been maintained at Eason Gruaz Homes enabling the residents to enjoy independent living but with support in accordance with the vision of the Charity.

The Trustee seeks to maximise the benefit of the Charity's users by minimising the time properties are void and unoccupied.

The Charity will continue to provide properties for independent living and housing management services to the residents, and will continue to endeavour to fill any void properties at the earliest opportunity to ensure maximum usage of the properties and to avoid loss of revenue.

Reserves Policy

The Charity's principal source of income is rent. From this income, the Trustee must ensure there are sufficient funds available to support expenditure on the upkeep of the fabric of the properties where the beneficiaries of the Charity reside. The level of potential future expenditure is periodically assessed and plans to undertake necessary works are formulated as required. The policy of the Trustee is therefore to use best value principles in providing services and maintaining the properties at an operational level, in order to provide sufficient reserves to deal with large items of maintenance expenditure when they become due.

Risk Management

The Trustee makes use of Southern Housing's Audit & Risk Committee (ARC) to help in identifying and mitigating risks for the Charity. ARC is a multi-disciplinary group-wide committee that ensures the Group entities approach risk in a consistent and relevant manner, whilst recognising the particular needs of each individual entity within the Group. Through ARC, the Trustee examines major strategic and operational business risks faced by the Charity and can confirm systems and controls are in place to identify, minimise and mitigate risk.

Value for money

The Group has published its value for money statement and uses the Regulator of Social Housing's value for money metrics to review performance and target actions as disclosed in Southern Housing financial statements.

Political and charitable contributions

The Charity made no political contributions in the current and prior year.

Going concern

The Charity has net assets of £391k (2024: £372k) at the balance sheet date. After reviewing the Charity's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statements are approved, the Trustee has a reasonable expectation the Charity has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent's long term financial plan. The Board are confident the viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that the Southern Housing Group has adequate resources to continue in operational existence for the 12 months from the date of approval of the financial

EASON GRUAZ HOMES - TRUSTEE'S REPORT

statements. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Trustee's Responsibilities

The Trustee is responsible for preparing the annual report and the financial statements in accordance with applicable law and Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102).

The financial statements are required by law to give a true and fair view of the state of affairs of the Charity and of incoming resources and application of resources including income and expenditure of the charity for that period.

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

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

The Trustee is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time and enable the Trustee to ensure that its financial statements comply with the Charities Act 2011 and the provisions of the Charity Deed. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities.

Assessment of the effectiveness of internal controls

The Trustee is responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives will be met. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests. The Trustee recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Public Benefit disclosures

During the year the Charity continued to undertake activities which meet its objectives, relating to those activities it considers necessary to address social exclusion. The Trustee has complied with its duty, under section 4 of the Charities Act 2011, to have due regard to the guidance issued by the Charity Commission in England & Wales related to public benefit.

Corporate governance

The Trustee is responsible for ensuring that the Charity meets the Regulatory standards required by the Regulator of Social Housing. Corporate governance is determined and established at group level and relevant disclosures are contained within the Southern Housing financial statements. The Trustee has adopted the National Housing Federation's Code of Governance 2020. Further details of the Group's policies on controls, risks and uncertainties, and performance monitoring are included in the Group Financial Statements.

EASON GRUAZ HOMES - TRUSTEE'S REPORT

Disclosure of information to auditors

The Trustee of the Charity has confirmed in fulfilling their duties as a Trustee;

- they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Auditors

A resolution to re-appoint BDO LLP as the auditors will be proposed at the Southern Housing Board Meeting on 24 September 2025.

Approval

The Trustee's Report was approved by the Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair of Southern Housing

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF EASON GRUAZ HOMES

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2025 and of income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of Eason Gruaz Homes ("the Charity") for the year ended 31 March 2025 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 Charity in accordance with the ethical requirements 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 related to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity'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 Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility

EASON GRUAZ HOMES - INDEPENDENT AUDITOR'S REPORT

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion;

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is inconsistent in any material respect with the financial statements; or
- adequate accounting records have not been kept by the Charity; or
- the Charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustees are 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 Trustees 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 Trustees are responsible for assessing the Charity'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 Trustees either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

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:

EASON GRUAZ HOMES - INDEPENDENT AUDITOR'S REPORT

Non-compliance with laws and regulations

Based on:

- Our understanding of the Charity's and the sector in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Charity's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the Charities Act 2011.

The Charity 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 data protection and health and safety legislation.

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 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;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Charity'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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (ie non risky journals).

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.

EASON GRUAZ HOMES - INDEPENDENT AUDITOR'S REPORT

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.

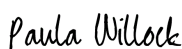
A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Charity's trustees 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 Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Paula Willock

BDO LLP, statutory auditor

Gatwick, UK

Date: 30 September 2025

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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 2025

	Notes	2025 £000	2024 £000
Turnover	2	30	28
Operating expenditure	2	(20)	(15)
Operating surplus		10	13
Interest receivable	6	9	8
Surplus for the year		19	21

All the Charity's activities are continuing. The Charity has no recognised surpluses and deficits other than those above and therefore no separate statement of other comprehensive income has been presented.

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2025

	General reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2023	285	66	351
Surplus for the year	21	-	21
Reserves transfers	5	(5)	-
Balance as at 1 April 2024	311	61	372
Surplus for the year	19	-	19
Reserves transfers	5	(5)	-
Balance as at 31 March 2025	335	56	391

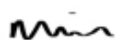
STATEMENT OF FINANCIAL POSITION

at 31 March 2025

Registered Charity number: 220271

	Notes	2025 £000	2024 £000
FIXED ASSETS			
Tangible fixed assets - Housing properties	7	134	139
Total fixed assets		134	139
CURRENT ASSETS			
Trade and other debtors	8	1	4
Cash and cash equivalents		266	235
Total current assets		267	239
Creditors: amounts falling due within one year	9	(10)	(6)
Net current assets		257	233
Total assets less current liabilities		391	372
Net assets		391	372
CAPITAL AND RESERVES			
General reserve		335	311
Revaluation reserve		56	61
Total reserves		391	372

The financial statements were approved by the Corporate Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair of Southern Housing



Puneet Rajput
Secretary

The accompanying accounting policies and notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

Eason Gruaz Homes is governed by its Charity deed. It is also registered as a Charity in England with the Charity Commission.

The financial statements have been prepared in accordance with applicable laws and UK Accounting Standards, including the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102), and the Charities Act. The charity provides "Housing for Older People" and is not a registered almshouse. Although the charity is not a registered provider with the Regulator of Social Housing (RSH), the trustee has made a judgement that the principles and guidance within the Registered Social Housing Providers SORP and the Accounting Direction are more relevant to the nature of the charity's activities in providing housing for older people than the Charity SORP.

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Registered address: Fleet House, 51-69 Clerkenwell Road, London, EC1M 5LA.

Cash flow statement

As a consolidated cash flow statement is prepared by the Charity's parent Southern Housing, the Charity has taken advantage of the exemption provided by FRS102 not to report a separate statement of cash flows.

Going concern

The Charity has net assets of £391k (2024: £372k) at the balance sheet date. After reviewing the Charity's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statements are approved, the Trustee has a reasonable expectation the Charity has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent's long term financial plan. The Board are confident the viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that the Southern Housing Group has adequate resources to continue in operational existence for the 12 months from the date of approval of the financial statements. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Financial Instruments

The Charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Charity becomes a party to the contractual provisions of the instrument, and are offset only when the Charity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

EASON GRUAZ HOMES - NOTES TO THE FINANCIAL STATEMENTS

Taxation

The Charity is not registered for VAT and is therefore not able to recover VAT it incurs. Expenditure is shown inclusive of related VAT.

No corporation tax is payable by the Charity as it is exempt from tax on its charitable activities.

Judgements in applying accounting policies and key sources of estimation uncertainty

The key judgements made in preparing these financial statements and sources of estimation uncertainty are:

- Management has applied judgement in determining the allocation between land and structure.
- In determining whether there are any indicators of impairment. Where there are indicators, the Trustee has considered the measurement basis to determine the recoverable amount of assets based on EUV-SH or depreciated replacement cost. The Trustee has also considered impairment based on their assumptions to define cash or asset generating units.

Other key sources of estimation uncertainty

- **Tangible fixed assets**

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as major repairs profile, ability to let the property and alternative options for the site are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the 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**

The estimate for receivables relates 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.

2. TURNOVER & OPERATING PROFIT

Rent receivable

Rental income from properties owned by the Charity is recognised on an accruals basis (net of void losses) as it falls due.

Service charges

Service charge income is recognised on an accruals basis as it falls due.

2a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £000	2025 Operating costs £000	Operating surplus £000
Social housing lettings (note 2b)	30	(20)	10
	30	(20)	10
	Turnover £000	2024 Operating costs £000	Operating surplus £000
Social housing lettings (note 2b)	28	(15)	13
	28	(15)	13

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General need housing £000	2025 Total £000	2024 Total £000
Rents receivable net of identifiable service charges	28	28	26
Service charges receivable	2	2	2
Turnover from social housing lettings	30	30	28
Expenditure on letting activities			
Management	(11)	(11)	(7)
Service charge costs	(3)	(3)	(2)
Routine maintenance	(1)	(1)	(1)
Depreciation of housing properties	(5)	(5)	(5)
Operating costs on social housing	(20)	(20)	(15)
Operating surplus on social housing lettings	10	10	13
Void Losses	(1)	(1)	-

3. EMPLOYEE AND TRUSTEE INFORMATION

No Trustee received any remuneration for their role as Trustee of Eason Gruaz Homes during the current and prior year. No expenses were reimbursed to the Trustee during the current year and prior year.

The Group Chief Executive and the senior management team are employed by Southern Housing, with whom administration costs are shared; the relevant emoluments are dealt with in the financial statements of that organisation.

No staff were directly employed by the Charity in the current or previous year.

4. UNITS OF HOUSING STOCK

	2025 Units	2024 Units
Units owned and managed		
General needs	8	8
	<u>8</u>	<u>8</u>

5. OPERATING SURPLUS FOR THE YEAR

	2025 £000	2024 £000
Operating surplus is stated after charging:		
Depreciation – housing properties	5	5
Auditors' remuneration:		
- in respect of audit services	6	2

6. INTEREST RECEIVABLE

	2025 £000	2024 £000
Bank and deposit interest	9	8
	<u>9</u>	<u>8</u>

7. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties

The Charity elected to take the carrying amount of all housing property at the date of transition to be the deemed cost. Housing properties are subsequently measured at cost less accumulated depreciation and any impairment losses.

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

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Depreciation

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less estimated residual values. Depreciation on the structure of properties is charged at 2%. The following useful economic lives are used:

Component	Years	Component	Years
Lifts	25-30	Windows	25-30
Kitchens	20-25	Roofs	20-80
Bathrooms	20-30	Fire alarms	15-20
Solar panels	20	Doors	15-30
External storage	10	Boilers & heating	15-25
External staircase	60	Emergency lighting	15-20
Aerials /CCTV	10	Electrical wiring	5-30
Flooring	15	Warden call / door entry	15

EASON GRUAZ HOMES - NOTES TO THE FINANCIAL STATEMENTS

Impairment

At each balance sheet date, the value of property, plant and equipment assets is formally assessed to determine whether there is an indication that the carrying value of the asset is greater than the recoverable amount and therefore may require impairment. This assessment is carried out by tenure and at the estate/scheme level, such a level representing a cash generating unit. A scheme is defined as all units of the same tenure within one area or estate. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

In line with the Group's objectives its social housing properties are held for their service potential and not purely for economic return.

	Housing properties held for letting
	£000
Cost	
At 1 April 2024	177
Replaced components	1
Disposals - components	(1)
At 31 March 2025	177
Depreciation	
At 1 April 2024	38
Depreciation charge for the year	5
At 31 March 2025	43
Net book value	
At 31 March 2025	134
At 31 March 2024	139

As permitted by FRS102, the Charity elected to take the carrying amount of all housing property at the date of transition to be the deemed cost. Housing properties are subsequently measured at cost less depreciation.

The value of housing properties is based on a professional valuation undertaken by Jones Lang Lasalle, Chartered Surveyors, acting as independent valuers. The housing properties have been valued on the basis of Existing Use Value for Social Housing (EUV-SH), as at 31 March 2015. This basis of valuation assumes that properties will continue to be let as social housing, at social rents, and managed in accordance with Homes and Communities Agency's requirements. The valuation was carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS).

In arriving at their valuation, the valuers used discounted cashflow methodology. Key assumptions included the costs of management, repairs and maintenance, future growth in rents, and the level of voids in the stock. The valuers adopted a real discount rate of 6% per annum.

25% of the structure cost is allocated to land and is not depreciated.

8. TRADE AND OTHER DEBTORS

	2025	2024
	£000	£000
Due within one year		
Rental and service charge arrears	1	3
Amounts owed by parent undertakings	-	1
	1	4

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025	2024
	£000	£000
Rent & service charge in advance	3	2
Accruals and deferred income	-	3
Amounts due to parent undertaking	7	1
	10	6

10. CONTROLLING PARTIES

The Charity is a subsidiary of Southern Housing which is the ultimate parent undertaking incorporated in the UK and registered in England as a Co-operative and Community Benefit Society. Southern Housing is the ultimate parent undertaking by virtue of being the sole Trustee in the Charity. The Charity has taken advantage of the exemption provided by FRS102 not to disclose transactions with the parent undertaking or other wholly owned subsidiaries within the group.

The largest and smallest group in which the results of the Charity are consolidated is that headed by Southern Housing, incorporated in England. The consolidated accounts are available to the public and may be obtained from Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA. No other group accounts include the results of the Charity.

THE FELLOWSHIP HOUSES TRUST

Annual Report for the year ended 31 March 2025

Registered Charity number: 205786
Regulator of Social Housing (RSH) No: L1821

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MEMBERS, ADVISORS AND BANKERS

Trustee	Southern Housing
Board Members of Southern Housing Board	Sir Peter Dixon (Chair) Paul Hackett Geanna Bray Michelle Dovey Janet Collier Damien Régent Eugenie Turton Philip Blume Ian Wilson Daisy Armstrong Robert Clark Mark Everard – Appointed 29 January 2025 Billy Brown – Appointed 26 March 2025 William Howard Cresswell – Resigned 31 May 2025
Secretary	Puneet Rajput
Registered office	Fleet House 59-61 Clerkenwell Road London EC1M 5LA
Auditor	BDO LLP 2 City Place Gatwick RH6 0PA
Principal solicitor	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ
Principal banker	Lloyds TSB Bank Plc 25 Gresham Street London EC2V 7HN
Registration	Registered Charity number: 205786 Regulator of Social Housing (RSH) No: L1821

TRUSTEES' REPORT

The Trustee present its annual report together with the financial statements of The Fellowship Houses Trust (Trust) for the year ended 31 March 2025.

Structure, Governance and Management

The Southern Housing Board is responsible for the strategic management since 15 March 2024 and good governance of The Fellowship Houses Trust on behalf of the Trustee, whilst operational management has been delegated to the Chief Executive and staff of Southern Housing by the Trustee. Southern Housing provides support services such as risk management, IT, financial services and facilities management to The Fellowship Houses Trust.

The skills and expertise of Southern Housing Board members (acting as the Trustee) are regularly reviewed to ensure the Trust has a capable and efficient Board. Appointment to the Board is in accordance with the rules of Southern Housing.

Principal activities

The Fellowship Houses Trust is a charitable housing trust, established in 1937 and is governed by the trust deed. The Trust's objective is to provide housing and amenities for elderly people and people in financial need, at an affordable rent and acting as a social landlord is the main activity to further the Trust's purposes for the public benefit.

Business Review and Future Plans

The Trust made a surplus for the year of £57k (2024: £120k).

The Trust's housing assets are managed by Southern Housing. The Trust expects to continue to generate a surplus.

Reserves Policy

The Trust's principal source of income is rent. From this income, the Trustee must ensure there are sufficient funds available to support expenditure on the upkeep of the fabric of the properties where the beneficiaries of the Trust reside. The level of potential future expenditure is periodically assessed and plans to undertake necessary works are formulated as required. The policy of the Trustee is therefore to use best value principles in providing services and maintaining the properties at an operational level, in order to provide sufficient reserves to deal with large items of maintenance expenditure when they become due.

Risk Management

The Trustee makes use of Southern Housing's Audit & Risk Committee (ARC) to help in identifying and mitigating risks for the Trust. ARC is a multi-disciplinary group-wide committee that ensures the Group entities approach risk in a consistent and relevant manner, whilst recognising the particular needs of each individual entity within the Group. Through ARC, the Trustee examines major strategic and operational business risks faced by the Trust and can confirm systems and controls are in place to identify, minimise and mitigate risk.

THE FELLOWSHIP HOUSES TRUST - TRUSTEES' REPORT

Value for money

Southern Housing has published its value for money statement and use the Regulator of Social Housing's value for money metrics to review performance and target actions as disclosed in Southern Housing financial statements.

Political and charitable contributions

The Trust made no political contributions in the current and prior year.

Going concern

The Trust has net assets of £5,649k (2024: £5,592k) at the balance sheet date. After reviewing the Trust's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statement are approved, the Trustee has a reasonable expectation the Trust has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent Trust's long term financial plan. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that Southern Housing has adequate resources to continue in operational existence for 12 months from the date of financial statements approval. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Trustees' Responsibilities

The Trustee is responsible for preparing the annual report and the financial statements in accordance with applicable law and Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102).

The financial statements are required by law to give a true and fair view of the state of affairs of the Trust and of incoming resources and application of resources including income and expenditure of the Trust for that period.

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

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

The Trustee is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the association at that time and enable the Trustee to ensure that its financial statements comply with the Charities Act 2011 and the provisions of the Trust Deed the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2022. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

THE FELLOWSHIP HOUSES TRUST - TRUSTEES' REPORT

Assessment of the effectiveness of internal controls

The Trustee is responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives will be met. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests. The Trustee recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Public Benefit disclosures

During the year the Trust continued to undertake activities which meet its objectives, relating to those activities it considers necessary to address social exclusion. The Trustee has complied with its duty, under section 4 of the Charities Act 2011, to have due regard to the guidance issued by the Charity Commission in England & Wales related to public benefit.

Corporate governance

The Trustee is responsible for ensuring that the Trust meets the Regulatory standards required by the Regulator of Social Housing. Corporate governance is determined and established at group level and relevant disclosures are contained within the Southern Housing financial statements. The Trustee has adopted the National Housing Federation's Code of Governance 2020. Further details of the Group's policies on controls, risks and uncertainties, and performance monitoring are included in Southern Housing Group Financial Statements.

Compliance with Governance and Financial Viability Standard

The Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (the Standard) provides guidance to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner;
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk;
- The Standard requires registered providers to assess their compliance with the Standard at least annually.

Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH;

- A clear understanding of asset values, related security, potential losses and potential chains of recourse. Boards need to know exactly what information will be required in the event of distress and social housing asset exposure in order to value the assets without delay;
- Evidence of application of the principles; and
- The assurance they receive on the quality of records.

We operate an assurance framework which is supported by delegated authorities and operating regulations. We map our assurances which include management review and oversight, external and internal audit and reviews by regulatory bodies. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Association's Board. We are fully compliant. We have comprehensive Data Protection and Technology Policies to protect our data and mandatory GDPR training has been completed by staff. The

THE FELLOWSHIP HOUSES TRUST - TRUSTEES' REPORT

Association complies in full with the Rent Standard and is satisfied it has complied with all other laws and regulations that are relevant.

Disclosure of information to auditors

The Trustee of the Trust has confirmed in fulfilling their duties as a Trustee;

- they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Auditors

A resolution to re-appoint BDO LLP as the auditors will be proposed at the Southern Housing Board Meeting on 24 September 2025.

Approval

The Trustees' Report was approved by the Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair of Southern Housing

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE FELLOWSHIP HOUSES TRUST

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2025 and of the Trust's surplus 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 requirements of the Charities Act 2011, 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 The Fellowship Houses Trust ("the Trust") for the year ended 31 March 2025 which comprise the statement of comprehensive income, 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 Trust 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 Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust'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 Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. 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

THE FELLOWSHIP HOUSES TRUST - INDEPENDENT AUDITOR'S REPORT

material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Charities Act 2011 to report to you if, in our opinion:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Trust, or returns adequate for our audit have not been received from branches not visited by us; or
- the Trust financial statements are not in agreement with the accounting records and returns; or
- a satisfactory system of control has not been maintained over transactions; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustee 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 Trustee 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 Trustee is responsible for assessing the Trust'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 Trustee either intend to liquidate the Trust 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:

THE FELLOWSHIP HOUSES TRUST - INDEPENDENT AUDITOR'S REPORT

Non-compliance with laws and regulations

Based on:

- Our understanding of the Trust and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Trust's policies and procedures regarding compliance with laws and regulations.
- we considered the significant laws and regulations to be Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Trust 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 data protection and health and safety legislation.

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 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;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Trust'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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (ie non risky journals);

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.

THE FELLOWSHIP HOUSES TRUST - INDEPENDENT AUDITOR'S REPORT

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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Trust, as a body, in accordance with in accordance with the Housing and Regeneration Act and to the charities trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Trustee 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 Trust and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Paula Willock

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Paula Willock (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Gatwick, UK

Date: 30 September 2025

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 2025

	Notes	2025 £000	2024 £000
Turnover	2	420	396
Operating expenditure	2	(367)	(301)
Operating surplus		53	95
Interest receivable	6	25	17
Interest and financing costs	7	(18)	(9)
Movement in fair value of financial instruments	7	(3)	17
Surplus for the year		57	120

All the Trust's activities are continuing. The Trust has no recognised surpluses and deficits other than those above and therefore no separate statement of other comprehensive income has been presented.

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2025

	General reserve
	£'000
Balance as at 1 April 2023	5,472
Surplus for the year	120
Balance as at 31 March 2024	5,592
Surplus for the year	57
Balance as at 31 March 2025	5,649

STATEMENT OF FINANCIAL POSITION at 31 March 2025

Registered Charity number: 205786

	Notes	2025 £000	2024 £000
FIXED ASSETS			
Tangible fixed assets - Housing properties	8	6,071	6,209
Investments	9	216	219
Total fixed assets		6,289	6,428
CURRENT ASSETS			
Trade and other debtors	10	129	95
Cash and cash equivalents		1,528	1,393
Total current assets		1,657	1,488
Creditors: amounts falling due within one year	11	(46)	(20)
Net current assets		1,611	1,468
Total assets less current liabilities		7,900	7,896
Creditors: amounts falling due after more than one year	12	(2,251)	(2,304)
Net assets		5,649	5,592
CAPITAL AND RESERVES			
General reserve		5,649	5,592
Total reserves		5,649	5,592

The financial statements were approved by the Corporate Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair



Puneet Rajput
Secretary

The accompanying accounting policies and notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The Fellowship Houses Trust is governed by its trust deed. It is also registered as a Charity in England with the Charity Commission with the Charity number 205786 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing registration number L1821.

The financial statements have been prepared in accordance with applicable laws and UK Accounting Standards, including the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102), the Statement of Recommended Practice "Accounting for Registered Social Housing Providers (Update 2018) (the "SORP")", The Accounting Direction for Private Registered Providers of Social Housing 2022, the Housing and Regeneration Act 2008 and the Co-operative and Charities Act 2011.

The financial statements have been prepared under the historical cost convention except for revaluation of investments held at fair value and in accordance with applicable Accounting Standards.

Registered address: Fleet House, 51-69 Clerkenwell Road, London, EC1M 5LA.

As a public benefit entity, The Fellowship Houses Trust has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Cash flow statement

As a consolidated cash flow statement is prepared by the Trust's parent, Southern Housing, the Trust has taken advantage of the exemption provided by FRS102 not to report a separate statement of cash flows.

Going concern

The Trust has net assets of £5,649k (2024: £5,592k) at the balance sheet date. After reviewing the Trust's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statement are approved, the Trustee has a reasonable expectation the Trust has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent Trust's long term financial plan. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that Southern Housing Group has adequate resources to continue in operational existence for 12 months from the date of financial statements approval. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Financial Instruments

The Trust has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument, and are offset only when the Trust currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

THE FELLOWSHIP HOUSES TRUST - NOTES TO THE FINANCIAL STATEMENTS

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Judgements in applying accounting policies and key sources of estimation uncertainty

The key judgements made in preparing these financial statements and sources of estimation uncertainty are:

- Management has applied judgement in determining whether assets are recognised as property, plant and equipment, investment properties or stock.
- In determining whether there are any indicators of impairment. Where there are indicators, the Trustee have considered the measurement basis to determine the recoverable amount of assets based on EUV-SH or depreciated replacement cost. The Trustee have also considered impairment based on their assumptions to define cash or asset generating units.

2. TURNOVER & OPERATING PROFIT

Rent receivable

Rental income from properties owned by the Trust is recognised on an accruals basis (net of void losses) as it falls due.

Service charges

Service charge income is recognised on an accruals basis as it falls due. The Trust operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgeted spend. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows.

Grants

Revenue grants are credited to the surplus or deficit for the period when the performance conditions are met.

Social housing grant or social housing assistance are capital grants provided by Homes England and the Greater London Authority to wholly or partially fund Registered Providers when developing social housing. The grant received is recognised as deferred income and amortised within the surplus or deficit for the period through turnover over the useful economic life of the asset.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised in the surplus or deficit for the period.

Grant amortisation

Government grant is amortised over the life of the structure of the property. The cumulative grant amortised is disclosed as part of contingent liabilities until the property it funds is disposed of or ceases to be used for social housing purposes.

2a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

		2025	
	Turnover	Operating	Operating
	£000	costs	surplus
		£000	£000
Social housing lettings (note 2b)	420	(367)	53
	420	(367)	53
		2024	
	Turnover	Operating	Operating
	£000	costs	surplus
		£000	£000
Social housing lettings (note 2b)	396	(301)	95
	396	(301)	95

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General needs	2025	2024
	£000	Total	Total
		£000	£000
Rents receivable net of identifiable service charges	355	355	333
Service charges receivable	40	40	38
Net rental income	395	395	371
Amortised government grant	25	25	25
Turnover from social housing lettings	420	420	396
Expenditure on letting activities			
Management	(104)	(104)	(88)
Bad debts	(20)	(20)	(8)
Service charge costs	(50)	(50)	(42)
Routine maintenance	(29)	(29)	(49)
Planned maintenance	(2)	(2)	(11)
Major repairs	-	-	(1)
Depreciation of housing properties	(162)	(162)	(102)
Operating costs on social housing	(367)	(367)	(301)
Operating surplus on social housing lettings	53	53	95
Void Losses	2	2	-

THE FELLOWSHIP HOUSES TRUST - NOTES TO THE FINANCIAL STATEMENTS

3. EMPLOYEE AND TRUSTEE INFORMATION

No Trustee received any remuneration for their role as Trustee of The Fellowship Houses Trust during the current and prior year. No expenses were reimbursed to the Trustee during the current year and prior year.

The Group Chief Executive and the senior management team are employed by Southern Housing, with whom administration costs are shared; the relevant emoluments are dealt with in the financial statements of that organisation.

No staff were directly employed by the Trust in the current or previous year.

4. UNITS

	2025 Units	2024 Units
Units owned		
General needs	58	58
	58	58

5. SURPLUS FOR THE YEAR

	2025 £000	2024 £000
Operating surplus is stated after charging/(crediting):		
Grant amortised	(25)	(25)
Depreciation – housing properties	90	102
Accelerated depreciation	71	-
Auditors' remuneration:		
- in respect of audit services	6	5

6. INTEREST RECEIVABLE

	2025 £000	2024 £000
Bank and deposit interest	25	17
	25	17

7. INTEREST PAYABLE

	2025 £000	2024 £000
Bank loans	18	9
	18	9

8. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties

Housing properties are held at historic cost less accumulated depreciation and any impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised (using the average borrowings method, during the development period), and directly attributable administration costs.

Housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Trust's asset management strategy and the requirements of the Decent Homes Standard.

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed property stock when ready for sale. Capitalisation of development costs ceases at practical completion including the accrual of known costs at that time and all subsequent costs are expensed.

Depreciation

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less estimated residual values. The following useful economic lives are used:

Component	Years	Component	Years
Structure	85-125	Windows	25-30
Lifts	25-30	Roofs	20-80
Kitchens	20-25	Fire alarms	15-20
Bathrooms	20-30	Doors	15-30
Solar panels	20	Boilers & heating	15-25
External storage	10	Emergency lighting	15-20
External staircase	60	Electrical wiring	5-30
Aerials /CCTV	10	Warden call / door entry	15
Flooring	15		

Properties held on a short lease are depreciated over the period of the remaining lease or the useful economic life, whichever is shorter.

Impairment

At each balance sheet date, the value of property, plant and equipment assets is formally assessed to determine whether there is an indication that the carrying value of the asset is greater than the recoverable amount and therefore may require impairment. This assessment is carried out by tenure and at the estate/scheme level, such a level representing a cash generating unit. A scheme is defined as all units of the same tenure within one area or estate. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

In line with the Group's objectives its social housing properties are held for their service potential and not purely for economic return. The Trust follows the guidelines of the Housing SORP 2018 and uses the depreciated replacement cost of the property as a reasonable estimate of the recoverable amount.

THE FELLOWSHIP HOUSES TRUST - NOTES TO THE FINANCIAL STATEMENTS

Housing properties held for letting £000

Cost

At 1 April 2024	7,534
Additions during year	23
Disposals - components	(162)
At 31 March 2025	7,395

Depreciation

At 1 April 2024	1,325
Depreciation charge for the year	90
Component disposals during year	(91)
At 31 March 2025	1,324

Net book value

At 31 March 2025	6,071
At 31 March 2024	6,209

9. INVESTMENTS

	2025 £000	2024 £000
Fair value of endowment	216	219

Investments are carried at fair value (the quoted market price) at each balance sheet date. Gains or losses on remeasurement are recognised in the Statement of Comprehensive Income.

10. TRADE AND OTHER DEBTORS

	2025 £000	2024 £000
Due within one year		
Rental and service charge arrears	55	60
Provision for doubtful debts	(13)	(8)
	42	52
Trade debtors	9	-
Amounts owed by parent undertakings	77	43
Prepayments and accrued income	1	-
	129	95

All debtors are due within one year. The Trust makes a provision for rental arrears, which are considered to be non-recoverable. The full value of former tenant debt is provided for. The provision for current tenant debt is calculated based on the ageing profile and historical recovery rates.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025 £000	2024 £000
Loans and borrowings	1	1
Social housing grant	25	-
Rent & service charge in advance	15	12
Accruals and deferred income	5	7
	46	20

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2025 £000	2024 £000
Loans and borrowings	154	157
Social housing grant (note 13)	2,097	2,147
	2,251	2,304

The interest payable on the housing loan is a fixed rate of 11.5% over the life of the loan.

13. SOCIAL HOUSING GRANT

	2025 £000	2024 £000
At 1 April	2,147	2,172
Grants amortised during the year	(25)	(25)
At 31 March	2,122	2,147
Cumulative amount amortised	417	392

14. CONTINGENT LIABILITIES

The Trust receives social housing grant which is accounted for as deferred income and is amortised to the statement of comprehensive income based on the useful economic life of the asset.

The amount amortised represents a contingent liability if the related properties are disposed of. At 31 March 2025 the value of grant amortised in respect of these properties and not disposed of was £416,902 (2024: £391,543).

15. LOANS AND BORROWINGS

Housing loans are repayable in instalments due as follows:

	2025 £000	2024 £000
Housing loans repayable:		
Within one year	1	1
One to two years	1	1
Two to five years	4	4
More than five years	149	152
	155	158

THE FELLOWSHIP HOUSES TRUST - NOTES TO THE FINANCIAL STATEMENTS

The interest payable on the housing loan is a fixed rate of 11.5% over the life of the loan.

All loans held by the Group are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially, and subsequently at amortised cost using the effective interest rate period.

16. CONTROLLING PARTIES

The Trust is a subsidiary of Southern Housing which is the ultimate parent undertaking incorporated in the UK and registered in England as a Co-operative and Community Benefit Society. Southern Housing is the ultimate parent undertaking by virtue of holding all shares in the Trust. The Trust has taken advantage of the exemption provided by FRS102 not to disclose transactions with the parent or other wholly owned subsidiaries within the group.

The largest and smallest group in which the results of the Trust are consolidated is that headed by Southern Housing, incorporated in England. The consolidated accounts of the Group are available to the public and may be obtained from Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA. No other group accounts include the results of the Trust.

CHARITY OF JULIA SPICER FOR ALMSHOUSES

Annual Report for the year ended 31 March 2025

Registered Charity number: 224718
Regulator of Social Housing (RSH) No: A2395

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MEMBERS, ADVISORS AND BANKERS

Trustee	Southern Housing – Appointed Corporate Trustee on 22 May 2017
Board Members of Southern Housing Board	Sir Peter Dixon (Chair) Paul Hackett Geanna Bray Michelle Dovey Janet Collier Damien Régent Eugenie Turton Philip Blume Ian Wilson Daisy Armstrong Robert Clark Mark Everard – Appointed 29 January 2025 Billy Brown – Appointed 26 March 2025 William Howard Cresswell – Resigned 31 May 2025
Secretary	Puneet Rajput
Registered office	Fleet House 59-61 Clerkenwell Road London EC1M 5LA
Auditor	BDO LLP 2 City Place Gatwick RH6 0PA
Principal solicitor	Devonshires Salisbury House London Wall London EC2M 5QY
Principal banker	Barclays Bank plc Churchill Place Canary Wharf London E14 5RB
Registration	Registered Charity number: 224718 Regulator of Social Housing (RSH) No: A2395

TRUSTEE'S REPORT

The Trustee presents its annual report together with the financial statements of the Charity of Julia Spicer for Almshouses (the "Charity") for the year ended 31 March 2025.

Structure, Governance and Management

Southern Housing is the sole Corporate Trustee of the Charity. The Southern Housing Board is responsible for the strategic management and good governance of the Charity of Julia Spicer for Almshouses on behalf of the Trustee, whilst operational management has been delegated to the Chief Executive and staff of Southern Housing by the Trustee. Southern Housing provides support services such as risk management, IT, financial services and facilities management to the Charity of Julia Spicer for Almshouses.

The skills and expertise of Southern Housing (acting as the Trustee) are regularly reviewed to ensure the Charity has a capable and efficient Board. Appointment to the Board is in accordance with the rules of Southern Housing.

Objectives and Activities

The Charity of Julia Spicer for Almshouses was founded from the estate of Julia Spicer dated 18 December 1925.

"It was her desire that her Trustees should with net residue of her estate or some part thereof establish an almshouse or almshouses for poor persons being resident in the Parish of Sittingbourne aforesaid and for that purpose should apply a competent part of the net residue of her estate purchasing a piece of land in the said Parish as a site for the Almshouse and should expend a further part thereof in erecting a suitable building on the said piece of land"

Under the stated objectives, the Charity provides housing for people in need. Although the Charity is not a registered almshouse, it provides comparable activities to that of an almshouse and operates within the spirit of the original gift.

Business Review and Future Plans

The Charity made a surplus for the year of £33k (2024: £27k).

The Charity's housing assets are managed by Southern Housing. The Charity expects to continue to generate a surplus. A high level of service has been maintained at Julia Spicer enabling the residents to enjoy independent living.

Investment Policy

The Trustee is responsible for the prudent maintenance of its funds. Funds will be held in bank accounts or investment accounts to safeguard funds and to generate additional wealth for the Charity until they are needed. Investments are used to provide additional funds for the future use of the Charity in anticipation of future maintenance and other direct charitable expenditure.

CHARITY OF JULIA SPICER FOR ALMSHOUSES - TRUSTEE'S REPORT

Reserves Policy

The Charity's principal source of income is rent. From this income, the Trustee must ensure there are sufficient funds available to support expenditure on the upkeep of the fabric of the properties where the beneficiaries of the Charity reside. The level of potential future expenditure is periodically assessed and plans to undertake necessary works are formulated as required. The policy of the Trustee is therefore to use best value principles in providing services and maintaining the properties at an operational level, in order to provide sufficient reserves to deal with large items of maintenance expenditure when they become due. The Trustee believes the available funds in income and maintenance reserves are sufficient to meet the costs of any future maintenance costs.

Risk Management

The Trustee makes use of Southern Housing's Audit & Risk Committee (ARC) to help in identifying and mitigating risks for the Charity. ARC is a multi-disciplinary group-wide committee that ensures the Group entities approach risk in a consistent and relevant manner, whilst recognising the particular needs of each individual entity within the Group. Through ARC, the Trustee examines major strategic and operational business risks faced by the Charity and can confirm systems and controls are in place to identify, minimise and mitigate risk.

Value for money

The Southern Housing Group has published its value for money statement and use the Regulator of Social Housing's value for money metrics to review performance and target actions as disclosed in Southern Housing financial statements.

Political and charitable contributions

The Charity made no political contributions in the current and prior year.

Going concern

The Charity has net assets of £1,248k (2024: £1,215k) at the balance sheet date. After reviewing the Charity's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statements are approved, the Trustee has a reasonable expectation the Charity has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent's long term financial plan. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that the Southern Housing Group has adequate resources to continue in operational existence for 12 months from the date the financial statements were approved. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Trustee's Responsibilities

The Trustee is responsible for preparing the annual report and the financial statements in accordance with applicable law and Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102).

The financial statements are required by law to give a true and fair view of the state of affairs of the Charity and of incoming resources and application of resources including income and expenditure of the charity for that period.

CHARITY OF JULIA SPICER FOR ALMSHOUSES - TRUSTEE'S REPORT

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

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

The Trustee is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time and enable the Trustee to ensure that its financial statements comply with the Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities.

Assessment of the effectiveness of internal controls

The Trustee is responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives will be met. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests. The Trustee recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Public Benefit disclosures

During the year the Charity continued to undertake activities which meet its objectives, relating to those activities it considers necessary to address social exclusion. The Trustee has complied with its duty, under section 4 of the Charities Act 2011, to have due regard to the guidance issued by the Charity Commission in England & Wales related to public benefit.

Corporate governance

The Trustee is responsible for ensuring that the Charity meets the Regulatory standards required by the Regulator of Social Housing. Corporate governance is determined and established at group level and relevant disclosures are contained within the Southern Housing financial statements. The Trustee has adopted the National Housing Federation's Code of Governance 2020. Further details of the Group's policies on controls, risks and uncertainties, and performance monitoring are included in the Group Financial Statements.

Compliance with Governance and Financial Viability Standard

The Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (the Standard) provides guidance to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner;
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk;

CHARITY OF JULIA SPICER FOR ALMSHOUSES - TRUSTEE'S REPORT

- The Standard requires registered providers to assess their compliance with the Standard at least annually.

Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH;

- A clear understanding of asset values, related security, potential losses and potential chains of recourse. Boards need to know exactly what information will be required in the event of distress and social housing asset exposure in order to value the assets without delay;
- Evidence of application of the principles; and
- The assurance they receive on the quality of records.

We operate an assurance framework which is supported by delegated authorities and operating regulations. We map our assurances which include management review and oversight, external and internal audit and reviews by regulatory bodies. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Southern Housing's Board. We are fully compliant. We have comprehensive Data Protection and Technology Policies to protect our data and mandatory GDPR training has been completed by staff. Southern Housing Group complies in full with the Rent Standard and is satisfied it has complied with all other laws and regulations that are relevant.

Disclosure of information to auditors

Each Trustee of the Charity has confirmed in fulfilling their duties as a Trustee;

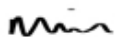
- they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Auditors

A resolution to re-appoint BDO LLP as the auditors will be proposed at the Southern Housing Board Meeting on 24 September 2025.

Approval

The Trustee's Report was approved by the Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair of Southern Housing

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF CHARITY OF JULIA SPICER FOR ALMSHOUSES

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2025 and of the Charity's surplus 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 requirements of the Charities Act 2011, 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 Charity of Julia Spicer for Almshouses ("the Charity") for the year ended 31 March 2025 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 Charity 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 Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity'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 Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Annual Report, 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

CHARITY OF JULIA SPICER FOR ALMSHOUSES - INDEPENDENT AUDITOR'S REPORT

material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Charities Act 2011 to report to you if, in our opinion:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the Charity financial statements are not in agreement with the accounting records and returns; or
- a satisfactory system of control has not been maintained over transactions; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustee 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 Trustee 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 Trustee is responsible for assessing the Charity'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 Trustee either intend to liquidate the Charity 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 Charity and the industry in which it operates;
- Discussion with management and those charged with governance; and

CHARITY OF JULIA SPICER FOR ALMSHOUSES - INDEPENDENT AUDITOR'S REPORT

- Obtaining and understanding of the Charity's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Charity 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 Regulatory Framework of the Regulator of Social Housing, data protection and health and safety legislation.

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 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;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Charity'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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (ie non risky journals).

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

CHARITY OF JULIA SPICER FOR ALMSHOUSES - INDEPENDENT AUDITOR'S REPORT

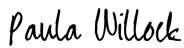
and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity's Trustee, as a body, in accordance with in accordance with the Housing and Regeneration Act and to the charities trustee, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Trustee 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 Charity and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Paula Willock (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

Date: 30 September 2025

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 2025

	Notes	2025 £000	2024 £000
Turnover	2	79	73
Operating expenditure	2	(72)	(70)
Operating surplus		7	3
Interest receivable	6	26	24
Surplus for the year		33	27

All the Charity's activities are continuing. The Charity has no recognised surpluses and deficits other than those above and therefore no separate statement of other comprehensive income has been presented.

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2025

	General reserve £'000	Designated reserve £'000	Revaluation reserve £'000	Total £'000
Balance as at 1 April 2023	878	11	299	1,188
Surplus for the year	27	-	-	27
Reserves transfers	14		(14)	-
Balance as at 1 April 2024	919	11	285	1,215
Surplus for the year	33	-	-	33
Reserves transfers	15	-	(15)	-
Balance as at 31 March 2025	967	11	270	1,248

STATEMENT OF FINANCIAL POSITION at 31 March 2025

Registered Charity number: 224718

	Notes	2025 £000	2024 £000
FIXED ASSETS			
Tangible fixed assets - housing properties	7	529	525
Total fixed assets		529	525
CURRENT ASSETS			
Trade and other debtors	8	2	5
Cash and cash equivalents		734	689
Total current assets		736	694
Creditors: amounts falling due within one year	9	(17)	(4)
Net current assets		719	690
Total assets less current liabilities		1,248	1,215
Net assets		1,248	1,215
CAPITAL AND RESERVES			
General reserve		967	919
Designated reserves		11	11
Revaluation reserve		270	285
Total reserves		1,248	1,215

The financial statements were approved by the Corporate Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair



Puneet Rajput
Secretary

The accompanying accounting policies and notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

Charity of Julia Spicer for Almshouses is governed by its Charity deed. It is also registered as a Charity in England with the Charity Commission and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing.

The financial statements have been prepared in accordance with applicable laws and UK Accounting Standards, including the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102), the Statement of Recommended Practice "Accounting for Registered Social Housing Providers (Update 2018) (the "SORP") and The Accounting Direction for Private Registered Providers of Social Housing 2022. The Charity provides housing for older people and is not a registered Almshouse.

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Registered address: Fleet House, 51-69 Clerkenwell Road, London, EC1M 5LA.

Cash flow statement

As a consolidated cash flow statement is prepared by the Charity's parent Southern Housing, the Charity has taken advantage of the exemption provided by FRS102 not to report a separate statement of cash flows.

Going concern

The Charity has net assets of £1,248k (2024: £1,215k) at the balance sheet date. After reviewing the Charity's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statements are approved, the Trustee has a reasonable expectation the Charity has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent's long term financial plan. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that the Southern Housing Group has adequate resources to continue in operational existence for 12 months from the date the financial statements were approved. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Financial Instruments

The Charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Charity becomes a party to the contractual provisions of the instrument, and are offset only when the Charity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

CHARITY OF JULIA SPICER FOR ALMSHOUSES - NOTES TO THE FINANCIAL STATEMENTS

Taxation

The Charity is not registered for VAT and is therefore not able to recover VAT it incurs. Expenditure is shown inclusive of related VAT.

No corporation tax is payable by the Charity as it is exempt from tax on its charitable activities.

Designated reserve

The reserve is a designated, unrestricted reserve created to meet the cost of ordinary repairs and maintenance which become necessary in regular cycles or at irregular intervals, such as external and internal decoration which are expected to recur every 3 to 7 years respectively.

Judgements in applying accounting policies and key sources of estimation uncertainty

The key judgements made in preparing these financial statements and sources of estimation uncertainty are:

- Management has applied judgement in determining the allocation between land and structure.
- In determining whether there are any indicators of impairment. Where there are indicators, the Trustee has considered the measurement basis to determine the recoverable amount of assets based on EUV-SH or depreciated replacement cost. The Trustee has also considered impairment based on their assumptions to define cash or asset generating units.

Other key sources of estimation uncertainty

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as major repairs profile, ability to let the property and alternative options for the site are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

2. TURNOVER & OPERATING PROFIT

Rent receivable

Rental income from properties owned by the Charity is recognised on an accruals basis (net of void losses) as it falls due.

Service charges

Service charge income is recognised on an accruals basis as it falls due.

2a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2025		
	Turnover £000	Operating costs £000	Operating surplus £000
Social housing lettings (note 2b)	79	(72)	7
	79	(72)	7
	2024		
	Turnover £000	Operating costs £000	Operating surplus £000
Social housing lettings (note 2b)	73	(70)	3
	73	(70)	3

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General needs housing £000	2025 Total £000	2024 Total £000
Rents receivable net of identifiable service charges	68	68	63
Service charges receivable	11	11	10
Turnover from social housing lettings	79	79	73
Expenditure on letting activities			
Management	(19)	(19)	(13)
Service charge costs	(12)	(12)	(14)
Bad debts	-	-	(1)
Routine maintenance	(18)	(18)	(11)
Planned maintenance	(9)	(9)	(17)
Depreciation of housing properties	(14)	(14)	(14)
Operating costs on social housing	(72)	(72)	(70)
Operating surplus on social housing lettings	7	7	3
Void Losses	-	-	-

3. EMPLOYEE AND TRUSTEE INFORMATION

No Trustee received any remuneration for their role as Trustee of Charity of Julia Spicer for Almshouses during the current and prior year. No expenses were reimbursed to the Trustee during the current year and prior year.

The Group Chief Executive and the senior management team are employed by Southern Housing, with whom administration costs are shared; the relevant emoluments are dealt with in the financial statements of that organisation.

No staff were directly employed by the Charity in the current or previous year.

4. UNITS

	2025 Units	2024 Units
Units owned		
General needs	14	14
	14	14

5. SURPLUS FOR THE YEAR

	2025 £000	2024 £000
Operating surplus is stated after charging:		
Depreciation – housing properties	14	14
Auditors' remuneration:		
- in respect of audit services	6	2

6. INTEREST RECEIVABLE

	2025 £000	2024 £000
Bank and deposit interest	26	24
	26	24

7. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties

The Charity elected to take the carrying amount of all housing property at the date of transition to FR102 to be the deemed cost. Housing properties are subsequently measured at cost less accumulated depreciation and any impairment losses.

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

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Depreciation

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less estimated residual values. Depreciation on the structure of properties is charged at 2%. The following useful economic lives are used:

Component	Years	Component	Years
Lifts	25-30	Windows	25-30
Kitchens	20-25	Roofs	20-80
Bathrooms	20-30	Fire alarms	15-20
Solar panels	20	Doors	15-30
External storage	10	Boilers & heating	15-25
External staircase	60	Emergency lighting	15-20
Aerials /CCTV	10	Electrical wiring	5-30
Flooring	15	Warden call / door entry	15

Impairment

At each balance sheet date, the value of property, plant and equipment assets is formally assessed to determine whether there is an indication that the carrying value of the asset is greater than the recoverable amount and therefore may require impairment. This assessment is carried out by tenure and at the estate/scheme level, such a level representing a cash generating unit. A scheme is defined as all units of the same tenure within one area or estate. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

In line with the Group's objectives its social housing properties are held for their service potential and not purely for economic return.

CHARITY OF JULIA SPICER FOR ALMSHOUSES - NOTES TO THE FINANCIAL STATEMENTS

Housing properties held for letting £000

Cost

At 1 April 2024	619
Additions during year	18

At 1 April 2024 and 31 March 2025	637

Depreciation

At 1 April 2024	94
Depreciation charge for the year	14

At 31 March 2025	108

Net book value

At 31 March 2025	529
At 31 March 2024	525

The properties at 1-14 Bell Road, Sittingbourne, Kent were gifted to the Charity by the late Julia Spicer.

As permitted by FRS102, the Charity elected to take the carrying amount of all housing property at the date of transition to FRS102 to be the deemed cost. Housing properties are subsequently measured at cost less depreciation.

The value of housing properties is based on a professional valuation undertaken by Jones Lang Lasalle, Chartered Surveyors, acting as independent valuers. The housing properties have been valued on the basis of Existing Use Value for Social Housing (EUV-SH), as at 31 March 2015. This basis of valuation assumes that properties will continue to be let as social housing, at social rents, and managed in accordance with Homes and Communities Agency's requirements. The valuation was carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS).

In arriving at their valuation, the valuers used discounted cashflow methodology. Key assumptions included the costs of management, repairs and maintenance, future growth in rents, and the level of voids in the stock. The valuers adopted a real discount rate of 6% per annum.

35% of the structure cost is allocated to land and is not depreciated.

8. TRADE AND OTHER DEBTORS

	2025 £000	2024 £000
Due within one year		
Rental and service charge arrears	3	5
Provision for doubtful debts	(1)	(1)
Amounts owed by parent undertakings	-	1
	2	5

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025 £000	2024 £000
Rent & service charge in advance	3	2
Accruals and deferred income	-	2
Amounts due to parent undertaking	14	-
	17	4

10. CONTROLLING PARTIES

The Charity is a subsidiary of Southern Housing which is the ultimate parent undertaking incorporated in the UK and registered in England as a Co-operative and Community Benefit Society. Southern Housing is the ultimate parent undertaking by virtue of being the sole Trustee in the Charity. The Charity has taken advantage of the exemption provided by FRS102 not to disclose transactions with the parent undertaking or other wholly owned subsidiaries within the group.

The largest and smallest group in which the results of the Charity are consolidated is that headed by Southern Housing, incorporated in England. The consolidated accounts are available to the public and may be obtained from Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA. No other group accounts include the results of the Charity.

HEWITT HOMES

Annual Report for the year ended 31 March 2025

Registered Charity number: 235827
Regulator of Social Housing (RSH) No: L1856

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MEMBERS, ADVISORS AND BANKERS

Trustee	Southern Housing
Board Members of Southern Housing Board	Sir Peter Dixon (Chair) Paul Hackett Geanna Bray Michelle Dovey Janet Collier Damien Régent Eugenie Turton Philip Blume Ian Wilson Daisy Armstrong Robert Clark Mark Everard – Appointed 29 January 2025 Billy Brown – Appointed 26 March 2025 William Howard Cresswell – Resigned 31 May 2025
Secretary	Puneet Rajput
Registered office	Fleet House 59-61 Clerkenwell Road London EC1M 5LA
Auditor	BDO LLP 2 City Place Gatwick RH6 0PA
Principal solicitor	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ
Principal banker	Lloyds TSB Bank Plc 25 Gresham Street London EC2V 7HN
Registration	Registered Charity number: 235827 Regulator of Social Housing (RSH) No: L1856

TRUSTEES' REPORT

The Trustee present its annual report together with the financial statements of Hewitt Homes (the "Trust") for the year ended 31 March 2025.

Structure, Governance and Management

Southern Housing is the sole Corporate Trustee of the Charity. The Southern Housing Board is responsible for the strategic management and good governance of Hewitt Homes on behalf of the Trustee, whilst operational management has been delegated to the Chief Executive and staff of Southern Housing by the Trustee. Southern Housing provides support services such as risk management, IT, financial services and facilities management to Hewitt Homes.

The skills and expertise of Southern Housing Board Members (acting as the Trustee) are regularly reviewed to ensure the Trust has a capable and efficient Board. Appointment to the Board is in accordance with the rules of Southern Housing.

Principal activities

The principal activity of the Trust is the provision of affordable rental accommodation for people in housing need. Acting as a social landlord is the main activity to further the Trust's purposes for the public benefit.

Business Review and Future Plans

The Trust made a deficit for the year of £77k (2024: surplus of £40k). The Trust's housing assets are managed by Southern Housing.

Reserves Policy

The Trust's principal source of income is rent. From this income, the Trustee must ensure there are sufficient funds available to support expenditure on the upkeep of the fabric of the properties where the beneficiaries of the Trust reside. The level of potential future expenditure is periodically assessed and plans to undertake necessary works are formulated as required. The policy of the Trustee is therefore to use best value principles in providing services and maintaining the properties at an operational level, in order to provide sufficient reserves to deal with large items of maintenance expenditure when they become due.

Risk Management

The Trustee makes use of Southern Housing's Audit & Risk Committee (ARC) to help in identifying and mitigating risks for the Trust. ARC is a multi-disciplinary group-wide committee that ensures the Group entities approach risk in a consistent and relevant manner, whilst recognising the particular needs of each individual entity within the Group. Through ARC, the Trustee examines major strategic and operational business risks faced by the Trust and can confirm systems and controls are in place to identify, minimise and mitigate risk.

HEWITT HOMES - TRUSTEES' REPORT

Value for money

Southern Housing has published its value for money statement and use the Regulator of Social Housing's value for money metrics to review performance and target actions as disclosed in Southern Housing financial statements.

Political and charitable contributions

The Trust made no political contributions in the current and prior year.

Going concern

The Trust has net assets of £1,440k (2024: £1,517k) at the balance sheet date. After reviewing the Trust's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statements are approved, the Trustee has a reasonable expectation the Trust has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and Parent's long term financial plan. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that Southern Housing Group has adequate resources to continue in operational existence for 12 months from the date of financial statements approval. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Trustees' Responsibilities

The Trustee is responsible for preparing the annual report and the financial statements in accordance with applicable law and Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102).

The financial statements are required by law to give a true and fair view of the state of affairs of the Trust and of incoming resources and application of resources including income and expenditure of the Trust for that period.

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

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

The Trustee is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Trust at that time and enable the Trustee to ensure that its financial statements comply with the Charities Act 2011 and the provisions of the Trust Deed the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

HEWITT HOMES - TRUSTEES' REPORT

Assessment of the effectiveness of internal controls

The Trustee is responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives will be met. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests. The Trustee recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Public Benefit disclosures

During the year the Trust continued to undertake activities which meet its objectives, relating to those activities it considers necessary to address social exclusion. The Trustee has complied with its duty, under section 4 of the Charities Act 2011, to have due regard to the guidance issued by the Charity Commission in England & Wales related to public benefit.

Corporate governance

The Trustee is responsible for ensuring that the Trust meets the Regulatory standards required by the Regulator of Social Housing. Corporate governance is determined and established at group level and relevant disclosures are contained within the Southern Housing financial statements. The Trustee has adopted the National Housing Federation's Code of Governance 2020. Further details of the Group's policies on controls, risks and uncertainties, and performance monitoring are included in the Group Financial Statements.

Compliance with Governance and Financial Viability Standard

The Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (the Standard) provides guidance to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner;
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk;
- The Standard requires registered providers to assess their compliance with the Standard at least annually.

Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH;

- A clear understanding of asset values, related security, potential losses and potential chains of recourse. Boards need to know exactly what information will be required in the event of distress and social housing asset exposure in order to value the assets without delay;
- Evidence of application of the principles; and
- The assurance they receive on the quality of records.

We operate an assurance framework which is supported by delegated authorities and operating regulations. We map our assurances which include management review and oversight, external and internal audit and reviews by regulatory bodies. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Association's Board. We are fully compliant. We have comprehensive Data Protection and Technology Policies to protect our data and mandatory GDPR training has been completed by staff. The Association complies in full with the Rent Standard and is satisfied it has complied with all other laws and regulations that are relevant.

HEWITT HOMES - TRUSTEES' REPORT

Disclosure of information to auditors

The Trustee of the Trust has confirmed in fulfilling their duties as a Trustee;

- they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Auditors

A resolution to re-appoint BDO LLP as the auditors will be proposed at the Southern Housing Board Meeting on 24 September 2025.

Approval

The Trustees' Report was approved by the Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair of Southern Housing

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF HEWITT HOMES

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2025 and of the Trust's surplus 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 requirements of the Charities Act 2011, 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 Hewitt Homes ("the Trust") for the year ended 31 March 2025 which comprise the statement of comprehensive income, 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 Trust 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 Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust'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 Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. 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

HEWITT HOMES - INDEPENDENT AUDITOR'S REPORT

material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Charities Act 2011 to report to you if, in our opinion:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Trust, or returns adequate for our audit have not been received from branches not visited by us; or
- the Trust financial statements are not in agreement with the accounting records and returns; or
- a satisfactory system of control has not been maintained over transactions; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustee 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 Trustee 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 Trustee is responsible for assessing the Trust'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 Trustee either intend to liquidate the Trust 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 Trust and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Trust's policies and procedures regarding compliance with laws and regulations

HEWITT HOMES - INDEPENDENT AUDITOR'S REPORT

we considered the significant laws and regulations to be Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022 and relevant tax legislation.

The Trust 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 Regulatory Framework of the Regulator of Social Housing, data protection and health and safety legislation.

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 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;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Trust'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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (ie non risky journals).

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.

HEWITT HOMES - INDEPENDENT AUDITOR'S REPORT

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

Use of our report

This report is made solely to the members of the Trust, as a body, in accordance with in accordance with the Housing and Regeneration Act and to the charities trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Trustee 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 Trust and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Paula Willock

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Paula Willock (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

Date: 30 September 2025

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 2025

	Notes	2025 £000	2024 £000
Turnover	2	376	357
Operating expenditure	2	(457)	(319)
Operating (deficit) / surplus		(81)	38
Interest receivable	6	4	2
(Deficit) / surplus for the year		(77)	40

All the Trust's activities are continuing. The Trust has no recognised surpluses and deficits other than those above and therefore no separate statement of other comprehensive income has been presented.

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 March 2025

	General reserve £'000
Balance as at 1 April 2023	1,477
Surplus for the year	40
Balance as at 31 March 2024	1,517
Deficit for the year	(77)
Balance as at 31 March 2025	1,440

STATEMENT OF FINANCIAL POSITION

at 31 March 2025

Registered Charity number: 235827

	Notes	2025 £000	2024 £000
FIXED ASSETS			
Tangible fixed assets - Housing properties	7	2,328	1,987
Tangible fixed assets - other	8	7	389
Total fixed assets		2,335	2,376
CURRENT ASSETS			
Trade and other debtors	9	142	33
Cash and cash equivalents		150	219
Total current assets		292	252
Creditors: amounts falling due within one year	10	(710)	(621)
Net current liabilities		(418)	(369)
Total assets less current liabilities		1,917	2,007
Creditors: amounts falling due after more than one year	11	(477)	(490)
Net assets		1,440	1,517
CAPITAL AND RESERVES			
General reserve		1,440	1,517
Total reserves		1,440	1,517

The financial statements were approved by the Corporate Trustee on 24 September 2025 and signed on its behalf by:



Sir Peter Dixon
Chair



Puneet Rajput
Secretary

The accompanying accounting policies and notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

Hewitt Homes is governed by its trust deed. It is also registered as a Charity in England with the Charity Commission with the Charity number 235827 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing registration number L1856.

The financial statements have been prepared in accordance with applicable laws and UK Accounting Standards, including the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS102), the Statement of Recommended Practice "Accounting for Registered Social Housing Providers (Update 2018) (the "SORP")", The Accounting Direction for Private Registered Providers of Social Housing 2022, the Housing and Regeneration Act 2008 and the Co-operative and Charities Act 2011.

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Registered address: Fleet House, 51-69 Clerkenwell Road, London, EC1M 5LA.

Cash flow statement

As a consolidated cash flow statement is prepared by the Trust's parent, Southern Housing, the Trust has taken advantage of the exemption provided by FRS102 not to report a separate statement of cash flows.

Going concern

The Trust has net assets of £1,440k (2024: £1,517k) at the balance sheet date. After reviewing the Trust's budget for 2025/26 and cash forecasts for the next 12 months from the date the financial statement are approved, the Trustee has a reasonable expectation the Trust has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and Parent's long term financial plan. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available and there is a reasonable expectation that Southern Housing Group has adequate resources to continue in operational existence for 12 months from the date of financial statements approval. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

Financial Instruments

The Trust has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument, and are offset only when the Trust currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Judgements in applying accounting policies and key sources of estimation uncertainty

The key judgement made in preparing these financial statements and source of estimation uncertainty is:

- Management has applied judgement in determining whether assets are recognised as property, plant and equipment, investment properties or stock.
- In determining whether there are any indicators of impairment. Where there are indicators, the Trustee has considered the measurement basis to determine the recoverable amount of assets based on EUV-SH or depreciated replacement cost. The Trustee has also considered impairment based on their assumptions to define cash or asset generating units.

2. TURNOVER & OPERATING PROFIT

Rent receivable

Rental income from social housing and commercial properties owned by the Trust is recognised on an accruals basis (net of void losses) as it falls due.

Service charges

Service charge income is recognised on an accruals basis as it falls due. The Trust operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgeted spend. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows.

Grants

Revenue grants are credited to the surplus or deficit for the period when the performance conditions are met.

Social housing grant or social housing assistance are capital grants provided by Homes England and the Greater London Authority to wholly or partially fund Registered Providers when developing social housing. The grant received is recognised as deferred income and amortised within the surplus or deficit for the period through turnover over the useful economic life of the asset.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised in the surplus or deficit for the period.

Grant amortisation

Government grant is amortised over the life of the structure of the property. The cumulative grant amortised is disclosed as part of contingent liabilities until the property it funds is disposed of or ceases to be used for social housing purposes.

2a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2025		
	Turnover	Operating costs	Operating deficit
	£000	£000	£000
Social housing lettings (note 2b)	376	(457)	(81)
	376	(457)	(81)
	2024		
	Turnover	Operating costs	Operating surplus
	£000	£000	£000
Social housing lettings (note 2b)	357	(319)	38
	357	(319)	38

2b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Supported housing and older people's housing	2025 Total	2024 Total
	£000	£000	£000
Rents receivable net of identifiable service charges	224	224	209
Service charges receivable	145	145	141
Net rental income	369	369	350
Amortised government grant	7	7	7
Turnover from social housing lettings	376	376	357
Expenditure on letting activities			
Management	(78)	(78)	(77)
Bad debts	(14)	(14)	(2)
Service charge costs	(153)	(153)	(156)
Routine maintenance	(97)	(97)	(35)
Planned maintenance	(2)	(2)	(25)
Major repairs	(79)	(79)	(2)
Depreciation of housing properties	(34)	(34)	(22)
Operating costs on social housing	(457)	(457)	(319)
Operating (deficit) / surplus on social housing lettings	(81)	(81)	38
Void Losses	30	30	27

3. EMPLOYEE AND TRUSTEE INFORMATION

No Trustee received any remuneration for their role as Trustee of Hewitt Homes during the current and prior year. No expenses were reimbursed to the Trustee during the current year and prior year.

The Group Chief Executive and the senior management team are employed by Southern Housing, with whom administration costs are shared; the relevant emoluments are dealt with in the financial statements of that organisation.

No staff were directly employed by the Trust in the current or previous year.

4. UNITS

	2025 Units	2024 Units
Units owned		
General needs	49	49
	49	49

5. (DEFICIT)/ SURPLUS FOR THE YEAR

	2025 £000	2024 £000
Operating (deficit) / surplus is stated after charging/(crediting):		
Grant amortised	(7)	(7)
Depreciation – housing properties	17	19
Depreciation – other fixed assets	18	3
Auditors' remuneration:		
- in respect of audit services	6	5

6. INTEREST RECEIVABLE

	2025 £000	2024 £000
Bank and deposit interest	4	2
	4	2

7. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**Housing properties**

Housing properties are held at historic cost less accumulated depreciation and any impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised (using the average borrowings method, during the development period), and directly attributable administration costs.

Housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Trust's asset management strategy and the requirements of the Decent Homes Standard.

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

HEWITT HOMES - NOTES TO THE FINANCIAL STATEMENTS

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed property stock when ready for sale. Capitalisation of development costs ceases at practical completion including the accrual of known costs at that time and all subsequent costs are expensed.

Depreciation

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less estimated residual values. The following useful economic lives are used:

Component	Years	Component	Years
Structure	85-125	Windows	25-30
Lifts	25-30	Roofs	20-80
Kitchens	20-25	Fire alarms	15-20
Bathrooms	20-30	Doors	15-30
Solar panels	20	Boilers & heating	15-25
External storage	10	Emergency lighting	15-20
External staircase	60	Electrical wiring	5-30
Aerials /CCTV	10	Warden call / door entry	15
Flooring	15		

Properties held on a short lease are depreciated over the period of the remaining lease or the useful economic life, whichever is shorter.

Impairment

At each balance sheet date, the value of property, plant and equipment assets is formally assessed to determine whether there is an indication that the carrying value of the asset is greater than the recoverable amount and therefore may require impairment. This assessment is carried out by tenure and at the estate/scheme level, such a level representing a cash generating unit. A scheme is defined as all units of the same tenure within one area or estate. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

In line with the Group's objectives its social housing properties are held for their service potential and not purely for economic return. The Trust follows the guidelines of the Housing SORP 2018 and uses the depreciated replacement cost of the property as a reasonable estimate of the recoverable amount.

Housing properties held for letting £000

Cost

At 1 April 2024	2,335
Reclassify prior year to other fixed assets	364
Replaced components	192
Transfer to current assets	(118)
Transfer to I&E (Write off)	(80)
At 31 March 2025	2,693

Depreciation

At 1 April 2024	348
Depreciation charge for the year	17
At 31 March 2025	365

Net book value

At 31 March 2025	2,328
At 31 March 2024	1,987

8. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS**Depreciation**

Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less estimated residual values. The following useful economic lives are used:

Other Fixed Assets	Years		Years
Freehold offices	50-100	Motor vehicles	4
Furniture & office equipment	5-15	Office improvements	10
Computer hardware	3-4	Computer software	3-4

**Furniture, office
equipment and estate
equipment
£000**

Cost

At 1 April 2024	445
Reclassify prior year to fixed assets housing properties	(364)
At 31 March 2025	81

Depreciation

At 1 April 2024	56
Charge for the year	18
At 31 March 2025	74

Net book value

At 31 March 2025	7
At 31 March 2024	389

9. TRADE AND OTHER DEBTORS

The Trust makes a provision for rental arrears, which are considered to be non-recoverable. The full value of former tenant debt is provided for. The provision for current tenant debt is calculated based on the ageing profile and historical recovery rates.

	2025 £000	2024 £000
Due within one year		
Rental and service charge arrears	19	33
Provision for doubtful debts	(4)	(3)
	15	30
Trade debtors	14	-
Prepayments and accrued income	1	3
	30	33
Due after more than one year		
Service charge debtor	112	-
	112	-
	142	33

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025	2024
	£000	£000
Rent & service charge in advance	17	-
Social housing grant (note 12)	7	-
Accruals and deferred income	21	23
Amounts due to parent undertaking	665	598
	710	621

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2025	2024
	£000	£000
Social housing grant (note 12)	477	490
	477	490

12. SOCIAL HOUSING GRANT

	2025	2024
	£000	£000
At 1 April	490	497
Grants amortised during the year	(6)	(7)
At 31 March	484	490
Cumulative amount amortised	198	191

13. CONTINGENT LIABILITIES

The Trust receives social housing grant which is accounted for as deferred income and is amortised to the statement of comprehensive income based on the useful economic life of the asset. The amount amortised represents a contingent liability if the related properties are disposed of. At March 2025 the value of grant amortised in respect of these properties and not disposed of was £204,434 (2024: £190,796).

14. CONTROLLING PARTIES

The Trust is a subsidiary of Southern Housing which is the ultimate parent undertaking incorporated in the UK and registered in England as a Co-operative and Community Benefit Society. Southern Housing is the ultimate parent undertaking by virtue of holding all shares in the Trust. The Trust has taken advantage of the exemption provided by FRS102 not to disclose transactions with the parent or other wholly owned subsidiaries within the group.

The largest and smallest group in which the results of the Trust are consolidated is that headed by Southern Housing, incorporated in England. The consolidated accounts of the Group are available to the public and may be obtained from Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA. No other group accounts include the results of the Trust.

Accounts



Annual Report

2023-24



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About Southern Housing

From Chair of the Board

Southern Housing was built on a shared commitment of two organisations to building homes and communities that people feel proud to live in. We wanted to create a resilient business that enhanced the service offer for residents by leveraging our scale and density. To that end, we've been working tirelessly to integrate our systems and our workforce and to improve processes.

We began our journey towards this goal in very turbulent times. The last year, our first full year as a merged business, has rightly seen increased scrutiny on the quality of services we provide to our residents. We recognise we still have some way to go, and we're truly sorry to all residents who've experienced service failures and who we've let down. We're using the learnings from the Housing Ombudsman's recently published investigation report together with our long-standing commitment to resident governance to drive improvements. More information on our response to the report is available on our website.

The Board is very grateful for the engagement our Residents Strategy Group (RSG) provides alongside all involved residents who are helping improve our services as we continue to integrate the two legacy businesses. RSG has in the last year carried out a number of scrutiny projects, including one on damp and mould, and reported findings and recommendations to the Board.

I'm delighted our commitment to resident governance and strong resident engagement have been recognised with one of our Resident Ambassadors being appointed to the National Housing Federation's (NHF) Tenant Advisory Panel (TAP), a policy development and consultation sounding board for the NHF to promote sector best practice in resident governance and engagement. Our Chair of RSG has been appointed to the Tpas Board and one of our resident board members has been elected to chair the G15 Residents' Group. Three of our residents have also been appointed to the Housing Ombudsman's Residents' Panel. These external networks enable Southern Housing to input into policy development at a national level.

We've seen our annual surplus depressed this year as we feel the impact of working in such a challenging economic and operational environment. Board has had to take the very tough decision of scaling right back our development commitments which enables us to significantly increase investment in existing homes and to increase the resources available in a number of key frontline services.

Despite a difficult year I'm confident that with the dedication and commitment of the Board, residents and colleagues we have at Southern Housing we'll achieve the standard of services residents expect from us.



Sir Peter Dixon
Chair of Southern Housing Board



From **Chair of Resident Strategy Group**

I'm in the privileged position of being able to see the immense amount of work which has gone on to ensure Southern Housing is governed and managed in a responsible and effective way. Many of us involved at Southern Housing wouldn't dispute the first full year of merger has been eventful with many challenges faced along the way both by us and the sector.

Having spent much of the last year designing and then recruiting to a new resident governance structure I'm delighted we have residents involved at every level of our organisation – from Board supporting our strategic direction through to local groups looking at day to day service delivery.

Following a very successful recruitment campaign (receiving nearly a thousand applicants), we've doubled the number of involved residents to over 100, showing residents are as keen as ever in wanting to be involved. We improved the diversity of our involved residents which underpins our commitment to having a broad and representative customer base, 59% of our involved residents are female, 36% are from an ethnic minority background, 34% are living with a disability, 12% are LGBTQ and ages range from 24 to 71.

Our Regional, Scrutiny and Service Panels have been instrumental in shaping and influencing a range of policies and strategies for Southern Housing, including antisocial behaviour, damp and mould, fire safety and sustainability. We are using our lived experience to bring to life for colleagues the impact their decisions have on residents' lives.

A year on from the merger, members of our RSG, Board, Executive Team and operational colleagues had their first away day. It was a rewarding day and a good opportunity to build our 'one' Southern Housing Team, and to understand where best to focus our attention in 2024/25. For me, as a resident being able to work alongside the Board at such an event is testament to the commitment Southern Housing has to truly embracing resident involvement.

In 2024, we'll be developing our new Resident Involvement Strategy. It's an important moment for resident voices in the social housing sector, increased external scrutiny along with internal challenges means that delivering a human-centred service is a significant priority.



Billy Brown
Chair of Resident Strategy Group



From Chief Executive

Our first full year since merger has been focused on integrating systems and teams. We're on track to be mostly integrated by April 2025, enabling us to realise merger benefits and deliver services to a consistently high standard.

We report an annual surplus before fair value movements of £3 million for 2023/24. This is below expectations and the £21 million surplus reported in the half year trading statement but in line with our full year trading statement. Our results have been put under pressure for several reasons, notably a difficult contractor market which has delayed completion of new schemes impacting anticipated rent and sales income. In addition, with a number of contractors going into administration we've reassessed several schemes, writing off abortive costs and increasing the impairment provision. We've increased resourcing in a number of front-line teams including compliance, repairs and maintenance and complaints and we've created a dedicated team to tackle damp and mould.

Despite one-off charges, our financial strength has enabled us to significantly increase investment in our homes. In 2023/24 we spent £247 million on our existing homes – a 33% increase on the previous year. We've further increased investment in 2024/25 by £23 million. Turnover totalled £609 million of which only 7% was generated from open market and first tranche shared ownership sales.

We established Southern Housing with the aim of creating a more resilient organisation and that is clearly happening, we've carefully navigated the twin pressures of high inflation and interest rates. We have a strong balance sheet with £7 billion assets at cost. We generated £207 million in year from our operations and held £109 million cash at 31 March 2024. We continue to enjoy significant headroom against banking covenants, with modest gearing, low refinancing risk and strong liquidity together with c.27,000 homes unencumbered and chargeable. 89% of our debt is fixed and we have limited near term refinancing risk with 79% of debt due for repayment in over 5 years.

We're keenly aware of the risks and opportunities we face in relation to Government policy on rents, grant, housing standards and regulation. We have necessarily refocused our capacity into increased investment in our homes and services. We have the balance sheet strength and operational flexibility to continue to respond appropriately as regulation changes. Looking to the future the Southern Housing Board has taken a decision to stop making commitments on new developments enabling us to significantly derisk the business and focus on core social housing activities. We'll complete integration during 2025 enabling us to realise merger benefits and deliver services to a consistently higher standard.



Paul Hackett CBE
Chief Executive Southern Housing



Highlights

For the year to 31 March 2024 (31 March 2023)

Financials



Turnover

£609m (£642m)

Operating surplus

£108m (£136m)

Surplus before fair value movements

£3m (£40m)

Social Housing cost per unit**

£6,844 (£5,544)

Operating margin*

12% (14%)

New sales receipts

£44m (£127m)

Total assets

£7bn (£7bn)

Current arrears**

5% (5%)

Total debt including bonds

£3bn (£3bn)

Moody's Credit Rating

A3 stable outlook

Fitch Credit Rating

A stable

Interim judgement

G2 / V2

Development & Investment



New home starts

348 (952)

New homes spend

£257m (£269m)

New homes completed (including Joint Venture and market sales)

776 (1,089)

Investment in existing homes

£247m (£186m)

New homes in contract at 31 March 2024

3,256 (3,936)

People into jobs and training

1,592 (2,081)

Total homes owned and managed

79,820 (78,760)

Capital commitments

£531m (£665m)

* Our operating margin is adjusted to exclude surplus on housing property disposals (£32 million) but includes surplus on first tranche shared ownership (£0.5 million) and market sales loss (£3.4 million). Our internal target operating margin excludes all sales

** Calculated using Regulator of Social Housing (RSH) definitions

Operational



Satisfied with overall service

67% (72%)

Satisfaction with repair service

68% (66%)

Satisfied with time taken to complete most recent repair

63% (61%)

Agree we treat residents fairly and with respect

81% (84%)

Satisfied we listen to residents' views and act upon them

63% (68%)

Satisfied we provide a safe home

78% (81%)

Satisfied we keep residents informed

78% (82%)

Satisfied we provide a well maintained home

73% (75%)

Satisfied with our approach to handling anti-social behaviour

68% (70%)

Homes meeting Decent Homes Standard

99.7% (98.2%)

Satisfied we keep communal areas clean and well maintained

69% (73%)

Vacant homes available for letting

1% (1%)

EPC band C and above

74% (73%)

Colleagues

Satisfaction with Southern Housing as an employer

81% (N/A)

Average number of sickness days per employee

8 days (8 days)

Colleagues leaving for a voluntary reason

11% (14%)

About Southern Housing

Southern Housing, formed in 2022 following a merger, has a history stretching back to early 1900s of helping those in housing need and providing affordable homes with residents at the heart of all we do. At every level of the business our residents collaborate with us as one team to co-design and scrutinise key activities so we can deliver brilliant services and improve value for money. We own over 79,000 homes, providing over 167,000 residents across London, the South East, the Midlands and the Isle of Wight with access to affordable housing.

Now more than ever it's essential we provide safe, affordable homes enabling people to flourish and live in a secure environment. We've continued to build new homes to help solve the housing crisis completing 776 in 2023/24, working with residents, local authorities and partners to create safe and sustainable homes and communities.

The economic environment is challenging, high cost inflation and increased interest rates are having an impact on many people's lives. Our social impact statement underpins our corporate objective of creating jobs and training. We're focusing our resources on providing support programmes that match residents' skills and talents to job opportunities. During 2023/24 we supported 1,592 people into jobs or training. Alongside our social impact team, our charity, Fresh Visions, has for many years helped transform the lives of hundreds of children, young people and adults facing extreme poverty, domestic abuse, lack of education and social exclusion.

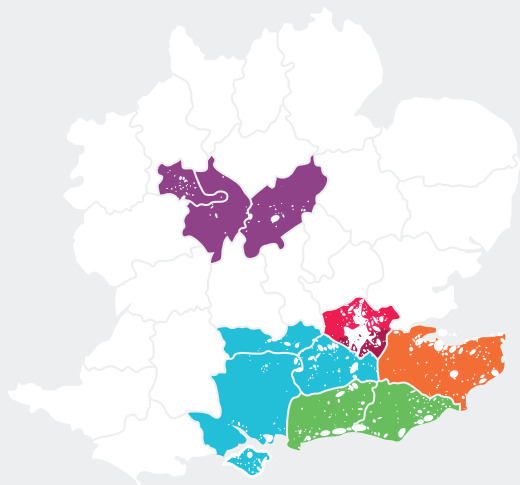
Our markets, external environment and future prospects

We've completed the first full year of our three year strategic plan 2023-2026. It sets out our ambitions and our vision to create communities where everyone has a safe home, in a place where they're proud to live. Improving customer service is our immediate priority. We're making good progress to integrate systems and people since merging in December 2022. People integration is due to complete by December 2024 and systems integration during 2025.

The Southern Housing Board has recently taken the very difficult decision to reduce new development commitments, enabling us to prioritise investment in our existing homes. Stock condition data and agreed standards are informing the scale and scope of our investment programme. Part of our investment programme for existing homes includes scaling up our energy efficiency retrofit. We, however, recognise the ongoing need to provide new affordable homes and so will be working in partnership to deliver affordable housing with local authorities.



Southern Housing has more than 79,000 homes and over 167,000 residents



- London North

London South

Midlands
- South and Isle of Wight

Sussex

Kent and Essex



35% of residents live in Houses or Bungalows



65% of our residents live in Flats/Maisonettes

Homes in management and/or owned



General Needs	65%
Shared Ownership	12%
Supported, Care & HOPs	9%
Leasehold	8%
Key workers	2%
Non Social Housing	2%
Temporary & Intermediate	2%







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Risk management

Management presents its report incorporating the strategic report and audited consolidated financial statements for Southern Housing and its subsidiary undertakings for the year ended 31 March 2024. These consolidated accounts are also available on our website.

Our Business Model

Who we are

We're one of the largest housing providers in the UK. Our core business, providing homes for people who need them, is founded on maintaining a strong social purpose. 96% of the group's business (by income) is undertaken by Southern Housing, the charitable parent organisation. 98% of assets are also held by Southern Housing. New build activities are conducted through Lamborn Estates (market sales), Optivo Development Services, Southern Housing Construction Limited, Southern Home Ownership and Ink Development, a limited company jointly owned in which Southern Housing holds one share. A full list of the group subsidiaries and their activities are set out in note 31 to these financial statements.

Southern Housing has invested equity in its subsidiary companies. £1.7 million is invested in Spruce Homes, the investment is supported by the net assets of this subsidiary. £13,000 is invested in our finance company Optivo Finance Plc. The sum of equity investment in dormant companies, charities and registered providers is nominal at £3. We have one project specific company, Middlesex First Limited to which Southern Housing provides an equity loan of £7.8 million accounted for in intercompany debtors.

We've investments in three joint ventures ranging from 33% to 50% holding. Two are for the provision of management and / or maintenance services including investment in social housing assets and one is for the development of affordable and open market residential homes in Kent.

What we do

We work with residents, local authorities and partners to help meet housing need and to create safe, sustainable communities for our residents. Our core tenure is social rented housing. Through our work on social impact we aim to make a difference and work to support our residents and communities. Enhancing lives is key to our mission. Operating in some of the UK's poorest neighbourhoods we adapt our activities and projects to meet local need and priorities. In 2023/24 we helped 1,592 people into jobs and training. Our work helps people to gain confidence and overcome significant barriers to securing work. We also work with our supply chain businesses to find jobs and opportunities to improve skills for our residents.

We use our existing housing portfolio to secure new funding to support our development ambitions. We started 348 new homes in 2023/24. Our new homes programme will see us build out schemes we already own to provide housing for rent (including affordable and social rent), shared ownership and open market sale. The majority will be in London and the South East with a small element in the Midlands.

How we generate our money and what we do with it

In 2023/24, 83% of our turnover came from rent and service charges and 7% from the sale of first tranche (shared ownership) and market sales properties. Our operations generated £207 million cash. This together with net funding of £226 million helped us to maintain a high level of investment back in to existing and new homes. At year end we had committed £531 million in capital investments on developments already in contract and have made a provision of £1 million for fire remediation works scheduled for 2024/25.

Our Stakeholders and Engagement

We're committed to operating fairly, with integrity and respect for the opinions and perspectives of our stakeholders. Our primary stakeholders include our residents and service users, both current and future,

our partners in central and local Government, our colleagues, suppliers and investors and the wider communities in which we operate. A summary of our engagements with our stakeholders is outlined below.

RESIDENTS AND SERVICE USERS

Residents are at the heart of Southern Housing. At every level of the organisation our residents work alongside us from strategic decision making to day to day services. They influence our policies and strategies, scrutinise performance and help shape the services we deliver. We live in a very challenging world that is causing struggles for many people, so it is important we respond so we can be effective and meet the needs of our residents. Our Co-Creation Framework sets out how we involve residents in innovative and meaningful ways.

- 110 residents are involved in our Resident Governance Structure
- Publishing policy documents and corporate reports on our website
- Offering volunteering opportunities
- Providing money and benefits guidance
- Providing employment and digital support
- Offering energy efficiency advice
- Commitment to safeguarding the wellbeing of all residents
- Carrying out satisfaction surveys
- Online service
- Rent flex plan offering flexible rent payment options
- Regular resident magazine.

COLLEAGUES

Our colleagues are our greatest asset and critical to us delivering our mission. We are committed to delivering excellent services and providing homes for those who really need them. We recognise the scale and pace of change in our first year since merger has been very significant and at times disruptive. With a clear commitment to diversity and inclusion and having established strong values, we are establishing a culture of empowering colleagues and providing the right learning opportunities and working environment. Meaningful and regular engagement with our colleagues is critical to our ongoing success as are appropriate reward, honesty, dialogue and appraisal between employer and employee.

- Zoom into Executive Team meetings
- Colleague Forum
- Union recognition with regular engagement
- Colleague surveys
- Range of colleague communications including magazine, intranet (new site launched this year) and email bulletins
- Wellbeing commitment
- Culture calendar
- Whistle blowing process.

INVESTORS/FUNDERS

We're a not-for-profit organisation with charitable status. We access debt capital through lenders and investors to enable continued investment in our homes. Communicating effectively with stakeholders and providing them with relevant and timely information are essential for maintaining access to debt markets and competitive pricing.

- Quarterly financial covenant compliance reporting
- Half year and full year trading statements
- Bilateral meetings with lenders
- Investor presentations to maintain credit ratings.

SUPPLIERS

We work with numerous contractors and suppliers. They are an essential ingredient to enable us to deliver services and new homes, providing jobs and training opportunities for residents. Maintaining this two-way relationship is important.

- Equal access to tendering opportunities
- Multi-year contracts with key suppliers
- Standard contract management processes and controls including monthly/quarterly meetings and annual reviews
- Standard approved supplier processes and controls
- Contractual mechanisms to extend contracts based upon performance
- Problem solving hierarchies and escalation processes set out in contracts
- Contract management and Key Performance Indicators (KPIs) in place.

NATIONAL AND LOCAL GOVERNMENT

We receive public money to help us provide more homes and services.

- Regularly respond to housing enquiries from Members of Parliament and Local Authorities
- Active member of the National Housing Federation and the G15 group of London's leading Associations
- Through these bodies and our own activities, we engage with national Government, City Hall and local authorities to influence policy priorities
- We focus on making the case for funding for social housing delivery and associated services to be given high priority
- We champion the difference social housing delivery makes to the lives of our residents.

UNIVERSITY AND KEYWORKER NHS TRUST PARTNERS

- We work in partnership with our NHS Trusts to provide key worker homes. Our student accommodation assets serve several universities, in many cases under explicit partnership arrangements. We have regular dialogue with partners on accommodation bookings and demand forecasting. We're subject to their scrutiny on the quality of our service and welcome feedback.

CARE AND SUPPORT ISLE OF WIGHT LOCAL AUTHORITY, CARE QUALITY COMMISSION (CQC) AND NHS TRUST PARTNERS

- We're regulated by the CQC, they carry out unannounced inspections to ensure we remain compliant with legislative requirements
- We have contracts with the Local Authority to deliver services, which outline specific performance indicators we're required to deliver and report on. The Local Authority regularly inspect services to ensure we remain compliant with the contract
- We have agreements with the Health Authority/Mental Health Team to provide specialist accommodation, and we regularly meet with our partners to ensure the services we provide meet the required outcomes.

COMMUNITIES AND ENVIRONMENT

We support residents to save money on their bills, manage energy costs, improve their health and wellbeing and reduce environmental impact. We're striving to reduce our environmental impact to help manage our costs and be a more responsible business. We're investing in the quality, safety and environmental sustainability of our homes.

- Strategic Plan 2023-26 sets out our overarching ambitions supported by our Sustainability Strategy approved in 2023
- Our social impact statement makes a positive difference to our communities – one team working together
- We tackle anti social behaviour, hate crime and domestic abuse.

CASE STUDY

Tackling Anti Social Behaviour

We know the serious impact Anti-Social Behaviour (ASB) can have on our residents. After repairs, it's the second biggest influence on resident satisfaction. It's also one of the most challenging services we deliver and will take on new prominence through the Regulator's new consumer standards. With this in mind, we've taken several actions to ensure we deliver the best possible ASB handling service.

We've created a new Corporate Lead-ASB role to deliver consistency and drive service improvement. We're implementing best practice and learning from the Housing Ombudsman Spotlight reports. We've implemented over half of the recommendations from the Housing Ombudsman's Spotlight report on noise. This included introducing a Good Neighbourhood Management procedure, which means we'll intervene earlier to resolve issues between neighbours before tensions escalate into ASB.

We've co-created a Southern Housing ASB policy with residents, drawing upon their lived experiences, as well as learning and best practice from others tackling ASB. It's another key step towards delivering consistency.

Our Service Improvement Team has recently started an ASB service review. As part of this, colleagues and residents will co-create a new Southern Housing ASB process and customer journey. We'll use residents' insights to better meet their needs, manage expectations and improve satisfaction. This review will help us develop an improved ASB case management system by the end of 2024. It will deliver greater compliance with procedure, enhanced quality assurance and better performance reporting. We use legal action as a last resort and have an in-house Legal Team to assist with advice as well as to progress cases for court action.

A recent benchmarking exercise with similar organisations revealed we had the highest satisfaction with ASB handling among our peers in the first half of the year.



Strategic Plan 2023–26

Our Vision

Our vision is to create communities where everyone has a safe home in a place where they're proud to live. Residents are at the heart of our services, and we use our size to influence positive change in the areas where we operate.

Our Social Purpose



Social Value

We seek to drive the most social impact in everything we do.



Not for profit

We reinvest surpluses into improving residents' homes, neighbourhoods, services, building new homes to reduce housing need.



Resident centred

We work with residents to shape services and we design service around residents.



Sustainable

We work hard to reduce the climate impact in all our work and services.



Inclusive

We recognise diversity as a strength and seek to harness this, creating workplaces and communities where everyone can thrive.



Fair and ethical

Value driven in the way the organisation works and what it expects from suppliers.

Our HEART Values



- Honest
- Efficient
- Accountable
- Respectful
- Trustworthy

2023/24 was the first year of our three year strategic plan. We use a suite of Key Performance Indicators (KPIs) to track progress against our seven strategic objectives throughout the year and we review these annually.

From April 2023 all housing associations implemented the new regulatory Tenant Satisfaction Measures (TSMs).

For 2024/25 we've introduced new KPIs relating to complaints, compliance with the Decent Home Standard, financial performance and satisfaction for low cost home ownership. We've removed three KPIs from the strategic KPI reporting; two because they are TSMs closely tracked by other TSMs already included in our suite of KPIs and 'New Starts' given our focus has switched away from taking on new commitments and moved to completing existing schemes.

We've made strong progress over the last year in simplifying and integrating our business and more progress will be made through 2024/25.

Next year we will be benchmarking our TSM data against our G15 peer group. For now we are using our 2023/24 performance as our baseline with the target being year on year improvement.

KPIs that align with TSMs in the following section will be denoted with this icon: 🌸

Objective 1

Great customer experience



KPI	Target 2024-25	Actual 2023-24	Target 2023-24	Actual 2022-23
% Satisfied with overall service 🍀	Year on year increase	67%	75%	72%
% Satisfied with repairs service over the last 12 months 🍀	Year on year increase	68%	75%	66%
Satisfaction with overall service experience (LCHO) 🍀	Year on year increase	New	New	
Number of repair complaints received as a % of completed reactive repairs	1.3%	New	New	
% Satisfied with time taken to complete most recent repair	N/A	63%	65%	61%

Overall satisfaction is a key indicator of customer service, as is having an efficient and effective repairs service. We recognise some of our services are not reaching the levels we, or our residents, expect, to ensure focus is maintained to improve services Board has added a new strategic KPI for complaints linking with our repairs service. As part of our work to improve we've significantly increased resources in both areas of repairs and maintenance and complaint handling. We've also developed a new process for handling complaints.

Objective 2

Listen and act on residents' views



KPI	Target 2024-25	Actual 2023-24	Target 2023-24	Actual 2022-23
% Satisfied we listen to residents' views and act upon them 🌸	Year on year increase	63%	68%	68%
% Satisfied we keep residents informed 🌸	Year on year increase	78%	83%	82%

Focusing on these KPIs help us to ensure our services are shaped around residents to create improved experiences and better value.

Objective 3

Safe sustainable homes in good repair



KPI	Target 2024-25	Actual 2023-24	Target 2023-24	Actual 2022-23
% Satisfied we provide a safe home 🌸	Year on year increase	78%	85%	81%
% Satisfied we provide a well maintained home 🌸	Year on year increase	73%	80%	75%
% Homes meeting EPC C or above	75%	74%	74%	74%
% Homes meeting Decent Homes Standard	100%	99.7%	NEW	98.2%

These KPIs help us measure whether our homes are safe and energy efficient. We're on track with meeting our EPC targets and have increased repairs and maintenance investment in our homes.

Objective 4

Neighbourhoods where residents are proud to live



KPI	Target 2024-25	Actual 2023-24	Target 2023-24	Actual 2022-23
% Satisfied we keep communal areas clean and well maintained 🌸	Year on year increase	69%	73%	73%
% Satisfied with our approach to handling anti-social behaviour 🌸	Year on year increase	68%	69%	70%
Number of people into jobs and training	Year on year increase	1,592	1,500	2,081
% Vacant homes available for letting (General needs (GN) and Housing for older people (HOPS))	0.75%	0.58%	0.95%	0.62%

These KPIs help ensure we're supporting our resident neighbourhoods to thrive. We're running projects to drive estate improvements and we've revised our anti – social behaviour policy to get residents to the right place of support first time.

Objective 5**Build homes to meet housing need**

KPI	Target 2024-25	Actual 2023-24	Target 2023-24	Actual 2022-23
Build completions	1,200	776	1,402	1,089
Sales receipts from new homes	£81.4m	£44.0m	£125.1m	£126.8m
New home starts	N/A	348	500	952

We will continue to measure the progress in completing our development programme but given we will not be starting any uncommitted schemes the new home starts will no longer be monitored as a strategic KPI.

Objective 6**Empower our people**

KPI	Target 2024-25	Actual 2023-24	Target 2023-24	Actual 2022-23
% Colleagues satisfied overall with Southern as an employer	75%	81%	75%	N/A
Average number of sickness days absent per employee	8 days	8 days	8 days	8 days
% Colleagues leaving for a voluntary reason	15%	11%	15%	14%
% Agree we treat residents fairly and with respect 🌸	Year on year increase	81%	70%	84%

Ensuring we are a great place to work where colleagues are treated with respect continues to be an important strategic aim for the organisation, and these KPIs help us to track performance.

Objective 7

Deliver efficiency



KPI	Target 2024-25	Actual 2023-24	Target 2023-24	Actual 2022-23
% Operating margin overall (excludes all sales)	18.6%	14.1%	20.2%	13.2%
% Current rent arrears (GN and HOPS)	4.7%	4.7%	4.5%	4.7%
Social Housing Cost per Unit metric (£)	7,120	6,844	6,582	5,544
EBITDA-MRI Cash Interest Cover (Excl. Sales) (%)	45.8%	38.7%	72.6%	72.3%

We achieved our post merger efficiency target in 2023/24 of £3.1 million but this is not fully reflected in an improvement to our operating margin, which is subject to other drivers particularly around delayed scheme handovers impacting rent and sales income. Although below target, our operating margin was higher than in 2022/23. Our cost per unit was above target due to increased investment in existing homes. Given the challenging economic environment we find ourselves operating in, ensuring efficiency savings are delivered post-merger is an important strategic goal. We've therefore added Social Housing Cost Per Unit and EBITDA-MRI cash interest cover to our suite of strategic KPIs reviewed monthly by Executive Team and quarterly by the Board.

CASE STUDY

Insourcing

Our in-house teams have taken charge of cleaning and grounds maintenance services in Sussex. As part of our ongoing insourcing programme we successfully went live with two new teams in Sussex from 2 April 2024. This transition marks an important step in our plans to bring services in-house and provide better quality and more efficient services to our residents. Insourcing these services has many benefits for our residents:

- ✓ Consistency and quality
- ✓ Friendly faces with regular team members on site
- ✓ Strengthening our visibility within the community
- ✓ Quicker turnaround on service enquiries

- ✓ Prompt reporting with issues swiftly identified and addressed
- ✓ Value for money, maximising investment in housing services
- ✓ Local engagement
- ✓ Empowers us to respond swiftly and effectively in case of emergencies
- ✓ Colleagues that care about our estates and our residents' wellbeing.



Sustainability and Energy and Carbon Emissions

We have a responsibility to understand the impact our organisation has on the environment and ensure we contribute towards a sustainable world. We have an ambitious programme to reduce resident utility costs and deliver our services in a more efficient manner. With over 98% of our carbon emissions coming from our property portfolio, environmental sustainability and decarbonisation of our homes continues to be part of our wider asset management agenda. Our work is supported by our Sustainability and Asset Management Strategies. Our new Environmental Sustainability Strategy sets out our long-term vision to achieve net zero by 2050 as well as our more detailed plans over the next three years, covering carbon, water, waste, transport, materials, overheating, flooding, and biodiversity. A new Retrofit Programme Board is made up of key staff members who will oversee the delivery.

Understanding our homes and land

All our homes will be Energy Performance Certificate (EPC) rating of C or above by 2030 where practical, cost effective and affordable, with 97% of new homes rating B or above. At 31 March 2024 74% of our homes were at EPC Band C or above, and we're aiming to achieve 77% by 2026.

We're continuing to deliver essential capital investment programmes to meet the current Decent Homes Standard (DHS). At 31 March 2024 99.7% of our homes achieved DHS. We undertake home condition surveys which also measure our homes against the DHS and Housing Health Safety Rating System (HHSRS) to ensure our properties meet Government targets for sustainability, and around 86% of our homes have been surveyed in the past five years.

Residents have told us that green spaces and nature are important to them, they are also critical for us to help prevent flooding, and to have trees to help reduce overheating and pollution. We've so far mapped out over half of our grounds maintenance responsibilities, specifying the ground cover of grass, shrubbery and woodland. This is supported by a tree survey which so far has mapped nearly 17,500 trees, collecting information on tree species age, structure and condition. We're also working with residents and stakeholders to co-create a biodiversity pathway.

Residents at the heart

Residents' views are an essential part of our sustainability journey. The invaluable insight we received at resident workshops, along with over 1,500 responses to our sustainability survey means we've included areas in our sustainability strategy that are important to residents and their communities. A highlight for the sustainability team over the last year is the collaboration with Swale Borough Council and our residents on a project to plant 500 trees in Sittingbourne. The new trees will support local biodiversity and bring a positive impact to our resident's health and wellbeing.

We've also set up a number of local nature and gardening projects with residents, and in collaboration with our contractors who provide support through funds and labour. All projects aim to have an impact on the whole community, as well as improving biodiversity. We have several resident sustainability champions and we're delighted that one of our residents became a Climate Champion Power List winner in the Unlock Net Zero Live awards 2023.

Reducing consumption

Sustainability and residents are very important to us. We don't have all the answers to every environmental issue impacting our residents right now, but we do have a clear direction of travel.

Some of the commitments we've made to support our residents in reducing consumption are as follows:

- ✓ Helping residents reduce their water consumption by installing a water meter and water saving devices in all our new builds
- ✓ Installing smart meter technology in all voids
- ✓ All new homes will have internal recycling facilities
- ✓ Providing cycle racks in all our new homes and provide address specific transport advice in all new tenancy packs
- ✓ Providing a bespoke energy advice service
- ✓ Running campaigns throughout the year that residents can get involved in.

SECR Report Submission Statement

We set out below Southern Housing's energy use and carbon emissions for 2023/24. This disclosure is in line with the Government's Streamlined Energy and Carbon Reporting (SECR) methodology and is disclosed voluntarily.

MEASURE	2023/24	2022/23 ¹
SCOPE 1 Combustion of fuels	12,473	13,115
Gas heating in homes ²	11,284	11,874
Gas heating in offices	118	172
Combustion of fuel for Southern Housing owned vehicles	1,071	1,069
SCOPE 2 Indirect emissions from the electricity we purchase	5,927	6,035
Purchased electricity for our offices	429	496
Purchased electricity for our homes ³	5,496	5,539
Purchased Electricity for Recharging EV Fleet	2	N/A
SCOPE 3 All other indirect emissions	119,245	123,954
Combustion of fuel from personal vehicles used for business purposes ⁴	497	147
Transmission and Distribution losses	513	551
Estimated carbon emissions of social homes ⁵	118,235	123,256
Total emissions (tonnesCO ₂ e) including scope 3 homes	137,645	143,104
CO ₂ emissions per home managed (including scope 3 homes)	2.27	2.35
Total emissions (tonnesCO ₂ e) excluding scope 3 homes	18,897	19,296
Number of homes managed (with asset investment liability)	60,755	61,003
CO ₂ emissions per home managed (excluding scope 3 homes)	0.31	0.32

Methodology

The above has been prepared in accordance with the provisions of the GHG Reporting Protocol - Corporate Standard and HM Government "Environmental Reporting Guidelines including Streamlined energy and carbon reporting guidance"

DEFRA conversion factors 2023 have been used to convert electricity and gas consumption from kWh to tonnes CO₂e

DEFRA conversion factors 2023 have been used to convert transport fuel consumption and mileage from litres/miles to tonnes CO₂e

^[1] Revised figures based on actual energy usage 2022-23

^[2] Where Southern Housing buys the gas; primarily heat networks and some communal heating. Data is extrapolated for March 2024, based on full billing April 2023 to February 2024.

^[3] Where Southern Housing buys the electricity; primarily communal electricity for lighting, lifts etc, though there is some electric heating. 95% of meters fully billed to December 2023, with the remainder extrapolated based on billing cycle and adjusted for seasonal patterns where there's electric heating.

^[4] The increased mileage is due to staff relocation as part of office consolidation strategy and operational efficiencies. Consolidation of office space reduced office carbon emissions by 50 tonnes CO₂e.

^[5] Carbon emissions are based on the calculated SAP score, using Portfolio software, adjusted using 2023 carbon conversion factors. NB: only includes rented homes owned by Southern Housing, excluding those already included scope 1 or 2.

Actions on energy efficiency undertaken in the reporting period

- Consolidation of office space reduced office carbon emissions by 50 tonnes CO₂e
- Completed retrofit works on 99 homes to bring these homes up to an EPC C
- Upgraded heating in 3,114 homes, including A rated boilers and high intensity storage heaters
- Upgraded windows, doors or roofs in over 3,000 homes
- Achieved SHIFT Gold in December 2023.

Our Biodiversity Pathway to 2030

Biodiversity is the variety of life on our planet, from micro-organisms and fungi to plants and animals. They live in harmony with each other in an intricate support system to carry out vital ecosystem services including climate regulation, air filtration and pollination. We need to do our bit to help protect our planet and the biodiversity within it, working with it rather than against it. We've co-created our biodiversity statement with our residents. We aim to:

- ✓ Protect our homes and supply chain
- ✓ Reduce the risk of flooding and overheating
- ✓ Support our residents and staff's health and wellbeing
- ✓ Increase focus on biodiversity from investors.



Financial Review

Our results for 2023/24 were below budget due to rising costs and delayed completion of development sites. Performance has been impacted by several material adverse to budget items totalling £24 million:

- £4 million buyout of a Local Government Pension Scheme following the departure of the last active member
- £14 million relating to contract termination on developments and abortive costs, impairment costs due to higher development scheme costs on homes for sale and costs for two schemes that were identified to have significant build defects that were subsequently decanted. We expect to be able to reclaim certain of these costs from the developer
- £2 million additional fire remediation works spend
- £4 million arising from increasing resources in the Complaints, Compliance and Repairs and Maintenance Teams and establishing a new dedicated Damp and Mould team.

Spend on reactive repairs to existing homes increased by £12 million to £74 million. We've experienced both cost increases and delays on many of the sites in our development programme, as a consequence of a number of our development contractors entering into administration. This has resulted in initial and market sales income of £44 million being significantly lower than the previous year and rents being below budget by £4 million.

Fair value investment property adverse movements of £32 million charged below operating surplus net of interest costs led to an overall loss before tax. The reduction in investment property fair value is partly due to different assumptions and changes in yields. Despite these results we have significant headroom against banking covenants, with modest gearing, low financing risk and strong liquidity.

Turnover for the year was £609 million. We reported an operating surplus of £108 million and an operating margin of 12% (including first tranche and market sales but excluding property disposals). Our social housing activities generated an operating margin of 16%. Operating surplus includes £32 million surplus on housing property disposals (2022/23: £47 million).

Cost of sale includes an impairment provision of £1 million and other social housing impairment is £2 million (2022/23: £27 million) bringing the balance sheet provision to £30 million. The provision covers two land sites held ahead of development where values have fallen and a provision for schemes where sales values have been impacted by current market conditions and higher cost of sales due to contractor failures. Net interest costs increased by £7 million. Loss before tax is £28 million (2023/24: surplus £80 million). At 31 March 2024 we had fixed assets of £6.4 billion (at cost) and reserves of £1.7 billion.

RESULTS	2023/24 £m	2022/23 £m	2021/22 £m
Turnover	609	642	592
Cost of sales	(48)	(105)	(87)
Operating costs	(485)	(448)	(382)
Surplus on disposal of fixed assets and investments	32	47	42
Operating surplus	108	136	165
Loss on commercial sales	(2)	-	-
Net interest payable	(103)	(96)	(89)
Surplus before fair value movements	3	40	76
Fair value property and investment movements	(30)	5	9
Derivative movement	(1)	35	55
(Loss) / surplus for the year	(28)	80	140

Combined Southern Housing comparatives

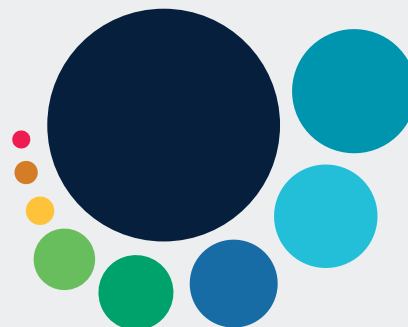
Analysis of turnover

- Turnover of £565 million (excluding property sales) increased by £50 million compared with 2022/23. Increased income came from the annual rent increase and from new homes in management. 95% of turnover excluding sales is generated from social housing activities
- First tranche sales turnover of £40 million decreased by £20 million compared with 2022/23. Turnover from market sales was £4 million compared with £67 million in 2022/23
- Turnover from general needs rent activities increased by 12% to £401 million (2022/23: £359 million) and turnover from shared ownership activities increased by 3% to £62 million (2022/23: £60 million) reflecting an increase in homes completed and annual rent increases partly offset by staircasing and disposals in the year
- Service charge costs of £74 million exceeded our service charge receivables from residents of £62 million (2022/23 net loss £8 million). Part of the shortfall is because service charge income from affordable rented homes is required to be included within rental income (approximately £4 million). The remainder is mainly due to timing differences on variable service charge cost recovery and some managing agents' fees not recovered.



General needs	£401m
Supported & HOPs	£63m
Shared ownership	£62m
First tranche sales	£40m
Student accommodation	£14m
Other non social housing	£13m
Other social housing	£4m
Keyworker accommodation	£9m
Market sales	£4m

Analysis of expenditure



Maintenance	£213m
Management	£95m
Services	£74m
Depreciation (housing properties)	£68m
Cost of sales: first tranche	£35m
Other social housing	£14m
Cost of sales: market sales	£12m
Student accommodation	£11m
Other non social housing	£11m

Operating costs (excluding cost of sales) increased by £38 million to £485 million. We increased our maintenance spend by £66 million and services spend increased by £11 million. This is driven by high cost inflation, increased complexity of jobs and the volume of jobs required plus adding resources in to the team including a new Damp and Mould Team. Management costs decreased by £18 million partly due to efficiency savings but also due to reallocating increased maintenance related corporate overhead costs to maintenance spend.

Interest and sales

- Interest and financing costs increased by £14 million to £114 million (2022/23: £100 million). This is due to cost of additional borrowing to fund investment needs and higher interest rates
- Interest receivable of £10 million was £6 million higher (2022/23: £4 million)
- Surplus on staircasing (where the leaseholder acquires a further property equity share), voluntary right to buy / right to acquire sales and asset management sales decreased by £14 million to £32 million (2022/23: £47 million). We sell void properties if it's not economically viable to repair them or if they're in an estate regeneration disposal programme. We reinvest sales proceeds back in to new and existing homes.

Statement of Financial Position (Balance sheet)

STATEMENT OF FINANCIAL POSITION	2023/24 £m	2022/23 £m	2021/22 £m
Total fixed assets and investments	6,433	6,219	5,945
Net current assets	54	105	191
Total assets less current liabilities	6,487	6,324	6,136
Long term liabilities and provisions	(4,811)	(4,615)	(4,505)
Net assets	1,676	1,709	1,631
Reserves	1,676	1,709	1,631

Housing properties

Housing properties are mainly held at historical cost, unamortised grant is held in creditors. The movement in fixed asset carrying cost of £215 million includes £257 million investment in new homes and £95 million spend on improvements and component replacements to existing homes. To date we've received £1.7 billion social housing and capital grant to support our development programme.

Pensions

At 31 March 2024 we operate five funded schemes and two defined contribution schemes which are used for auto enrolment. We exited one funded scheme in January 2024 (Kent County Council Local Government Pension Scheme). Two of the five funded schemes are in deficit and all are closed to new members. The liability on the funded schemes is £13 million, total unrecognised surplus is £27 million. The defined contribution schemes offered to new colleagues carry no deficit risk to Southern Housing.

Reserves

Our reserves are fully reinvested back into services and new and existing homes to support us providing safe and sustainable communities.

HOMES	2023/24 £bn	Funded by	2023/24 £bn
Property cost less depreciation and impairment	6.1	Loans and bonds net of cash and short term investments	3.0
		Unamortised grant	1.7
		Revenue reserves	1.7
		Other balances	(0.3)

CASH FLOW	2023/24 £m	2022/23 £m	🔄 2021/22 £m
Cash generated from operations	219	319	325
CASHFLOW FROM INVESTING ACTIVITIES			
Purchase of assets	(369)	(436)	(414)
Investment in joint venture	-	3	7
Grant received	1	53	32
Interest received	10	4	-
CASHFLOW FROM FINANCING ACTIVITIES			
Net borrowings	226	136	221
Interest paid	(124)	(120)	(106)
NET CHANGE IN CASH	(37)	(42)	65

We had £109 million cash and liquid resources at 31 March 2024.

Social Housing Lettings performance

Our core business is social housing lettings with our main tenures being general needs, supported housing, keyworkers and shared ownership. Our operating margin reduced by 3%, turnover increased by £53 million and management costs decreased by £18 million, partly due to efficiency savings but also due to reallocation of additional corporate overheads to maintenance costs. This was offset by increased spend on maintenance of £66 million and services of £12 million. Cost pressures and rising stock investment needs have continued to impact our operating margins.

SOCIAL HOUSING LETTINGS PERFORMANCE	2023/24	2022/23	🔄 2021/22
Homes owned and/or managed	71,724	70,707	69,036
Revenue	£535m	£481m	£449m
Operating surplus	£83m	£90m	£93m
Operating margin	16%	19%	21%

Non social housing

STUDENT ACCOMMODATION – NON SOCIAL HOUSING	2023/24	2022/23	📌 2021/22
Homes owned and/or managed	1,654	1,654	1,835
Revenue	£14m	£12m	£11m
Operating surplus	£3m	£2m	£2m
Operating margin	23%	17%	21%

The student direct let portfolio closed the financial year with 99.5% occupancy against a target of 98%.

SOCIAL IMPACT	2023/24 £m	2022/23 £m	📌 2021/22 £m
Revenue	1.2	1.6	1.4
Costs	5.6	3.9	3.5
Southern Housing investment	4.4	2.3	2.1

Contractors and businesses contributed towards a range of social impact activities, including providing training, donating staff hours, providing materials for community projects, making charity donations and providing job and placement opportunities.

Development and sales performance

We completed 776 homes last year against a target of 1,402. The difficult economic operating environment has continued to cause issues for us in delivering our programme, cost pressures and labour issues faced by our contractors has resulted in a number going into administration. Whilst construction material price inflation is now moderating, recent price rises are still being keenly felt. There is a risk of significant cost increases when re-procuring build contracts, which were previously fixed price and largely procured before the recent period of high build price inflation. Progressing developments is also still being hampered by shortages of materials and labour.

DEVELOPMENT AND SALES PERFORMANCE	2023/24	2022/23	📌 2021/22
Homes started	348	952	1,148
Homes completed	776	1,089	851
Homes in contract at 31 March	3,256	3,936	3,605
Homes available for sale – shared ownership	173	257	238
Homes available for sale – open market	27	40	45

PROPERTY DISPOSALS WITHIN OPERATING SURPLUS	2023/24			2022/23			2021/22		
	Turnover (£m)	Surplus (£m)	Margin	Turnover (£m)	Surplus (£m)	Margin	Turnover (£m)	Surplus (£m)	Margin
Shared ownership first tranche	40	5	12%	60	9	16%	53	5	9%
Open market sales	4	(9)	0%	67	12	18%	58	20	34%
Staircasing & right to buy	30	15	-	42	23	-	-	25	-
Other social housing property sales	41	18	-	70	24	-	-	16	-

The reduction in sales volumes is due to delayed handovers of new schemes and a reduction in first tranche percentage sold. Overall we've seen a slower pace of sales than anticipated, particularly for market sales. We ended the year with an encouraging pipeline of future sales; 146 exchanges on homes and a further 73 reservations.

Liquidity and financing

At 31 March 2024 we had £109 million cash and £1,825 million bonds in issue. None of these were retained bonds.

In June 2023 we sold £30.0 million of our sustainable linked retained 2036 bonds. In July 2023 we repurchased and cancelled £50 million of our 2044 bond. In August 2023 we sold the remaining £20 million 2036 retained bonds and sold our remaining £68.5 million retained 2035 bond. In September 2023 we tapped both our 2043 and 2048 bonds to issue further £100 million and £150 million respectively. Both amounts were retained for future sale with the £100 million 2043 retained bonds sold in September 2023 and the £150 million 2048 retained bonds sold in November 2023.

FUNDING SOURCES	2023/24 £m	2022/23 £m	2021/22 £m
Cash and cash equivalents	109	146	188
Undrawn available bank facilities	866	1,239	1,054
Retained bonds held	-	119	100

METRICS	2023/24	2022/23	2021/22
INTEREST RATE PROFILE			
% of net debt fixed	89%	88%	92%
Weighted average debt cost	4.2%	3.8%	3.7%
Derivative mark-to-market	£12.7m	£14m	£(21)m

Our Board drives the delivery of efficiencies supported by the whole business and residents. We are embedding a culture of cost awareness. Colleagues understand efficiency is not just about cost cutting but about freeing up resources to invest in making a bigger positive impact on society.

KEY FINANCIAL INDICATORS	2023/24	2022/23	2021/22
Number of homes in management excluding leaseholders	73,686	72,671	71,182
We started 349 homes and completed 776 homes.			
Social Housing cost per unit	£6,844	£5,544	£5,052
Cost per unit increased by £1,300. Maintenance spend increased by £1,319 and service costs increased by £136. Management costs decreased by £202, despite total spend including a one off pension charge of £4 million.			
Interest cover (Association as per loan agreements)	190%	203%	204%
^ EBITDA per home (excluding impairment)	£1,862	£3,554	£4,039
^ EBITDA - including impairment charge provision per home	£1,817	£3,187	£4,039
^ EBITDA - excluding fair value movements per home	£2,243	£2,638	£3,124
^^ EBITDA MRI per home	£533	£2,387	£3,303
^^ EBITDA MRI excluding fair value movements per home	£961	£1,838	£2,388
^ EBITDA and ^^ EBITDA MRI have decreased due to impact of increased operating costs and negative fair value movements.			
Net debt to turnover (including sales)	4.96	4.30	4.37
Debt less cash increased by £258 million and turnover decreased by £33 million.			
Operating margin (excluding all sales)	14.1%	13.2%	20.8%
Operating margin (excluding all sales) is below our target for the year of 20%. Pension cessation charge of £4 million and increased maintenance spend and £2 million impairment charge contributed to the reduction.			
Change in turnover	(5%)	8%	9%
Increased rent and service charge income of £46 million offset by lower sales income £83 million.			
Change in major repair improvements capitalised year on year	63%	12%	N/A
Effective interest rate	4.2%	3.8%	3.6%
We increased net borrowing by £222 million, our average weighted cost of debt increased to 4.2%.			

Combined Southern Housing comparatives amortisation

^ EBITDA - Earnings before interest, tax, depreciation and amortisation

^^ EBITDA MRI - including major repair improvements capitalised

Value for Money

We use the Regulator of Social Housing's value for money metrics to review our performance and target actions. We measure these against our G15 peers. Although G15 comparisons are a year behind our financial reporting they provide an effective comparison of performance. Our performance is summarised below.

Regulator of Social Housing

Value for Money metrics

METRIC 1 REINVESTMENT	2023/24	2022/23	G15 Median 2022/23

Investment in property	5.8%	7.3%	6.0%

This measures our investment in new and existing homes as a percentage of the total value of properties held. We invested £352 million in new and existing homes in 2023/24 compared with £422 million in 2022/23. We were above the median for reinvestment % in 2022/23 in our peer group.

METRIC 2 NEW SUPPLY	2023/24	2022/23	G15 Median 2022/23

A. New supply delivered % (social housing)	0.7%	1.5%	1.2%

B. New supply delivered % (non-social housing)	0.0%	0.1%	0.3%

This metric sets out new housing supply delivered by us as a proportion of our total homes at period end. We focus investment in new homes in to our core social housing business rather than non social housing activities. New supply delivered was below target due to handover delays. 2022/23 performance was above the median in our peer group for social housing supply.

METRIC 3 GEARING	2023/24	2022/23	G15 Median 2022/23

Gearing	49.9%	47.8%	46.0%

This metric assesses how much of the adjusted assets are made up of debt and the degree of reliance on debt finance. Net debt increased by £258 million and housing assets increased by £309 million. With the majority of our older homes held at historical cost the balance sheet doesn't reflect the true value of our assets. We're within our lender covenant. 2022/23 performance was above the peer group median.

METRIC 4 EBITDA MRI INTEREST COVER %	2023/24	2022/23	G15 Median 2022/23

EBITDA-MRI % (excluding disposals)	38.7%	72.3%	74.0%

This is a key indicator for liquidity and investment capacity. Our EBITDA - MRI percentage decreased, our surplus used in the calculation (excluding property disposals) decreased by £36 million and total interest payments increased by £13 million. Major repairs spend increased by £36 million. Our 2022/23 performance was just below the median in our peer group.

METRIC 5 HEADLINE COST PER UNIT (CPU)	2023/24	2022/23	G15 Median 2022/23
Social Housing CPU	£6,844	£5,544	£6,239

Our social housing cost per unit has increased by £1,300. £1,319 is due to increased maintenance spend per home. Service charge costs increased by £153 and management costs decreased by £217. 2022/23 cost per unit was in the lower quartile compared to the G15 principally due to lower maintenance spend compared to our peers.

METRIC 6 OPERATING MARGIN	2023/24	2022/23	G15 Median 2022/23
Overall	12.4%	13.9%	16.0%
Social Housing	15.5%	18.6%	20.0%

The operating margin demonstrates the profitability of operating assets. Our operating margin including market and first tranche sales is 12%. Excluding all sales it increases to 14% and for the social housing activities is at 16%. Operating margin overall is below our target reflecting several material adverse costs including £4 million cessation pension charge, £6 million capital write offs, £5 million cost of sale increase, £2 million decant costs (contingent asset we expect to recover from the developer) and increase in maintenance costs due to higher costs and higher demand.

METRIC 7 RETURN ON CAPITAL EMPLOYED INTEREST COVER	2023/24	2022/23	G15 Median 2022/23
Return on Capital Employed (ROCE)	1.7%	2.2%	2.2%

ROCE is a measure of the efficient investment of our resources. Annual operating surplus is divided by capital employed (total assets minus current liabilities). Most of our housing stock is held on balance sheet at historical cost and does not reflect the true value of the assets we hold. Our ROCE decreased, operating surplus (including sales) decreased by £27 million and capital employed increased by £159 million. Compared with our peers we're at the median in 2022/23.

DIRECTORS' REMUNERATION AND MANAGEMENT COSTS	2023/24	2022/23	G15 Median 2022/23
Remuneration payable to the highest paid Director relative to our size	4.1	6.1	N/A
Aggregate amount of remuneration paid to Directors relative to our size	28.5	32.5	N/A
Management costs relative to our size	£1,289	£1,552	N/A

The Transparency, Influence and Accountability Standard requires us to provide our residents with accessible information on our directors' remuneration and management costs. These are new measures introduced by the Regulator in April 2024. We'll be able to measure performance against our G15 peers next year. Our results show improvements in all the measures.

OTHER	2023/24	2022/23	G15 Median 2022/23
Rent collected % general needs	98.9%	98.8%	99.6%
Overheads as a % of turnover	9.4%	10.2%	11.2%
Ratio of responsive repairs to planned maintenance	0.28	0.53	0.62
Total investment in community activities	£5.6m	£3.9m	£3.1m

Regulator of Social Housing

Financial Forecast Return (FFR) Value for Money metrics

The metrics set out below are calculated from our FFR submission. Our forecast performance for financial year 2024/25 and 2025/26 (final year of our current strategic plan) are as follows:

METRIC 1 REINVESTMENT	2023/24	2024/25	2025/26

Reinvestment	5.8%	8.2%	5.3%

We plan to invest £493 million in new and existing homes in 2024/25 and £333 million in 2025/26.

METRIC 2 NEW SUPPLY	2023/24	2024/25	2025/26

A. New supply delivered % (social housing)	0.7%	1.6%	2.0%

B. New supply delivered % (non-social housing)	0%	0.1%	0.1%

We're forecasting to complete 1,272 new homes in 2024/25 and 1,659 in 2025/26.

METRIC 3 GEARING	2023/24	2024/25	2025/26

Gearing	49.9%	53.4%	51.1%

Gearing is forecast to decrease by 2025/26 as we scale back our development programme. We remain well within our lender covenants and risk appetite set by Board.

METRIC 4 EBITDA MRI INTEREST COVER %	2023/24	2024/25	2025/26

EBITDA-MRI %	38.7%	60.4%	56.2%

Our forecast performance below 100% reflects the need to invest in major works. We plan to spend £104 million in 2024/25 and £138 million in 2025/26.

METRIC 5 HEADLINE COST PER UNIT (CPU)	2023/24 £	2024/25 £	2025/26 £

Social Housing CPU	6,844	7,120	7,661

Our cost per unit is forecast to increase due to significantly increasing our investment in existing properties.

METRIC 6 OPERATING MARGIN	2023/24	2024/25	2025/26

Overall	12.4%	18%	19%

Social Housing	15.5%	20%	21%

By 2025/26 we forecast our operating margin both overall and for social housing lettings will have improved as we realise efficiencies from the merger and through growth.

METRIC 7 RETURN ON CAPITAL EMPLOYED	2023/24	2024/25	2025/26

Return on Capital Employed (ROCE)	1.7%	2.4%	3.0%

Our ROCE is forecast to increase reflecting investment in new homes generating improved surpluses through efficiencies.

CASE STUDY

Tenancy Sustainment

At some point in their tenancy, residents might need support with various things at once. They might be struggling to pay their rent while adjusting to their first housing association tenancy after leaving care. Or they might be suffering from mental health problems arising from domestic abuse or indebtedness. There are too many examples to list, but the point is, some residents may at times need a higher level of support than a non-specialist team can offer. And that's where our dedicated tenancy sustainment team comes in.

Our Tenancy Sustainment Team helps residents to improve their self-sufficiency and quality of life with the aim of helping them sustain their tenancies. It provides wraparound casework support for those who need it most, looking at all areas where they can make a long-term, sustainable difference.

Residents often need help taking the first steps. The team acts as a single point of contact for other teams across Southern Housing (e.g. our specialist Financial Inclusion and Anti-social Behaviour Teams). It also helps coordinate assistance from other agencies, including Local Authority safeguarding teams and debt advice agencies.

We've arranged referrals to external support services, provided support with arranging repairs and compliance checks, and helped residents into jobs and training. Our approach has received external recognition, in 2023, the team were awarded 'Team of the Year' at the Kent Housing Excellence Awards. This recognised the unwavering support provided to our residents, ensuring they've everything they need to maintain a home and build a bright future.

In 2023, the team ran a resident scrutiny project on tenancy sustainment. Residents identified several areas for improvement. These included the need to regularly review policies and procedures to ensure they reflect best practice and encourage and seek out feedback directly from our residents to ensure the service reflects what's really important. The team embedded these recommendations into their service delivery model. And now they're working with Sheffield Hallam University on a piece of research called Holding on to Home. Researchers have surveyed hundreds of our residents and interviewed several colleagues responsible for tenancy sustainment. We'll be acting upon their best practice recommendations once published later this year.



Financial Planning and Treasury Management

Board uses the long term financial plan to ensure long term covenant compliance, to establish financial risk appetite and to set an envelope for investment in new homes. We undertake a remodelling at least annually, most recently in May 2024. The plan reflects resources required to deliver our strategic objectives including the investment needed into technology, fire safety and decarbonisation.

We are a long-term property business that owns and invests in illiquid assets funded by long-term liabilities. As such our financial investment capacity is highly exposed to global financial market conditions. We've undertaken a wide range of stress testing on the financial plan and considered the mitigating actions Board would be able to take in an adverse scenario.

The adverse stress testing reflected the following scenarios:

1. A disruption of the property sector
2. A lack of Government support
3. Legislative and regulatory asset management changes
4. A combination of 2 and 3
5. A perfect storm (disrupted global supply chains, combined with escalating global military conflicts causing inflationary pressures).

This stress testing shows the business to be robust even in extreme downside scenarios. We remain financially resilient and operationally strong.

Our Treasury Management Policy Statement sets out the principles, policies, procedures and objectives of our treasury management activities. We review it annually to ensure we apply best practice.

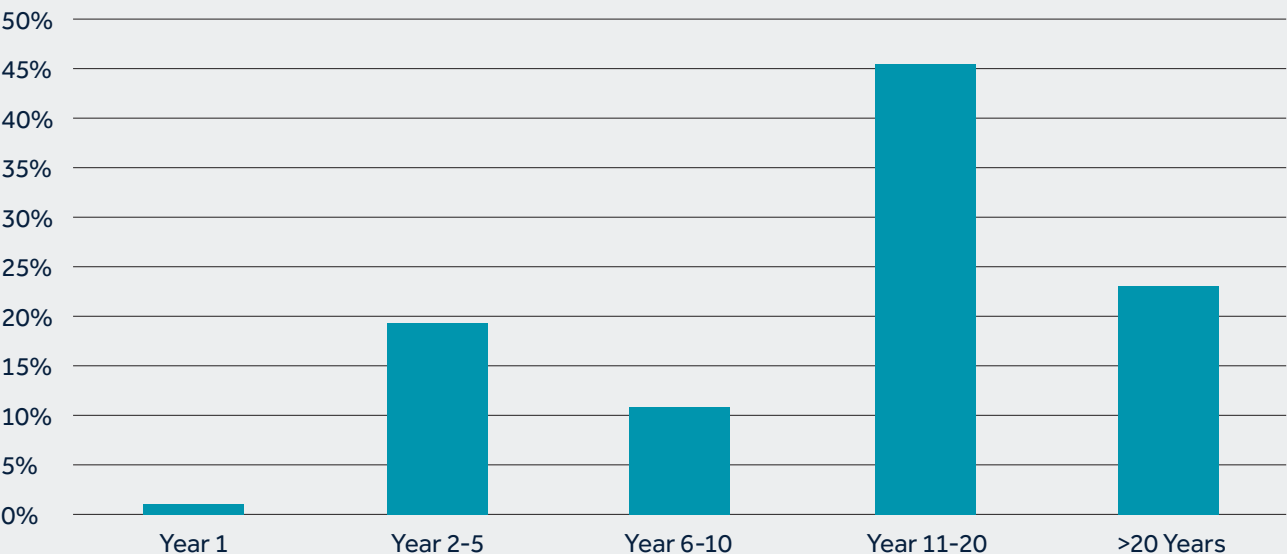
Significant treasury risks include ensuring the Group has sufficient liquidity to fund its operations and development pipeline, interest rate risks and ensuring that all loan covenants are met. Our liquidity policy requires us to have sufficient funds in place so as not to rely on sales.

Facilities and funding

Committed facilities are mainly secured against our social housing assets (£60 million of funding is unsecured). These assets are independently valued to ensure we meet lenders' asset cover requirements. At 31 March 2024, 44,554 homes were charged as security to lenders (including derivative counterparties). We also held 35,663 unencumbered properties of which 27,101 are chargeable.

At 31 March 2024 borrowings for the Group totalled £3.2 billion from available facilities of £4 billion. All undrawn facilities are short term revolving credit facilities and are fully secured, where required, and available to be drawn. We maintain diversification of drawings from funding sources with 32% coming from seven banks and 68% from capital markets, Government backed schemes, syndicated funding and Local Authority funding. The Group has limited near-term re-financing risk with 79% of current debt due for repayment in over five years.

Drawn debt repayment profile



The Group manages its exposure to fluctuations in interest rates with a view to achieving an acceptable level of certainty in net interest costs. We target the range of 75% to 100% of net debt to be on a fixed rate basis. Net debt is fixed either on an embedded basis, by drawing fixed-rate loans under the terms of our loan documentation or through standalone interest rate swaps transacted under International Swaps and Derivatives Association (ISDA) agreements. At 31 March 2024 89% of net debt was fixed. The weighted average cost of debt was 4.2% (31 March 2023: 3.76%).

We manage our mark to market (MTM) exposure risk using thresholds built into our ISDA agreements below which margin calls do not arise and providing property security as collateral. At 31 March 2024, MTM fair value of interest rate swaps equalled £12.7 million (31 March 2023: £13.8 million). Thresholds and property security cover the full market exposure. A 1% fall in rates would increase our MTM exposure by £7.1 million out of the money. Our policy of over collateralisation with property security means this would not trigger a cash margin call.

Liquidity

We maintain sufficient liquidity to meet our liabilities and expenditure requirements. Our liquidity tests are as follows:

1. Cash of £50 million to be always available, allowing for a drop to £40 million for unexpected invoices for up to five working days
2. A minimum of £400 million cash and undrawn committed loan facilities
3. The sum of cash and undrawn committed loan facilities to cover 18 months’ cashflow requirements, excluding any capital receipts and grant income and only including 12 months of loan repayments.

Cash and short-term balances are placed in money market funds, short-term bank deposits and in interest bearing accounts with our clearing banks.

Compliance with loan covenants

We report compliance with loan covenants quarterly to the Treasury Committee. The Group complied with all financial covenants for the year ended 31 March 2024 and financial plan indicates we will continue to do so for at least the next twelve months.

Risk Management

Everything we do involves a certain amount of risk. We plan carefully, but there are always things that can go wrong or do not turn out as we would want them to. Risk management is the collection of actions we conduct to identify, understand and manage risks to the achievement of our objectives, it's not about avoiding or eliminating risk. Rather it's about understanding what the risks are, what can cause those risks to occur, their likely impact, and how we can manage or mitigate this. When we understand the risks we face we can make properly informed decisions and find efficiencies through avoiding 'surprises'.

Our goal is for risk management to be:

- Embedded in our culture, a positive organisational culture in which people embrace their roles and responsibilities
- An integral part of all organisational processes, and not a stand-alone activity performed in isolation
- Explicitly addressing uncertainty, identifying the nature of uncertainty and how we can address it
- Based on the best available information, drawing on data, expert judgement and stakeholder feedback to inform evidence-based decisions
- Part of decision-making, helping staff to make informed choices, prioritise activities and identify the most effective and efficient course of action
- Dynamic and responsive to change, responding swiftly to events, changes in the environmental context and the results of monitoring and reviewing activities
- Applied consistently across our business, to facilitate comparisons and prioritisation
- Applied with clarity, clear delineation of roles and responsibilities for regular review and challenge of risk management.

Strategic risks

We define strategic risks as threats which if they occur could materially impact the long term viability of the business, or which could cause significant derailment, such that strategic objectives are not delivered. Typically these are affected by competition, sector changes, capital availability, political environment, legal and regulatory changes and reputation issues. These tend to be inter-departmental in nature and reflect cross-cutting themes. Strategic risks are owned by the Executive Team and reported to each regular Board meeting and to the Audit and Risk Committee.

Operational risks

Operational risks are significant in the context of our business. These are owned by Leadership Team (LT), who report into Executive Team, and reviewed at least quarterly. Structured in this way, we ensure risk ownership is clear and the whole operational business is risk assessed. Some Risk Registers are subject to review by committees. Risks can be "escalated" from Operational Risk Registers to the Strategic Risk Register by the Executive Team.

Risk appetite

We recognise it may not be possible to deliver our strategic objectives unless the business takes risks. We've a responsibility to strike the right balance between a very passive approach (taking little or no risk) and a very active approach (taking too much risk). Our Statement of Risk Appetite is an expression of how much risk we're prepared to take. It's set by Board and reviewed annually by Audit and Risk Committee. Risk appetite varies between different business areas, can change over time and is dependent on the opportunities or benefits presented through the activity weighed against the risk exposure. There is therefore no single definition of risk appetite which applies across the business. We consider risk appetite for each strategic risk. Board approved a revised risk appetite for the business in September 2023.

Strategic Risks at May 2024

We currently have 14 strategic risks reflecting those factors representing the greatest potential exposure to Southern Housing business. These are categorised into short, medium and long-term.

We continuously monitor the operational landscape to assess emerging risks and opportunities to ensure we operate a sustainable and responsive business. Our strategic risks are managed as part of our overarching Risk and Assurance Framework (RAF) that is reviewed annually by the Board. Our approach to risk management is objectives-led with the strategic risk register aligned to the delivery of our strategic plan.

Whilst Board delegates oversight responsibility of risk to the Audit and Risk Committee, Board remains ultimately responsible for risk management. Both forums provide review, oversight, and challenge of our risk approach and strategic risks.

Our current strategic risks are outlined on the following pages.



EMPOWER OUR PEOPLE

RISK	TIME SPAN	SUMMARY OF ACTIVITIES UNDERTAKEN TO MONITOR AND MANAGE STRATEGIC RISKS
Failure to attract, recruit, and retain people with key skills and experience to meet our business demands and cultural expectations and not effectively managing capacity and work priorities of these colleagues.	Long	Our culture programme provides guidance on our values, behaviours and expectations and forms a part of our induction process. Regular colleague surveys are performed, providing a wealth of data to help us to continually improve and to gauge employee satisfaction. Having an effective partnership with our recognised Union as well as a strong colleague forum encourages a strong employee voice and gives colleagues a place to formally discuss and raise issues affecting them. We have strengthened our in-house recruitment team and advertise our vacancies widely across a variety of platforms to attract diverse applicants. We expand our internal talent pool supporting colleagues with professional development. We ensure our employment offer to colleagues remains competitive. We undertake pay reviews and regular salary benchmarking to ensure we're attracting the best external talent.
We do not deliver our integration programme as planned, making Business As Usual more challenging and failure to deliver ongoing benefits.	Medium	The programme is overseen by the Integration and Transformation Committee chaired by a Board member. We are making good progress with our integration plans with people integration due to be complete late 2024 and systems integration by mid 2025. We are also on track to deliver efficiencies as identified in the business case for merger. Alongside updates to Board we provide regular key indicator reporting enabling prompt action to be taken where performance is slipping.

**DELIVER EFFICIENCY**

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Business negatively impacted by changes to Government policy.	Long	Our aim is to influence Government on a wide range of relevant policy decisions through senior management involvement in a number of sector forums. We also maintain an extensive network of external relationships with MPs, local authorities, senior civil servants, and politicians allowing a greater level of insight and influencing. We use our work with other stakeholder groups such as G15, CASE, and NHF to further influence government policy. Potential changes are modelled through the long-term financial plan and stress tested to ensure the Plan is sufficiently robust and resilient.
Ineffective governance and regulatory compliance and / or poorly controlled business.	Long	We operate in a heavily regulated sector and therefore operate a number of robust mechanisms to ensure we meet our regulatory obligations. Annual assessments are performed against the published regulatory standards. Our quality assurance function tests the evidence supporting our compliance with the standards. This gives added assurance to ARC and the Board in publicly confirming our compliance with the standards. Board carried out its first effectiveness review and skills survey in 2023. We operate a complex group structure post merger but are in the process of simplifying it having dissolved 6 companies during 2023/24 and have a further 5 planned for 2024/25.
Financial health is not fully protected in line with risk appetite.	Long	We recognise the constraining impact that setting aside increased investment in our homes has on our ability to deliver new homes. We must therefore operate an effective, efficient business delivering the right services to our residents. Treasury Committee and Board maintain strong financial control and oversight of financial performance including covenant compliance monitoring. Our strategy is to hold good levels of liquidity and have a significant portfolio of uncharged assets ready to charge should the need arise. The annual review of the financial plan by Board allows us to flex plans as necessary. Board sets its appetite for risk through the financial golden rules.

**DELIVER EFFICIENCY**

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Significant cyber security breach resulting in loss of IT systems and / or loss of data.	Long	We recognise the extreme impact the loss of IT would have on our ability to provide effective services for our residents. Audit and Risk Committee provides strong governance and oversight of this risk. Members carried out a deep dive into this risk during 2023/24. We have a number of good practices in place that have been assessed by internal audit and good awareness of key cyber integration risks. We are implementing a number of recommendations raised by both internal and external audit of IT general controls. As part of systems integration work we are phasing out on-site servers and limiting external access to corporate systems and are working on the implementation of a Data Loss Prevention plan.
Fail to effectively manage impact of insurance renewal.	Medium	The changing perception of the risk profile of the sector resulting in the reduction of the risk appetite to continue to provide services to the sector by some businesses. We recognise this risk particularly in relation to insurance. We are working hard to ensure we have all necessary documents in place e.g. for fire remediation work to support our insurance. While we recognise there is a very limited insurance market available we will be reviewing our insurance provision during 2024/25.
Failure to deliver efficiency targets.	Long	The efficiency target for 2023/24 was achieved and the efficiency target for 2024/25 has been fully identified in the annual budget. We maintain strong financial control and oversight of our financial performance including delivery against the efficiency targets.
We do not have assurance on the quality of our data or operation of our processes.	Long	Robust strategies and plans for data and information governance integration are in place and progress is ongoing to deliver in line with the Board approved Data and Information Governance framework. Whilst the plans are being implemented by a dedicated Data & Business Information team, the Integration and Transformation Committee is maintaining strong risk management and governance oversight. Audit and Risk Committee and Board have obtained good controls assurance over this risk in 2023/24.

BUILD HOMES TO MEET HOUSING NEED

RISK		COMMENT AND RISK MITIGATIONS
Development activity fails to deliver against the financial plan.	Long	This risk is influenced by a notable shift in the macro contracting and cost of debt environment as well as the financial capacity needs of our existing assets. In 2024, the Board approved the removal of uncommitted development from the financial plan. We monitor contractors via our financial assessment matrix and risks are monitored by the Risk Appraisal Group and Development and Assets Committee.

SAFE SUSTAINABLE HOMES IN GOOD REPAIR

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Failure to implement the new legal and regulatory requirements for building safety and fire safety.	Long	We have a comprehensive transformation programme in place to ensure we meet the requirements of the Building Safety Act 22 and the Fire Safety Act 2021 and related secondary legislation. The Building Safety Programme Board, chaired by the Executive Director of Assets & Sustainability, oversees the programme and progress is reported to the Executive Team and Board. Our work is supported by a Building and Fire Safety Policy and related management plans. Our work on the PAS9980 programme of surveys is supported by external experts who also risk rate and prioritise the remediation programme.
Failure to plan and deliver environmental sustainability targets including road map to Net Zero Carbon.	Long	We have been developing our understanding of the costs to deliver NZC by 2050 and EPC Band C by 2030. KPIs are in place to monitor performance to achieve EPC C by 2030. The long term financial plan has been updated to reflect our latest estimates to achieve NZC. Our work in this area is supported by our Environmental & Sustainability strategy available on our website. We apply for external grant funding to support our work wherever possible. We routinely consider energy efficiency and wider sustainability considerations to ensure building standards and planning requirements are met on new build projects.

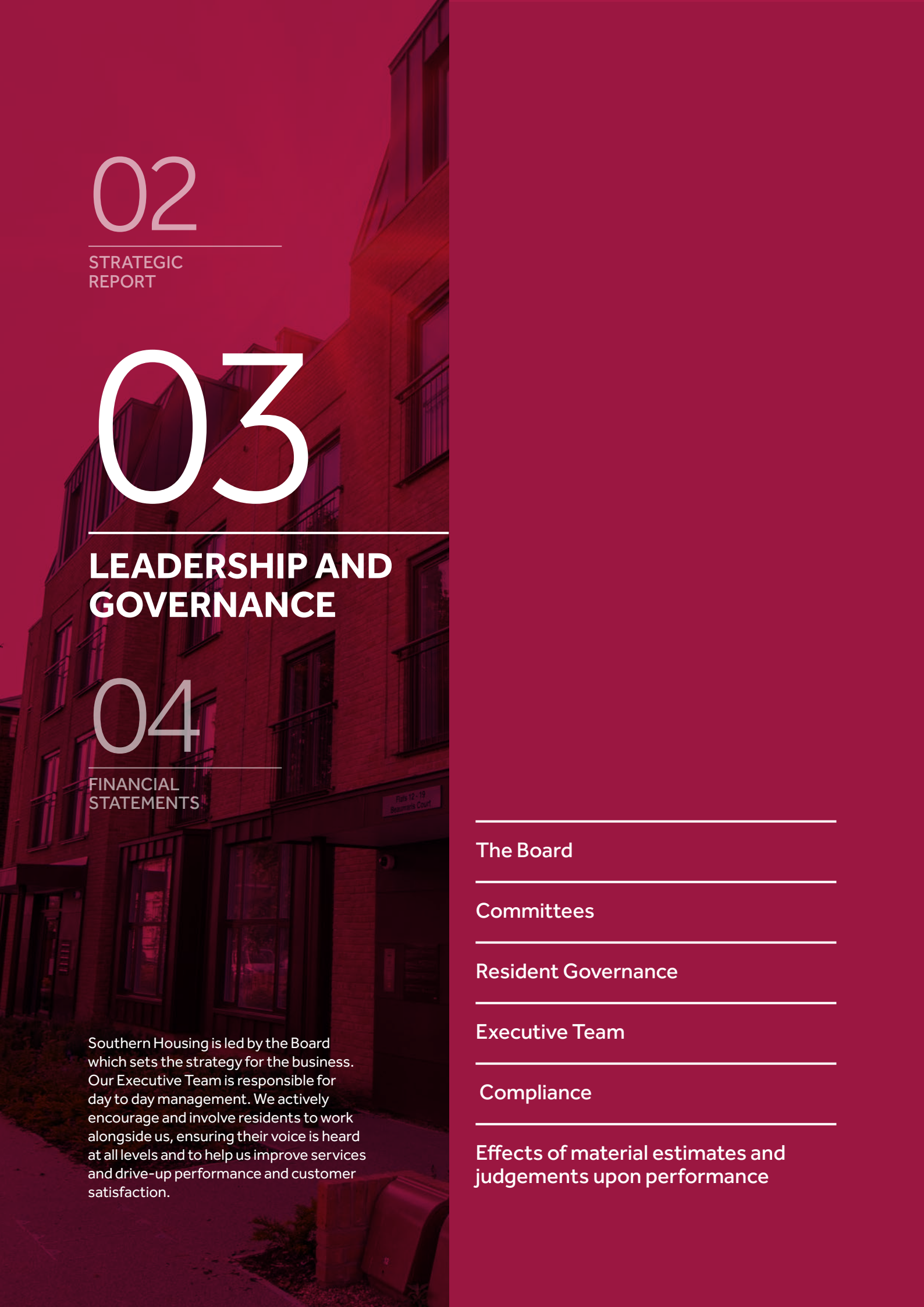
GREAT CUSTOMER EXPERIENCE



RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Fail to effectively manage repairs service.	Medium	Board recognises this is an area where our performance is not yet reaching the levels we'd like or our residents expect. Contract Services Directorate has in place detailed action plans to improve services and reduce the repairs backlog. These include a significant increase in resources and investment in existing homes, close contract management of external contractors, training requirements for all colleagues, as well as an end-to-end repairs review underway to identify where processes can be improved to create clear ownership and accountability within the repairs journey.
Fail to effectively deliver demobilisation of incumbent contractor contracts and mobilisation of new contractors and DLO.	Short	This is a short-term risk as we bring services in house and transfer away from certain contracts. We have a project steering group in place to manage the risk and deliver the insourcing strategy. The first stage of this work was successfully completed in June 2024 with the appointment of a new repairs & maintenance contractor in London. We involved residents in the tendering and award process for the new contract.



Flats 12-19
Bauman's Court



02

STRATEGIC
REPORT

03

LEADERSHIP AND GOVERNANCE

04

FINANCIAL
STATEMENTS

Southern Housing is led by the Board which sets the strategy for the business. Our Executive Team is responsible for day to day management. We actively encourage and involve residents to work alongside us, ensuring their voice is heard at all levels and to help us improve services and drive-up performance and customer satisfaction.

The Board

Committees

Resident Governance

Executive Team

Compliance

Effects of material estimates and
judgements upon performance

The Board

The Southern Housing Board as at 24 July 2024 has twelve members and two vacancies; eleven are independent Non-Executive Directors (NEDs), of which three are Southern Housing residents. Our Chief Executive also sits on the Board. The Board brings independent oversight on all strategic issues either directly or through Committees with delegated authority. The Board also reviews performance, resources and the control framework. The Board and Committees are appraised annually, both individually and collectively. This helps to ensure that Southern Housing has ongoing effective governance.

The main responsibilities of our board include:

- Setting our overall strategy and business plan
- Making sure our Executive Team is working effectively and has the resources it needs
- Ensuring any risks to the organisation are identified and controlled
- Monitoring our performance, service delivery and financial viability.



Sir Peter Dixon

Chair of Southern Housing Board

Peter is an experienced non-executive Director and is currently Chair of Flint Housing Ltd. He has also held various Board level roles including:

- Former Chair of Housing Corporation
- Former Vice Chair of the Broads Authority
- Former Chair of UCL NHS Foundation Trust.



Janet Collier

Vice-Chair of Southern Housing Board

Chair of People Committee

Janet is a CIPFA qualified accountant with over 30 years' public sector experience. She has worked at a number of local authorities in both housing and corporate finance and was previously Deputy Chief Executive and Director of Finance at CityWest Homes. She has also worked as a consultant providing financial consultancy and training for public sector organisations, especially on social housing finance and value for money.

She is an experienced non-executive having been a board member and Chair of Audit Committee within the housing sector. Janet is currently also a board member and Chair of Audit and Risk at Advance Housing and Support.



Daisy Armstrong

Daisy has lifelong experience of living in social housing and

knows the benefits it can bring from her great-grandfathers housed in 'Homes for Heroes' in West London.

She is a qualified teacher, specialising in IT and design and technology, with 17 years experience of school governance; eight years as Chair of Governors.

Daisy is involved in raising the resident and disabled person's voice as resident board member with Southern Housing, and additional roles as EDI lead, Residents Services Committee member and link board member on a regional resident's panel.

As Chair of the G15 Residents' Group, Daisy leads the forum in informing, influencing, and celebrating the socially housed residents voice at leadership policy level.



Damien Régent

Chair of Audit & Risk Committee

Damien is a financial analyst with expertise in credit markets and financial institutions. He's an experienced non-executive Director and holds board level roles across different sectors including:

- Chair of the Audit and Risk Committee at Longhurst
- Chair of the Audit Committee at Kingston Hospital NHS Foundation Trust
- Trustee-treasurer at Pro Bono Economics.

His previous roles were Chair of the Audit, Risk and Assurance Committee on the board of Crisis (homelessness), Non-Executive Director on the board of two software businesses, Médecins Sans Frontières UK (Doctors Without Borders) and at Reprieve, the human rights charity.



Eugenie Turton CB
Chair of Residents'
Services Committee

Eugenie is a former civil servant whose last government role was Director General for Housing, Planning and Regeneration. She is an experienced non-executive Director and has held various non executive Board roles including:

- NED, Woolwich Building Society
- NED, Wates Group
- NED, Notting Hill Genesis Housing Group (Chair of People Committee and Customer Services Committee)
- Chair, Wessex Archaeology
- Lay member, Salisbury Cathedral Chapter
- Trustee and Deputy Chair, Dulwich Picture Gallery
- Adviser on public service improvement, Government of Trinidad.

She currently advises Nuclear Waste Management Services on community engagement, is Chair of Dulwich Arts Society and volunteers as a local infants school reader.



Geanna Bray
Geanna has over 20 years' experience working in the social

housing sector in executive and senior management roles. She is the Board lead for complaint handling.



(William) Howard Cresswell
Chair of Integration
Committee

Chair of Pensions Group

Howard is an experienced non-executive Director and has held various Board level roles including:

- Chair of Havebury Housing Partnership
- Former Board Member at Ascham Homes
- Former Deputy Chief Executive of Circle Anglia
- Interim Chief Executive of Hornsey Housing Trust.

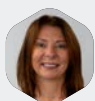


Ian Wilson

Ian is a resident board member. He is currently Head of Residential

Fund Management at Knight Frank Investment Management and has worked in the real estate industry for over 25 years. He has been a Member of Royal Institution of Chartered Surveyors (RICS) since 2000. Previously he worked at CBRE Investment Management where he launched the CBRE UK Affordable Housing Fund in 2018.

He has worked in real estate fund management since 2006 undertaking a variety of asset management, fund management and development roles. Prior to this Ian worked as both a residential and commercial property valuer.



Michelle Dovey
Chair of Treasury
Committee

Michelle is an experienced financial risk management executive and Director of MJD Treasury Solutions Ltd. She is former Chair of Board at Kairos Women Working Together.



Paul Hackett CBE
Chief Executive of
Southern Housing

Paul is an Honorary Professor at the UCL Bartlett School of Sustainable Construction and a member of the Independent Advisory Board and a Fellow of RICS, the Chartered Institute of Building and an Academician of the Academy of Urbanism.



Phil Blume

Phil is a resident board member. He has been the administrator

and fundraiser for a charity that operates in the cultural heritage sector for many years.

He works with volunteers to develop a historic building as a heritage centre and museum and organises projects to conserve collections, gather and disseminate historical records and present events and exhibitions.

He also collaborates with university researchers to explore ways of telling stories using immersive technologies.



Robert Clark
Chair of Development
and Assets Committee

Robert has been a qualified member of Royal Institution of Chartered Surveyors (RICS) since 1974 and retired as CEO of Durkan Ltd in 2016.

As Managing Director and CEO, he was responsible for the management of all construction projects, business planning and HR management. His board and committee experience has included joint venture companies, housing associations, construction skills training, The Housing Forum and The Hertfordshire Housing Conference.



Committees

The following are the principal Committees supporting the Southern Housing Board. All Committees are chaired by a Board member.

Audit and Risk Committee

The Audit and Risk Committee (ARC) has five members; two are Board members and three are independent committee members. The Committee meets regularly with senior managers and external and internal auditors to scrutinise audit findings and the effectiveness of the internal control framework. The Committee considers and approves our risk management framework (annually) and makes any recommendations on risk management issues affecting the group or subsidiary companies. The Committee reviews the financial statements, including the applicability of policies and areas of judgement. It receives control reports and recommendations arising from internal and external audits and also considers any matters relating to fraud, whistleblowing, bribery and money laundering. The Committee meets privately with the internal and external auditors at least once a year.

People Committee

The People Committee has up to four members; at least two are Board members. The Committee's role is to support the Board to achieve strategic objectives relating to our people, our culture and our governance. The Committee also maintains oversight of equality, diversity and inclusion.

Integration & Transformation Committee

This Committee has six members, five are Board members. The Committee's role is to support the Board to achieve strategic objectives in relation to post merger integration, achievement of efficiencies, use of technology and transformation.

Development & Assets Committee

This Committee has up to six members, two are Board members. This Committee supports delivery of our development programme, development strategy, asset management strategy and sustainability strategy. The Committee recommends the development, asset management and sustainability strategies to the Board, monitors delivery programmes and advises the Board on development and asset management issues and new initiatives.

Treasury Committee

The Treasury Committee has five members, two are Board members. The Committee's role is to oversee treasury related activity and recommend the treasury strategy and plans to the Board.

Pensions Group

The group's role is to oversee the pensions strategy for the organisation. It is chaired by a Board member and has four members three of which are independent members.

Chairs' Group

The Chairs' Group comprises the Chairs of the Board and Committees. The Group's role is to consider specific issues requiring consideration/attention ahead of a Board meeting. The Group does not have any delegated powers.

Residents' Services Committee

The Committee provides strategic oversight for activities relating to customer experience in all business areas including housing management, commercial housing portfolio, financial inclusion, resident involvement, social impact and property services. The Committee drives innovation to improve the customer journey and experience. The Committee has seven members, four are Board members (two residents) and three independents (one resident).

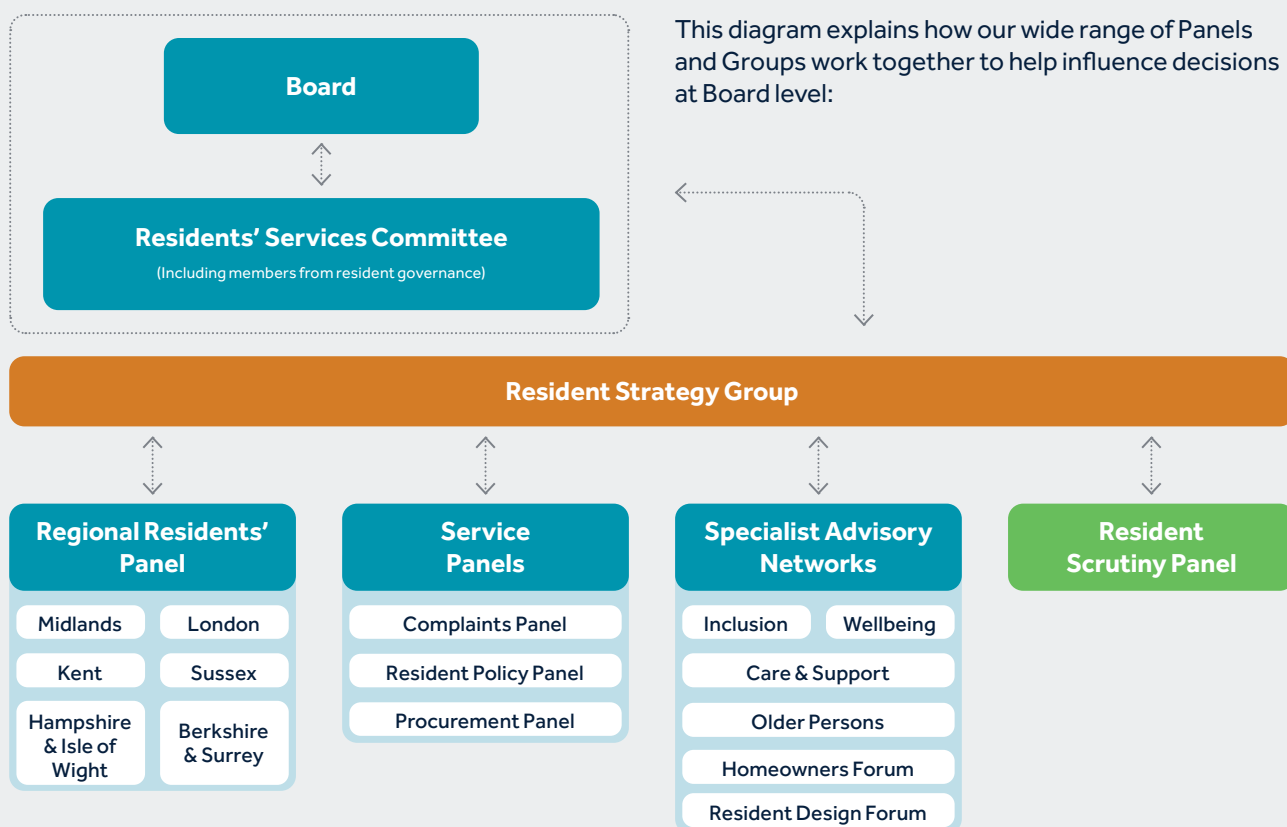
Residents

At Southern Housing we know the importance of living in a safe and secure environment and how this enables people to flourish. This can be achieved by staff and residents working together in partnership. Our resident governance structure is designed to strengthen resident voices and increase accountability.

Our structure is made up of several groups, with more than 100 members and covers a wide range of topics - from picking contractors to our policies, and day-to-day services. The residents across our governance structure work with senior colleagues to identify what's working well and where we can make improvements. They have the opportunity to influence decisions that affect them, their home, and their local community. Resident Governance Members drive the panels to be effective and have a positive impact on services. They attend quarterly meetings and aim to:

- ✓ Constructively scrutinise
- ✓ Challenge poor performance
- ✓ Contribute new ideas
- ✓ Influence service delivery.

The resident governance structure ensures residents' voices are heard at every level of our organisation. The diagram below explains how our wide range of Panels and Groups work together to help influence decisions at Board level:



Our resident governance structure was designed with the support of our residents. We need residents to tell us if we're doing things right, by asking questions and challenging us and monitoring our performance against our objectives. If we do this well, we'll be able to provide the best services to all our residents. Most Panels within the resident governance structure have up to 12 resident members. The Resident Strategy Group has 17 resident members.

Resident Strategy Group

The panel works in partnership with Board and Executive Team to develop strategy and influence budgets. This important group scrutinises and monitors performance across Southern Housing and challenges decisions made by the organisation. It is led by an independent resident Chair.

Regional Residents' Panel

Local panels from our six regions – Midlands, London, Kent, Sussex, Hampshire and Isle of Wight and Berkshire and Surrey look at decisions made by the Resident Strategy Group. These groups are our critical friend. They consider the impact of our decisions at local level, while building and maintaining links with local communities.

Complaints Panel

Monitors and scrutinises complaints performance across the whole of Southern Housing. They sit on complaints review hearings. They're responsible for monitoring and scrutinising complaints performance, value for money and service delivery. The panel works with our staff to make recommendations on how the complaints service could be improved and helps decide serious complaints. It isn't involved in day-to-day resident complaints. Members also have the opportunity to consult on key policies and procedures impacting on the delivery of the complaints service.

Resident Procurement Panel

The panel work with us to get the best value for money from our contractors. They assist us with scoring bids, carrying out interviews and with awarding of contracts.

Resident Scrutiny Panel

This panel is made up of residents from across our regions. Scrutiny panel members are not able to join our other resident panels. This is to ensure the panel takes an independent view of Southern Housing's services. Their role is to carry out in-depth scrutiny reviews of our service areas. They undertake an annual project, commissioned by the Resident Strategy Group, to scrutinise a specific service area. A report of findings and recommendations is then presented to the Resident Strategy Group, Executive Team and Board.

Resident Policy Panel

The panel monitors and scrutinises customer facing policy work across Southern Housing, as well as endorsing customer facing policies. They agree, monitor and manage the programme of policies. The panel also recommends new or revisions to existing policies to Board or Executive Team.



CASE STUDY

Involving Residents Care and Independent Living

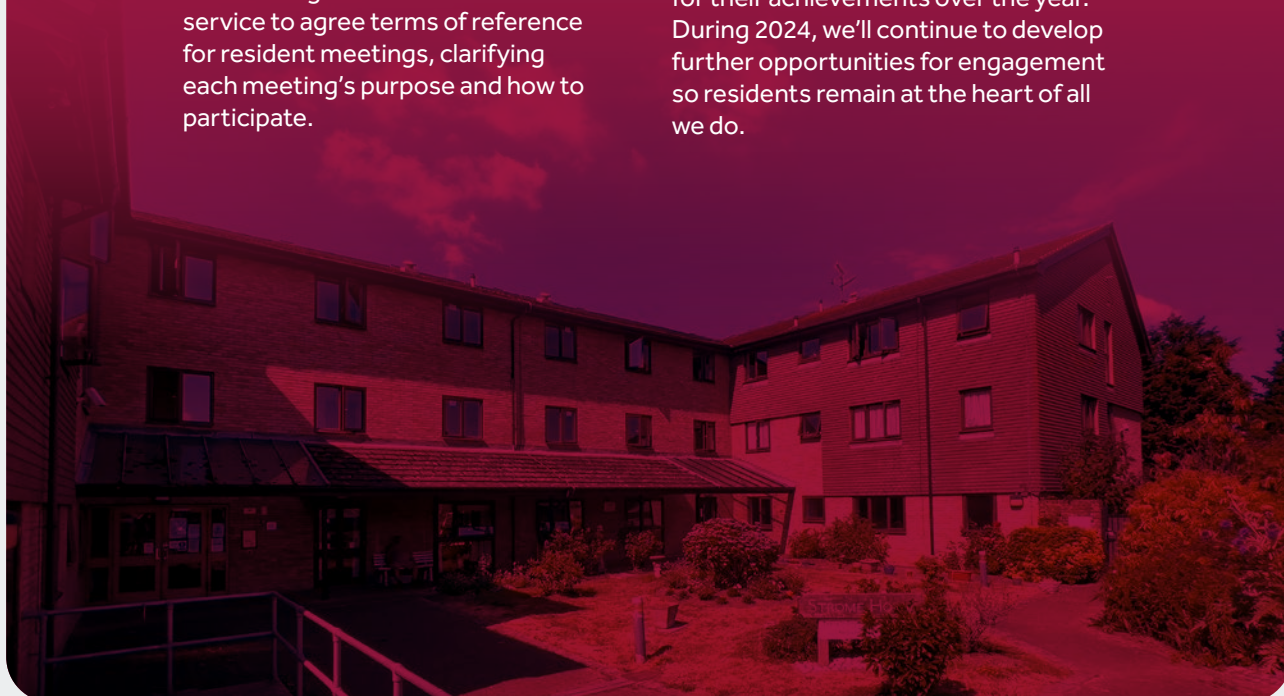
Following merger, we carried out a review of our care and independent living services. Gathering and acting upon resident feedback is a priority across the organisation.

In May 2023, we established our Care and Support Specialist Advisory Forum. This sits in a prominent position within our resident governance structure and comprises 20 members. These include people with learning disabilities, mental health issues and people with care and support needs drawn from a selection of our residents.

The Forum reviews performance and has already identified several ways to improve how we communicate with residents. These include running 'ice breaker' exercises at the start of meetings to encourage confidence and working with residents at each service to agree terms of reference for resident meetings, clarifying each meeting's purpose and how to participate.

We also offer a host of more informal ways for residents to get involved. During 2023, we promoted activities across our Independent Living services enabling residents to get involved and engaged with their schemes and wider community. We also started to explore the possibilities of co-creation, through which residents work alongside colleagues to identify and agree areas for improvement. In December, a resident from Green Meadows, an extra care scheme in Freshwater on the Isle of Wight, delivered a successful workshop with other members and colleagues on improving communication with residents.

We've held our first 'Annual Supported Involvement Day' on the Isle of Wight, with over 100 residents attending the event, 12 residents received an award for their achievements over the year. During 2024, we'll continue to develop further opportunities for engagement so residents remain at the heart of all we do.





Executive Team

The Board delegates day to day management to the Executive Team (ET). ET are supported by the Leadership Team (LT) in developing and co-ordinating our culture and values.



Paul Hackett CBE
Chief Executive

Prior to the launch of Southern Housing, Paul held the same positions at Optivo from 2017 and led AmicusHorizon as CEO from 2012. Paul has worked in the housing association sector since 1989. Before joining AmicusHorizon, Paul was Executive Director, Development and New Business with Moat. Between 2017 and 2019 Paul was Chair of G15 and a member of the Homes for Londoners Board. During his two-year term, Paul focused on building stronger relationships with the public sector and making the economic case for higher grant rates and longer-term funding. He was also a high-profile advocate of rebalancing the landlord tenant relationship. Paul is a Fellow of the RICS, CIOB and CIH. In 2021 Paul was awarded a CBE for services to social housing.



Jane Porter
Chief Operating Officer

Jane has worked in housing for over 30 years and has held senior executive roles in both asset and housing management, development, sales and home ownership. She has been involved in a number of Government initiated projects on fire safety and was a member of the Regulator for Social Housing's Tenant Satisfaction Measures Sounding Board. Jane is passionate about delivering excellent customer services. She has delivered sector leading performance through the use of real time data, customer segmentation and insight. She has driven continuous improvement and efficiencies through her vision and enthusiasm for technology solutions including predictive analytics, Robotic Process Automation, Artificial Intelligence, Internet of Things and bots. She is a board member of Settle housing association and is chair of their Development and Assets Committee.



Sarah Smith
Chief Financial Officer

Sarah has worked with and in the housing association sector since 1988. She is a Chartered Accountant beginning her career with BDO. Before joining Southern Housing, Sarah spent eight years as Director of Financial Services at London and Quadrant Housing Trust. Sarah is a member of the National Housing Federation's Finance and Policy Advisory Group. She sits on the Institute of Chartered Accountants in England and Wales (ICAEW) social housing sub-committee. She is a Trustee of Dolphin Square Charitable Trust and chairs their Audit Committee. She is a Board member and Chair of Audit Committee at Reall and was appointed to the Sustainability for Housing Board in 2021.



Tom Paul
Executive Director of Strategy & Change

Tom has worked for predecessor organisations for a decade. He's responsible for strategy, corporate finance and financial planning, business transformation, data and technology. Tom's professional background is in corporate finance. He moved into social housing in 2011 as a treasury advisor to housing associations. Tom is an economist and a member of the Chartered Institute of Securities and Investments. He's a member of the British Property Federation's Affordable Housing Committee, the Church of England Pensions Board's Housing Committee, and Grand Union Housing Group's Audit and Risk Committee.

**Richard White**

Executive Director of Development

Richard has extensive experience in partnerships, land led development and delivering high quality design and place making. With over 32 years of experience in residential development, Richard started his housing career in local Government. He then progressed into senior land, planning and technical roles with FTSE 100 Housebuilders. He moved to the housing association sector in January 2017.

**Jenny Poore**

Executive Director of People & Culture

Jenny is a Fellow of the Chartered Institute of Personnel and Development (FCIPD). Jenny has had an extensive career spanning all aspects of Human Resources and communications. This includes senior national HR and communications roles at Royal Mail and executive appointments within the Further Education sector and at Sussex Police. Jenny joined Southern Housing Group as HR Director in 2015.

**Yvette Carter**

Executive Director of Contract Services

Yvette is a qualified accountant with many years' senior strategic and commercial experience across a range of sectors including outsourced service industries, logistics and mobile technology. Yvette is directly responsible for all day-to-day repairs and estate services.

**Karin Stockerl**

Executive Director of Assets and Sustainability

Karin has over 20 years' experience working in property management and construction with roles in academia, private, public and housing association sector. She's responsible for devising and implementing our asset management strategy and our environmental sustainability strategy. Karin is chair of the G15 asset group and she's also chair of Customer Experience Committee at Golding Homes.



Compliance

Health, safety and welfare of employees at work

We have an effective Health and Safety Management System, underpinned by our Health and Safety Policy statement. The Policy contains a comprehensive organisational structure and framework, sets out responsibilities of managers and staff, and summarises the arrangements for putting the Policy into practice. The Chief Operating Officer acts as the Southern Housing 'Health and Safety Champion' and executive lead, chairing our Health and Safety Group (HSG), and reporting to the Board on performance twice per year. The COO has overall accountability and responsibility for ensuring SH meets the requirements of the Health & Safety at Work Act 1974 and other relevant health & safety legislation.

Our Director of Health and Safety is a Chartered Safety and Health Practitioner and is responsible for the strategic management and implementation of the Health and Safety Management System, supported by a competent in-house Health and Safety Team. We carry out regular inspections of health and safety standards across our portfolio, and closely monitor performance relating to key compliance areas which is scrutinised at Customer Obsession Group, HSG and Board meetings.

Our Health & Safety Policy Statement is available on our website. We are committed to following best practice in discharging our legal duties.

Environmental policy

We strive to adopt the highest available environmental standards in all areas of our operations and investment decisions. We also expect similar environmental standards from our partners. Our Environmental Performance Group monitors delivery of our energy and environment strategy. We're committed to improving the energy efficiency of our homes which, in turn helps residents to reduce their fuel bills and to live more comfortably. We also help residents to manage their energy bills by delivering energy advice. By reducing emissions from our offices and business travel, we're reducing our environmental impact and improving value for money. We hold a Sustainable Homes Index for Tomorrow (SHIFT) Gold rating. SHIFT provides us with the building blocks to support in the delivery of our Environmental Sustainability Strategy, guiding future advancements in renewable energy, sustainable building practices, and community projects that encourage green living.

We will publish our 2024 ESG report alongside the financial statements, prepared in accordance with the Sustainability Reporting Standard for Social Housing version 2.0. This reflects our commitment to stay aligned with evolving ESG expectations and best practice in the housing sector. We are committed to achieving net-zero carbon emissions by 2050 and are on track to ensure our homes achieve EPC Band C by 2030.

Compliance with Governance and Financial Viability Standard

The Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (the Standard) provides a framework to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner.
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk.

The Standard requires registered providers to assess their compliance with the Standard at least annually. Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH:

- A clear understanding of asset values, related security and potential losses. Boards need to know exactly what information will be required in the event of distress. They should ensure an up to date and accurate record of assets and liabilities is maintained, particularly those liabilities that may have recourse to social housing assets.
- Evidence of application of the principles.
- The assurance they receive on the quality of records.

The Audit and Risk Committee reviewed the annual assurance report from the CEO on 9 July 2024. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board on 24 July 2024 which covers the compliance from 1 April 2023 until approval of the financial statements on 24 July 2024.

The Government has introduced new Consumer Standards for social housing providers with effect from 1 April 2024. They are designed to ensure associations provide a safe, secure and well-maintained home and to improve the services residents receive. The RSH will regulate landlords against these standards.

For 2023/24 we report full compliance with the regulatory standards and the Data Protection Act 2018. The Board adopted the National Housing Federation 2020 Code of Governance from Southern Housing's inception on 22 December 2022. Southern Housing complies with this Code except for one area as reported to Board on the 24 July 2024. This area relates to Board composition. The Board comprises 14 members based on an assessment of the skills needed for the merged organisation going forward and a need to ensure that people with direct lived experience of, and insight into, the communities served by the organisation are meaningfully engaged in its governance at the highest level.

Effects of material estimates and judgements upon performance

The following are the material judgements and estimates affecting performance.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue and allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total associated development administration costs capitalised in the year was £7.6 million.

Impairment

Management assesses housing properties for indicators of impairment at each balance sheet date. Where indicators exist a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. Judgements in assessing the level of cash generating units and the recoverable amounts could lead to increases or decreases in the impairment provision.

Development contractors in administration

The construction industry is still facing high levels of contractors going into administration, some of our schemes in construction have been directly impacted. We are applying our judgement to assess the potential cost to complete those schemes.

Fire remediation works

We've determined some of the costs we incur for remediation work does not meet the recognition criteria for capitalisation set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). These costs are charged as expenditure in the Statement of Comprehensive Income unless we've demonstrated future benefits by carrying out enhancement works at the same time.

We've considered the point at which provision should be made for future fire remediation costs on shared ownership and leasehold properties. A provision is required when there is an obligation at the reporting date as a result of a past event, or there could be a legal obligation that can be enforced by law and the amount of the obligation can be estimated reliably.

We could avoid the legal obligation by for example disposing of the properties however, it is probable we would be expected to reflect the obligation in settlement so impacting the economic benefit of disposal. We have a comprehensive fire works programme already drawn up for 2024/25 and the budget has set aside funds to allow for anticipated programme spend up to £21 million covering 22 sites. The spend is divided between remediating defects at the time of original construction e.g. missing cavity barriers and enhancement works required if the blocks were built today. We've determined our constructive obligation to carry out future works is at the point when we formally notify residents of the start date for remediation works to commence. This is after we have completed a PAS9980 survey which has then been used to inform the works required and have determined the cost of those works. We apply this policy to both rented homes and shared ownership / leasehold homes. For rented and shared ownership homes remediation works are charged to the Statement of Comprehensive Income (SOI), enhancement works are capitalised. For leasehold homes all costs are charged to the SOI.

Defined benefit pension scheme obligations

At 31 March 2024 we had five defined benefit pension schemes, all closed to new members. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. We draw advice from scheme actuaries and our retained advisors. Variations in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses (as analysed in note 32). Where schemes are in surplus, having regard to the accounting standards, we have taken a judgement not to include the surpluses as assets. The net liability at 31 March 2024 was £12 million.

Fair value

Investment properties and some financial instruments are held at fair value, differing valuation approaches may have an impact on the surplus reported. We have explained our approach to valuation in the related accounting policy and note.

Bad debt provision

We make a provision for the likelihood of debtors failing to pay. Our assumptions bandings are based on the type of debt (including customer analysis) and length of time the debt remains unpaid.

Useful lives of depreciable assets

We set out the expected useful lives of our assets in notes 13 and 14. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and ICT equipment, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property which may reduce the economic life of the property. Accumulated depreciation at 31 March 2024 was £928 million, with the total charge in year being £78 million.



Going concern

After reviewing Southern Housing's budget for 2024/25, cashflow forecasts to end of August 2025 and the long term financial plan, the Board has a reasonable expectation Southern Housing has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The general UK economic environment and outlook has improved in the past year and this is factored into our macroeconomic assumptions. Board has considered the risks from the current operating

environment and possible lower rent settlements from the Government. These scenarios are included in stress testing of our financial plan. This stress testing shows the business to be robust even in extreme downside scenarios. Board are confident our viability can be maintained and having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months to August 2025. For these reasons, they continue to adopt a going concern basis for the preparation of the financial statements.

Assessment of the effectiveness of internal controls

The Board is responsible for internal control and for reviewing its effectiveness. Board delegates the ongoing review of controls to the Audit and Risk Committee and receives annual reports from the Chief Executive and the Audit and Risk Committee. Day to day management of the business is the responsibility of the Executive Team.

In order to fulfil their responsibility, the Executive Team has established an assurance framework supported by clear delegated authorities and operating procedures. We use our documented assurance framework to demonstrate to Board and

Audit and Risk Committee a transparent process of reporting on the annual internal controls. The internal audit department provides independent assessment on the robustness and effectiveness of the internal controls across the organisation. The team achieves this through a programme of reviews which are approved by and reported to the Audit and Risk Committee. The organisation also uses the services of independent third party auditors to review controls and processes where the nature of the review requires expertise not available in-house. These systems have operated throughout the financial year and up to the date of signing these accounts.

Scope of Assurance

The Board understands our internal controls system is designed to manage rather than eliminate all risks. Our procedures can only provide Board with reasonable

rather than absolute assurance against material misstatement, errors, losses or fraud.

The Board's Review of Effectiveness

The Board recognises the business is operating in a period of heightened risk while work is underway to integrate systems and processes. The external regulatory and economic environment also continue to be challenging. Both the internal and external factors require strong systems of control and oversight to monitor and manage the risk environment.

The Board considered the Chief Executive's report on Internal Controls and the Annual Report from Audit and Risk Committee for the year to 31 March 2024 and up to the date of signing these accounts.

The Board monitored and considered outcomes arising as a consequence of the risk management process. They also saw reports from officers on the associated integration work and control environment. The Board confirms the risk management process was in place in the year under review, up to the date of the annual report, and is regularly reviewed.

The Board confirms we had no breakdown in internal control resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

The Board and Executive Officers

The Board and Executive Officers of the subsidiaries are shown in those entities' financial statements.

Each Southern Housing Non Executive Board member holds one fully paid £1 share in Southern Housing. The Executive Officers hold no interest in Southern

Housing's share capital. They do not have the legal status of directors (apart from the Chief Executive), but act as executives within the authority delegated by the Board. We have directors' and officers' liability insurance for the Board, Executive Officers and staff.

Statement of the Board's responsibilities

The Board members are responsible for preparing the report of the Board 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 Statement of Recommended Practice: Accounting by 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 group and association will continue in business.

Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and

disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 Group and 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 is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group and 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 Group and Association's website is the responsibility of Board members. Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Anti-slavery statement

We confirm, so far as we are aware, we had no acts of modern day slavery within our organisation at 31 March 2024. We recognise we need to be vigilant and committed to driving out potential acts of modern day slavery from our supply chains. We've responsibility under the Modern Slavery Act 2015 to ensure transparency in the provision of all our goods and services. As part of our due diligence processes to prevent slavery and human trafficking, our:

- Supplier set-up process requires suppliers to outline the controls they have in place. Imported products from sources outside the UK and EU are potentially more at risk of slavery/human trafficking issues

- People team ensure we operate robust and inclusive selection, recruitment and induction processes which include a range of checks which would highlight any potential concerns
- Account Managers and Contracts Managers continually monitor the level of management control required
- Modern Slavery Statement is reviewed annually at People Committee and recommended for approval by the Board.

We've briefed Southern Housing colleagues and contractors on how to recognise the signs and symptoms of modern day slavery as part of our work around Safeguarding. Our full statement is available on our website.

Corporate criminal offence

Board are committed to preventing financial crimes, including the corporate criminal offence (CCO) of tax evasion. We take a zero-tolerance approach to any activities which facilitate tax evasion. Board are committed to ensuring good working standards and compliance with relevant laws. We've put in place reasonable preventive procedures informed by the 6 guiding principles set out below and approved by Audit and Risk Committee.

Risk assessment

- Proportionality of risk-based prevention procedures
- Top level commitment
- Due diligence
- Communication (including training)
- Monitoring and review.

We consider our procedures to prevent facilitation of tax evasion are proportionate to the risks we face. We keep the procedures under review. We expect all associated persons to adhere to the CCO provisions.

Audit

Each Board member has confirmed in fulfilling their duties as a Director they have taken the steps they ought to have taken to make themselves aware of any information relevant to the audit and the auditors are aware of that information. So far as they are aware, there is no relevant audit information which they haven't made the auditors aware of.

During the year, the Financial Reporting Council (FRC) performed an Audit Quality Review of Southern Housing's 2022-23 audit by BDO LLP, in which they

made various recommendations for improvement in the audit quality. In May 2024, the ARC chair and vice-chair discussed the findings with the FRC and agreed the planned improvements with the BDO audit partner.

A resolution to re-appoint BDO LLP as the auditors will be proposed at the Southern Housing Board meeting on 25 September 2024.

Approval

This Report of the Board and Strategic Report were approved by order of the Southern Housing Board on 24 July 2024 and authorised for issue on 5 August.



Sir Peter Dixon
Chair of Southern Housing Board
24 July 2024



Puneet Rajput
Director of Governance and Regulation
24 July 2024



The background of the page features a blue-tinted photograph of several people in a meeting. In the foreground, a person's arm and hand are visible, wearing a watch. In the background, other individuals are partially visible, some looking towards the camera and others looking away. The overall atmosphere is professional and collaborative.

03

LEADERSHIP AND
GOVERNANCE

04

FINANCIAL STATEMENTS

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Reserves

Consolidated Statement
of Cash Flows

Analysis of changes in net debt

Notes to the Financial Statements

Other Company Information

Independent Auditor's Report to the Members of Southern Housing

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2024 and of the Group's and the Association's deficit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 Southern Housing ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2024 which comprise the Group and Association statement of comprehensive income, the Group and Association statement of financial position (balance sheet), the Group and Association statement of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

On 16 December 2022, Optivo and Southern Housing Group amalgamated to become Southern Housing. We were first appointed as auditors to Optivo for the year ended 31 March 2014 and for Southern Housing Group for the year ended 31 March 2022. In considering our independence we use the Optivo appointment date.

Following a tender process for the 31 March 2024 financial audit, we were the recommendation of the Audit and Risk Committee and we were re-appointed by the Board on 7 November 2023 to audit the financial statements for the year ending 31 March 2024. The period of total uninterrupted engagement including retenders and reappointments is 11 years, covering the years ending 2014 to 2024.

We remain independent of the Group and the Parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern.
- We assessed the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast and also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that current economic pressures might have on these projections.
- We considered the forecasts prepared by management and challenged the key assumptions based on our knowledge of the business.
- Scenarios modelled by management include a range of stress tests to analyse the impact of risks from the emerging change in inflation, high interest rates and possible lower rent settlements from the Government. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the stress test calculations.
- We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions.
- We considered the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis.
- We obtained and assessed the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2026 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. We assessed the facility and covenant headroom calculations and re-performed sensitivities on management's base case and stressed case scenarios.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenarios.

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 Group and the Parent 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.

Overview

	2024		
COVERAGE	100% (2023: 100%) of Group (deficit)/surplus before tax		
	100% (2023: 100%) of Group revenue		
	100% (2023: 100%) of Group total assets		
KEY AUDIT MATTER		2024	2023
	The recoverable amount of property developed for sale is materially misstated.	✓	✓
	The recoverable amount of housing property is materially misstated.	✓	✓
MATERIALITY	Group financial statements as a whole £88.8 million (2023: £14.2 million based on 6.5% of adjusted operating surplus as defined by the entity’s lending covenants) based on 1.3% of total assets.		
	Group specific materiality £10.9 million (2023: N/A) based on 1.8% of revenue.		



An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

A full scope statutory audit was carried out for all subsidiary undertakings. Audit work on all components was performed by BDO UK, both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. We identified five components which, in our view, required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Southern Housing (Parent) and Optivo Finance Plc were identified as significant components due to their size and risk characteristics and Southern Housing Ownership Limited, Optivo Development Services Limited and Lamborn Estates Limited due to their risk characteristics.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER**The recoverable amount of property developed for sale is materially misstated**

As explained in the note 17 accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £150.1m.

For completed properties at the balance sheet date an assessment is needed of the anticipated selling price.

For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete and sell.

This area also represents a key area of estimation uncertainty for management, as described on page 88.

Due to the volume of property developed for sale and the inherent estimation uncertainty in determining both sales proceeds and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained management's assessment of the recoverable amount of properties developed for sale as part of their year end procedures.

For a sample of property developed for sale, we have:

1. FOR SALES PRICE	- compared anticipated selling prices to sales prices achieved after the year end, evidence of sales reservations, sales prices achieved for similar units in the year, valuation of properties for marketing purposes and other selling prices of similar properties in the locality. - performed a retrospective review comparing estimated selling prices at 31 March 2023 with the prices achieved in the year for units sold in the year; and - where third party valuation is used, for a sample of properties, checked expert estimates against publicly available selling prices for comparable properties.
2. FOR COSTS TO COMPLETE	- obtained the latest valuers report and confirmed the nature of the contract as fixed or variable. Compared the construction costs against the total contract value taking into account contract variations. - obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. - for the schemes selected reviewed invoices and valuation certificates booked after the year end in order to assess completeness of expenditure and reasonableness compared to spend forecast. This was also performed for completed units to confirm completeness of cost and the 'completed' status. - assessed the accuracy of cost forecasting by looking at outturn costs compared with budget on schemes that completed in the year. - for development schemes in progress, we attended the year-end Impairment Working Group (IWG) meeting and reviewed minutes of other IWG meetings throughout the year. Where the IWG minutes, or other audit procedures performed indicated potential issues, we discussed those issues with the Head of Commercial and/or individual Project Managers (corroborating as required).
3. FOR COSTS TO SELL	where material, considered computations of selling costs and compared against known selling costs that have been incurred in the year.

KEY OBSERVATIONS

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

KEY AUDIT MATTER**The recoverable amount of housing property is materially misstated**

As described in Note 13, the Association annually assess housing properties for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount.

This area is also considered by management a key estimation uncertainty as described in Note 2.

Assets are required to be reviewed for indicators of impairment annually. If such indicators exist, an impairment assessment and estimate of the recoverable amount must be performed.

Due to the inherent estimation uncertainty in determining the recoverable amount and impairment previously recognised, we considered there to be a significant risk and therefore a key audit matter.

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Having obtained management's assessment of indicators of impairment, and subsequent impairment review calculations where indicators of impairment were identified, we have:

- considered whether management had included all asset groups (including all tenure types) in their review.
- reviewed management's estimates, judgements and the information that has been used to support these decisions.
- considered the completeness of the identified schemes by comparing it to our knowledge obtained through voids review and minutes review to identify schemes with tenure change, physical damage, build delays or a significant increase in development cost to complete.
- confirmed the competence of any expert used by management and assessed their valuation methodology.
- reviewed the appropriateness and completeness of the disclosures in the financial statements and accompanying narrative reports.

KEY OBSERVATIONS

Based on our procedures we noted no exceptions.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance

materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

	GROUP FINANCIAL STATEMENTS		PARENT ASSOCIATION FINANCIAL STATEMENTS	
	2024	2023	2024	2023
MATERIALITY	Southern Housing		Southern Housing	
BASIS FOR DETERMINING MATERIALITY	Financial statement: £88.8m Specific: £10.9m	£14.2m	Financial statement: £87.5m Specific: £10.5m	£13.7m
PERFORMANCE MATERIALITY	Financial statement: £62.2m Specific: £7.7m	£10.0m	Financial statement: £61.3m Specific: £7.3m	£9.6m
BASIS FOR DETERMINING PERFORMANCE MATERIALITY	70% of materiality	70% of materiality	70% of materiality	70% of materiality

The materiality benchmark in the previous year was adjusted operating surplus. We have reflected on our approach to materiality and concluded that for housing associations key stakeholders are primarily focused on the value of the stable, rented asset portfolio, as their debt is secured on these assets. Total assets is therefore considered to be the appropriate benchmark for determining overall materiality. However, we also determined that for other classes of transactions and balances in income and expenditure recognised within the statement of comprehensive income that are used in covenant calculations and sector benchmarking metrics, as well as other financial statement areas such as property for sale stock and rent arrears that are subject to greater scrutiny by key stakeholders, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of the users of the financial statements. As a result, we applied a specific materiality calculated using Revenue

as the benchmark to these balances and transactions. Revenue is considered to be a more stable metric to use for this purpose than adjusted operating surplus and is also more transparent and more easily understood by the users of the financial statements.

We have determined that 70% of materiality is an appropriate basis for performance materiality based on our previous experience of the audit and factors such as the low levels of misstatements previously identified partially offset by some areas of the financial statements subject to significant estimation uncertainty.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Association whose materiality is set out above, based on a percentage of between 0.1% and 16.8% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £30 to £14.9m. In the audit of each component, we further applied performance materiality of 80% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £1.7m (Financial statement) and £219k (Specific) (2023: £285k Financial statement). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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 and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative and 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 Statement of the Board's responsibilities, 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 Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or 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:

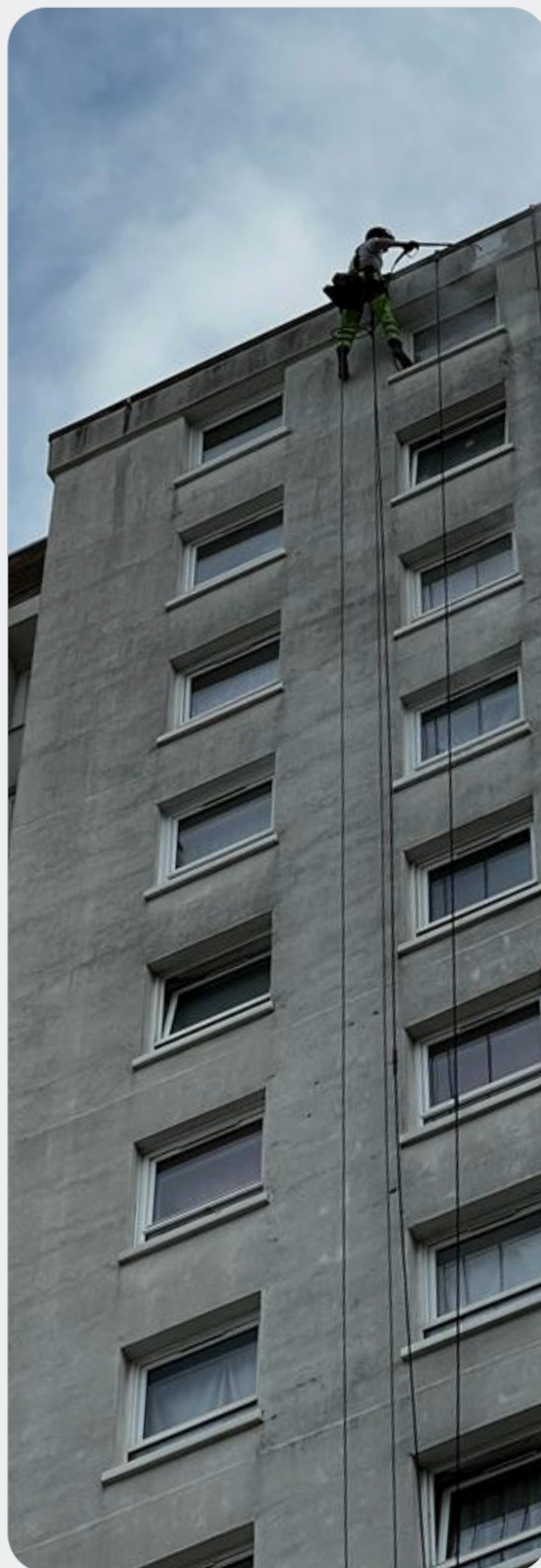
- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Group 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, employment law, Financial Conduct Authority ("FCA") regulations, data protection, fire safety legislation and health and safety legislation.

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 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;
- Discuss with relevant individuals responsible for those areas, such as the Executive Director of Assets & Sustainability;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.



Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group'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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through accounting estimates and inappropriate journal entries and revenue recognition from 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, by agreeing to supporting documentation;
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (ie non risky journals);
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the net realisable value of properties developed for sale (see Key Audit Matter 1), impairment of properties (see Key Audit Matter 2) and the provision for fire safety costs.
- Testing cut-off of property sales income around the year-end and validated sales from source documentation to the ledger.

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 is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

Paula Willock

For and on behalf of BDO LLP, Statutory Auditor
London, UK

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

	NOTES	GROUP		ASSOCIATION	
		2024 £m	2023 £m	2024 £m	2023 £m
TURNOVER	3a	609.0	642.3	582.3	565.1
Cost of sales	3a	(48.0)	(105.3)	(18.4)	(38.2)
Operating expenditure	3a	(485.3)	(447.7)	(488.4)	(439.0)
Surplus on disposal of housing properties	3c	32.7	46.7	31.9	43.8
Operating surplus		108.4	136.0	107.4	131.7
Commercial property write off	9	(2.3)	-	(2.3)	-
Interest receivable	10	10.3	3.9	38.6	21.8
Interest and financing costs	11	(113.6)	(100.0)	(122.3)	(110.1)
Surplus before fair value movements		2.8	39.9	21.4	43.4
Movement in fair value of financial instruments	11	(1.1)	35.2	(1.3)	34.3
Movement in fair value of investment properties	15	(31.7)	0.1	(20.3)	0.2
Movement in fair value of investments	16	1.4	4.6	-	-
(Deficit) / surplus before taxation		(28.6)	79.8	(0.2)	77.9
Taxation	12	0.4	(0.1)	(0.6)	-
(Deficit) / surplus before taxation		(28.2)	79.7	(0.8)	77.9
Actuarial loss in respect of defined benefit pension schemes	32	(3.7)	(2.3)	(3.7)	(2.3)
Total comprehensive (deficit) / income for the year		(31.9)	77.4	(4.5)	75.6

All activities relate to continuing operations.

The financial statements were approved by the Board on 24 July 2024, authorised for issue on 5 August 2024 and were signed on its behalf by:



Sir Peter Dixon
Chair



Janet Collier
Vice Chair



Puneet Rajput
Secretary

The notes on pages 86 to 131 form part of these financial statements.

Statement of Financial Position (Balance Sheet)

as at 31 March 2024

		GROUP		ASSOCIATION	
	NOTES	2024 £m	2023 £m	2024 £m	2023 £m
FIXED ASSETS					
Tangible fixed assets - Housing properties	13	6,055.1	5,777.8	5,713.7	5,481.5
Tangible fixed assets - other	14	50.1	80.4	49.7	79.4
Investment properties	15	290.7	325.4	219.5	242.0
Other investments	16	15.7	13.9	12.4	14.0
Unlisted investments	16	21.7	21.0	21.7	21.3
Total fixed assets		6,433.3	6,218.5	6,017.0	5,838.2
CURRENT ASSETS					
Properties held for sale	17	150.1	175.2	64.6	58.6
Debtors: amounts falling due within one year	18	76.3	76.9	72.7	354.7
Debtors: amounts falling due after one year	18	34.3	25.7	466.2	85.7
Cash and cash equivalents	20	109.0	146.1	98.4	127.3
Total current assets		369.7	423.9	701.9	626.3
Creditors: amounts falling due within one year	21	(316.2)	(319.1)	(307.1)	(294.6)
Net current assets		53.5	104.8	394.8	331.7
Total assets less current liabilities		6,486.8	6,323.3	6,411.8	6,169.9
Creditors: amounts falling due after more than one year	22	(4,796.5)	(4,596.9)	(4,799.9)	(4,557.8)
Provisions and other liabilities	26	(1.4)	(1.6)	(9.3)	(1.6)
Pension liability	32	(12.6)	(16.0)	(12.6)	(16.0)
Net assets		1,676.3	1,708.8	1,590.0	1,594.5
CAPITAL AND RESERVES					
Share capital - non equity	28	-	-	-	-
General reserve		1,674.8	1,706.7	1,588.8	1,593.0
Designated reserve		1.0	1.3	1.0	1.1
General reserves		1,675.8	1,708.0	1,589.8	1,594.1
Restricted reserve		0.2	0.4	0.2	0.4
Revaluation reserve		0.3	0.4	-	-
Total reserves		1,676.3	1,708.8	1,590.0	1,594.5

The financial statements were approved by the Board on 24 July 2024, authorised for issue on 5 August 2024 and were signed on its behalf by:



Sir Peter Dixon
Chair



Janet Collier
Vice Chair



Puneet Rajput
Secretary

The notes on pages 86 to 131 form part of these financial statements.

Statement of Changes in Reserves

For the year ended 31 March 2024

	General reserve £m	Designated reserve £m	Restricted reserve £m	Revaluation reserve £m	Total £m
GROUP					
Balance as at 1 April 2023	1,706.7	1.3	0.4	0.4	1,708.8
Reclassification	(0.6)	-	-	-	(0.6)
Deficit for the year	(28.2)	-	-	-	(28.2)
Actuarial loss on defined benefit pension schemes	(3.7)	-	-	-	(3.7)
Total comprehensive income for the year	(31.9)	-	-	-	(31.9)
Reserves transfers	0.6	(0.3)	(0.2)	(0.1)	-
Balance as at 31 March 2024	1,674.8	1.0	0.2	0.3	1,676.3

	General reserve £m	Designated reserve £m	Restricted reserve £m	Total £m
ASSOCIATION				
Balance as at 1 April 2023	1,593.0	1.1	0.4	1,594.5
Deficit for the year	(0.8)	-	-	(0.8)
Actuarial loss on defined benefit pension scheme	(3.7)	-	-	(3.7)
Total comprehensive income for the year	(4.5)	-	-	(4.5)
Reserves transfers	0.3	(0.1)	(0.2)	-
Balance as at 31 March 2024	1,588.8	1.0	0.2	1,590.0

For the year ended 31 March 2023

	General reserve £m	Designated reserve £m	Restricted reserve £m	Revaluation reserve £m	Total £m
GROUP					
Balance as at 1 April 2022 combined	1,629.0	1.4	0.6	0.4	1,631.4
Surplus for the year	79.7	-	-	-	79.7
Actuarial loss on defined benefit pension scheme	(2.3)	-	-	-	(2.3)
Total comprehensive income for the year	77.4	-	-	-	77.4
Reserves transfers	0.3	(0.1)	(0.2)	-	-
Balance as at 31 March 2023	1,706.7	1.3	0.4	0.4	1,708.8

	General reserve £m	Designated reserve £m	Restricted reserve £m	Total £m
ASSOCIATION				
Balance as at 1 April 2022 combined	1,517.4	0.9	0.6	1,518.9
Surplus for the year	77.9	-	-	77.9
Actuarial loss on defined benefit pension scheme	(2.3)	-	-	(2.3)
Total comprehensive income for the year	75.6	-	-	75.6
Reserves transfers	-	0.2	(0.2)	-
Balance as at 31 March 2023	1,593.0	1.1	0.4	1,594.5

The notes on pages 86 to 131 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2024

	2024 £m	2023 £m
CASHFLOWS FROM OPERATING ACTIVITIES		
(Deficit) / surplus for the year	(28.2)	79.7
ADJUSTMENTS		
Interest payable	113.6	100.0
Interest receivable	(10.3)	(3.9)
Commercial write off	2.3	-
Tax	(0.4)	(0.1)
Share of surplus in joint venture	(1.4)	(4.6)
Net fair value losses/(gains) recognised in profit or loss	32.8	(35.3)
Depreciation and amortisation	59.2	59.8
Impairment	3.3	25.1
Cost of properties disposed in the year	25.1	59.6
Difference between net pension expense and cash contribution	(7.1)	(10.6)
Decrease in stocks	35.4	43.3
Increase in trade and other debtors	(8.0)	(22.0)
(Decrease)/increase in trade and other creditors	(8.8)	28.8
Decrease in provisions	(0.2)	(0.3)
Net cash from operating activities	207.3	319.5
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(344.7)	(420.8)
Purchase of investment property	(7.3)	(15.3)
Investment in joint ventures	(0.3)	2.8
Interest received	10.3	3.9
Net capital grant received	(4.0)	52.7
Net cash used in investing activities	(346.0)	(376.7)
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings (loans)	136.0	105.9
Proceeds from long term borrowings (bonds)	270.5	81.5
Interest paid	(124.4)	(120.0)
Repayment of borrowings – bonds	(47.0)	-
Repayment of borrowings – loans	(133.5)	(51.8)
Net cash generated by financing activities	101.6	15.6
Net change in cash and cash equivalents	(37.1)	(41.6)
Cash and cash equivalents at start of year	146.1	187.7
Cash and cash equivalents at end of year	109.0	146.1

The notes on pages 86 to 131 form part of these financial statements.

Analysis of Change in Net Debt

	At 1 April 2023 £m	Cashflows £m	Other non cash changes £m	At 31 March 2024 £m
CASH AND CASH EQUIVALENTS				
Cash	95.8	(43.7)	-	52.1
Cash equivalents	50.3	6.6	-	56.9
	146.1	(37.1)	-	109.0
BORROWINGS				
Debt due within one year	(94.8)	59.6	-	(35.2)
Debt due after one year	(1,249.1)	(62.1)	3.9	(1,307.3)
Bonds	(1,506.5)	(223.5)	(95.0)	(1,825.0)
	(2,850.4)	(226.0)	(91.1)	(3,167.5)
DERIVATIVES	13.8	-	(1.1)	12.7
Total	(2,690.5)	(263.1)	(92.2)	(3,045.8)

The notes on pages 86 to 131 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2024

Introduction

Southern Housing was formed on 16 December 2022 when Optivo and Southern Housing Group merged. This business combination was effected through an Amalgamation under s109 of the Community Benefits Societies Act 2014.

Legal status

Southern Housing is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with Homes England as a social housing provider. The Association is a public benefit entity and has adopted the public benefit entity sections of FRS 102.

1. Accounting Policies

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, 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 functional and presentation currency is GBP. The figures are rounded to the nearest million.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting judgements and estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The impact potential variations may have on the financial information are explained in the accounting policies below. In preparing the separate financial statements of the parent Association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent Association would be identical
- No cash flow statement has been presented for the parent Association
- Disclosures in respect of the parent Association's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole

- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Association as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied consistently in relation to the financial statements.

Basis of consolidation

The consolidated financial statements present the results of Southern Housing and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. Control of each subsidiary is established through holding 100% of the share capital or through ability to appoint the Board.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations.

After reviewing Southern Housing's budget for 2024/25, cashflow forecasts to August 2025 and the long term financial plan 2024-55, the Board have a reasonable expectation Southern Housing has adequate resources to continue in operational existence for the foreseeable future.

The general UK economic environment and outlook has improved in the past year and this is factored into our macroeconomic assumptions. Board have considered the risks from the current operating environment and possible lower rent settlements from the Government. These scenarios are included in stress testing of our financial plan. This and additional stress testing on a disruption of the property sector, a lack of Government support, legislative asset management changes and a disrupted global supply chain shows the business to be robust even in these extreme downside scenarios. We'd be able to take mitigating actions including disposal of our London offices, mothballing uncommitted development sites and re-setting expectations for our efficiency programme. Board are confident our viability can be maintained and having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months to August 2025. For these reasons, they continue to adopt a going concern basis for the preparation of the financial statements.

Segmental reporting

As we have publicly traded securities within the Group we are required to disclose information about our operating segments under IFRS 8. Segmental information is disclosed in notes 3(a) and 3(b) and as part of the analysis of housing properties in note 13. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Board does not routinely receive segmental information disaggregated by geographical location.

Cash and cash equivalents

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

Impairment of rental and other trade receivables

The Association and Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair the Association and Group reviews the age profile of the debt, historical collection rates and the class of debt. Former tenant arrears are written off to the statement of comprehensive income at the point the resident exits the property to the extent that they are not considered recoverable.

Reserves

Income received, and expenditure incurred, for restricted and designated purposes is separately accounted for within restricted and designated funds. The revaluation reserve was established on transition to FRS 102 on application of the deemed cost model which allowed first time adopters to elect to measure an item of fixed assets at its fair value at the date of transition and to use that fair value as its deemed cost at that date. This was only applied for two subsidiaries; Julia Spicer Homes and Eason Gruaz. Movements in the revaluation reserve relate to depreciation in the year of homes held at deemed cost.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Whether there are indicators of impairment of the Group's tangible fixed 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. Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH (existing use value social housing) or depreciated replacement cost. Board have also considered impairment based on their assumptions to define cash or asset generating units, and the impact of contractors having gone in to administration. Where there is evidence of impairment, the assets are written down to the recoverable amount and any impairment losses are charged to the operating surplus. We've provided for £3 million additional impairment in 2023/24
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review and the impact this would have on the value of the impairment provision. We define cash generating units as schemes except where schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value, an impairment is recorded through a charge to income and expenditure
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of that asset and therefore whether they are held at cost or fair value
- Determining the appropriate accounting treatment of fire remediation works. We've determined the costs we incur will not meet the recognition criteria for capitalisation set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). The costs incurred are charged as expenditure in the Statement of Comprehensive Income
- Recognition criteria and measurement of provisions, including identification of constructive obligations and the impact of this on the amount to provide
- Determining the appropriate point to begin and cease capitalisation of development overheads and interest costs for a development scheme. For the majority of our schemes we begin capitalisation of these costs when we start on site. We cease capitalisation at practical completion of individual units
- The categorisation of financial instruments as basic or other and therefore whether they are held at cost or fair value
- Determining if the net pension asset is not recoverable and therefore whether to recognise the asset or not. We have not recognised the asset, recognising the asset would increase surplus by £27 million.

Other key sources of estimation uncertainty

Tangible fixed assets (notes 13 and 14)

- Tangible fixed assets other than investment properties are depreciated over their useful economic lives taking into account residual values where appropriate. The actual lives of these assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as economic conditions are taken into account. Residual value assessments consider future market conditions, the remaining useful life of the asset and projected disposal values.
- For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.
- Determining the anticipated costs to complete a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. This is based on our best estimate of economic conditions prevailing at the time.

Investment properties (note 15)

- Our market rent, commercial rent and student accommodation properties are professionally valued. For market rent and commercial properties a rent capitalisation model was adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. For student accommodation properties a discounted cash flow methodology was used with discount rates between 7.55% and 22.35%. Rates used are higher than current market discount rates due to onerous restrictions imposed under the project agreement with Middlesex First Limited.

Recovery of properties developed for sale (note 17)

- Properties developed for sale are carried on the statement of financial position at the lower of cost and net realisable value. Net realisable value is based on estimated sale proceeds after allowing for further costs to completion and selling costs.

Fair value measurement of derivatives (note 11)

- These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market value is calculated with reference to mid-market rates.

Defined benefit pension schemes (note 32)

- The defined benefit liabilities are calculated based on actuarial assumptions which have been chosen following advice from our retained actuarial advisors. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.



3. Turnover

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

- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of shared ownership housing properties developed for sale
- Service charges receivable
- Amortisation of deferred capital grants and other grants receivable
- Proceeds from the sale of land and property
- Key worker accommodation
- Student accommodation
- Market rent lettings
- Commercial lettings.

Rental income

Rental income is earned from social housing properties, key worker accommodation, student accommodation, market rent lettings and commercial lettings. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids. Rental income received in advance is disclosed within creditors in the balance sheet.

Income from disposal of properties

Income from first tranche sales is recognised at the point of legal completion of the sale. The profit or loss on disposal of social housing properties intended for outright sales or first tranche sales is recognised within operating surplus. Any profit or loss on disposal of investment properties is recognised below the operating surplus.

Service charges

The Group operates both fixed and variable service charges on a scheme by scheme basis. Service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge.

Charges made to leaseholders for the replacement of equipment and repairs within their estates are held in sinking funds which are ring-fenced for use on those estates. Such sinking funds are disclosed on the balance sheet as creditors.

Rent and service charge agreements

The Association has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Schemes managed by agents

Income represents rent receivable. Management fees payable to agents are included in operating costs.

Government grants

As required by the Housing SORP, grant is carried as deferred income in the balance sheet and released to the statement of comprehensive income on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP the useful economic life of the housing property structure has been selected (see table of useful economic lives below).

Social housing grant (SHG) becomes recyclable at the point the related property is sold and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met. Grants due to government organisations or received in advance are included as liabilities.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

3(a). Particulars of turnover, operating costs and operating surplus

Group

	2024					2023				
	Turnover £m	Cost of sales £m	Operating costs £m	Fixed asset disposals £m	Operating surplus/ (deficit) £m	Turnover £m	Cost of sales £m	Operating costs £m	Fixed asset disposals £m	Operating surplus/ (deficit) £m
SOCIAL HOUSING ACTIVITIES (NOTE 3b)	534.5	-	(451.9)	-	82.6	481.1	-	(391.4)	-	89.7
OTHER SOCIAL HOUSING ACTIVITIES										
First tranche sales	40.3	(39.8)	-	-	0.5	60.1	(50.7)	-	-	9.4
Supported housing	4.1	-	(3.9)	-	0.2	7.3	-	(9.1)	-	(1.8)
Other (abortive & other development costs)	-	-	(5.2)	-	(5.2)	1.5	-	(1.6)	-	(0.1)
Impairment housing properties	-	-	(2.1)	-	(2.1)	-	-	(22.4)	-	(22.4)
Impairment stock	-	4.4	-	-	4.4	-	-	(2.0)	-	(2.0)
	44.4	(35.4)	(11.2)	-	(2.2)	68.9	(50.7)	(35.1)	-	(16.9)
SURPLUS ON ASSET DISPOSAL (NOTE 3c)	-	-	-	32.7	32.7	-	-	-	46.7	46.7
NON SOCIAL HOUSING ACTIVITIES										
Community activities	1.2	-	(5.6)	-	(4.4)	1.6	-	(3.9)	-	(2.3)
Market & sub-market renting	5.8	-	(1.8)	-	4.0	4.9	-	(1.8)	-	3.1
Student accommodation	13.8	-	(10.7)	-	3.1	12.2	-	(10.1)	-	2.1
Commercial renting	3.2	-	(1.7)	-	1.5	3.2	-	(3.1)	-	0.1
Market sales	3.7	(7.1)	-	-	(3.4)	66.7	(54.6)	-	-	12.1
Impairment market sales stock	-	(5.5)	-	-	(5.5)	-	-	-	-	-
Other (includes South East Consortium)	2.4	-	(2.4)	-	-	3.7	-	(2.3)	-	1.4
	30.1	(12.6)	(22.2)	-	(4.7)	92.3	(54.6)	(21.2)	-	16.5
TOTAL	609.0	(48.0)	(485.3)	32.7	108.4	642.3	(105.3)	(447.7)	46.7	136.0

Community activities for Fresh Visions and Southern Housing includes grant received from the Big Local Trust (Heart of Sidley) of £50k (2023: £44k) and related expenditure of £66k (2023: £41k); Medway Council £100k (2023: £55k) and related expenditure of £100k (2023: £55k); Lambeth Council £10k (2023: £Nil) and related expenditure of £4k (2023: £Nil). Unspent grant is carried forward to spend in 2024/25.

3(a). Particulars of turnover, operating costs and operating surplus

Association

	2024					2023				
	Turnover £m	Cost of sales £m	Operating costs £m	Fixed asset disposals £m	Operating surplus/ (deficit) £m	Turnover £m	Cost of sales £m	Operating costs £m	Fixed asset disposals £m	Operating surplus/ (deficit) £m
SOCIAL HOUSING ACTIVITIES (NOTE 3b)	525.0	-	(450.0)	-	75.0	473.0	-	(387.4)	-	85.6
OTHER SOCIAL HOUSING ACTIVITIES										
First tranche sales	19.5	(22.3)	-	-	(2.8)	39.7	(33.4)	-	-	6.3
Supported housing support costs	4.1	-	(3.9)	-	0.2	7.3	-	(9.1)	-	(1.8)
Services to Group companies	2.5	-	-	-	2.5	0.4	-	-	-	0.4
Qualifying charitable donation	9.6	-	-	-	9.6	11.2	-	-	-	11.2
Other (abortive & other development costs)	-	-	(4.6)	-	(4.6)	1.5	-	(1.6)	-	(0.1)
Impairment housing properties	-	-	(2.1)	-	(2.1)	-	-	(18.3)	-	-
Impairment stock	-	3.9	-	-	3.9	-	-	(2.0)	-	(2.0)
Impairment of investment	-	-	-	-	-	-	-	(0.3)	-	(0.3)
	35.7	(18.4)	(10.6)	-	6.7	60.1	(33.4)	(31.3)	-	(4.6)
SURPLUS ON ASSET DISPOSAL (NOTE 3c)	-	-	-	31.9	31.9	-	-	-	43.8	43.8
NON SOCIAL HOUSING ACTIVITIES										
Community activities	0.7	-	(4.9)	-	(4.2)	1.2	-	(3.3)	-	(2.1)
Market & sub-market renting	4.3	-	(0.9)	-	3.4	4.2	-	(1.5)	-	2.7
Student accommodation	10.8	-	(10.2)	-	0.6	9.9	-	(9.9)	-	-
Commercial renting	3.2	-	(1.7)	-	1.5	3.2	-	(3.1)	-	0.1
Market sales	-	-	-	-	-	9.5	(4.8)	-	-	4.7
Loan loss provision	-	-	(8.0)	-	(8.0)	-	-	-	-	-
Other (includes South East Consortium)	2.6	-	(2.1)	-	0.5	4.0	-	(2.5)	-	1.5
	21.6	-	(27.8)	-	(6.2)	32.0	(4.8)	(20.3)	-	6.9
TOTAL	582.3	(18.4)	(488.4)	31.9	107.4	565.1	(38.2)	(439.0)	43.8	131.7

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

Group

	General needs housing £m	Independent living, Care & Supported Housing £m	Keyworkers £m	Other housing provision £m	Shared ownership £m	Temporary social housing £m	2024 Total £m	2023 Total £m
Rents receivable net of identifiable service charges	356.2	36.9	8.2	-	38.0	0.8	440.1	402.1
Service charges receivable	23.0	19.0	-	-	19.6	0.2	61.8	53.6
NET RENTAL INCOME	379.2	55.9	8.2	-	57.6	1.0	501.9	455.7
Amortised government grant	13.4	2.4	-	-	3.0	0.1	18.9	19.4
Other revenue income	8.8	0.2	0.9	2.2	1.2	0.4	13.7	6.0
TURNOVER FROM SOCIAL HOUSING LETTINGS	401.4	58.5	9.1	2.2	61.8	1.5	534.5	481.1
EXPENDITURE ON LETTINGS ACTIVITIES								
Management	63.1	13.1	4.9	0.6	12.5	0.8	95.0	112.8
Bad debts	2.3	0.1	(0.1)	0.1	-	-	2.4	3.0
Service charge costs	41.1	16.6	-	0.2	16.2	0.1	74.2	62.3
Routine maintenance	82.7	1.2	0.9	-	-	-	84.8	71.1
Planned maintenance	85.9	0.8	0.9	-	-	-	87.6	67.4
Major repairs	39.8	-	0.2	-	-	-	40.0	7.7
Impairment of housing properties and stock	-	-	-	-	-	-	-	2.3
Depreciation of housing properties	59.7	7.1	1.0	-	-	0.1	67.9	64.4
Other	-	-	-	-	-	-	-	0.4
OPERATING COSTS ON SOCIAL HOUSING	374.6	38.9	7.8	0.9	28.7	1.0	451.9	391.4
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	26.8	19.6	1.3	1.3	33.1	0.5	82.6	89.7
Void loss	(4.4)	(2.0)	(0.1)	-	-	(0.1)	(6.6)	(5.9)

3(b). Particulars of income and expenditure from social housing lettings (continued)

Association

	General needs housing £m	Independent living, Care & Supported Housing £m	Keyworkers £m	Other housing provision £m	Shared ownership £m	Temporary social housing £m	2024 Total £m	2023 Total £m
Rents receivable net of identifiable service charges	350.1	36.7	8.2	-	35.5	0.8	431.3	394.7
Service charges receivable	22.6	18.7	-	-	19.0	0.2	60.5	52.2
NET RENTAL INCOME	372.7	55.4	8.2	-	54.5	1.0	491.8	446.9
Amortised government grant	13.6	2.4	-	-	3.0	0.1	19.1	19.2
Other revenue income	9.5	0.2	0.9	2.2	0.9	0.4	14.1	6.9
TURNOVER FROM SOCIAL HOUSING LETTINGS	395.8	58.0	9.1	2.2	58.4	1.5	525.0	473.0
EXPENDITURE ON LETTING ACTIVITIES								
Management	63.8	13.2	4.9	0.6	12.0	0.8	95.3	112.8
Bad debts	2.2	0.1	(0.1)	0.1	-	-	2.3	2.9
Service charge costs	40.1	16.5	-	0.2	15.8	0.1	72.7	61.0
Routine maintenance	82.5	1.1	0.9	-	-	-	84.5	70.6
Planned maintenance	85.7	0.8	0.9	-	-	-	87.4	67.0
Major repairs	39.9	-	0.2	-	-	-	40.1	7.6
Impairment of housing properties and stock	-	-	-	-	-	-	-	2.3
Depreciation of housing properties	59.5	7.1	1.0	-	-	0.1	67.7	62.8
Other	-	-	-	-	-	-	-	0.4
OPERATING COSTS ON SOCIAL HOUSING	373.7	38.8	7.8	0.9	27.8	1.0	450.0	387.4
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	22.1	19.2	1.3	1.3	30.6	0.5	75.0	85.6
Void losses	(4.3)	(1.9)	(0.1)	-	-	(0.1)	(6.4)	(5.6)

3(c). Fixed asset disposals

GROUP	Staircasing and lease extensions £m	Right to buy £m	Other properties £m	2024 Total £m	2023 Total £m
Disposal proceeds	27.1	2.8	40.8	70.7	113.9
Cost of disposals	(14.4)	(1.0)	(22.6)	(38.0)	(67.2)
Surplus on asset disposals	12.7	1.8	18.2	32.7	46.7

ASSOCIATION	Staircasing and lease extensions £m	Right to buy £m	Other properties £m	2024 Total £m	2023 Total £m
Disposal proceeds	26.3	2.8	39.6	68.7	110.1
Cost of disposals	(14.2)	(1.0)	(21.6)	(36.8)	(66.3)
Surplus on asset disposals	12.1	1.8	18.0	31.9	43.8



4. Units of housing stock

Group

	1 April 2023	Additions	Disposals	Tenure change	Other	31 March 2024
SOCIAL HOUSING HOMES						
General needs rent	45,722	119	(81)	52	1	45,813
General needs affordable rent	5,729	352	(6)	(32)	-	6,043
Supported housing rent	1,501	9	(8)	(54)	(1)	1,447
Supported housing affordable rent	27	-	-	-	-	27
Housing for Older People rent	5,781	-	-	46	-	5,827
Housing for Older People affordable rent	100	-	-	-	-	100
Key workers	1,209	-	-	-	(5)	1,204
Low cost home ownership	8,625	915	(162)	(45)	(3)	9,330
Temporary & intermediate rent	1,879	33	(103)	-	-	1,809
Care homes	134	6	-	(12)	(4)	124
Total social housing homes owned and or managed	70,707	1,434	(360)	(45)	(12)	71,724
Total social housing homes owned but not managed	613	81	(49)	-	-	645
Total social housing homes managed but not owned	676	939	(56)	-	(2)	1,557
NON SOCIAL HOUSING						
Market rent	310	-	(2)	-	-	308
Student accommodation	1,654	-	-	-	-	1,654
Total non social housing homes owned and or managed	1,964	-	(2)	-	-	1,962
Total owned and managed	72,671	1,434	(362)	(45)	(12)	73,686
Leaseholders	6,089	-	-	45	-	6,134
Total	78,760	1,434	(362)	-	(12)	79,820

We own an average 61% equity in shared ownership properties. Included in low cost homeownership of 9,330 are 163 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion.

Other movements include transfers between tenures and stock swaps with other social housing providers.

4. Units of housing stock

Association

	1 April 2023	Additions	Disposals	Tenure change	Other	31 March 2024
SOCIAL HOUSING HOMES						
General needs rent	45,722	119	(81)	52	1	45,813
General needs affordable rent	5,729	352	(6)	(32)		6,043
Supported housing rent	1,501	9	(8)	(54)	(1)	1,447
Supported housing affordable rent	27	-	-	-	-	27
Housing for Older People rent	5,781	-	-	46	-	5,827
Housing for Older People affordable rent	100	-	-	-	-	100
Key workers	1,209	-	-	-	(5)	1,204
Low cost home ownership	8,625	915	(162)	(45)	(3)	9,330
Temporary & intermediate rent	1,879	33	(103)	-	-	1,809
Care homes	134	6	-	(12)	(4)	124
Total social housing homes owned and or managed	70,707	1,434	(360)	(45)	(12)	71,724
Total social housing homes owned but not managed	613	81	(49)	-	-	645
Total social housing homes managed but not owned	3,227	1,071	(122)	-	(405)	3,771
NON SOCIAL HOUSING						
Market rent	310	-	(2)	-	-	308
Student accommodation	1,654	-	-	-	-	1,654
Total non social housing homes owned and managed	1,964	-	(2)	-	-	1,962
Total non social housing homes managed but not owned	204	-	-	-	-	204
Total owned and managed	72,671	1,434	(362)	(45)	(12)	73,686
Leaseholders	5,606	89	-	45	-	5,740
Total	78,277	1,523	(362)	-	(12)	79,426

We own an average 61% equity in shared ownership properties. Included in low cost homeownership of 9,330 are 163 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion.

5. Operating surplus for the year

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
OPERATING SURPLUS IS STATED AFTER CHARGING/(CREDITING)				
Grant amortised	(18.9)	(19.4)	(19.0)	(19.3)
Depreciation – housing properties	65.4	61.2	64.9	60.4
Depreciation – other fixed assets	9.7	10.7	10.1	10.6
Impairment housing properties & stock	3.2	26.7	(1.8)	23.2
Accelerated depreciation	2.8	3.2	2.8	2.8
OPERATING LEASE CHARGES				
- Land & building	1.6	1.4	1.6	1.3
- Other	0.8	1.2	0.8	1.2
AUDITORS' REMUNERATION				
- in respect of audit services	0.7	0.8	0.6	0.7
- in respect of other non audit services	0.1	0.1	0.1	0.1
Defined benefit scheme total operating charge (note 32)	5.8	2.1	5.8	2.1
Defined contribution scheme pension cost	11.0	7.2	11.0	7.1

6. Employees

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
STAFF COSTS (INCLUDING DIRECTORS) CONSIST OF				
Wages & salaries	100.0	91.8	99.5	91.4
Social security costs	9.8	9.7	9.8	9.7
Pension costs	11.8	8.7	11.8	8.6
Redundancy costs	1.6	0.5	1.6	0.5
	123.2	110.7	122.7	110.2

More details on pension costs can be found in note 32.

	GROUP		ASSOCIATION	
	2024 FTE	2023 FTE	2024 FTE	2023 FTE
FTE ANALYSIS				
Administration	436	521	436	521
Development	96	130	96	130
Housing, DLO, Support and Care	1,892	1,841	1,892	1,841
	2,424	2,492	2,424	2,492

The average number of employees (including directors) expressed as full time equivalents (calculated based on a standard working week of 35-36 hours) during the year was as shown above.

7. Directors' and senior executives' remuneration

The key management personnel are defined as the Chief Executive and the Executive Team of Southern Housing who served during the year ended 31 March 2024 disclosed in the Leadership and Governance section.

THE EMOLUMENTS OF THE EXECUTIVE OFFICERS WERE	GROUP AND ASSOCIATION	
	2024 £m	2023 £m
Executive directors' emoluments (excluding pension)	1.9	2.2
Pension contributions	0.2	0.2
Total compensation paid for loss of office to Directors and Senior Executives	-	0.5
The Group Chief Executive was the highest paid director in 2023/24. Due to payments made for loss of office the Deputy Chief Executive was the highest paid director in 2022/23		
Total remuneration paid to the highest paid director (excluding pension contributions, including compensation for loss of office) for the year	0.3	0.4

The Group Chief Executive is a member of Southern Housing's defined contribution scheme which is managed by TPT Retirement Solutions. A contribution of £31.4k (2023: £29.2k) was made to this scheme on his behalf. There are no enhanced or special terms that apply to the Group Chief Executive's pension scheme arrangements.

The remuneration (including employer pension contributions) paid to staff (including Executive Team) earning over £60,000:

BAND	GROUP AND ASSOCIATION		BAND	GROUP AND ASSOCIATION	
	2024 Employees	2023 Employees		2024 Employees	2023 Employees
£60,000 - £70,000	160	127	£190,001 - £200,000	-	1
£70,001 - £80,000	75	58	£220,001 - £230,000	3	-
£80,001 - £90,000	40	37	£230,001 - £240,000	-	2
£90,001 - £100,000	28	20	£250,001 - £260,000	1	1
£100,001 - £110,000	17	16	£260,001 - £270,000	-	2
£110,001 - £120,000	14	11	£270,001 - £280,000	1	-
£120,001 - £130,000	8	13	£280,001 - £290,000	2	-
£130,001 - £140,000	8	7	£300,001 - £310,000	-	1
£140,001 - £150,000	12	4	£310,001 - £320,000	-	1*
£150,001 - £160,000	5	5	£330,001 - £340,000	1	-
£160,001 - £170,000	4	2	£460,001 - £470,000	-	1*
£170,001 - £180,000	1	1	TOTAL	380	311
£180,001 - £190,000	-	1			

*Includes payments for loss of office

8. Non-Executive Board and Committee members

	2024 Remuneration £	2024 Expenses £	2024 Total £	2023 Total £
Sir Peter Dixon	33,080	-	33,080	29,521
Eugenie Turton	18,500	38	18,538	16,631
Howard Cresswell	18,500	-	18,500	16,000
Michelle Dovey	18,500	122	18,622	16,719
Damien Régent	18,500	31	18,531	16,000
Janet Collier	18,000	-	18,000	13,786
Robert Clark	16,000	-	16,000	13,198
Geanna Bray	13,624	254	13,878	15,390
Ian Wilson	13,000	-	13,000	10,900
Philip Blume	13,000	384	13,384	10,900
Carol Rosati	12,000	-	12,000	14,614
Darrell Porter	10,000	-	10,000	5,063
Charles Joseland	10,000	-	10,000	7,054
Grace Alaneme	8,873	-	8,873	12,646
Daisy Armstrong	8,684	-	8,684	7,587
Billy Brown	6,500	179	6,679	5,233
Candice McCausland	5,000	-	5,000	4,646
Carolyn Porretta	5,000	-	5,000	4,646
Kathryn Smith	5,000	-	5,000	4,646
Liz Curran	5,000	-	5,000	4,846
Matthew Abbott	5,000	-	5,000	4,646
Maureen Nicholas	5,000	-	5,000	4,670
Abi Gray	5,000	-	5,000	12,000
Malcolm Groves	5,000	412	5,412	5,000
Karen Moscrop	5,000	-	5,000	3,593
Sara Jane Ensor	5,000	-	5,000	3,593
Judith Harding	4,475	174	4,649	-
Ben Broad	4,475	-	4,475	-
Benjamin Carlton-Jones	3,000	-	3,000	3,000
Charles Pears	3,000	342	3,342	3,000
Claire Gemma Virginie	3,000	-	3,000	3,000
Justin Chittock	3,000	-	3,000	3,000
Anita Hockin	2,579	200	2,779	-
Nick Stephenson	-	-	-	1,278
Andrew Burder	-	-	-	9,384
Nigel Tinker	-	-	-	13,154
Malcolm Zack	-	-	-	3,375
Arthur Merchant	-	-	-	25,000
David Lewis	-	-	-	12,000
Joanna Hawkes	-	-	-	12,000
Julie Blair	-	-	-	4,500
Beverley Costain	-	-	-	3,000
Deborah Mansfield	-	-	-	3,000
Sarah Chaudhry	-	-	-	3,000
	310,290	2,136	312,426	365,219

The pay structure for non-executive members recognises the need for a high level of professionalism and time commitment from our Board and Committee members. The performance and the amount paid to Board and Committee members is reviewed annually. Remuneration is based on sector benchmarking data for comparable sized associations. The Fresh Visions People Limited Trustees are unpaid. The total payments to Board and Committee members in 2023/24 is less than 0.1% of our turnover.

9. Commercial property write off

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Commercial property write off	(2.3)	-	(2.3)	-
	(2.3)	-	(2.3)	-

This is the write off on demolition of one of our schemes, Eaton Place, Margate.

10. Interest receivable and income from investments

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Bank and deposit interest	1.9	2.2	1.5	1.7
Interest rate swap	5.9	-	5.9	-
Investment income	2.5	1.7	2.5	1.7
Intercompany interest receivable	-	-	28.7	18.4
	10.3	3.9	38.6	21.8

11. Interest and financing costs

Financial instruments and borrowings

Southern Housing has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to its financial instruments. Financial assets and financial liabilities are recognised when the organisation becomes a party to the contractual provisions of the instrument, and are offset only when the organisation currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. All borrowings have been assessed as meeting the basic definition in Section 11 and are therefore initially recognised at the transaction price, including transaction costs, and are subsequently measured at amortised cost. Interest expense is included in interest payable and similar charges. Loans and investments payable or receivable within one year are not discounted.

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Movements in fair value are recognised in the statement of comprehensive income. The derivatives are accounted for in accordance with FRS 102 – Section 12 at fair value through profit or loss.

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Finance costs

Finance costs are charged to income and expenditure over the term of the debt. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Deferred financing costs

Deferred financing costs represent the costs incurred in securing new borrowing facilities. They are deducted from the value of the housing loans and bond and amortised over the life of the housing loans or bond to which they relate using the effective interest rate method. The deferred financing cost includes the discount and premium on the bond issue. The carrying amount of the housing loans or bond will be increased by the finance cost for each reporting period and reduced by repayments made in respect of the loan or bond in that period.

Capitalised interest

Interest payable on loans is recognised on a payable basis as it falls due together with amortisation charges. Interest is capitalised on properties under construction on a proportion of the borrowings of the Group and Association as a whole, using the weighted average interest rate for borrowing. The Group's weighted average interest rate for borrowing is 4.2% per annum (2023: 3.77% per annum).

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Bank loans	129.1	103.2	128.9	102.9
Interest rate swaps	-	1.7	-	2.0
Recycled capital grant fund	2.4	1.0	2.3	1.0
Other interest & financing costs	3.5	16.0	4.1	18.9
Net interest on pension funds	0.5	0.4	0.5	0.4
	135.5	122.3	135.8	125.2
INTEREST CAPITALISED ON CONSTRUCTION OF HOUSING PROPERTIES	(21.9)	(22.3)	(13.5)	(15.1)
	113.6	100.0	122.3	110.1
OTHER FINANCING COSTS THROUGH INCOME AND EXPENDITURE				
(Loss) / gain on basic swap derivative instruments	(1.1)	35.2	(1.3)	34.3

Other interest payable includes non utilisation cost, amortisation of loan setup cost, amortisation of premium/discount as well as finance agency and administration costs.

12. Taxation

No taxation is payable on the charitable surpluses of the Association, Southern Housing. The Association may be required to pay tax on trading income derived from non-charitable activities. Taxation is chargeable on the surpluses of subsidiary entities which includes Crystal Palace Housing Association Limited, Optivo Finance plc, Optivo Development Services Limited, Lamborn Estates Limited, Optivo Homes Ltd, Southern Home Ownership Limited, Southern Space Limited, Southern Development Services Limited, Spruce Homes Limited and Southern Housing Construction Limited. Surpluses either in whole or in part are transferred to the parent by a qualifying charitable donation which then reduces the taxation charge accordingly. The tax impact of qualifying charitable donation is accounted for when it is probable that the qualifying charitable donation will be made.

The tax charge has been assessed on the basis that it is probable that qualifying charitable donation will be paid to the parent by the Group companies within nine months of the year end.

Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements.

These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102 Section 29.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Deferred tax mainly arises from timing differences relating to revaluation of investment properties in entities that are subject to tax.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income.

Factors that may affect future tax charges

The standard rate of corporation tax in the UK remained at 19% in 2023. From 1 April 2023 the corporation tax rate increased to 25% on profits over £250k and 19% on profits under £50k with marginal relief applied for profits between the two limits.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
CURRENT TAX				
Current tax on income for the period	0.6	0.7	0.1	0.3
Adjustment in respect of previous periods	0.4	-	0.6	-
Total current tax	1.0	0.7	0.7	0.3
Deferred tax expense	(0.6)	(0.6)	(0.1)	(0.3)
Adjustment in respect of previous periods	(0.8)	-	-	-
	(0.4)	0.1	0.6	-

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
CURRENT TAX RECONCILIATION				
Surplus / (Deficit) on ordinary activities before taxation	12.8	90.9	(0.2)	77.9
Less surplus from charitable activities	(7.3)	(76.1)	0.2	(76.1)
Taxable surplus on ordinary activities before tax	5.5	14.8	-	1.8
Corporation tax charged at 25% (2023: 19%)	1.4	2.8	-	0.3
EFFECTS OF				
Qualifying charitable donations paid or to be paid within 9 months of the year end	(1.2)	(2.5)	-	-
Share of taxable profits in Triathlon Homes LLP	0.4	0.4	-	-
Adjustment in respect of prior periods	(1.0)	(0.6)	0.6	(0.3)
Total tax charge (see above)	(0.4)	0.1	0.6	-

13. Tangible fixed assets – housing properties

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

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for incremental staff costs and other costs of managing the development. Directly attributable costs of acquisition include capitalised interest calculated on a proportional basis using finance costs on borrowing drawn to finance the relevant construction or acquisition. 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.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in the first tranche, are included in property, plant and equipment and held at cost less any impairment. They are transferred to completed properties when ready for letting. Expenditure on schemes, which are subsequently aborted, is written off in the period in which it is recognised the scheme will not be developed to completion. The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets, which is included in the operating surplus for the year in the statement of comprehensive income.

Impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An options appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of depreciated replacement cost compares a rebuild cost (using floor space, an average build cost per square metre and an average grant per unit) with expectations of price for an asset with equivalent service potential on the open market. The lower of the replacement costs is then adjusted as if that cost had been depreciated for the life of the asset.

The Group defines cash generating units as follows:

- Individual historical completed homes / stock transfer properties assessed on the basis of geography and property size
- Already impaired properties assessed at individual scheme level.

Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

In 2023/24 assets impaired include land purchased ahead of a scheme being identified or planning permission granted, but where the land value has fallen since it was acquired or estimated disposal value. The value has been assessed based on the anticipated level of affordable housing for which planning permission will be given. The carrying value of the land prior to recognition of the impairment was £36 million.

Depreciation of housing properties

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. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure they are only depreciated in periods in which economic benefits are expected to be consumed. The cost of housing property and components are depreciated over the useful economic lives of the assets on the following basis:

COMPONENT	Years
Structure	85-125
Lifts	25-30
Kitchens	20-25
Bathrooms	20-30
Solar panels	20
External storage	10
External staircase	60
Aerials /CCTV	10
Flooring	15
Windows	25-30
Roofs	20-80
Fire alarms	15-20
Doors	15-30
Boilers & heating	15-25
Emergency lighting	15-20
Electrical wiring	5-30
Warden call / door entry	15

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease, the lease and building elements are depreciated separately over their expected useful economic lives.

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 a specific tenure, costs are allocated on a floor area or unit basis depending on what is appropriate for each scheme.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the balance sheet as a liability. Where the donation is from a non-public source the value of the donation is included as income.

Stock swaps

Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value. Grant associated with the transfers is recorded as a contingent liability.

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 10% and 75% of value. The Buyer 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.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining "staircasing element", is classed as property, plant and equipment and included in completed housing property at cost together with any provision for impairment. Sales of subsequent tranches are treated as a part disposal of property, plant and equipment. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

The Group maintains shared ownership properties to a sound state of repair where it has the responsibility to do so. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the statement of comprehensive income.

GROUP	Housing properties held for letting £m	Housing properties for letting under construction £m	Completed shared ownership properties £m	Shared ownership properties under construction £m	Total housing properties £m
COST					
At 1 April 2023	5,072.7	415.4	894.8	211.4	6,594.3
Reclassify other fixed assets	11.4	-	15.0	-	26.4
Reclassify to impairment	-	-	-	1.1	1.1
Reclassify to depreciation	2.4	(2.9)	(2.6)	(0.1)	(3.2)
Additions during year	5.1	146.9	4.9	100.0	256.9
Replaced components	94.9	-	-	-	94.9
Tenure change	(1.0)	-	1.0	-	-
Transfer on completion	109.5	(109.5)	98.1	(98.1)	-
Disposals - property	(13.4)	-	(25.3)	-	(38.7)
Demolition	(5.1)	-	(0.1)	-	(5.2)
Disposals - components	(14.0)	-	-	-	(14.0)
At 31 March 2024	5,262.5	449.9	985.8	214.3	6,912.5
DEPRECIATION					
At 1 April 2023	763.7	-	27.7	-	791.4
Reclassify other fixed assets	(0.4)	-	4.1	-	3.7
Reclassify	(3.2)	-	-	-	(3.2)
Depreciation charge for the year	65.4	-	-	-	65.4
Disposals - property	(9.0)	-	(0.7)	-	(9.7)
Demolition	(0.6)	-	-	-	(0.6)
Disposals - components	(11.2)	-	-	-	(11.2)
At 31 March 2024	804.7	-	31.1	-	835.8
IMPAIRMENT					
At 1 April 2023	2.3	18.3	-	4.5	25.1
Reclassify from cost	-	-	-	1.1	1.1
Impairment moved to stock	-	-	-	(4.4)	(4.4)
Impairment (release)/charge for the year	(2.3)	2.1	-	-	(0.2)
At 31 March 2024	-	20.4	-	1.2	21.6
NET BOOK VALUE					
At 31 March 2024	4,457.8	429.5	954.7	213.1	6,055.1
At 31 March 2023	4,306.7	397.1	867.1	206.9	5,777.8

The cost of land included in the above not subject to depreciation is £1,989 million (2023: £1,925 million). Additions to housing properties in the course of construction during the year included capitalised interest of £21.9 million (2023: £22.3 million) at an average interest rate during the year of in the region of 4.2% (2023: 3.8%).

The total expenditure on works to existing and acquired properties during the year was £246.8 million (2023: £133.2 million), of which £94.9 million was capitalised as component replacements, the remainder was expensed.

Tenure changes between housing properties and shared ownership relate to Homeflex stock movement following the sale of the first tranche.

	Housing properties held for letting £m	Housing properties for letting under construction £m	Completed shared ownership properties £m	Shared ownership properties under construction £m	Total housing properties £m
ASSOCIATION					
COST					
At 1 April 2023	4,973.5	367.4	797.2	153.0	6,291.1
Reclassify other fixed assets	11.0	-	15.0	-	26.0
Reclassify to impairment	-	-	-	1.1	1.1
Reclassify to depreciation	2.4	(2.9)	(2.6)	(0.1)	(3.2)
Additions during year	1.7	114.8	(0.2)	49.5	165.8
Replaced components	94.5	-	-	-	94.5
Acquired housing properties	50.6	-	4.0	-	54.6
Tenure change	(1.6)	-	1.6	-	-
Transfer on completion	89.9	(89.9)	63.0	(63.0)	-
Disposals - property	(13.4)	-	(25.2)	-	(38.6)
Demolition	(5.1)	-	-	-	(5.1)
Disposals - components	(14.0)	-	-	-	(14.0)
At 31 March 2024	5,189.5	389.4	852.8	140.5	6,572.2
DEPRECIATION					
At 1 April 2023	760.6	-	26.4	-	787.0
Reclassify other fixed assets	(0.4)	-	4.1	-	3.7
Reclassify	(3.2)	-	-	-	(3.2)
Depreciation charge for the year	64.9	-	-	-	64.9
Disposals - property	(1.1)	-	(0.7)	-	(1.8)
Demolition	(0.5)	-	-	-	(0.5)
Disposals - components	(11.2)	-	-	-	(11.2)
At 31 March 2024	809.1	-	29.8	-	838.9
IMPAIRMENT					
At 1 April 2023	2.3	17.5	-	2.8	22.6
Reclassify from cost	-	-	-	1.1	1.1
Impairment moved to stock	-	-	-	(3.9)	(3.9)
Impairment charge/(release) for the year	(2.3)	2.1	-	-	(0.2)
At 31 March 2024	-	19.6	-	-	19.6
NET BOOK VALUE					
At 31 March 2024	4,380.4	369.8	823.0	140.5	5,713.7
At 31 March 2023	4,210.6	349.9	770.8	150.2	5,481.5

The cost of land included in the above which is not subject to depreciation is £1,986 million (2023: £1,906 million). Additions to housing properties in the course of construction during the year included capitalised interest of £13.5 million (2023: £15.1 million) at an average interest rate during the year of in the region of 4.2% (2023: 3.8%).

The total expenditure on works to existing properties during the year was £245.6 million (2022: £132.2 million), of which £94.5 million was capitalised as component replacements.

Tenure changes between housing properties and shared ownership relate to Homeflex stock movement following the sale of the first tranche.

14. Tangible fixed assets – other fixed assets

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised and reflected in the statement of comprehensive income. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

OTHER FIXED ASSETS	Years
Freehold offices	50-100
Furniture & office equipment	5-15
Computer hardware	3-4
Computer software	3-4
Motor vehicles	4
Office improvements	10
Leasehold properties	Over term of lease

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “surplus on disposal of fixed assets” in the statement of comprehensive income.

GROUP	Land and building £m	Furniture and office equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
COST					
At 1 April 2023	47.3	72.0	40.2	0.5	160.0
Reclassification to housing properties	(4.9)	(21.5)	-	-	(26.4)
Additions during year	0.7	1.2	-	0.2	2.1
At 31 March 2024	43.1	51.7	40.2	0.7	135.7
DEPRECIATION					
At 1 April 2023	17.4	31.0	30.9	0.3	79.6
Reclassification to housing properties	(1.6)	(2.4)	0.3	-	(3.7)
Charge for the year	2.4	3.0	4.2	0.1	9.7
At 31 March 2024	18.2	31.6	35.4	0.4	85.6
NET BOOK VALUE					
At 31 March 2024	24.9	20.1	4.8	0.3	50.1
At 31 March 2023	29.9	41.0	9.3	0.2	80.4

The net book value of freehold land and buildings included in the above is £21.3 million (2023: £26.3 million).

The net book value of leasehold buildings included in the above is £2.6 million (2023: £3.4 million).

ASSOCIATION	Land and building £m	Furniture and office equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
COST					
At 1 April 2023	47.2	70.8	40.2	0.5	158.7
Reclassification to housing properties	(4.9)	(21.1)	-	-	(26.0)
Additions during year	1.3	1.2	-	0.2	2.7
At 31 March 2024	43.6	50.9	40.2	0.7	135.4
DEPRECIATION					
At 1 April 2023	17.4	30.7	30.9	0.3	79.3
Reclassification to housing properties	(1.6)	(2.4)	0.3	-	(3.7)
Charge for the year	2.8	3.0	4.2	0.1	10.1
At 31 March 2024	18.6	31.3	35.4	0.4	85.7
NET BOOK VALUE					
At 31 March 2024	25.0	19.6	4.8	0.3	49.7
At 31 March 2023	29.8	40.1	9.3	0.2	79.4

The net book value of freehold land and buildings included in the above is £21.3 million (2023: £26.3 million).

The net book value of leasehold buildings included in the above is £2.6 million (2023: £3.4 million).

15. Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business but held for investment potential or capital appreciation. Investment properties are measured at cost on acquisition or initial recognition and subsequently at fair value at the year end, with changes in fair value recognised in the statement of comprehensive income. Fair value is determined annually by appropriately qualified external valuers and derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties.

The Group's investment properties are valued annually on 31 March at fair value. The Group engaged Jones Lang LaSalle Limited, Resolution Property Surveyors and Copping Joyce for the latest fair value valuation. They are independent, professionally qualified valuers and valuation is undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Changes in fair value are recognised in the statement of comprehensive income. Investment properties make up less than 5% of our asset portfolio. We update the investment property valuations annually.

The investment properties include £54.4 million attributable to properties currently under construction. These properties are measured at cost. The difference between the cost and fair value of these properties is not considered material and therefore not separately recognised in the financial statements.

The Group's investment properties are valued annually on 31 March at fair value. The Group engaged

Jones Lang LaSalle Limited (JLL) and Resolution Property Surveyors for the latest fair value valuation. They are independent, professionally qualified valuers and valuation is undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Changes in fair value are recognised in the statement of comprehensive income. Investment properties make up less than 5% of our asset portfolio. We update the investment property valuations annually.

Rental deductions for void losses were reflected as bottom line deductions from fair value rather than being reflected via the cashflow calculation.

Valuers benchmarked 2024/25 rents with competing schemes. Assumptions reflects the market approach a potential purchaser would take, as at the valuation date. Discount rates in valuing our student properties range from 7.55% and 22.35%. The cash flows generated incorporate growth assumptions in respect of income and expenditure elements based upon deviations from the RPI trend rate of inflation (2.5%) plus additional real growth (0.5%).

A rent capitalisation methodology was adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. Where appropriate, for offices with obvious permitted development credentials, a high level residual appraisal was undertaken to underpin the valuation.

The deficit on revaluation of investment property arising of £31.7 million (2023 surplus of £0.1 million) has been included in the statement of comprehensive income for the year.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
At 1 April	325.4	311.5	242.0	242.8
Additions	7.3	15.3	-	1.1
Transferred to fixed assets	-	(3.8)	-	(4.4)
Transfer (to)/from stock	(10.3)	2.3	(2.2)	2.3
Revaluation in year	(31.7)	0.1	(20.3)	0.2
At 31 March	290.7	325.4	219.5	242.0

16. Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual entity's financial statements.

Associates and joint venture

An entity is treated as an associated undertaking where Southern Housing or the relevant subsidiary exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to

reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. Any share of losses are only recognised to the extent that they do not reduce the investment balance below zero as the Group has no obligations to make payments on behalf of the joint venture, and any share of subsequent profits shall be accounted for once the unrecognised profits are equal to the unrecognised losses. In the consolidated balance sheet, the interests in joint ventures are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any unrealised profits and losses from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

GROUP	2024 £m	2023 £m
At 1 April	0.1	2.2
Distribution received	-	(2.8)
Cumulative share of joint venture profit	0.1	0.7
At 31 March	0.2	0.1

In December 2018 Optivo Homes Limited, a subsidiary of Southern Housing, entered into an agreement with Galliford Try Homes Limited (now Vistry Linden Limited) to become a member of Linden (Rainham) LLP. Each party holds a 50% interest in the LLP and 50% of the voting rights. Linden (Rainham) LLP's principal activity is the development of new homes.

Southern Housing holds:

A 50% partnership capital in Affinity Housing Services (Reading), a joint venture with Abri Group, which is accounted for as a jointly controlled operation. The joint venture has a 33% holding in Affinity (Reading) Holdings Limited, which holds 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's housing portfolio.

A 33.33% direct holding in Affinity (Reading) Holdings Limited, which together with the indirect holding described above, gives a total interest of 50%. The indirect interest is accounted for through the accounting of Affinity Housing Services (Reading). The direct interest is accounted for as a jointly controlled

entity. In the Association it is held at cost less impairment and in the Group it is held using the equity method of accounting.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The principal activity of Triathlon Homes LLP is the management of the social housing within East Village, Stratford. Following the final handover of all units by the developer to Triathlon Homes LLP, all units are used for social housing in a variety of tenures. Triathlon Homes LLP is accounted for as a jointly controlled entity and has net negative reserves due to a negative cash flow hedge reserve. The Group has no contractual liability for the resultant losses.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
AFFINITY AND TRIATHLON				
At 1 April	6.9	3.0	3.6	3.6
Additional loan	0.3	-	0.2	-
Cumulative share of joint venture profit	1.3	3.9	-	-
At 31 March	8.5	6.9	3.8	3.6

Investment in Social HomeBuy

The Group retains a stake in homes purchased through the HomeBuy and Starter Homes Initiative schemes which are regarded as public benefit entity concessionary loans. They are held in the statement of financial position, recorded at transaction value, being the share of value of the property at the date of acquisition, as opposed to being held at the fair value of the loans which FRS 102 would otherwise require, which is not materially different.

The loan is repayable on the sale of the underlying property with any proportionate excess achieved

on the sale value over the loan value being reported through the statement of comprehensive income.

Investments in HomeBuy and Starter Home Initiatives are funded through social housing grant. The Association funds 6% of the stake in Starter Home Initiatives, with the remainder being funded through social housing grant. No interest is payable. The security is a charge on the property and repayment is due upon the sale of the property. There are no concessionary loans committed but not taken up at year end.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Investment in subsidiary	-	-	1.8	3.5
Investment in social HomeBuy	6.8	6.9	6.8	6.9
	6.8	6.9	8.6	10.4

Unlisted investment

The unlisted investments comprised interest bearing cash deposits placed as a guarantee for loans from The Housing Finance Corporation Limited ('THFC'). These are held at cost, adjusted for any increases in amounts deposited or withdrawn and impairment. The deposits are held as interest cover with differing maturity and interest rates in line with the loan facility agreements. Interest receivable is accounted for on an accruals basis. The endowment is held by Fellowship Houses Trust at fair value.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Fair value of endowment	0.2	-	-	-

Derivatives

The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Movements in fair value are recognised in the statement of comprehensive income. The derivatives are accounted for in accordance with FRS 102 – Section 12 at fair value through profit or loss.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
MARK TO MARKET DERIVATIVES				
Asset	21.7	21.0	21.7	21.3
Liability	(9.0)	(7.2)	(8.9)	(7.2)
	12.7	13.8	12.8	14.1

17. Properties held for sale

Stock represents work in progress, completed properties developed for outright sale and shared ownership properties. For shared ownership properties the value held as stock is the estimated proportion of cost to be sold as a first tranche. Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Open market sale: completed properties	16.7	3.4	-	-
Open market sale: under construction properties	45.5	57.0	-	-
Shared ownership: completed properties	33.7	31.2	20.7	11.4
Shared ownership: under construction properties	54.2	83.6	43.9	47.2
	150.1	175.2	64.6	58.6

18. Trade and other debtors

Debtors 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 statement of comprehensive income in other operating expenses.

Liquidity fund

In accordance our borrowing agreements we maintain a Liquidity Reserve Fund with the lender. The Reserve Fund is equal to not less than twelve months' interest.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
GROUP				
DUE WITHIN ONE YEAR				
Rental and service charge arrears	43.5	26.5	42.5	25.8
Provision for doubtful debts	(7.6)	(7.8)	(7.5)	(7.8)
	35.9	18.7	35.0	18.0
Social housing grant receivable	0.2	0.5	0.2	0.5
Trade debtors	19.3	24.4	17.8	8.6
Other debtors	5.3	5.7	4.4	4.6
Amounts owed by subsidiary undertakings	-	-	2.2	300.5
Prepayments and accrued income	15.3	21.3	13.1	21.2
VAT	0.3	6.3	-	1.3
	76.3	76.9	72.7	354.7
DUE AFTER MORE THAN ONE YEAR				
Leaseback schemes	1.4	1.7	1.4	1.7
Service charge debtor	19.3	11.8	19.3	11.8
Liquidity fund	13.6	12.2	13.6	12.0
Amounts owed by subsidiary undertakings	-	-	431.9	60.2
	34.3	25.7	466.2	85.7
TOTAL DEBTORS	110.6	102.6	538.9	440.4

19. Short term investments

There were no deposits not accessible within 3 months (2023: £Nil).

20. Cash and cash equivalents

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Cash and cash equivalents	109.0	146.1	98.4	127.3

Total Group cash balance of £109.0 million (2023: £146.1 million) includes £33.0 million (2023: £28.7 million) held in separate accounts for 'ring-fenced' sinking funds on behalf of leaseholders, £7.7 million held for South East Consortium (2023: £5.4 million) and restricted cash £16.4 million (2023: £16.2 million) which is mainly collateral for our Pensions.

21. Creditors: amounts falling due within one year

Trade and other creditors and housing loans are carried at amortised cost.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Loans and borrowings (note 25)	35.2	67.4	35.2	67.4
Social housing grant (note 23)	19.5	13.3	19.5	13.2
Interest payable	24.1	10.9	23.4	10.2
Taxation and social security	3.0	7.9	2.9	3.7
Rent & service charge in advance	49.6	41.2	48.3	39.6
Accruals and deferred income	154.4	161.9	146.4	139.4
Amounts due to subsidiary undertakings	-	-	1.2	4.8
Other creditors	3.3	2.0	3.3	2.0
Recycled capital grant fund (note 24)	27.1	14.5	26.9	14.3
	316.2	319.1	307.1	294.6

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

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
Loans and borrowings (note 25)	3,095.8	2,842.1	3,144.6	2,852.8
Social housing grant (note 23)	1,655.4	1,696.5	1,611.0	1,647.5
Derivative financial instruments	9.0	7.2	8.9	7.2
Lease premium grant subsidy	0.1	0.2	0.1	0.2
Service charge creditor	2.0	2.0	2.0	2.0
Recycled capital grant fund (note 24)	20.0	28.5	19.3	27.7
Other creditors	14.2	20.4	14.0	20.4
	4,796.5	4,596.9	4,799.9	4,557.8

23. Social Housing Grant

The Group receives financial assistance from Homes England and the GLA. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building structure, which is between 85 -125 years.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
TOTAL SOCIAL HOUSING GRANT RECEIVED OR RECEIVABLE				
Capital grant - housing properties	1,674.9	1,709.8	1,630.5	1,660.7
Recycled capital grant fund (note 24)	47.1	43.0	46.2	42.0
Cumulative amount amortised	390.9	370.3	388.6	365.6
	2,112.9	2,123.1	2,065.3	2,068.3
At 1 April	1,709.9	1,711.0	1,660.7	1,685.4
Grants received during the year	1.1	47.0	0.6	36.4
Grants repaid during the year	(5.1)	-	-	-
Grant recycled	-	2.7	-	-
Intra group transfers	-	-	0.5	(10.7)
Disposals	(12.1)	(31.5)	(12.3)	(31.1)
Grants amortised during the year	(18.9)	(19.4)	(19.0)	(19.3)
At 31 March	1,674.9	1,709.8	1,630.5	1,660.7
Cumulative amount amortised	390.9	370.3	388.6	365.6

24. Recycled Capital Grant Fund (RCGF)

On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing (RSH) can direct the Association to recycle or repay capital grants. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, grant will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated cannot be used within one year is held in the balance sheet under "creditors due after more than one year". The remainder is held under "creditors due within one year".

GROUP	2024 Homes England £m	2024 GLA £m	2023 Homes England £m	2023 GLA £m
Balance at 1 April	15.5	27.5	14.1	23.3
Grants recycled	3.8	4.8	2.0	5.3
Interest accrued	0.8	1.6	0.4	0.6
Grants repaid	-	(6.9)	(1.0)	(1.7)
At 31 March	20.1	27.0	15.5	27.5
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	12.4	14.7	0.2	14.3
Within 2 to 3 years	7.7	12.3	15.3	13.2
	20.1	27.0	15.5	27.5

ASSOCIATION	2024 Homes England £m	2024 GLA £m	2023 Homes England £m	2023 GLA £m
At 1 April	15.4	26.6	14.0	22.8
Grants recycled	3.8	4.7	2.0	4.7
Transfers	0.1	0.2	-	0.2
Interest accrued	0.8	1.5	0.4	0.6
Grants repaid	-	(6.9)	(1.0)	(1.7)
At 31 March	20.1	26.1	15.4	26.6
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	12.3	14.6	0.2	14.1
Within 2 to 3 years	7.8	11.5	15.2	12.5
	20.1	26.1	15.4	26.6

25. Loans and borrowings

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
HOUSING LOANS REPAYABLE				
Loans and debentures	1,342.5	1,343.9	1,342.3	1,343.6
Bond	1,825.0	1,506.5	675.0	675.0
Total housing loans	3,167.5	2,850.4	2,017.3	2,018.6
Inter-company loan	-	-	1,198.9	916.5
Other loan/ bond costs	(19.6)	77.4	(19.5)	(1.9)
Deferred financing & set-up costs	(16.9)	(18.3)	(16.9)	(13.0)
Net borrowings	3,131.0	2,909.5	3,179.8	2,920.2
HOUSING LOANS REPAYABLE				
Within one year	35.2	67.4	35.2	67.4
One to two years	27.3	36.8	27.3	36.8
Two to five years	587.2	447.3	587.2	447.3
More than five years	2,517.8	2,298.9	1,367.6	1,467.1
Net borrowings	3,167.5	2,850.4	2,017.3	2,018.6

Other loan/bond costs includes any discount (or premium) on bonds issued in the period.

At 31 March 2024 the Groups facilities were as below. During the year our drawn facilities increased by £317.1 million.

GROUP	2024 £m	2023 £m
TOTAL FACILITIES	4,033.3	4,214.1
of which own name bonds	1,825.0	1,506.5
of which banks and other lenders	2,208.3	2,707.6
TOTAL FACILITIES	4,033.3	4,214.1
of which drawn	3,167.5	2,850.4
of which available to draw	865.8	1,238.7
of which unavailable to draw	-	125.0
Retained bonds	-	118.5
GROUP	2024 £m	2023 £m
DRAWN FACILITIES	3,167.5	2,850.4
of which fixed rate	2,792.2	2,475.7
of which floating rate	365.3	364.7
of which index linked	10.0	10.0

The loans bear interest at fixed rates ranging from 1.25% to 11.5% or at variable rates calculated at a margin above SONIA, the Bank of England Base Rate, or the Retail Prices Index. We measure interest rate sensitivity with Macaulay Duration, which was 8.5 years.

The Group has interest rate swap agreements in place to mitigate the risk of interest rate increases in its floating rate debt. We had vanilla swaps of £225.5 million notional value (2023: £74.6 million), amortising swaps of £160.0 million notional value (2023: £160.0 million), as well as forward starting swaps of £30.0 million notional value (2023: £30.0 million).

The mark to market of the swaps is £12.7 million (2023: £13.8 million). Our swaps have a maturity range of 2026-2038 and a pay fixed rate range of 1.69% to 5.10%. The average rate, weighted by notional value of swaps active at year end, was 3.48% (2023: 2.74%). During 2023/24, Southern Housing entered into £150 million of vanilla swaps.

BOND MATURITY	October 2035	October 2036	February 2039	March 2043	October 2047	March 2048
Coupon	2.86%	2.38%	4.50%	5.25%	3.50%	3.28%
Issue size (£m)	350	300	75	400	300	400
Remaining retained (£m)	-	-	-	-	-	-
Valuation date	May 2023	Oct 2023	Oct 2023	Jul 2023	Oct 2023	Nov 2023
Valuation before asset cover (£m)	484	437	110	461	437	488
Valuation after asset cover (£m)	427	387	97	405	386	426
Company issuing*	OFP	SH	SH	OFP	SH	OFP

*SH is Southern Housing and OFP is Optivo Finance PLC

At 31 March 2024 we had £1,825 million bonds in issue (2023: £1,625 million). None of these were retained bonds (2023: £118.5 million). In June 2023 we sold £30 million of our sustainable linked retained 2036 bonds. In July 2023 we repurchased and cancelled £50 million of our 2044 bond. In August 2023 we sold the remaining £20 million 2036 retained bonds. Also in August 2023, we sold our remaining £69 million retained 2035 bond. In September, we tapped both our 2043 and 2048 bonds to issue further £100 million and £150 million respectively. Both amounts were retained for future sale. The £100 million 2043 retained bonds were then sold in September 2023. The £150 million 2048 retained bonds were sold in November 2023.

At 31 March 2024, 44,554 (2023: 45,712) homes are charged as security to lenders valued at £6.3 billion (2023: £5.8 billion) and a gross book value of £5.8 billion (2023: £5.6 billion) (based on a mix of existing use value – social housing (EUV-SH) and market values subject to tenancies (MV-T)). Homes are charged to derivative counterparties to meet our mark to market exposure to the extent that this exceeds a threshold agreed between the counterparties.

The Board recognises a key risk faced by the Group relates to the ability of the Association to repay loans as they fall due. The Association is exposed to fluctuations in interest rates. The key risks and mitigation strategies are:

- The Group uses derivatives to manage interest rate risk
- The Group undertakes regular revaluation of the property portfolio, ensuring the asset cover required to secure borrowings is maintained. The majority of borrowing is secured against the market value of properties subject to tenancies
- The Group regularly monitors actual and projected compliance with financial covenants, and uses sensitivity analysis to ensure price, liquidity, credit, and interest rate risk will not affect the ability of the Group to repay debt to the lender as it falls due or that mitigating actions are taken where appropriate.

26. Provisions

A provision is only recognised for specific and quantifiable liabilities that exist at the balance sheet date as a result of a past event and only where it is probable that we will be required to transfer economic benefits in settlement of the obligation.

Provisions are made when expenditure required to settle the obligation at the balance sheet date can be reliably measured. Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises. Southern Housing reviews at each reporting date the identified risks it is aware of to ensure the value of provisions made is appropriate.

We have a comprehensive fire works programme with spend divided between remediating defects at the time of original construction and enhancement works required if the blocks were built today. We've determined our constructive obligation to carry out future works is at the point when we formally notify

residents of the start date for remediation works to commence. This is after we have completed a PAS9980 survey which has then been used to inform the works required and have determined the cost of those works. We apply this policy to both rented homes and shared ownership / leasehold homes. For rented and shared ownership homes remediation works are charged to the Statement of Comprehensive Income (SOCl), enhancement works are capitalised. For leasehold homes all costs are charged to the SOCl.

We've set aside an £8 million specific provision against the £27 million loan balance in Association relating to recoverability of the intercompany loan to Lamborn Estates.

Provisions are not made for works which are considered to be part of the ordinary course of business and that form part of an ongoing maintenance and major works programme. Where settlement is not probable and / or cannot be reliably estimated a contingent liability is recognised.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
THE GROUP HAS RECOGNISED				
Fire safety provisions	1.0	-	1.0	-
Hand back provisions	0.4	1.6	0.3	1.6
Loan loss provision	-	-	8.0	-
	1.4	1.6	9.3	1.6

27. Contingent liabilities and assets

Contingent liability

A contingent liability is disclosed for a possible obligation for which it is not yet confirmed that an obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of the related property. The timing of any future disposal is uncertain. No provision has therefore been recognised in these financial statements in relation to any potential repayment of grant that may arise in the event of a disposal. The Group holds £161.3 million of grant (2023: £159.2 million) relating to stock swaps which would be repayable to the grant provider in the event that this stock is disposed.

A contingent liability exists in relation to defects in external wall construction and cladding of existing blocks of flats.

Southern Housing uses PAS9980 assessments which provide the methodology for the fire risk appraisal of external wall construction and cladding of existing multi-storey and multi-occupied residential buildings. We've provided for fire remediation works to be carried out in 2024/25 where we can reliably estimate costs and where a constructive obligation exists. There is a possible, but uncertain obligation in relation to buildings where a PAS9980 assessment has not

yet been performed. In line with Building Safety Act 2022, Southern Housing's Board has approved that Southern Housing will not recharge leaseholders for remediation works identified by our PAS9980 assessments.

A contingent liability exists on Optivo Pension Scheme (OPS) liabilities as we have been notified by the Trustee of the OPS that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of the OPS liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue. We estimate the additional liability to be £3 million, 4% of scheme liabilities.

Contingent asset

A contingent asset is disclosed where a possible asset arises from past events and whose existence will only be confirmed by the occurrence of uncertain future events. We have spent £1.9 million decanting residents from a defective scheme. We intend to claim these costs from the developer but currently do not meet the conditions of FRS102 to account for these costs as a debtor.

28. Non-equity share capital

Every member of the Association holds one share of £1. These shares carry no dividend rights and, on cessation of membership of the Association, are cancelled and the amount paid becomes the property of the Association. Each member has the right to vote at members' meetings.

	2024 £	2023 £
ASSOCIATION		
At 1 April	31	58
Cancelled in year	(2)	(27)
At 31 March	29	31

29. Capital commitments

The amount contracted for at 31 March 2024 will be funded from grants approved by Homes England / GLA 3% (2023: 6%) or will be financed from property sales 49% (2023: 45%) and private loans / cash generated from the business 47% (2023: 49%). Under regulations approved by Board, expenditure to certain levels may be authorised by appropriate officers, and such authorised expenditure is included above.

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
EXPENDITURE ON DEVELOPMENTS				
Capital expenditure contracted for but not provided for in the financial statement	530.9	665.1	153.8	223.3
Capital expenditure which has been authorised by the Board but not yet contracted for	31.9	116.1	-	17.1

30. Commitments under operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases. Rentals paid under operating leases are charged to the statement of comprehensive income on the accruals basis. Where assets are financed by leasing agreements that give rights approximating to ownership they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments (or if lower the fair value of leased asset) and is depreciated in accordance with the Group's normal policy for that class of assets. The corresponding liability to the lessor is included in the Balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Annual rentals on operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

At 31 March 2024 the Group and Association had total commitments under non-cancellable operating leases as follows:

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
LAND AND BUILDINGS				
Leases expiring within one year	1.1	1.2	1.1	1.1
One to five years	3.3	3.3	3.3	3.3
Over five years	3.9	4.5	3.9	4.5
	8.3	9.0	8.3	8.9
OTHER				
Leases expiring within one year	1.4	0.8	1.4	0.8
One to five years	1.1	1.3	1.1	1.3
	2.5	2.1	2.5	2.1
Total	10.8	11.1	10.8	11.0

Operating leases with tenants

The Group’s rental properties other than those held for investment purposes are tenanted under cancellable operating leases with typical tenant break clauses of four weeks. Rents vary in line with the Rent Standard as set by the government and affected by the Welfare Reform and Work Act 2016. The Group share of equity in a shared ownership property may be purchased by its leaseholder at any time at the pro-rata market rate at which point ongoing lease payments will be adjusted according to the share of ownership retained by the Group.

Income on all operating leases is recorded in the statement of comprehensive income as the rent falls due. The Group’s residential market rented properties are let under operating leases which are cancellable ranging from four weeks to three-month notice periods. The Group’s commercial properties are let under non-cancellable operating leases.

The Group’s future minimum operating lease receipts from commercial properties under non-cancellable arrangements were:

GROUP	2024 £m	2023 £m
MINIMUM AMOUNTS DUE WITHIN		
Expiring within one year	2.5	2.2
One to five years	6.2	6.4
Over five years	5.8	4.0
	14.5	12.6

Sales and leaseback schemes

The group has a leasehold interest in properties which have been subsequently leased back to the respective freeholders for the purpose of providing housing accommodation. The Group’s net investment in these properties is disclosed in the Balance Sheet under “debtors”. The balance of the Group’s investment in these properties is written down as lease payments are received.



31. Related party disclosures

The ultimate controlling party of the Group is Southern Housing, a registered social housing provider. There is no ultimate controlling party of Southern Housing. Southern Housing considers the key management personnel to be the Board and Executive Team. The only transaction between Southern Housing and the key management personnel is remuneration which is set out in notes 7 and 8.

Southern Housing participates in five defined benefit pension schemes. The transactions with these pension schemes are set out in note 32.

The following managed undertakings are subsidiaries by virtue of the ability of the Association to control the composition of their Board or by holding the majority of shares. The Association owns 100% of the shares of each of the undertakings listed. In accordance with financial reporting standards, the results of the undertakings are incorporated in the consolidated accounts. Where indicated, subsidiaries are Registered Providers of Social Housing (RPSH).

Name of undertaking	Country of registration	Principal activity
Amicus Group Ltd	UK RPSH	Registered social housing provider
Optivo Finance Plc	UK PLC	Bond issuing vehicle
Crystal Palace Housing Association Ltd	UK RPSH	Registered social housing provider
Eason Gruaz Homes	UK Charity	Social housing provider
The Fresh Visions People Ltd	UK Charity	Registered Charity
Charity of Julia Spicer for Almshouse	UK RPSH	Registered social housing provider
Lamborn Estates Ltd	UK	Property development
Middlesex First Ltd	UK	Manages student accommodation
Optivo Development Services Ltd	UK	Property development
Optivo Homes Ltd	UK	Holding company
Optivo Enterprise Ltd	UK	Dormant
Southern Home Ownership Limited	UK RPSH	Registered social housing provider
Southern Space Limited	UK	Vehicle for the one-third share in Triathlon Home LLP
Southern Development Services Limited	UK	Property development
Spruce Homes Limited	UK	Provision of housing for private rent
Southern Housing Construction Limited	UK	Property development
The Fellowship Houses Trust	UK RPSH	Registered social housing provider
Hewitt Homes	UK RPSH	Registered social housing provider
Samuel Lewis Foundation	UK Charity	Provision of housing
Affinity Housing Services (Reading)	UK	50% Joint venture with Abri Group
Affinity (Reading) Holdings Limited	UK	33% shares directly and 16.67% via Affinity Housing Services (reading). Joint venture with Yarlington Housing Group
Triathlon Homes LLP	UK	33% partnership via Southern Space Limited. Joint venture entity with First Base 4 Stratford LLP and East Place Limited
Affinity Housing Services (Reading)	UK	50% Joint venture with Abri Group
Affinity (Reading) Holdings Limited	UK	33% share directly and 16.67% via Affinity Housing Services (Reading). Joint venture with Yarlington Housing Group
Triathlon Homes LLP	UK	33% partnership via Southern Space Limited. Joint venture entity with First Base 4 Stratford LLP and East Place Limited

Investments

	2024 £m	2023 £m
AMOUNTS OWED BY RELATED PARTIES AT YEAR END		
Joint venture with Linden Homes	0.2	0.1
Loan due from Affinity Reading (Holdings) Limited	2.6	2.3
Debtors due from Triathlon Homes LLP	5.1	3.7

Linden (Rainham) LLP

Optivo Homes Limited, a subsidiary of the Group, is a member of Linden (Rainham) LLP, a 50:50 joint venture established with Galliford Try Homes Limited (now Vistry Linden Ltd) to develop a scheme. The Group received £Nil (2023: £2.1 million) from the joint venture in the year and made no contributions (2023: £Nil).

Ink Development Company Limited

The Association is a member of Ink Development Company Limited, a vehicle set up with West Kent Housing Association to jointly acquire sites and develop schemes. The following transactions took place during the year:

	2024 £m	2023 £m
Net sales and purchase of goods and services	-	2.9
Debtors due to Ink Development Company Limited	1.0	1.0
Creditor due from Ink Development Company Limited	1.1	0.9
Administration fees	-	0.1

Management services

The Association provides central management services to its subsidiaries. The quantum of charges applied for these services to each subsidiary is as follows:

	2024 £m	2023 £m
Optivo Development Services Ltd	2.9	2.6
Lamborn Estates Ltd	-	0.1
Crystal Palace Housing Association Ltd	0.2	0.2
Southern Home Ownership Limited	0.5	-
Spruce Homes Limited	0.2	0.2
The Fellowship Houses Trust	0.1	-
Total	3.9	3.1

The Association transacted with the following entities which are not themselves registered providers:

Name of undertaking	Name of the transaction	2024 £m	2023 £m
Optivo Finance Plc	Inter-company loan to Southern Housing bond issue	(318.5)	(81.5)
	concessionary loan	-	(2.0)
Optivo Development Services Ltd	Development cash flow	(117.7)	(86.4)
Lamborn Estates Ltd	Inter-company loan	26.3	17.0
Southern Housing Construction Limited	Inter-company loan	1.0	2.7
Spruce Homes Limited	Inter-company loan	0.9	1.0
Triathlon Homes LLP	Provision of administrative services	0.7	2.5

Interest on the Optivo Finance plc loan is £38.1 million (2023: £33.6 million) and is charged at the same equivalent rate of the external loans with no mark up by Optivo Finance plc.

Interest on the Lamborn Estates Ltd loan is charged at SONIA plus 5%. Interest charged in the year was £2.7 million (2023: £2.5 million).

Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing. This disclosure is given for reporting purposes to the Charity Commission. Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties. Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ring fenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £m	Number of units
Liverpool Road	1910	0.3	247
Jubilee Cottages	1935	0.7	28
Palliser Road	1927	1.0	36
Beech House	1936	0.7	10

Fund balances are represented by:

	2024 £m	2023 £m
Property, plant & equipment	18.9	17.1
Stock	5.1	1.2
Cash	15.3	15.3
Total assets less current liabilities	39.3	33.6
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Social housing and other grants	(6.7)	(6.4)
Total net assets	32.6	27.2
NET INCOME FROM PERMANENT ENDOWED ASSETS		
Income from lettings	1.8	1.9
Less expenditure on letting activities	(0.3)	(0.2)
Surplus on letting activities	1.5	1.7

32. Pension commitments

The Group operates five funded schemes and two defined contribution schemes which are used for auto enrolment. There was another funded scheme but Southern Housing exited from that scheme during 2023/24.

Defined contribution scheme

Employees have the option to join one of Southern Housing's defined contribution schemes, to which the Group makes a contribution of up to 10% of pensionable salary. Contributions are charged to operating surplus in the year in which they become payable.

Funding schemes

Southern Housing (and/or Optivo and Southern Housing Group Limited) participated in five defined benefit schemes for its employees during the year. These were the Optivo DB Pension Scheme (OPS), Horizon Housing Group Pension Scheme (HHGPS), Southern Housing Group Pension Plan (SHGPP) and two Local Government Pension Schemes: East Sussex County Council Pension Fund (ESCC) and the Isle of Wight Pension Fund (IOW). The assets of the schemes are held separately from those of the Group and are managed by trustees. The contributions are determined on the basis of triennial valuations using the projected unit method. These schemes are all closed to new members. The latest triennial valuations were carried out as at 30 September 2020, 31 March 2020, 31 March 2021 and 31 March 2022 for the three Local Government Pension Schemes respectively.

During the year, Southern Housing also participated in The Local Government Pension Scheme: Kent County Council Pension Fund (KCC). Participation ceased on 8 January 2024 and the amount due on exit from the scheme was settled during the year. The following disclosures include settlement for KCC and the ongoing liability for a small number of 'unfunded' pensions payable in respect of members of the scheme.

Optivo also participated in The Local Government Pension Scheme: London Borough of Barnet (LBB) in the prior year. Participation ceased on 30 November 2022 and the amount due on exit from the scheme was settled in the current year. The following disclosures include settlement for LBB based on cessation calculations provided by the scheme actuary.

There are commercial charges over properties to secure the liabilities on SHGPP. The respective properties are valued at approximately £50 million.

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

The following disclosures are the aggregate for OPS, HHGPS, SHGPP, KCC, ESCC, IOW and LBB. To the extent that the disclosure for any individual scheme show a surplus it has been treated as irrecoverable. As at the current year end the total irrecoverable surplus is attributable to the HHGPS, SHGPP, ESCC and IOW.

	2024 £m	2023 £m
FUNDING POSITION AT 31 MARCH		
Share of assets	235.6	244.4
Estimated liabilities	(221.2)	(241.8)
Net surplus	14.4	2.6
Unrecognised surplus (asset ceiling)	(27.0)	(18.6)
Net deficit	(12.6)	(16.0)

	2024 £m	2023 £m
AMOUNTS CHARGED TO OPERATING SURPLUS FOR YEAR TO 31 MARCH		
Current service cost	0.8	1.5
Administration expenses	0.4	0.5
Settlement	4.4	(0.2)
Past service costs	0.2	0.3
Total operating charge	5.8	2.1

AMOUNTS CHARGED TO INTEREST AND FINANCING COST FOR YEAR TO 31 MARCH	2024 £m	2023 £m
Net interest (income)/cost on assets and liabilities	(0.3)	0.5
Interest expense on irrecoverable surplus	0.8	-
Total net interest cost	0.5	0.5

AMOUNT RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME FOR YEAR TO 31 MARCH		
Actual return less expected return on assets	(7.9)	(74.4)
Experience losses	(0.9)	(16.2)
Change in financial and demographic assumptions	12.7	105.4
Actuarial gain	3.9	14.8
Change in unrecognised surplus	(7.6)	(17.1)
Total actuarial loss	(3.7)	(2.3)

ANALYSIS OF MOVEMENT IN SURPLUS IN YEAR TO 31 MARCH		
Surplus /(deficit) at beginning of the year	2.6	(22.8)
Total contributions	13.4	13.3
Current service cost	(0.8)	(1.5)
Past service costs	(0.2)	(0.4)
Settlement	(4.4)	0.2
Other finance income / (costs)	0.3	(0.5)
Administration expense	(0.4)	(0.5)
Actuarial gain	3.9	14.8
Surplus in the schemes at the end of the year	14.4	2.6
Unrecognised Surplus	(27.0)	(18.6)
Net deficit	(12.6)	(16.0)

CHANGE IN UNRECOGNISED SURPLUS IN YEAR TO 31 MARCH		
Unrecognised surplus at beginning of the year	18.6	1.5
Interest on unrecognised surplus	0.8	-
Change in unrecognised surplus (excluding interest)	7.6	17.1
Unrecognised surplus at end of the year	27.0	18.6

RECONCILIATION OF OPENING AND CLOSING BALANCES OF FAIR VALUE OF ASSETS AS AT 31 MARCH	2024 £m	2023 £m
Opening fair value of assets	244.4	307.4
Expected return on assets	11.3	8.4
Actuarial losses	(8.0)	(73.7)
Other losses	0.1	(0.7)
Contributions by the employer	13.4	13.3
Contributions by the participants	0.3	0.3
Administration expense	(0.4)	(0.4)
Settlement	(15.4)	(0.6)
Net benefits paid out	(10.1)	(9.6)
Closing fair value of assets	235.6	244.4

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE PRESENT VALUE OF SCHEME LIABILITIES AS AT 31 MARCH		
Opening present value of liabilities	241.8	330.3
Service costs	0.8	1.5
Change in assumptions	(12.7)	(105.3)
Interest costs	11.0	8.9
Contributions by participants	0.3	0.3
Actuarial gains on liabilities	0.9	16.2
Net benefits paid out	(10.1)	(9.6)
Settlement	(11.0)	(0.8)
Past service costs	0.2	0.3
Closing present value of liabilities	221.2	241.8

Split of plan assets

The major categories of plan assets as a percentage of total plan assets were as follows:

NON LOCAL GOVERNMENT PENSION SCHEMES	2024 £m	2023 £m
Equities	0% - 8%	0% - 1%
Bonds	50% - 97%	55% - 95%
Property	0% - 4%	0% - 7%
Absolute return funds	0% - 0%	0% - 2%
Cash	1% - 8%	3% - 4%
Other	0% - 29%	0% - 34%
LOCAL GOVERNMENT PENSION SCHEMES		
Equities	69% - 69%	64% - 71%
Bonds	15% - 15%	12% - 14%
Property	15% - 15%	10% - 16%
Absolute return funds	0% - 0%	0% - 7%
Cash	1% - 12%	1% - 2%
Other	0% - 0%	0% - 3%

Mortality

Life expectancy is based on the mortality assumptions for the underlying scheme funding valuations.

Based on these assumptions, the average future life expectancies from retirement age are summarised below:

	2024	2023
Current male pensioners	20.5 - 22.1 years	20.9 - 22.3 years
Current female pensioners	23.0 - 24.4 years	23.4 - 24.6 years
Future male pensioners	21.7 - 23.2 years	22.1 - 23.4 years
Future female pensioners	24.4 - 25.4 years	24.8 - 25.6 years

Financial assumptions

The main financial assumptions at 31 March each year were as follows:

	2024	2023
Rate of general long term increase in salaries	2.8% - 2.9%	3.0% - 4.1%
Rate of increase in pension payment	2.0% - 3.0%	2.0% - 3.1%
Discount rate	4.7% - 4.8%	4.6% - 4.7%
Inflation assumption (CPI)	2.8% - 2.9%	3.0% - 3.1%

Southern Housing Board Members, Executive Officers and Advisors

Board

Sir Peter Dixon

Chair

Janet Collier

Vice Chair

Chair of People Committee

Daisy Armstrong

Resident Board member

Damien Régent

Chair of Audit & Risk Committee

Eugenie Turton CB

Chair of Residents' Services Committee

Geanna Bray

Vice-Chair of Residents' Services Committee

(William) Howard Cresswell

Chair of Integration & Transformation Committee

Chair of Pensions Group

Ian Wilson

Resident Board member

Michelle Dovey

Chair of Treasury Committee

Paul Hackett CBE

Chief Executive

Phil Blume

Resident Board member

Robert Clark

Chair of Developments and Assets Committee

Carol Rosati

Resigned 31 December 2023

Grace Alaneme

Resigned 6 December 2023

Executive Team

Paul Hackett CBE

Group Chief Executive

Sarah Smith

Chief Financial Officer

Jane Porter

Chief Operating Officer

Jenny Poore

Executive Director People & Culture

Yvette Carter

Executive Director Contract Services

Richard White

Executive Director Development

Tom Paul

Executive Director Strategy & Change

Karin Stockerl

Executive Director of Assets and Sustainability

Secretary and registered office

Puneet Rajput

Fleet House
Farringdon
London
EC1M 5LA

Registered society number:
8983

Regulator of Social Housing
number: 5171

Advisors to the Southern Housing Board

Principal Solicitors

Trowers & Hamlins
3 Bunhill Row
London EC1Y 8YZ

Devonshires

30 Finsbury Circus
London EC2M 7DT

Statutory Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick RH6 0P

Principal Bankers

Barclays Bank Plc
1 Churchill Place
Canary Wharf
London E14 5HP

National Westminster Bank Plc

2 Staceys Street
Maidstone
Kent ME14 1ST



Accounts

The Association transacted with the following entities which are not themselves registered providers:

Name of undertaking	Name of the transaction	2023 £m	2022 combined £m
Optivo Finance Plc	Inter-company loan to Southern Housing		
	bond issue	(81.5)	(200.0)
	concessionary loan	(2.0)	(63.9)
Optivo Development Services Ltd	Development cash flow	(86.4)	(122.6)
Lamborn Estates Ltd	Inter-company loan to Lamborn	17.0	(0.1)
Southern Housing Construction Limited and Spruce Homes Limited	Administration support costs and rental income	3.7	0.6
Triathlon Homes LLP	Provision of administrative services	2.5	2.2

Interest on the Optivo Finance plc loan is £33.6 million (2022: £24.6 million) and is charged at the same equivalent rate of the external loans with no mark up by Optivo Finance plc.

Interest on the Lamborn Estates Ltd loan is charged at SONIA plus 5%. Interest charged in the year was £2.5 million (2022: £2.3 million).

Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing. This disclosure is given for reporting purposes to the Charity Commission. Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties. Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ring fenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £m	Number of units
Liverpool Road	1910	0.3	247
Jubilee Cottages	1935	0.7	28
Palliser Road	1927	1.0	57
Beech House	1936	0.7	16

Fund balances are represented by:

	2023 £m	2022 combined £m
Property, plant & equipment	17.1	13.6
Stock	1.2	-
Cash	15.3	15.3
Investments	-	6.9
Total assets less current liabilities	33.6	35.8
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Social housing and other grants	(6.4)	(7.7)
Total net assets	27.2	28.1
NET INCOME FROM PERMANENT ENDOWED ASSETS		
Income from lettings	1.9	1.8
Less expenditure on letting activities	(0.2)	(0.1)
Surplus on letting activities	1.7	1.7

Accounts

SOUTHERN HOUSING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2022

28. Related parties (continued)

As Southern Housing Construction Limited has net current liabilities, the Association has provided a letter confirming its intention to provide financial support if required for this entity for a period of at least 18 months from 1 April 2022.

29. Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing Group Limited as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing Group Limited. This disclosure is given for reporting purposes to the Charity Commission.

Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties.

Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ringfenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £000s	Number of units
Liverpool Road	1910	324	247
Jubilee Cottages	1935	707	28
Palliser Road	1927	973	57
Beech House	1936	701	16

Fund balances are represented by:

	2022 £000's	2021 £000's
Property, plant and equipment	13,636	14,005
Cash	15,285	15,285
Investment properties	6,910	6,910
Total assets less current liabilities	35,831	36,200
Creditors: amounts falling due after more than one year	(7,701)	(7,701)
Social housing and other grants	(7,701)	(7,701)
Total net assets	28,130	28,499
Net income from permanent endowed assets		
Income from lettings	1,748	1,802
Less expenditure on letting activities	(58)	(839)
Surplus on letting activities	1,690	963
Loss on revaluation of investment properties	-	(310)
	1,690	653

Accounts



Delivering our vision

Annual Report and
Group Financial Statements
2020-21

Southern Housing Group is a not-for-profit housing association. We are a business with social objectives, which means we invest every penny we make and more in providing good quality homes and services.

The consolidated financial statements of:

Southern Housing Group Limited
Southern Home Ownership Limited
Southern Space Limited
Southern Development Services Limited
Spruce Homes Limited
Southern Housing Construction Limited
Rosemary Simmons Memorial Housing Association Limited
The Fellowship Houses Trust
Hewitt Homes

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Alan Townshend
Group Chief Executive

Welcome to our Annual Report and Group Financial Statements 2020-21.

"We're immensely proud of what we achieved in such a time. We prioritised keeping residents safe, completing 100% of gas boiler services, and maintaining emergency repairs with only a small reduction in the percentage that were completed in 24 hours."

Looking back on 2020-21, it has been a year in which there has been so much hardship as well as so much hope.

We would like to thank residents, colleagues, contractors and staff in the NHS and our local authority partners for everything that they have done to manage the impact of the pandemic in what has been a life-changing year for many.

We would also like to thank our residents and colleagues for their patience and tenacity during a year when we all had to make significant adjustments to the way we live, work and support each other.

We're immensely proud of what we achieved in such a time. We prioritised keeping residents safe, completing 100% of gas boiler services, and maintaining emergency repairs with only a small reduction in the percentage that were completed in 24 hours.

We kept all emergency and health and safety services running, and our cleaning and gardening teams ensured that schemes were regularly cleaned so that residents could enjoy outdoor spaces.

By summer 2020, we were able to remobilise services like lettings and start getting properties to those that needed them again, ending the year with an average time to re-let empty homes of 29 days.

As we publish this annual review, there is cause for some optimism nationally, and as an organisation we can reflect on an impressive response to the pandemic. We contacted more than 2,700 vulnerable residents and kept every critical health and safety and emergency repair service going throughout. We have also been humbled by the pandemic, and continue to learn lessons as we adapt, for the long term, to supporting residents and operating in an environment that can change so rapidly.

Indeed, adapting to digital and remote working this year has brought both challenges and benefits.

One of the areas in which it has made a positive difference is enabling our residents' scrutiny and involvement forums and groups to continue to meet, feedback to us and scrutinise the services that we provide. This has further underpinned the commitment we have made to ensuring that we listen to residents, act on what they tell us, and put things right when they go wrong.

Another area where we've seen change is the reduction in the use of offices and the number of miles our colleagues and contractors have covered on the road this year. This made a real difference to the carbon emitted from our operations.

We will be taking the learning from our experiences this year to help shape our pathway to net zero carbon and embed sustainability in our long-term strategy.

Alan Townshend
Group Chief Executive

Our social purpose is to provide high-quality homes, services and care for those in housing need, and to make our customers' and their communities' lives better. Our vision for the future is clear – we want to be a trusted, caring landlord that listens to residents and builds high-quality homes in places people are proud to live.

Initially set up as a charitable trust to provide housing in London in 1901, the Group now owns and manages over 30,000 homes in London and the South East for around 77,000 residents and customers. We offer a range of housing products for rent and sale, and provide care and support and community investment services. We invest every penny we make and more into good quality homes and services.

Non-Financial

88%

repairs satisfaction

£5.3m

income generated for the
benefit of residents

Top 100

Best Companies

£131m

invested in developing, maintaining
and improving new and existing homes

4,389

people benefitted from Group grants

 **Read more about our strategic progress:**
– Corporate Plan 2020-23 on pages 28-51.

Over

30,000

homes

2,617

new households created 2020-21

77,000

residents across London
and the South East

1,042

colleagues working in
a diverse range of roles

£1.5m

invested in communities 2020-21

Financial

Turnover

£212m

(2020: £236m)

Operating surplus

£61m

(2020: £62m)

Gearing

41%

(2020: 40%)

Operating margin

28.8%

(2020: 26.3%)

Net assets

£711m

(2020: £634m)

Credit rating

A3 Moody's

(2020: A3)

Regulatory rating

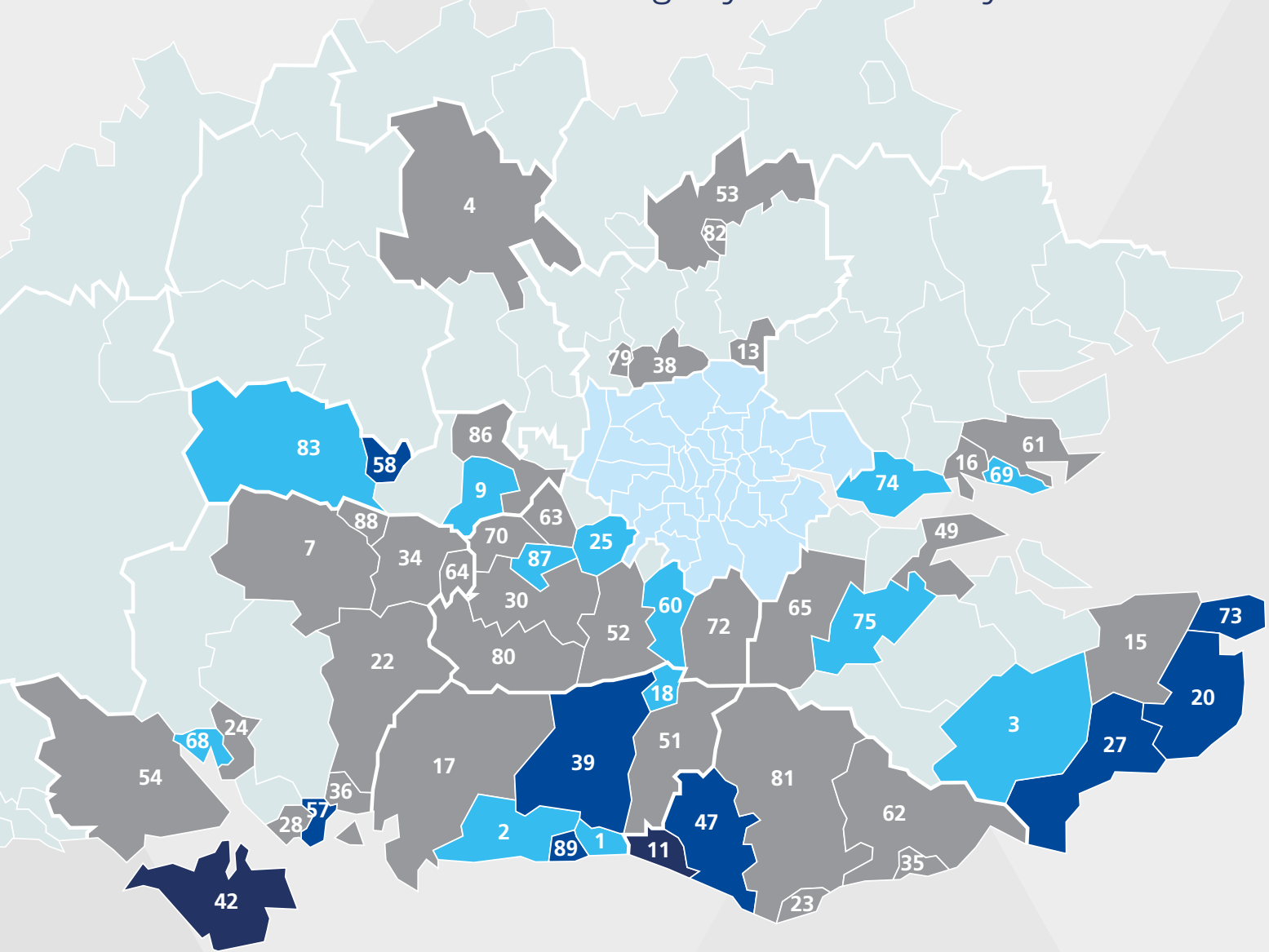
G2, V2

(2020: G2, V2)

 **Read more:**
- Financial review on pages 52-61.

Where we operate

Homes we own or manage by local authority.



Local authorities

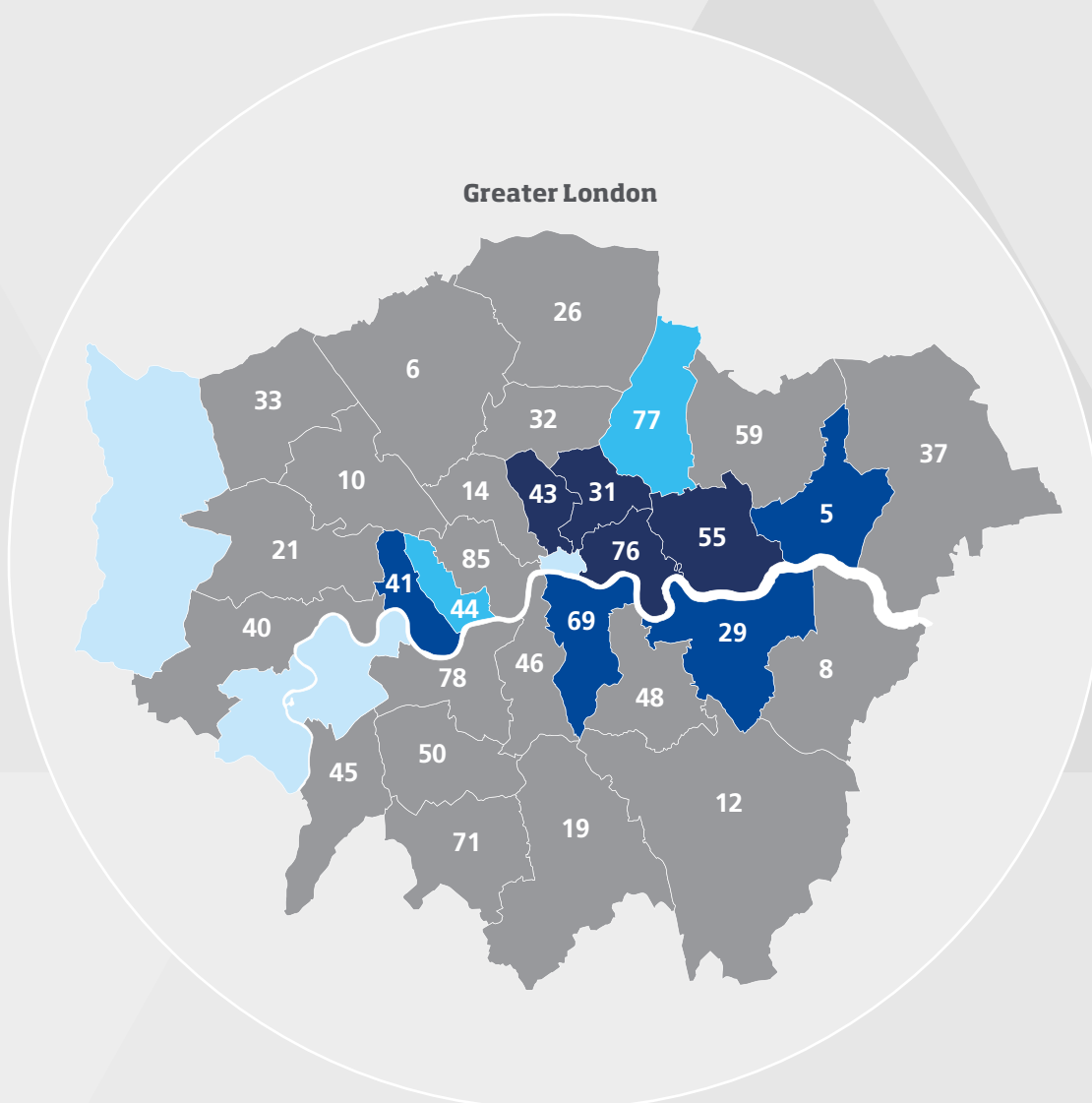
01. Adur – West Sussex
02. Arun – West Sussex
03. Ashford – Kent
04. Aylesbury Vale – Bucks
05. Barking and Dagenham – Greater London
06. Barnet – Greater London
07. Basingstoke and Deane – Hamps
08. Bexley – Greater London
09. Bracknell Forest – Berks
10. Brent – Greater London
11. Brighton & Hove – East Sussex
12. Bromley – Greater London
13. Broxbourne – Herts
14. Camden – Greater London
15. Canterbury – Kent

16. Castle Point – Essex
17. Chichester – West Sussex
18. Crawley – West Sussex
19. Croydon – Greater London
20. Dover – Kent
21. Ealing – Greater London
22. East Hampshire – Hamps
23. Eastbourne – East Sussex
24. Eastleigh – Hampshire
25. Elmbridge – Surrey
26. Enfield – Greater London
27. Folkestone and Hythe – Kent
28. Gosport – Hamps
29. Greenwich – Greater London
30. Guildford – Surrey

31. Hackney – Greater London
32. Haringey – Greater London
33. Harrow – Greater London
34. Hart – Hamps
35. Hastings – East Sussex
36. Havant – Hamps
37. Havering – Greater London
38. Hertsmere – Herts
39. Horsham – West Sussex
40. Hounslow – Greater London
41. Hammersmith & Fulham – Greater London
42. Isle of Wight – IoW
43. Islington – Greater London
44. Kensington & Chelsea – Greater London
45. Kingston upon Thames – Greater London

Stock size

- 1-249
- 250-499
- 500-999
- 1000+



46. Lambeth – Greater London
 47. Lewes – East Sussex
 48. Lewisham – Greater London
 49. Medway – Kent
 50. Merton – Greater London
 51. Mid Sussex – West Sussex
 52. Mole Valley – Surrey
 53. N Hertfordshire – Herts
 54. New Forest – Hamps
 55. Newham – Greater London
 56. Norwich – Norfolk*
 57. Portsmouth – Hamps
 58. Reading – Berks
 59. Redbridge – Greater London
 60. Reigate and Banstead – Surrey

61. Rochford – Essex
 62. Rother – East Sussex
 63. Runnymede – Surrey
 64. Rushmoor – Hamps
 65. Sevenoaks – Kent
 66. Sheffield – South Yorkshire*
 67. Southampton – Hamps
 68. Southend-on-Sea – Essex
 69. Southwark – Greater London
 70. Surrey Heath – Surrey
 71. Sutton – Greater London
 72. Tandridge – Surrey
 73. Thanet – Kent
 74. Thurrock – Essex
 75. Tonbridge and Malling – Kent

76. Tower Hamlets – Greater London
 77. Waltham Forest – Greater London
 78. Wandsworth – Greater London
 79. Watford – Herts
 80. Waverley – Surrey
 81. Wealden – East Sussex
 82. Welwyn Hatfield – Herts
 83. West Berkshire – Berks
 84. West Suffolk – Suffolk*
 85. Westminster – Greater London
 86. Windsor Maidenhead – Berks
 87. Woking – Surrey
 88. Wokingham – Berks
 89. Worthing – West Sussex

* Not shown on map.

Board KPIs 2020-21

1. Rent arrears %

4.65

Target 2020-21: 4.00%
Performance 2019-20: 3.97%

2. Void turnaround time Days

29

Target 2020-21: 17
Performance 2019-20: 16

3. Emergency repairs completed in 24 hours %

93

Target 2020-21: 85%
Performance 2019-20: 93%

4. Gas servicing %

100

Target 2020-21: 100%
Performance 2019-20: 100%

5. Overall customer satisfaction with service %

74

Target 2020-21: 85%
Performance 2019-20: 83%

6. Communal electrical safety %

100

Target 2020-21: 100%
Performance 2019-20: 99%

7. Overdue FRA Inspections

1

Target 2020-21: 0
Performance 2019-20: 1

8. Overdue FRA P0 Actions

0

Target 2020-21: 0
Performance 2019-20: 0

9. Overdue FRA P1 actions

175

Target 2020-21: 100
Performance 2019-20: n/a

10. Overdue NOD Actions

3

Target 2020-21: 0
Performance 2019-20: 3

11. Staff participating in survey %

75

Target 2020-21: 72%
Performance 2019-20: n/a

12. Cases where Ombudsman found maladministration

6

Target 2020-21: 0
Performance 2019-20: n/a

13. Reinvestment

%

5.8

Target 2020-21: 9.5%
Performance 2019-20: 12.9%

14. New supply (Social)

%

1.4

Target 2020-21: 0.3%
Performance 2019-20: 1.2%

15. New supply (Non-Social)

%

0.0

Target 2020-21: 0.0%
Performance 2019-20: 1.0%

16. Gearing

%

40.7

Target 2020-21: 42.7%
Performance 2019-20: 40.4%

17. EBITDA MRI

%

38.7

Target 2020-21: 25.5%
Performance 2019-20: 61.2%

18. Social Housing Cost per unit

£

5,759

Target 2020-21: 6,130
Performance 2019-20: 5,620

19. Operating margin (social housing)

%

18.0

Target 2020-21: 11.0%
Performance 2019-20: 16.2%

20. Operating margin (overall)

%

28.8

Target 2020-21: 24.5%
Performance 2019-20: 26.3%

21. Return on capital employed

%

2.5

Target 2020-21: 2.1%
Performance 2019-20: 2.6%

22. Social Housing Lettings interest cover

%

65.1

Target 2020-21: 46.2%
Performance 2019-20: 57.9%

Definitions for the above metrics can be found in the Value for Money statement starting on page 57.

 **Read more about our strategic progress:**
- Corporate Plan 2020-23 on pages 28-51.

The landscape for social housing is evolving at pace

In a year dominated by the global response to the coronavirus pandemic, we are proud of the way we have lived our values and made progress towards our aims for better building safety, and stronger resident involvement and scrutiny.

This annual review considers the progress we have made towards our vision of being a trusted, caring landlord that listens to residents and builds high-quality homes in places people are proud to live. We believe we have made significant strides towards this in spite, or perhaps, in some ways, accelerated by, the way we have worked together during the pandemic.

Building safety

£14.5m

invested in building safety in 2020-21

Putting building and fire safety first

Building and fire safety is a clear area of focus for us. This year, we achieved high health and safety standards and established a new Building Safety Team to take this work forwards. At the same time, we continued to perform strongly against our key health and safety performance targets, such as gas servicing and fire risk assessment inspections – both of which were 100% compliant at year-end.

The Group's Building Safety Programme

As a responsible landlord, we have an ongoing programme in place to check our buildings and carry out any work required to ensure that they comply with the government's guidance.

How we planned our Building Safety Programme in 2020-21

Phase 1

Prioritising our tall buildings over 18 metres

We surveyed all our buildings over 18 metres and we have an EWS1 form in place for each building where possible. Where remedial work has been identified we are moving ahead with this in a planned programme. The surveys of all our tall buildings are complete.

Phase 2

Prioritising buildings under 18 metres using a risk based analysis

Our risk assessment has highlighted nearly 230 buildings that we need to prioritise in this next phase of work.

How have we chosen these buildings?

We have identified which buildings should fall into Phase 2 of the programme by carrying out a risk analysis based on what we already know about our buildings and our residents living in them. We looked at factors like building height, known construction type and materials, the number of vulnerable residents living there and the existing evacuation policy and fire safety measures.

Supporting our customers

Our initial response to the pandemic saw us focus on maintaining emergency and critical services, and supporting vulnerable residents. However, over the course of a few months, we re-mobilised core services for all residents while our workforce shifted to agile and remote working. This gave us the opportunity to work and think differently, develop stronger relationships with our residents, and focus on the ways we can listen, empower and be more efficient by embracing digital ways of working.

103,948

customer enquiries processed
by phone, email, webchat and
portal in 2020-21

Over

2,700

vulnerable residents contacted
and offered support during
the pandemic

£250k

hardship fund created

Back to Work 2020-21 employment scheme

Due to the coronavirus pandemic, some residents have lost their job and they reached out to the Group for employment advice and support.

How have we helped?

Since the initial lockdown, we've developed our digital support and we now offer more online and over-the-phone services to our customers.

Our Back to Work 2020-21 employment scheme is open to all residents regardless of their age, location or background.

We've organised:

- Weekly Zoom webinars with employment specialists
- Help with costs around employment and upskilling
- Use of a professional online job searching tool with links to training, CV support and skills assessments
 - Signposting to local employment services for continued support

One of our residents, said:
"My Employment Skills Officer helped me to look at my transferable skills and highlighted them on my CV. She also listened to the issues that affected me around my own physical and mental health situations and has been very supportive. I am now undertaking new courses and upskilling which is really focusing my mind."

Another resident said
"Southern 360* has helped me massively on my road to a new career. I needed a PC to do my study on and got one from the Employment Team (via their Working Opportunities Fund). As a single mum with a disability, I just couldn't afford one myself. Now I am looking at a brighter future, with the means to go for my dreams."

*Southern 360 is a part of Southern Housing Group and has been created to strengthen our ongoing commitment to help improve the lives of our residents across all ages and communities.

Looking after our people

During the pandemic, colleagues across the Group have had to adapt quickly to Covid-safe working practices. From working from home through to looking after our residents in our care homes, we have all been affected. That's why looking after the wellbeing of our colleagues this year has been even more important than usual.

£155k*

on maintaining safe staffing levels, increased infection control measures and additional PPE required for safe working in our care homes and supported housing schemes.

All offices set up for

Covid-safe

working practices

Technology, equipment and

wellbeing

support to enable home working

*£120k contribution from local authority funds relates to care home and supported housing schemes services

Wellbeing support

World Mental Health Day on 10 October 2020 was launch day for the Group's renewed approach to taking care of colleagues' wellbeing.

We made wellbeing information available for everyone via a free app – Unmind – which has been developed by expert mental health professionals.

We shared information, guidance and signposting on a dedicated area of our Wellbeing intranet site.

We also launched 'Wellbeing Wednesdays' to promote positive mental health and general wellbeing every week. We encourage colleagues to take a 'Quiet Quarter' and spend 15 minutes every Wednesday to focus on their own wellbeing and what they can do to support it, including:

- Listening to a podcast on the Unmind app
- Doing some yoga or stretching exercises in the work space
- Going out for a walk in the fresh air



Looking to the future

Our Corporate Plan 2021-24

While we report against the strategic priorities of our Corporate Plan 2020-23 in this review, we recognise that the external operating environment has changed even since 2019. As a result, we have updated our strategic response, adapting it to the challenges we now face.

Much remains the same, but we have created a new Group Corporate Plan 2021-24.

This updated strategy sets out how we will meet the major challenges facing us: making homes compliant with new building safety regulations; and delivering our contribution to the UK's target to be a net zero carbon nation by 2050 – while remaining financially resilient as a business. Achieving all this will require significant investment in our homes and technology over the next decade.

Our strategic priorities

Our strategic priorities for 2021-24 are:



Strengthen our finances



Build greater trust, transparency and accountability



Invest in our homes, strengthen our communities



Listen to our residents



Empower our people

Each of these priorities has been shaped by, and is a response to, the rapidly changing environment we find ourselves in, together with our residents.

Despite the many changes we have faced and which continue to challenge us, we remain true to our purpose and vision to provide high-quality homes, services and care for those in housing need, and to make our customers' and their communities' lives better.



Strategic review

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Alan Townshend
Group Chief Executive



Arthur Merchant
Chair of the Board

This year, 2021, marks 120 years since the Group was founded. The world has evolved into a hugely different place since those early days, but we remain committed to our core purpose of providing homes for those in housing need.

Notwithstanding the huge challenges placed on us and our residents this year, we have continued to adapt and grow, focusing on supporting residents, maintaining services as near to normal as possible and increasing the opportunities for our residents' voices to be heard.

Safety, value for money and efficiency, robust governance and serving our customers' needs are the strategic threads which run through our whole operation as we aim to improve our performance and deliver against our financial and service improvement targets.

Our financial performance

Overall, the Group has reported a net surplus for the year of £81.6m (2019-20: £23.5m). In total, we invested £129m (2019-20: £290m) in developing, maintaining and improving new and existing homes.

Building safety

We invested £14.5m in building safety this year, and this continues to be a key priority for the Group. Following a significant piece of work, we have completed external wall system (EWS) surveys for all our buildings over 18 metres and there are some ongoing remedial work programmes in place. We are now fixing our sights on the next tranche of priority buildings.

The work of our Building Safety Programme is long term and a significant number of our residents are affected by this national issue. We understand how frustrating and concerning this is for residents who are waiting for the completion of EWS surveys and we hear every day from residents wanting answers. Working through the Building Safety Programme and carrying out any necessary remedial work is a clear focus for us.

Crown Simmons

We were delighted to welcome Crown Simmons to the Group on the first day of the new financial year. Crown Simmons is a well-respected local housing association in Surrey. Bringing more than 600 homes into the Group, its strong local presence has bolstered the Group's position in the county. Together our two organisations have integrated successfully over the course of the year. We are looking forward to continuing working together to provide a growing number of high-quality homes for people in need and investing together in the Surrey communities we serve. We have received positive feedback from residents since Crown Simmons became part of the Group. I'd like to thank Al Dankis, the former chair of the Crown Simmons Board who retired from the Group's Board this year, for his hard work in bringing our two organisations together.

Our digital strategy and cyber security

The Group's ability to digitise and provide alternatives to face-to-face services is not just for the pandemic. It has become part of our longer-term strategy to make it easier for our colleagues to work effectively and for all customers to access our services. We recognise that our colleagues having the right digital tools to do their jobs, fully integrated systems and access to good data goes hand-in-hand with providing the right digital services for residents. This year we finalised our investment in a new omni-channel communications system and launched our new online repairs service for residents. This was followed by a new online customer portal in the new year, with the implementation of technology and systems in a very short space of time to enable fully agile working for office-based colleagues.

Protecting our business from cyber threats and attacks has remained a key priority for us. In August 2020, we obtained Cyber Essentials accreditation – the government-backed scheme which certifies that we have covered all the essential actions our business should take to protect ourselves from cyber-attacks. This ensures that we have the right controls, processes and systems in place to effectively protect our assets. We will continue to deliver improvements in this area to stay protected.

Customer service and resident involvement

Understandably, it has been a challenging year for customer services. Our customer service centre remained open throughout the year and saw an increase in the volume of calls, emails and other contact. Our strategy has been to focus on safety and we are proud of our teams for delivering 100% compliant gas servicing and communal electrical safety despite the pandemic.

We value our residents' input and feedback and our dedicated Resident Involvement Team has worked with members of our Customer Scrutiny Panel to create new opportunities for our residents' voices to be heard and influence our decision-making and ensure we are accountable to those for whom we exist. We are committed to ensuring this continues.

Supporting communities

The urgent need to invest in our communities has never been so evident and this year we invested £1.5m in supporting residents where they live. We've seen an increase in the numbers of residents claiming Universal Credit. Food bank usage has risen sharply. As the economic effects of the pandemic continue to bite, we expanded our food pantry concept and supported food banks on the Isle of Wight. We launched a £250,000 hardship fund for residents in need due to the pandemic, and over 100 colleagues volunteered to support vulnerable residents with phone calls and shopping for essentials or collecting prescriptions.

£1.5m

invested in supporting residents where they live

We're proud that even with the backdrop of all this upheaval, our colleagues still found the time and energy to raise £34,000 for our chosen charities this year, through sponsored activities, competitions, events and fundraising quizzes.

Thank you

On behalf of the Board, committee members and the Executive Management Team ('EMT'), we would like to extend our thanks to all colleagues across the Group for the way you have worked together with dedication and goodwill. To all our residents, thank you for your patience and understanding as we face the challenges of maintaining services under such difficult circumstances.

Our thoughts are with the families and loved ones of all those who have lost their lives to Covid-19.

Our strategic focus

In this financial year (2020-21) we launched a Corporate Plan to cover the period 2020-23. We reiterated our commitment to provide high-quality homes, services and care for those in housing need. We exist to make our residents' and our communities' lives better, working as a business with social objectives.

Looking ahead, we have recognised the need to adapt our business again and have agreed a Corporate Plan for 2021-24. This updated strategy sets out how we will meet the major challenges facing us: making homes compliant with new building safety regulations; and delivering our contribution to the UK's target to be a net zero carbon nation by 2050, while remaining financially resilient as a business. This is going to require significant investment in our homes and technology over the next decade.

We are emerging from this last year having learned lessons and adapted how we work. This will serve us well in the coming years as we renew our commitment to improving the lives of our residents and the communities in which they live.



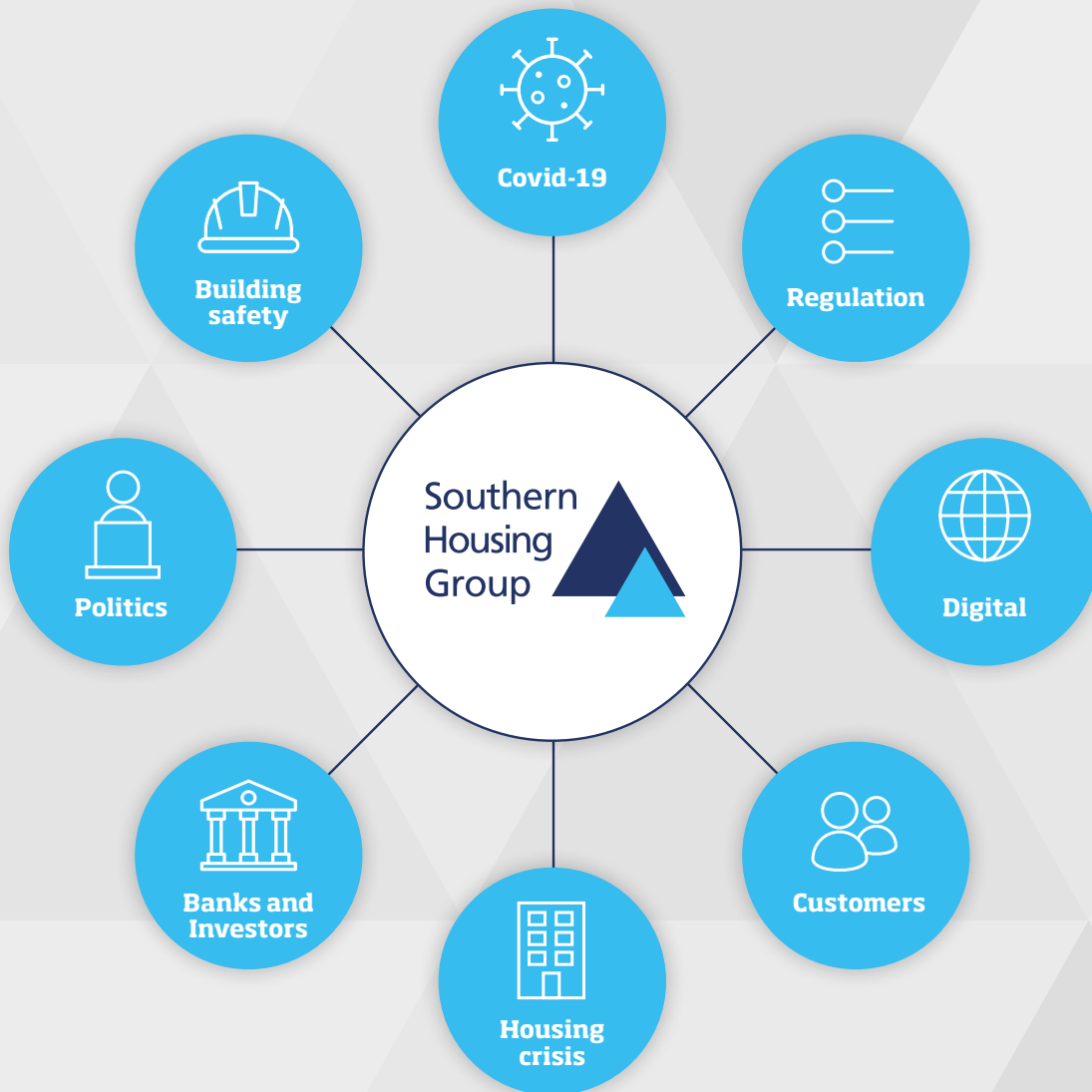
Alan Townshend
Group Chief Executive

Arthur Merchant
Chair of the Board

Read more:

- Building safety on pages 11, 12 and 34.
- Customer service and resident involvement on pages 38-41.
- Supporting communities on pages 42-49.
- Financial review on pages 52-61.

In the 120 years since Southern Housing Group was founded, the world has changed beyond recognition. We have adapted, and continue to do so.



The pace of change around us all has accelerated and, as a nation, we face significant immediate and long-term challenges. At the forefront is figuring out how we live in a post-Brexit, post-pandemic world while continuing to tackle the country's housing crisis and the climate emergency.

These external issues impact our business and inform our strategic response.

There are two significant and long-term trends which will shape where our investment is focused in the coming decades: making homes compliant with new building safety regulations; and making our contribution to the UK's target to be a net zero carbon nation by 2050.

Housing crisis

The amount of social housing in England and Wales has been in steady decline since the 1980s to the point where the country is facing a major housing crisis. It is particularly acute in London and the South East of England.

In 2019, the 2022-2032 Affordable Housing Funding Requirement for London report¹ found that for London alone, the grant required to deliver a new 2022-32 affordable homes programme of 22,750 social rent homes, 6,500 shared ownership homes and 3,250 intermediate rent homes is estimated to be £4.9bn per year. This is stated to be 48% of the estimated total cost of the grant-funded affordable homes, a figure that is lower than typical government grant rates prior to the financial crisis.

According to the G15, around 1.15 million people are on housing waiting lists across the country. Housing associations have a vital role in addressing this issue, but this cannot be done without increased government commitment.

Building and fire safety

Four years on from the Grenfell tragedy, the housing sector is seeing higher building safety standards translate into heightened awareness and diligence among all those involved in developing and providing homes. Specialised safety inspection skills and parts that meet new regulations are in high demand, with supply chains potentially being further disrupted by the pandemic and Brexit.

The cost of building safety works for housing associations inevitably places a constraint on the level of investment in new homes and other services. The cost of building safety works is also affecting some residents and without significant additional government intervention this will grow in the coming years, at an already challenging time for the nation economically.

Across the UK some residents, particularly shared owners and leaseholders, are being impacted by changing building regulations that make it difficult to re-mortgage or sell their home without the right building inspections having taken place and the right result being obtained from those inspections. The building safety programmes and the costs involved will be a significant call on the finances of landlords and residents affected for many years to come.

Resident voice – rebuilding trust

The lasting legacy of the tragedy at Grenfell Tower in 2017 has been to emphasise not only the importance of stronger building safety regulations, but also to highlight the relationship between residents and their landlord. The Social Housing White Paper in 2018 found that while some landlords did better than others, residents across the country were consistently not listened to, not respected and, at worst, stigmatised. The charter for social housing residents and the recommendations it outlines, affects the way housing associations work with their residents to rebuild trust and transparency.

We've always believed in listening to and empowering residents by working together, and we have been working with residents over the past two years to re-shape how residents' voices are involved in the decisions that affect their lives, and how we are held to account.

Climate change and environmental impact

Addressing the climate emergency and the environmental impact of building and running our homes is a growing strategic priority for the housing sector. The national target for rented properties is that they must all meet the nationally prescribed goal of Energy Performance Certificate 'C' and above by 2030. It is vital that housing associations set a clear pathway to becoming zero-carbon housing providers and developers and make our contribution towards the UK's target of being a net zero carbon economy by 2050.

Digitisation

Digital technology, greater connectivity, faster access to data and the vast potential of artificial intelligence and automation are part of a revolution in the way we live and the way we do business. Broadband and mobile connectivity were the catalysts and, today, the rapid pace of change is enabling businesses to find ways to better service customers' needs, more efficiently.

The social housing sector is part of this evolution. It is moving with the digital age: from the potential for intelligent connected housing systems, smart components and Building Information Management ('BIM'); through everyday online services that allow customers to self-serve and gain control over services like their repairs; to agile working colleagues able to access data and systems wherever they are.

Taking advantage of these digital opportunities requires significant investment in our homes and technology. It also means building excellent working partnerships between residents, colleagues and partners in national and local government.

To meet these challenges effectively, we will need to adopt and use the right digital technology to communicate effectively, manage our services and use data safely and wisely.

It will also depend on how we involve residents in service design and empower them with the information, capacity and forums to hold us to account for our progress and performance.

Read more about our approaches to:

- Our strategic priorities for 2021-24 on pages 28-29.
- Building safety on pages 11, 12 and 34.
- Resident involvement on page 41.
- Sustainability on pages 35-37.

¹ The 2022-2032 Affordable Housing Funding Requirement for London report <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/2022-2032-affordable-housing-funding-requirement-london>

What we do

Southern Housing Group Limited owns and manages high-quality homes in places people are proud to live. Our purpose is to make our residents' and our communities' lives better, working as a business with social objectives.

We offer homes to rent as well as homes to buy, or part buy, on a shared ownership basis.

We operate across London and the South East and serve customers living in over 30,000 homes.

We are a not-for-profit business with social objectives, which means that every penny we make and more is reinvested in providing homes for people in housing need.

▼ Preston Road, Brighton, East Sussex



How we do it

We work with our strategic partners to develop new homes where they are needed.

We have sought to grow the number and range of housing we can offer current and future residents. As a developer of homes, we are a strategic partner of Homes England and the Greater London Authority. Working in partnership, we are building 2,005 new affordable homes across the capital and the South East by 2025.

We manage our homes

We provide tenancy and property management and maintenance services to our residents, through our own housing management, estate care and Southern Maintenance Services teams, and by working with our partner contractors to deliver repairs and planned works to our residents' homes.

We provide care and support services

We provide care and support services through Southern 360, which brings together our Independent Living for Later Life schemes, our community investment activities and our Supporting Independence and Care services. Our Supporting Independence and Care services strive to provide person-centred care and support in our care homes and floating support provision.

We support our residents and their communities

Through Southern 360, we are also supporting our residents' health and wellbeing, and strengthening neighbourliness and communities. We are committed to improving the lives of our residents across all ages and communities.

We empower and support our colleagues

We could not do what we do without the dedication and expertise of our colleagues. We provide wellbeing support, career development and learning and development opportunities to enable colleagues to reach their full potential. We work hard to enable an equal, diverse and inclusive culture built on our core values: we work together, we do the right thing, and we get the job done.

Serving customers living in over

30,000
homes



▼ Bow River Village, Bromley-by-Bow, London

The value we create

A safe, decent home in a neighbourhood you're proud to live in is acknowledged to be of value not only to residents, but to residents' communities, as well as across wider society and the public sector.

This year we invested £1.5m in communities and making our residents' lives better. However, that is not the full extent of the value we create as a business with social objectives.

During 2020-21, in common with many housing associations, we have been exploring the various methods available to calculate the wider financial value of social housing tenancies, in terms of the positive impact on our society that a decent, safe, home has. These positive impacts include stable communities, thriving local economies, and savings to the public purse, such as the costs of health and social care, policing and education. In September 2020, our Community Investment and Care committee began to consider these technical approaches to attaching a financial value to the benefits our social housing brings.

We will continue to maximise the positive impact we make.

This annual report covers the period April 2020 to March 2021 and this strategic review is organised to reflect our Corporate Plan 2020-23 which was in operation during that period.

The Corporate Plan 2020-23 has been superseded by an updated strategy covering the period 2021-24 which expanded on the themes in the 2020 plan. We will report against the updated strategy in next year's annual report.

Our purpose

We exist to provide high-quality homes, services and care for those in housing need. Our purpose is to make our residents' and our communities' lives better, working as a business with social objectives.

Our vision for the future

We will be a trusted, caring landlord, listening to our residents, providing high-quality homes, services and care in places people are proud to live.

Our values

Our values let everyone know how we work to achieve our vision and strategic objectives. They are:

We work together, so that we can make it easy for our residents, colleagues, contractors and partners to achieve more than we could by working alone. By talking, listening and sharing, we work as a team.

We do the right thing, so that we can give value to our residents, customers and their communities, always focusing on how we can serve our social purpose. We challenge what we've always done to find a better way.

We get things done, by doing the basics brilliantly, doing what we say we will, finding solutions and making things happen.



Homes

Our objectives

- Ensure all our residents have a decent, safe home
- Invest more in maintaining and modernising our homes
- Provide more homes in the areas we work
- Ensure our homes are sustainable, affordable and energy-efficient.

Our commitments

- Deliver 7,000 homes over the next nine years
- Build on our increasing investment in planned works over the next three years
- Demonstrate the highest health and safety compliance standards
- Ensure every high-rise residential block (HRRB) has a tailored Building Safety Case plan in place by the end of 2022
- Continue to provide decent homes and increase investment in compliance
- Increase our investment in communities and estate care
- Increase overall investment in our properties, measured by our reinvestment KPI
- Increase our investment in proactive maintenance works, improving our ratio of responsive repairs to planned maintenance
- Improve the average energy efficiency of our homes and offices as measured by Standard Assessment Procedure (SAP) and Energy Performance Certificate (EPC) ratings, focusing on the least energy-efficient homes.

Our progress during 2020-21

The Group owns and manages over 30,000 homes across London and the South East. Our aim is to increase this number and the range of housing we can offer current and future residents. We are a strategic partner of Homes England and the Greater London Authority. Working in these partnerships, our plan is to build 2,005 new affordable homes across the capital and the South East by 2025.

Despite the challenging year, which forced a number of interruptions to development work, we handed over 93 new homes and began work on 139 more.

Key facts and figures

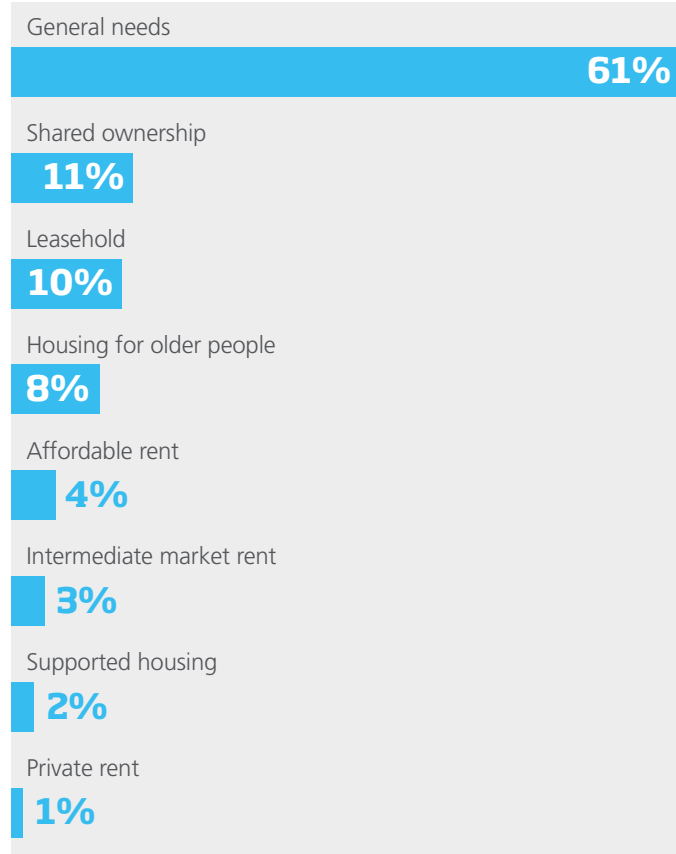
	2020-21	2019-20
New households created	2,617	3,088
Total homes in construction	883	802
New homes handed over	93	419
Total homes owned and managed by the Group	30,490	30,130

New homes sales 2020-21	Number of homes
Open market sale	17
Shared ownership	112
Total	129

We remain committed to providing more homes for people in housing need. However, the safety, wellbeing and support of our existing customers, staff and contractors is always our priority. During the pandemic, this has meant some development activities understandably had to progress more slowly than originally scheduled.

The impact of the first lockdown and social distancing restrictions, for example, resulted in considerable delays to completion, particularly at some of the Group's larger sites. Some sites which were due to complete in the year have experienced delays. The housing sector is undoubtedly facing many challenges. We remain committed to playing our part in overcoming both the housing crisis and the mounting climate emergency.

Tenure mix (existing)



Our priorities for the year ahead

Over the coming year we look forward to completing our programme of sites with Crest Nicholson, with homes forecast to handover on both the Cranleigh and Longcross sites.

Other sites due to complete, such as at Dace Road in Tower Hamlets, which is ahead of programme, and we anticipate starting a phased handover of the 144 homes and commercial space in that development later in the year.

It should be a busy year for two of our regeneration Hidden Homes programme sites, in Shoreham-by-Sea and Hackney, both of which are due to start on site in the first half of the year.

Also on the schedule for the year will be the start of the first phase of the exciting harbour regeneration in Shoreham-by-Sea, which should deliver 137 affordable homes, associated commercial space and high-quality landscaping and public amenity space.

Dace Road, Tower Hamlets:
phased handover of

144

homes and commercial space later in the year

Shoreham-by-sea:
first phase of

137

affordable homes, associated commercial space and public amenity space

Key development locations 2020-21

Vanston Place
Fulham

Samuel Square
Kensington

Rose Garden
Cranleigh, Surrey

The Hantons
Hove,
East Sussex

Preston Road
Brighton,
East Sussex

Focus on: Free Wharf

Shoreham-by-Sea

In March 2021, the Group took back possession of the site known as Free Wharf, in Shoreham-by-Sea. This was the culmination of over two years of complex decontamination and enabling works. These works included the construction of a new river wall, flood defences, decontamination, and other preparatory works that will facilitate the residential phases of the development.

The 7.5 acre site was purchased in 2015, and planning for 540 homes and 2,300m² of commercial space was agreed in the summer of 2018. The site is on the western arm of Shoreham Harbour, an area that has been zoned for regeneration by Adur District Council, with the objective to create “a new residential-led, mixed-use neighbourhood, with a reinvigorated and accessible waterfront, with a range of commercial opportunities to strengthen the overall offer of Shoreham-by-Sea”.

The site is prominently located within easy walking distance of the town centre and train station, and has potential for strong housing value growth, given that its location captures overspill from Brighton and Hove and is situated in the beautiful setting of the South Downs, on the banks of the River Adur.

The Group is currently preparing to bring forward the first residential phase of 137 much-needed affordable homes, consisting of 40 homes for affordable rent, 97 homes for shared ownership, and 1,300m² of commercial space. The site is viewed as an important catalyst to the wider regeneration of the harbour area, while this first phase will start creating a sense of place and help prospective purchasers to understand the development's ambition and vision.



▼ New public realm Free Wharf, Shoreham-by-Sea

First residential phase:

137

much-needed affordable homes consisting of:

40

homes for affordable rent

97

homes for shared ownership



▼ New pontoons and moorings, Free Wharf, Shoreham-by-Sea



▼ Free Wharf viewed from the South side of the Western Harbour Arm, Shoreham-by-Sea

Focus on: Preston Road Brighton

Situated on the outskirts of Brighton, this scheme of 28 homes, constituting 8 for affordable rent flats and 20 for shared ownership, completed in September 2020.

The site was acquired in January 2017, under a 155-year lease from Brighton and Hove. It sits in a conservation zone with planning restrictions and the grounds contain very mature trees that are the subject of Tree Preservation Orders.

The development comprised the conversion of two existing Victorian villas, from the late 1800s, into 14 spacious shared ownership flats. A link building between the two was replaced to accommodate 8 new affordable rent flats, with extensive landscaped grounds that also contain 6 shared ownership houses.

28

homes in total,
comprising:

8

new affordable
rent flats

14

spacious shared
ownership flats

6

shared ownership
houses



▼ Preston Road, Brighton, East Sussex

Focus on: The Group's Hidden Homes programme Regeneration

Hidden Homes is the Group's ongoing programme to assess all our stock with the aim of identifying 500 'hidden homes', through the use of under-developed land on existing estates or the regeneration of estates or blocks that are no longer fit for purpose or have become uneconomical to manage and maintain.

Over the last year, planning permission has been secured on 190 homes and we have focused on getting these schemes into contract and on to site.

We have made good progress on two of the larger schemes in the programme, the Kennaway Estate in London and the Mannings in West Sussex, working to relocate households appropriately to enable construction to commence on both sites during summer 2021.

The Resident Involvement Team engaged with residents from both estates in the contractor selection process. They helped evaluate tender returns, wrote interview questions, and were part of the assessment panel attending post-tender interviews. This enabled greater scrutiny and transparency and ensured the requirements of our residents were fully considered by the contractors.

We continue to evaluate further opportunities for development and are taking a pipeline of schemes through the evaluation and feasibility process. Included in this are several opportunities which have been brought to the Group through the Crown Simmons merger.



▼ Rose Garden, Cranleigh, Surrey

▼ **Kennaway Estate regeneration, Hackney, London**

It is hoped that work will commence on the Kennaway Estate in the summer of 2021. The development will deliver:

61

homes in total, comprising:

19

for social rent

12

for affordable rent

6

for shared ownership

24

for open market sale



Investing in safety

£14.5m invested in building safety in 2020-21

Safety is embedded at every level of our organisation. The Board oversees our risk appetite and risk management, and our Customer Safety Committee oversees all safety related matters whether buildings, staff or reportable incidents. Our Building Safety Directorate delivers the Group's Building Safety Programme, while our Customer Services, Sales Services and Communications Teams all actively engage with and support our residents.

Key facts and figures

Measure	2020-21	2019-20	2020-21 target
Gas servicing	100%	100%	100%
Communal electrical safety	100%	99%	100%
In-dwelling electrical programme	42%	28%	40%
Overdue FRA ¹ inspections	1 ⁵	n/a	0
Overdue FRA P0 ² actions	0	n/a	0
Overdue FRA P1 ³ actions	175	n/a	100
Overdue NOD ⁴ actions	3	n/a	0
Water (legionella testing)	100%	100%	100%
Asbestos survey	99% ⁶	99%	100%

1 Fire risk assessment: Type 1 Fire Risk Assessment (FRA) is a non-intrusive survey. It assesses all the common parts of a building, such as the lobby area in a shared block of flats, but not individual dwellings.

2 Priority 0: Action that poses an urgent risk to residents. Actions should be completed within 24 hours.

3 Priority 1: Action that poses a high risk to residents. Actions should be completed within a 30-day timeframe. Of the 175 actions identified at year-end, 142 remain outstanding. Every P1 action is tracked and monitored on a weekly basis by the Building Safety Team, which ensures progress is made and the appropriate interim additional safety precautions and mitigations are in place.

4 Notice of deficiency: identifies provisions and/or procedures that the Fire Authority considers as either lacking or not suitable and sufficient regarding the building. Work to close the three outstanding NODs is well advanced and progress is overseen by the Customer Safety Committee.

5 Outstanding FRA inspection completed on 1 April 2020.

6 One survey out of 1,445 was overdue on 31 March 2021. That survey was completed on 8 April 2021.

n/a = new Board KPI for 2020-21.

The Group's Building Safety Programme

The safety of our customers is our first priority.

As a responsible landlord, we have an ongoing programme in place to check our buildings and carry out any work required to ensure that our buildings comply with the government's guidance.

We have completed external wall system surveys (EWS surveys) on all our tall buildings and our programme to complete EWS surveys and intrusive Type 4 Fire Risk Assessments (FRAs) on the balance of our approximately 1,400 buildings is underway.

Alongside the Type 4 FRAs and EWS surveys on all the tall buildings we own, we have recruited Building Safety Managers, each of whom have a number of tall buildings to manage. Regular safety checks are being established and building information collated. This work will be developed into tailored building safety case plans, on which we are liaising with G15 peers, in line with regulatory requirements, as they become more defined.

This work is significant both in terms of our financial commitment – we invested £14.5m this year alone on building safety work – and in terms of our commitment to engage and support our residents. Many of them are deeply concerned about the national building safety crisis and the impact on them personally, both financially and on their wellbeing.

We are committed to completing our Building Safety Programme as efficiently and effectively as possible. We are using our procurement frameworks to ensure we deliver value for money in both the costs of surveys and in any remedial work that is needed as a result. Prioritising our buildings according to risk is the right thing to do but it does mean that some residents may have to wait for years before we can carry out EWS surveys on their buildings. We will support our residents with a range of measures as needed during this time.

Introducing Building Information Modelling (BIM)

In response to the Building Safety Bill and its requirement for a 'Golden Thread' of building data, the Group's Building Information Modelling (BIM) strategy was approved in July 2020. Its overarching aims are to ensure the Group meets the draft Bill's obligations and increases the quality of our new homes.

Our BIM related key objectives include:

- Creating and maintaining a suite of standard appointments and contract documents
- Pursuing 'software neutrality' to avoid dependence upon a single package or service provider
- Ensuring close collaboration with the Group's Asset Data Architecture and SharePoint Online projects
- Ensuring that in the future we are able to effectively use BIM for our current development programme portfolio.

Progress is being measured against two categories:

- **BIM implementation**, which tracks best practice and emerging regulator expectations, translating these findings into measurable actions and updating our standard contract documents, processes, and procedures, and
- **BIM delivery**, which reports on the usefulness of these new tools against some key performance indicators, such as BIM cost per project and speed of roll out.

Sustainability

We are committed to reducing our impact on the environment and to providing comfortable, energy-efficient homes with low running costs for our residents. We do this through our Environmental Sustainability Strategy and Policy as well as our Development and Asset Management strategies.

Our aim is to build high-quality, energy-efficient homes, helping to make progress towards the elimination of fuel poverty while reducing carbon emissions.

Our current strategy runs until 2022. During 2020-21, we began our research and analysis into a new strategy that will set out our pathway to net zero carbon and determine the best ways we can take forwards our work on energy efficiency, fuel poverty, biodiversity and waste reduction.

During the year, we launched the Biodiversity Toolkit for Housing Associations. The toolkit was developed in partnership with the UK Centre for Ecology & Hydrology following a successful 18-month pilot project at our estates in Bracknell, where we introduced wildflower meadows, more native plants, and bird, bat and bee boxes. The toolkit has been rolled out to our Estate Care teams to encourage simple shifts that support biodiversity. It is available to all online at www.shgroup.org.uk/about-us/sustainability/biodiversity.

Between 2019-20 and 2020-21, average Standard Assessment Procedure (SAP) ratings improved slightly for existing stock but fell slightly for new homes. Our goal is to sustain an overall SAP rating, which is one measure of the energy efficiency of a property, of at least 71 annually between 2018 and 2022. This is enabled by both our planned works programme and our new build development programmes.

	2020-21	2019-20
New homes SAP rating	84.0	84.7
Overall SAP rating (rented tenures)	72.6	72.4

Focus on the Biodiversity Toolkit

Working with Southern Housing Group, ecologists at the UK Centre for Ecology & Hydrology (UKCEH) launched the 'Biodiversity Toolkit' to enable housing providers and residents to support wildlife on their estates.

The toolkit provides a range of ways to improve biodiversity on housing estates. These options can be tailored according to housing density, budget available and the level of maintenance possible.

Available digitally, it includes more than 20 wildlife management options that are suitable for housing developments. It also provides a guide on how best to improve green spaces for wildlife, while involving residents in key decision-making.

UKCEH is encouraging other housing providers across the UK to use the toolkit to make changes in management practices on their estates. This will provide much-needed habitats for wildlife and improve their residents' health and wellbeing.

Jodey Peyton, UKCEH ecologist, said, "Urban development is one of the causes of habitat loss, deterioration and fragmentation of natural areas. This has led to significant declines in a wide range of animal and plant species, particularly over the past 50 years."

"Green spaces in urban habitats have great potential for supporting lots of wildlife and improving people's wellbeing. Our new toolkit advises housing providers and residents on measures they can implement themselves, offering a range of affordable and achievable wildlife management options to help reverse the long-term decline in biodiversity in urban areas."

We ran a pilot scheme introducing some wildlife-friendly measures on a Southern Housing Group estate in Bracknell last year. The variety of wildflowers was increased through both planting and by leaving a proportion of grassland unmown. Shelters for bees and other invertebrates, including so-called 'bug hotels', were distributed around the estate along with bird and bat nesting boxes on trees and buildings.

Patryk Szczerba, Southern Housing Group's Sustainability Manager at the time, said: "We were delighted to be involved with this project. As a business that develops land in both rural and urban settings, we're determined to encourage the return of wildlife to the built environment. It can be as simple as making a slightly different choice of plants for a hedgerow or grassy area. A commitment to biodiversity doesn't need to come with high financial or human resource investment."

UKCEH's work on the toolkit was funded by a grant from the Natural Environment Research Council.

Southern Housing Group Streamlined Energy and Carbon Reporting (SECR) 2020-21

Under changes introduced by the 2018 Regulations, large unquoted companies are obliged to report their UK energy use and associated greenhouse gas emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through their annual reports. Southern Housing Group has opted to voluntarily disclose its energy use on a similar basis.



Carbon Footprint in corporate offices, buildings and in communal areas

For the purpose of this SECR Carbon Report the Group has included gas and electricity usage for the financial year 2020-21 for the following offices, and included intensity ratios (kgCO₂e per office square metre) where available. Total CO₂e emissions for our offices from gas and electricity usage were 459.76 tnCO₂e. This was a 19.6% decrease compared to 2019-20 (571.87 tnCO₂e), due to the reduced office use during the coronavirus pandemic and the Group's adoption of increased remote working.

Office	Energy usage		Carbon Footprint tnCO ₂ e	Intensity ratio kgCO ₂ e/m ²
	Electric kWh	Gas kWh		
Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA	224,102	None	52.25	14.05
Spire Court, Albion Way, Horsham, West Sussex, RH12 1JW	676,548	388,225	229.11	32.06
The Courtyard, St Cross Business Park, Newport, Isle of Wight, PO30 5BF	71,915	37,653	23.69	25.67
The Oasts, Newnham Court, Bearsted Road, Maidstone, Kent, ME14 5LH	63,560	None	14.82	
Bow River Village, 2 Pintle Place, Hancock Road, London, E3 3UP	14,757	None	3.44	
Courtney King House, 169 Eastern Road, Brighton, East Sussex, BN2 0AP	45,717	638,740	128.10	
Hooper Court, 4 The Hard, Portsmouth, PO1 3PU	6,889	None	1.61	
Mount Pleasant, 251 Mount Pleasant Lane, Mount Lane, Bracknell, RG12 9AB	28,891	None	6.74	
Total emissions			459.76	

Energy efficiency actions taken

- Reduced use of offices with consequent reduction in energy consumption.

Methodology

- Carbon emissions from electricity = electricity usage in kWh x emission factor 0.23314 kgCO₂e
- Carbon emissions from gas = gas usage in kWh x emission factor 0.18387 kgCO₂e.

19.6%

reduction in office carbon emissions compared to 2019-20

Carbon footprint from staff mileage

Total CO₂e emissions from staff mileage (for business use) was 213.19 tnCO₂e, that is 0.2932 kgCO₂e per mile. This represents a 44.4% reduction compared with the prior year, with the coronavirus pandemic having a significant impact on travel. Emissions are calculated by multiplying mileage x emissions factors and dividing the result by 1,000.

44.4%

reduction in staff mileage (for business use) compared to 2019-20

	2019-20			2020-21		
	CO ₂ e emission factor kg	Mileage Miles	CO ₂ e emissions tnCO ₂ e	CO ₂ e emission factor kg	Mileage Miles	CO ₂ e emissions tnCO ₂ e
Motorbike (125cc to 500cc) petrol	0.16559	1,712	0.28	0.16559	9,046	1.50
Staff Car (1.4L to 2.0L) petrol	0.30045	1,238,124	383.14	0.30029	704,958	211.69
Pedal Cycle	0	11,268	0	0	13,234	0
Total			383.42			213.19

Energy efficiency actions taken:

- Group-wide take up of remote working, including greater use of agile tools and software such as video calling and conferencing
- Reduction in travel between offices and sites as a result of the pandemic.

Total mileage fell from over 660,000 miles in 2019-20 to just under 157,000 miles in 2020-21 as a result of the coronavirus pandemic travel restrictions. No other energy efficiency or carbon reduction actions were taken.

Carbon footprint from fuel used in fleet vehicles and company cars

Total CO₂e emissions from fleet vehicles and company cars mileage was 53.48 tnCO₂e, that is 0.34 kgCO₂e per mile. This was calculated using the mileage and emissions factors below:

- Van Class I (up to 1.305 tonnes) petrol =
154,659 miles x 0.33923 kgCO₂e emission factor
- Company Car (type Executive) petrol =
2,775 miles x 0.36532 kgCO₂e emission factor.

Conversion factors

All the conversion factors used in this report accord with the Government's emission conversion factors for greenhouse gas company reporting, some of which change annually. Greenhouse gas reporting: conversion factors 2020 – GOV.UK (www.gov.uk)



Customers

Our objectives

- Listen to our customers, develop trusted relationships
- Be easy to do business with
- Excel at customer service
- Provide excellent care and support services to people that need them.

Our commitments

- Increase the opportunities for residents to scrutinise and shape how services are provided
- Increase resident involvement in the safety and improvement of our services, estates and neighbourhoods
- Increase the number of customers who find it easy to do business with us, feel listened to and would recommend us to friends and family
- Increase our overall customer satisfaction and reduce complaints by 10% year-on-year
- Maintain and seek to improve our Care Quality Commission (CQC) regulatory ratings.

Our progress during 2020-21

Key facts and figures

	2020-21	2019-20	2018-19
Customer enquiries processed by phone, email, webchat and portal	103,948	79,134	79,035
Customers surveyed per month	78	626	600
Incoming calls handled	190,789	224,963	212,000
Net Promoter Score	34*	42	26.1
Net Ease Score	27*	27	19.1
Overall Customer Satisfaction	74%**	83%	73%
Overall Satisfaction with Repairs	88%	83%	79%
Void turnaround time (days)	29	16	22
Emergency repairs completed within 24 hours	93%	93%	99%

* based on 100 respondents.

** based on 634 respondents (general needs, housing for older people and affordable rent residents).

Listening to our customers

Listening to our customers was more important than ever during the pandemic. That's why we paused our normal survey programme and instead, we directly consulted customers on the kinds of communications and activities they needed from us in a changing and unprecedented environment. This shaped our communication approach as we sought to keep customers updated on our services, which themselves were being adapted in response to evolving guidance from the government.

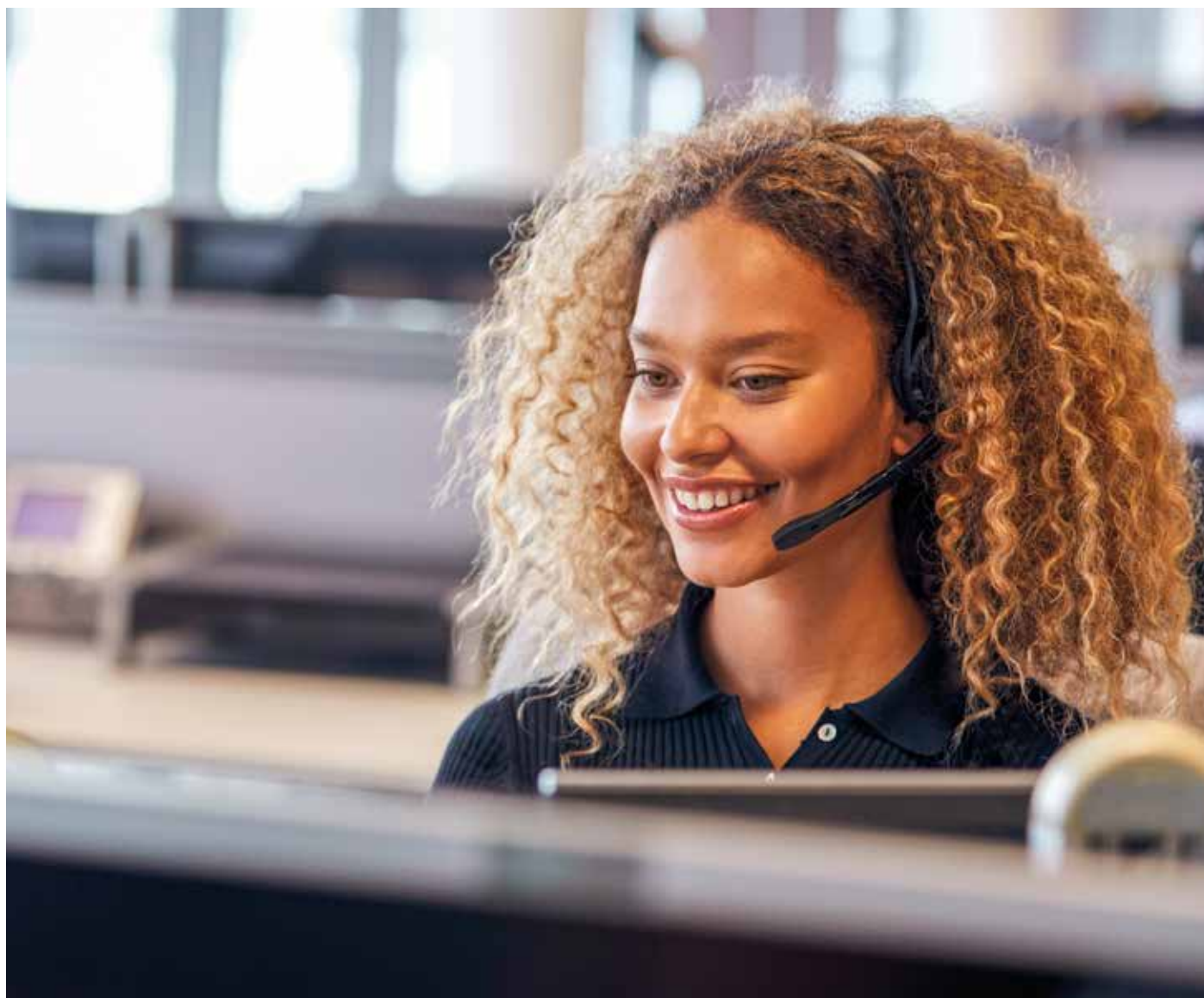
By December 2020, we had established a common thread in the pandemic feedback, and so reinstated our normal satisfaction surveys to ensure that a comparison could be made with prior years. Around a third of our usual survey volume was completed (720), with customer satisfaction reported at 74%, compared to the previous year's 83%. This, in part, was driven by the general dissatisfaction with life during the pandemic seen across all sectors of the economy. It also reflected the frustration felt by customers who experienced difficulties when accessing the Group's services.

Our ability to recover our customers' trust will depend on how well we can tackle backlogs built up during lockdown restrictions and our success in creating new digital services. Nevertheless, the score of 74% is not dissimilar to that achieved in the years 2016-19, which suggests the actions we took to increase satisfaction in 2019-20 were the right ones to prioritise as we return to a more normal way of working.

Service levels

By the end of March 2021, contact and work volumes in most areas were at a similar level to the year before, but the pattern was very different. The first quarter saw a big reduction in contact and some services – such as lettings – were completely stopped by pandemic restrictions. Services were reintroduced with great care over the summer and early autumn months, especially where sheltered residents were involved, many of whom were shielding. As we entered the winter months, through a combination of digitisation and adapting our ways of working, our teams began to deliver many services as normal, or at least very close to it.

In the run up to Christmas, demand began to pick up at the same time as we saw increased sickness and self-isolation absence among our colleagues. From the New Year, demand strongly resurged and complaint volumes rose accordingly, with customers demonstrating anxiety and frustration at the increased effort needed to access or receive our services. The learning from this experience is critical and our actions to ensure that we learn from complaints are set out later in the section, 'Learning from complaints'.



Making it easy to do business with us

The Group's ability to digitise and provide alternatives to face-to-face services is not just for the pandemic but has become part of our longer-term strategy to make it easier for all customers to access services.

The Group's customer contact centre remained open throughout the pandemic, although with reduced hours for phone calls to help staff manage the volumes of emails and portal messages. Taking calls, particularly where customers are frustrated or angry, is difficult for colleagues who are home working, particularly if their home set-up is not ideal or where they have had to share space with their children or parents. Priority was given to returning contact centre teams to the office whenever this was feasible within the restrictions at the time.

Transferring to a new, omni-channel platform in November greatly improved the team's capacity for digital contact, especially web chat, and from that point almost half of all customer contact came via channels other than the phone, showing a real demand from customers to engage with the Group digitally.

Looking forward

We have been improving our online customer services portal, gradually bringing our repair service online. We are excited to be working on many new services which will enable customers to self-serve on a platform that is available 24/7. Our ambition is to provide ready access to our services for digitally-engaged customers, without removing the phone service – or indeed written post service – that some customers continue to rely on.

Our ambition for the next 12 months is to rebuild the services that have been impacted by the pandemic with more digital options available to recover customer satisfaction and ensure that we are making it easy, whichever way our customers choose to contact us.

Learning from complaints

We know there will be times when we don't get our services quite right and residents may decide to complain about the service they have received. While we always want things to go right first time, complaints provide us with a valuable opportunity to listen, learn and make improvements to our services.

Last year the Housing Ombudsman introduced a new Complaint Handling Code as part of the revised ombudsman scheme. The new code set out to establish some best practices in handling complaints and covers areas such as making our complaints procedure easily accessible, suitable responses and improving by learning from complaints.

Our Complaints Handling Code and most recent self-assessment are available here: https://www.shgroup.org.uk/media/1023296/southern-housing-group-complaints-handling-code_final.pdf

Our Complaints Policy is here: <https://www.shgroup.org.uk/media/1023020/complaints-policy-dec-2020.pdf>

Our actions

We've been hard at work looking at how we learn from complaints and understanding the root causes of any dissatisfaction. We now have a dedicated team, and processes, to make sure that we learn from every single complaint we receive.

Our approach to learning from complaints is simple: we carry out a review of each complaint to understand the root cause and then work with colleagues and contractors to put it right. We also hold a quarterly Steering Group with colleagues and residents where we look at all the improvement themes and ensure we have a joined-up approach to improving our services. Together, we build an action plan and check back to make sure we're delivering against it.

The first of these Steering Group meetings took place at the end of April 2021 and we agreed to provide refresher training to employees on delivering great service. We are also looking at how we can better manage the replacement of boilers.

In addition to this, we have a number of operational improvements underway including how we manage missed appointments with contractors and how we keep residents updated effectively, every time.

It's important that we're open and transparent with our customers about how we're doing, so we publish a report and more information on how we learn from complaints on our website every month.

Further information can be found on our website here: <https://www.shgroup.org.uk/about-us/our-performance/learning-from-complaints/>



Resident involvement

Our Resident Involvement Team exists to proactively increase the opportunities for our residents to scrutinise and shape how our services are provided. The Group's resident involvement strategy has been revised and strengthened following the publication of the government's Charter for Social Housing Residents: Social Housing White Paper and the Housing Ombudsman Complaint Handling Code. The strategy prioritises communication, repairs, service, and respect.

Key facts and figures

355

actively involved residents

1,287

responses to involvement opportunities (residents taking part in multiple opportunities throughout the year)

64

projects completed

12,506

hours of dedicated involvement time

12%

of residents invited to participate responded

How our residents got involved

Online surveys	582 (40%)
Email	219 (15%)
Post	335 (23%)
Phone	154 (11%)
Face-to-face	17 (1%)
Virtual meeting	152 (10%)

Throughout the year, the Resident Involvement Team promoted opportunities to involve residents and explored avenues to reach out further to ensure the widest possible resident voice was heard.

This year we focused on the following resident involvement initiatives:

- The Steering Scrutiny Group and Resident Scrutiny Group undertook their first scrutiny exercise looking at the Complaint Handling Process including changes to the Policy to reflect the requirements of the Housing Ombudsman Complaints Handling Code. Recommendations from that scrutiny exercise are being actioned. Prior to the scrutiny review, residents from the wider involved list participated in focus groups that helped inform change to the Complaint Policy. Residents have also been involved in reviewing complaints communication.
- The Resident Involvement Team progressed with setting up a Homeowners Group. Homeowners interested in being part of this Group have provided feedback about the service they receive and what areas of this service they would like to see improved. This feedback has been shared with colleagues responsible for Housing Management, Section 20 consultation, and service charges. Communication has been identified as the priority and the Homeowners Group will help us to scope the next steps to improve this aspect of our service.
- In response to the pandemic, the team undertook a digital inclusion survey with involved residents to identify current access to digital engagement. The team supported residents to join online focus groups and engagement opportunities. To involve residents unable to access online meetings the team reviewed its offer to include telephone calls and one-to-one support. Residents who would like to be involved digitally but did not have equipment or skills were directed to Community Investment digital inclusion initiatives.
- Training has been provided to residents who expressed an interest in procurement and contract review. The trained residents have taken part in the Careline re-procurement, the tree work procurement, and the procurement of a large regeneration project. Four residents are now undertaking contract review roles relating to the Alliance Contract working closely with the Property Maintenance and Investment Team.
- Residents have been working with our Building and Fire Safety Teams to scrutinise how we meet our obligations to ensure that their homes and buildings are safe. This includes developing our Fire Safety Involvement Strategy.

Priorities for next year

The Resident Involvement Team have a busy year planned with their key priorities being to:

- Embed resident involvement further into the Group's governance structure to ensure that our resident voice has influence from the Board down
- Review our strategy to respond to the requirements of the Social Housing White Paper
- Work with our resident groups to obtain Resident Involvement Accreditation
- Support residents to engage in the ways they would like.

Thank you

We are very grateful for the time and effort our Customer Steering and Scrutiny Group members bring to helping us understand and improve our service.

Southern 360 care and support services for residents

We are proud that during this very challenging year for both the Group and our residents, we have been able to maintain our care and support services to some of the Group's most vulnerable residents in almost a business-as-usual capacity.

Working closely with our partners at the Isle of Wight Council and the Care Quality Commission we have supported our residents and colleagues with an absolute focus on health and safety and regulatory compliance, in Covid-safe working and living conditions. This has at times been a significant challenge for our residents as inevitably there have been limits and restrictions placed on how they can live. During this period, through detailed planning and with the utmost caution, we have also been able to let our brand new Extra Care Scheme at Ryde Village on the Isle of Wight. The service is transforming the lives of its new residents and, such is the local demand, we currently manage a waiting list for the scheme.

Support services

Our Southern 360 support services comprise hostel-based accommodation and support as well as 'housing first' type accommodation and support delivered across the Isle of Wight.

Homeless family service

In April 2020 we were awarded the new contract to deliver a Homeless Family Service across the Isle of Wight. We are contracted to house 26 families in different sized accommodation on assured shorthold tenancies which will convert to assured tenancies at the end of two years.

Single homeless pathway service

From 1 November 2020 the new Single Homeless Pathway Service was launched. This service was a result of the Isle of Wight Council commissioning a different approach to managing homelessness on the Isle of Wight. We work in partnership with the Isle of Wight Council and other support providers to create a pathway out of homelessness.

Learning disability – supported living and outreach

We deliver a supported living service to up to 25 individuals with learning disabilities and autism. The supported living accommodation is varied to suit the different preferences of individuals looking to live more independently. Our customers are a close-knit community and often socialise across the schemes.

We also provide an outreach service to people living in the community but not necessarily in our supported living schemes. On average we support approximately 60 people across the service.

Overall customer satisfaction levels with these services were 99% (2019-20: 93%) and all our registered care services were rated as 'outstanding' or 'good' by the Care Quality Commission (CQC).



Supporting Independence and Care



▲ Caddie, our resident disability dog, supporting our innovative approach to maximising residents' independence

Overall customer satisfaction levels with these services were

99%



Focus on: Caring on the front line

Care homes across the UK have been at the frontline of the pandemic. At the start of lockdown, the main aim of our care staff was to ensure that residents remained as safe as possible and had the least disruption to their daily lives.

However, as government guidelines changed, some of our care homes were able to introduce socially distanced visiting in the garden area where residents greeted visitors through open doors or windows. To support residents' wellbeing, staff also put together events and activities that were safe for residents to participate in.

Naomi Keyte, Head of Sheltered and Care Services, said, "I am extremely proud and humbled by the continued dedication and commitment of our staff to help our residents keep well and safe during this challenging time. One example is providing a safe space for residents to see their families. By using a dedicated room, specialist equipment and personal protective equipment, relatives and loved ones could keep in touch with residents which supports their physical and emotional wellbeing."

Emma Bound, Manager at 22 Argyll Street, said, "We managed to secure a private slot at the swimming pool. We have it once a week for one hour and they give us time to change afterwards, as they understand that this can take us some time due to our residents' physical needs. We are so pleased about this, as we have seen our residents' physical health deteriorate over the last few months because they haven't been able to access their usual activities."

Mike Janvrin, Senior Clerical Carer at Byrnhill Grove, said, "Here at Byrnhill Grove, we have reintroduced the hairdressing services and our local minibus tours. We've been following all guidelines to keep everyone safe."

And our colleagues' dedication and professionalism hasn't gone unnoticed by some of our supported care residents either. Kelly, one of our residents, said, "I want to thank you all for the service I have been getting these past months. Although, I have been with Southern Housing Group for over 18 years, I know the last eight months have been hardest for your staff."

Communities

Our objectives

- Invest more in creating sustainable estates and neighbourhoods that people are proud to live in
- Improve the lives of our residents and their communities
- Work with our local partners to improve our residents' communities

Our commitments

- Increase the number of customers we help with our financial inclusion and employment support services
- Maximise the income we help generate for customers through our interventions
- Increase our investment and impact in communities
- Increase awareness of our role in communities

Our progress during 2020-21

Southern 360 – community investment and care services

Making lives better, supporting independence and improving communities is at the heart of what we do as an organisation. Southern 360 is committed to making meaningful contributions to people's lives and helping local communities thrive.

Key facts and figures

£1.5m

invested in our communities

8,538

customers benefitted from our community investment support

£450k

Group-wide grant invested in residents and their communities

£5.3m

income generated for the benefit of customers

£691k

funding leveraged through partnerships

4,389

people benefitted from Group-wide grants

£215k

of social value gained from our supply chain

100+

Colleague volunteers supporting residents, communities and community projects

£24k

community grants to help charities cope with the impact of Covid-19 including to foodbanks with over 1,600 beneficiaries



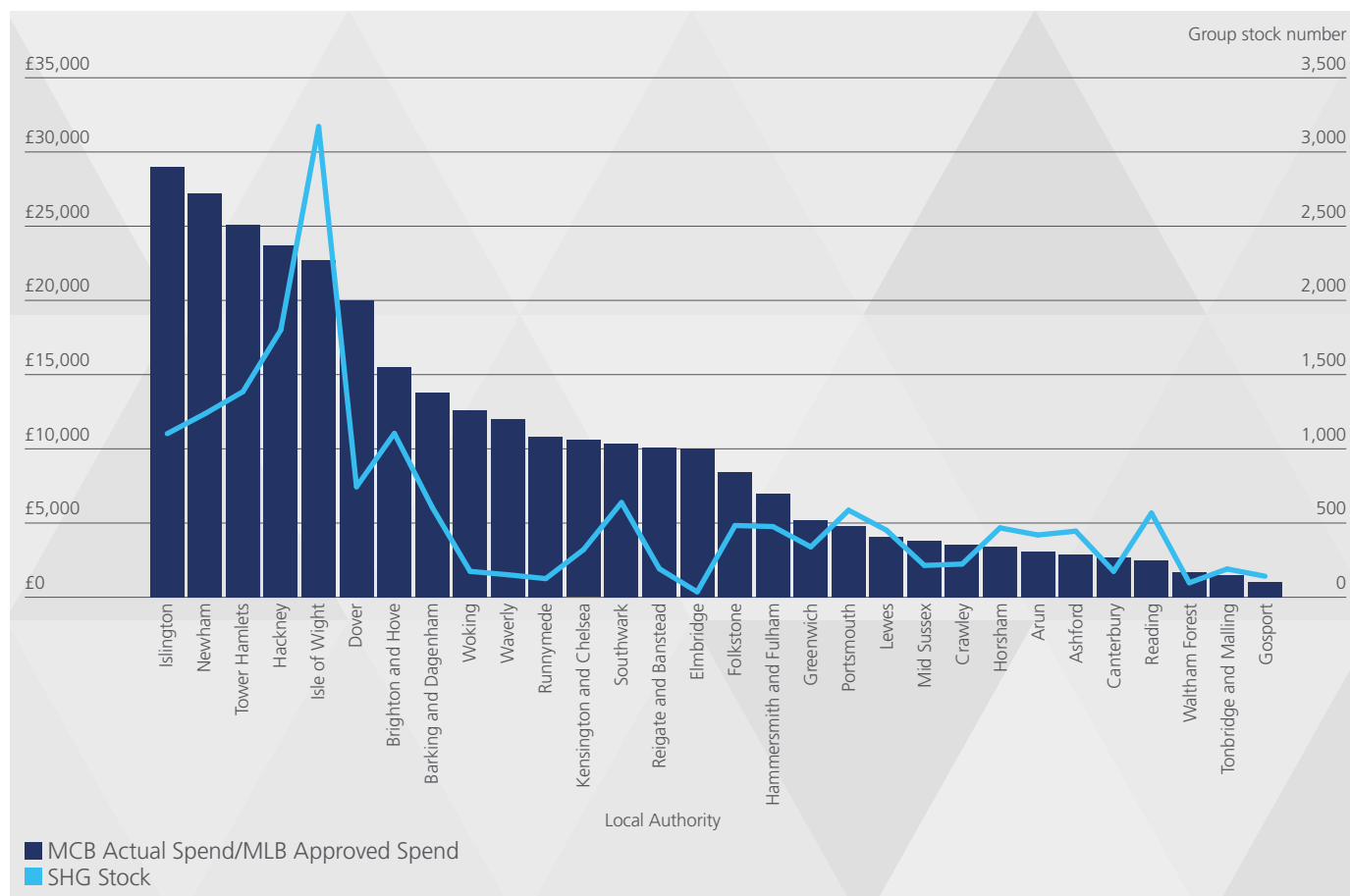
Southern 360 community investment services cover a range of different functions

- **Financial inclusion service** – a team of Financial Skills Officers delivering one-to-one tailored support
- **Southern 360 hotline** – a dedicated team triaging residents' needs and making onward referrals, the hotline is the first point of contact for any of our Southern 360 community investment services
- **Employment, skills and training** – a team of Employment Skills Officers, working in partnership with national, regional and local organisations to provide a range of opportunities to support residents with work and training related activities
- **Partnership working** – through a wide range of partnerships we are able to leverage funding to develop and sustain partnership projects to support our residents and their communities
- **Volunteering and paid work placements** – support for residents wanting to give something back to their communities and those who wish to develop their skills and confidence to help them secure work
- **Social value** – maximising our leverage through SHG contracts to support all aspects of our community investment activities
- **Grants programme** – individual and small group grants can be applied for through our Making Lives Better fund, supporting personal progression and small-scale community activities with grants up to £5,000. Large community grants and project funding over £5,000 can be funded from our Making Communities Better grant fund
- **Community centres** – we own 17 Centres, predominantly in and around London. These host a variety of community groups and activities that benefit local people and their communities
- **Digital skills** – through a joint programme with national training provider We Are Digital, we offer our residents up to six hours of free digital skills training and, where possible, access to free digital equipment.

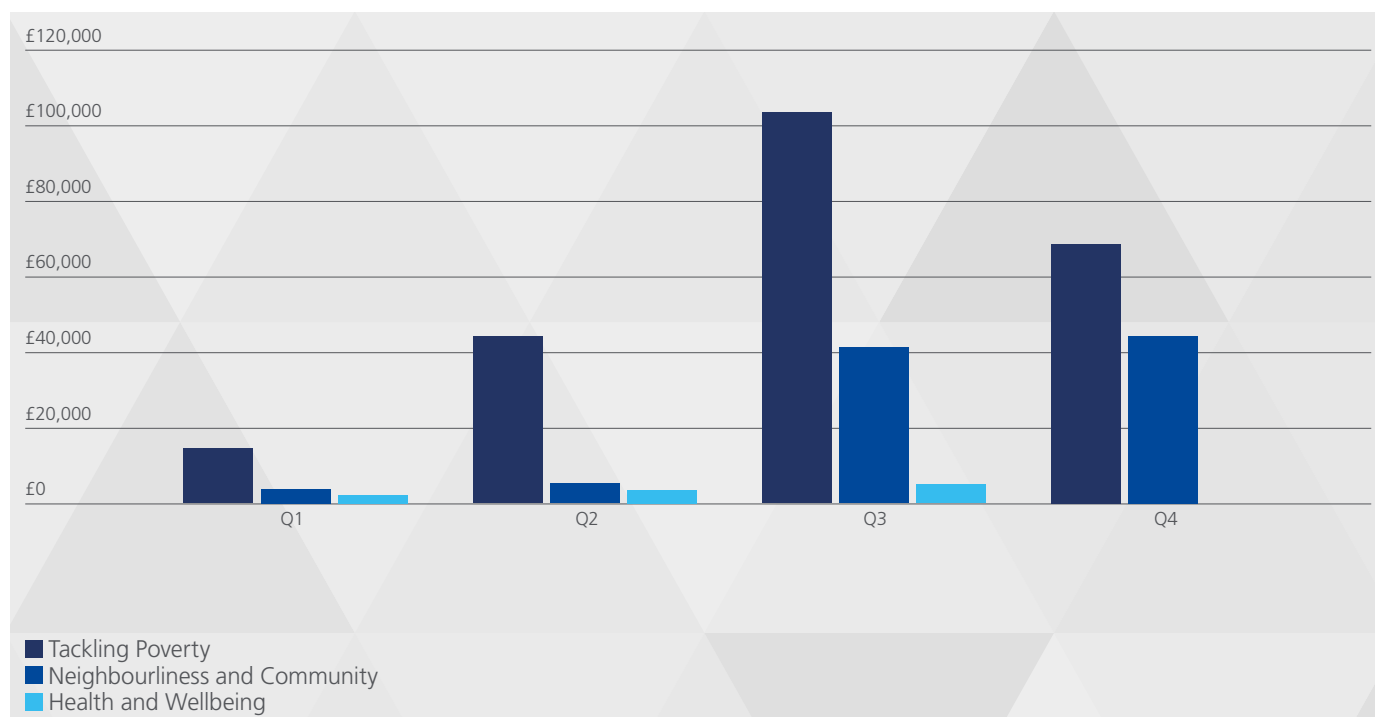
Grant spending

In 2020-21, we allocated over £450,000 in grants across 45 local authority areas.

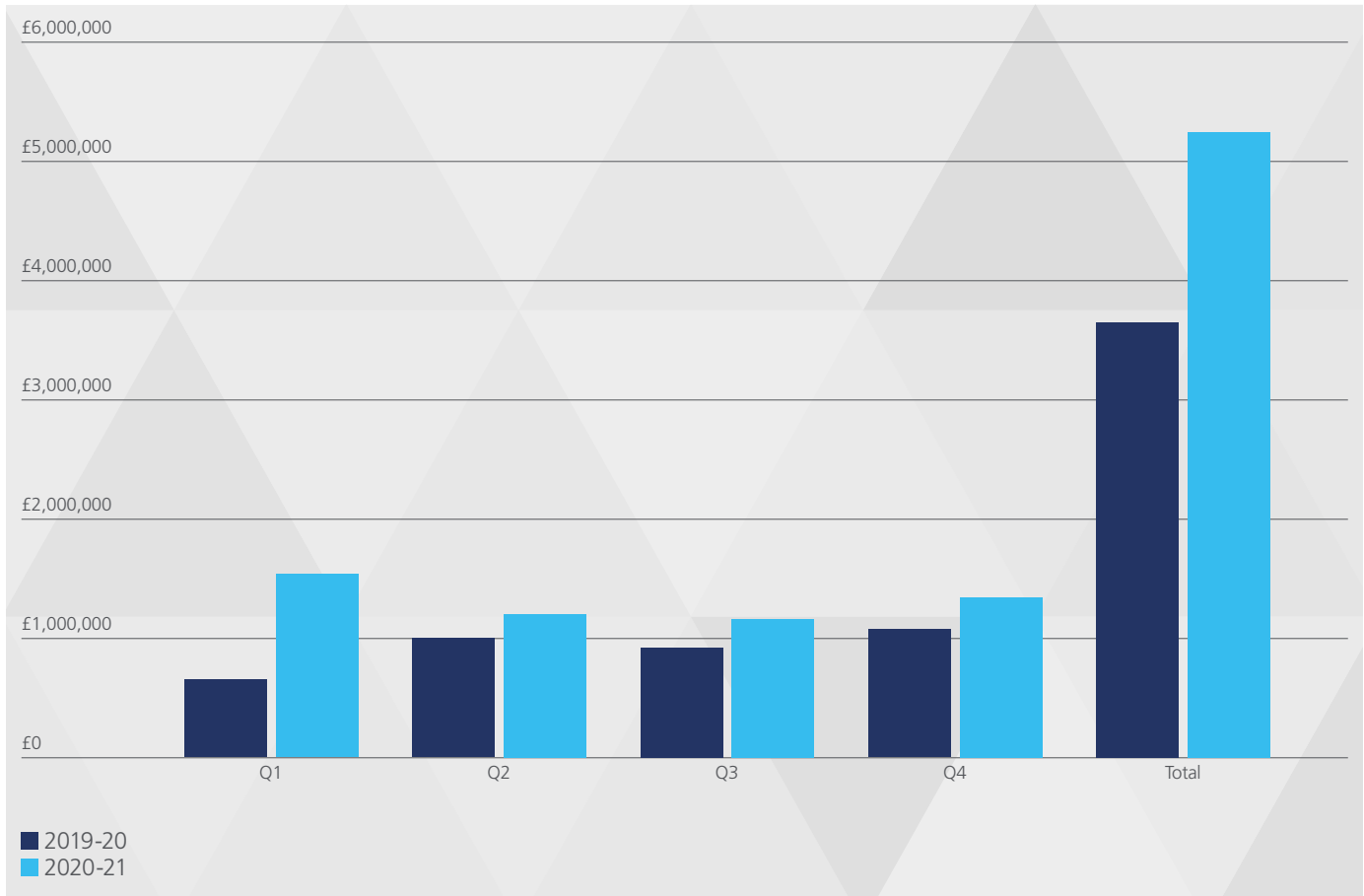
Grant spend by local authority area 2020-21



Approved grant spend by theme



Income granted 2020-21 and 2019-20



Total income generated during the year 2020-21 was £5,252,020, up by £1,607,549 from the previous year. External partnerships generated £180,679 of the overall total through projects such as the East End CAB debt advice service, Kennedy Scott and food pantries. The Southern 360 hotline contributed £443,776 to this income total, which is an increase of £20,000 on last year's performance.

We were able to access Family Action funding this year to support residents through Covid-19 related hardship and this represented £189,565 of the income generated.

Covid-19 related community support

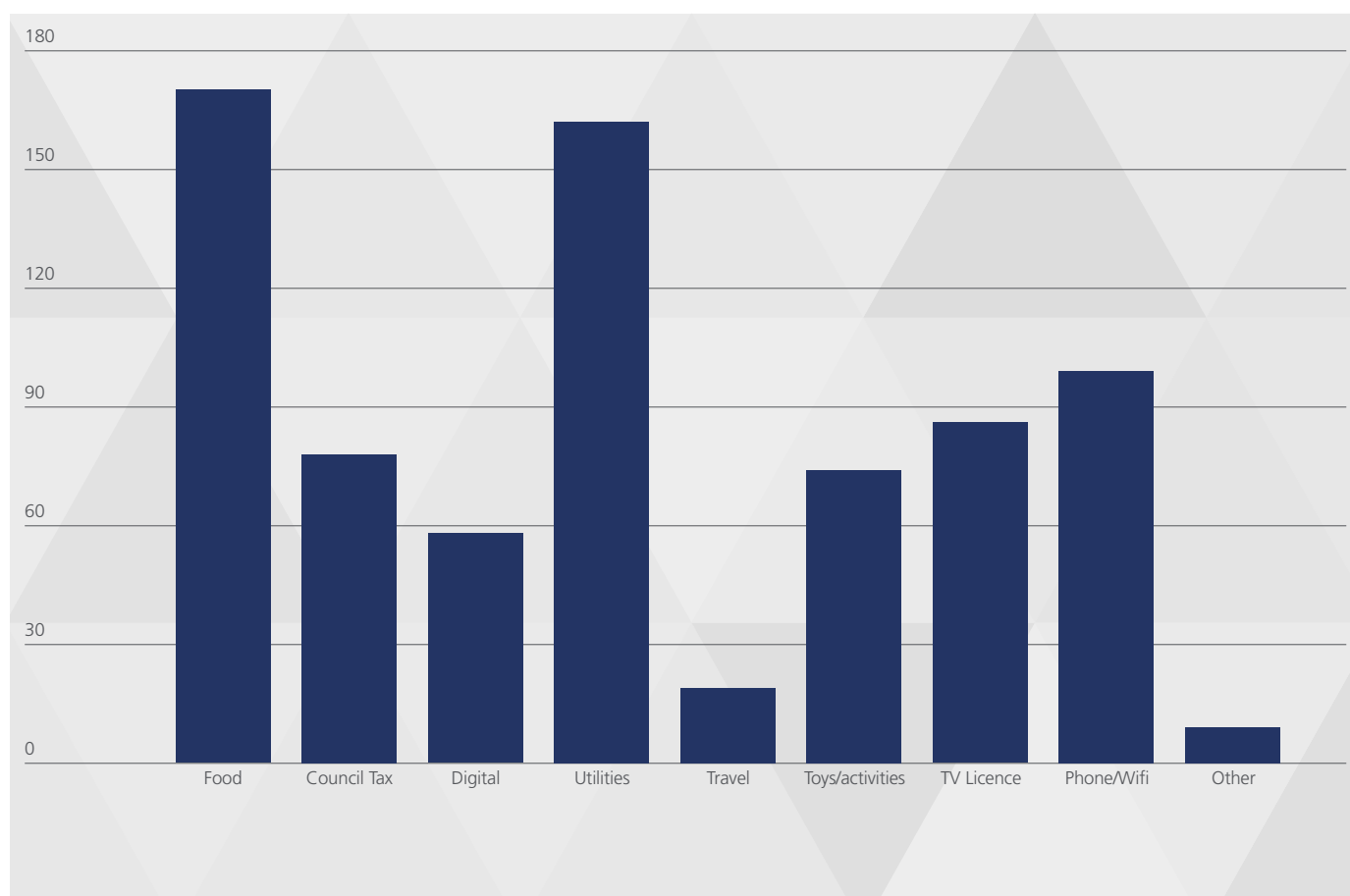
In November 2020, we formed a partnership with the Family Action Fund and became a registered referral partner. This allowed us to apply for emergency Covid-19 funding to help residents with a wide variety of needs as indicated in the table on the next page.

Frontline staff were encouraged to make applications on behalf of residents who had been impacted by Covid-19 and a tracking system was established to record and monitor our spend. Over the course of five months, we supported 175 households in accessing essential funds, providing many of them with a lifeline. Total funding secured for our residents was £182,905.

Total funding secured for our residents was

£182,905

Households supported by item



Community centres and the impact of Covid-19

Lockdown restrictions resulted in most of the Group's community centres being closed down, and almost all community centre activity being suspended.

A number of our centres were used as food distribution points during the crisis.

One centre which hosts a nursery in Hackney remained open to support a number of children with special needs.

Centres are now slowly starting to open to a wider range of activities and will continue to do so as lockdown eases over the coming months. All necessary safety measures and precautions are being taken to ensure the safety of residents, the public, contractors and Group colleagues.

We will be conducting a review of our centres over the coming months and creating a strategy to direct the future development of our community assets.

Focus on: Fighting food poverty

More than eight million people in the UK struggle to feed themselves and their families. This includes many working people and families with children, as well as some disabled people and people in later life.

Southern Housing Group has a strategy to help combat food poverty.

Food Pantry schemes

Food pantries are subsidised food shops supported through partnership initiatives with our contractors and other housing associations. Customers of the Group who fulfil the required criteria can apply for membership of the Pantry for a nominal cost per week, which allows them to fill their shopping baskets with donated, or vastly reduced priced, foodstuffs.

Last year, we set up the Ixworth Food Pantry in South Kensington in partnership with the St Giles Trust to tackle food poverty by giving vulnerable residents access to groceries for a nominal fee.

This year there has been an increased number of families living on reduced incomes. In response to this, the Group has stepped up to open further food pantries in partnership with our contractors – for example in Dover.

Rajvinder Kaur, Employment Skills and Development Officer said, "Social Value gifted [by our partners] makes all the difference and can save the Group valuable resources while improving the wellbeing of our residents and the wider community."

Bill Watts, Construction Director at Amber said, "We are delighted to complete the works in Dover, and we are looking forward to assisting in the Reading area once a location can be found... I truly feel this initiative will really make a difference and we thank the Group for the opportunity to play our part."



Supporting food banks

The pandemic has seen a dramatic increase in demand for foodbank services across the country, as many people's incomes have fallen during the crisis. Supporting community foodbanks is part of our wider food poverty strategy.

We provide food vouchers which can be redeemed at most major supermarkets through our hardship fund, enabling more residents to gain access to fresh produce not typically available at food banks.

A great example of our work supporting food banks involves Tower Hamlets' biggest foodbank, First Love Foundation. In recognition of the valuable service they provide across the local community, we donated £5,000 to the Foundation this year.

Keeping up with demand has been a challenge for First Love Foundation, which reported a 900% increase in people turning to its summer service during the pandemic. Tower Hamlets has the highest rate of child poverty in London with a staggering 44% of children living in inadequate conditions and without access to nutritious food. The foodbank's Love Summer Foundation scheme helped struggling parents throughout the holidays, providing a variety of advice, food, workshops and parental support.

First Love Foundation CEO and Co-Founder Denise Bentley said, "Our 'Love Summer 2020' campaign has been critical for children in the borough who live in poverty. Covid-19 has increased demand for our services, as children are unable to attend summer camps and parents struggle with increased economic pressure. The support from Southern Housing Group has been instrumental in ensuring we can continue to support children in the borough and make sure not only no child goes hungry, but that each family is fully and properly supported."

Over in Newham, the Group donated £5,000 towards Newham Food bank, in recognition of the valuable service they provide across the local community.

The Mayor of Newham, Rokhsana Fiaz OBE, said, "As many are aware, Newham has one of the highest rates of child poverty in London and a high rate of households in temporary accommodation. Organisations such as Newham Foodbank already provided an invaluable service for our community but have gone above and beyond during this time of crisis. Southern Housing Group's support will be a huge help in our fight against food poverty and our commitment to supporting families in the Newham community during Covid-19."

Anabel Palmer, Director of Community Investment and Care at Southern Housing Group, added, "Although foodbanks shouldn't be needed, we recognise the vital role they have played in our communities during these challenging times."

Focus on: Supporting community education

Tutors United is a small charity providing free English and Maths tuition to children in Primary school, Years 4, 5 and 6. They partner mainly with housing associations and provide small weekly classes on their estates. We started working with them several years ago on two estates. Feedback from parents has been very positive with children markedly improving in literacy and numeracy. We have since expanded the provision to five classes, four linked to estates and one virtual class which can take Southern Housing Group residents from anywhere in the Group.

At the start of lockdown the physical classes all moved online without a hitch, and we are currently in conversation with Tutors United about how and where to continue this model as lockdown eases, as it offers the opportunity for more universal provision across the Group.

Measuring outcomes - one student's story

In initial assessments, Anna*, received a grade of 3S in English, which was three years below where a Year 6 pupil should have been.

After support from Tutors United, Anna's maths' assessment score increased to 71%, just four percentage points away from being above average in the age group.

In English, Anna improved from the initial result by one whole year standard, achieving a 4S in midpoint grading.

* name changed.



Focus on: Charity fundraising 2020-21

Colleagues across the Group raised

£34,000

for the Group's chosen charities this year:

- The Foodbank, Isle of Wight
- Momentum Children's Charity - covering Sussex and London
- Air Ambulance Service for Kent, Sussex and Surrey
- Turning Tides - Sussex charity for the homeless.

People

Our objectives

- Be a place where colleagues are proud to work
- Be a supportive, inclusive, diverse and equal opportunity employer
- Create a high-performing culture that supports our people to grow.

Our commitments

- Increase our investment in staff training and development over the next three years
- Increase our employee engagement score year-on-year
- Increase the percentage of colleagues saying they are proud to work for the Group
- Reduce and eliminate any pay gaps among our diversity strands
- Ensure our workforce reflects the diversity of the communities we serve
- Continue to support the health, safety and wellbeing of our staff and reduce health and safety incidents.

Our progress during 2020-21

Although this has been a year like no other, we have kept on track with our People Strategy.

Following lockdown in March 2020, we were able to adapt quickly and equip all our office-based colleagues (around half of all colleagues) to continue working in a fully agile way – mostly from home.

Equality, Diversity and Inclusion

We have refreshed our Equality, Diversity and Inclusion strategy and agreed a series of actions over the next three years.

Our network groups have grown and developed and provide support, information and guidance to colleagues across the BAME, Age, LGBTQ+, Parents and Carers, Women and Disability strands.

Strengthened by the Black Lives Matter agenda, we have focused on leadership development for BAME colleagues. Working with other G15 organisations, we have created a specific leadership development programme for BAME colleagues. The G15 'Accelerate' initiative was launched in July 2020, with four Group colleagues taking part.

We continue to work with Future of London on their Emerging Talent programme. We also supported the Leadership NOW programme developed by UNIFY (the combined groups of the G15 BAME networks), which launched at the end of November and is supported by our BAME network chair.

Learning and development

We provide a comprehensive range of training and development initiatives and, this year, we launched the first step of our new performance and talent management approach. This will improve how we set expectations and objectives, explore development and individual aspirations, check in on wellbeing and formalise feedback on an annual basis.

Best Companies survey

We launched our Best Companies pulse survey in September which provided a good indication of how we are tackling the key issues that matter to colleagues across the Group.

Key results:

- 75% engagement (812 individuals) – target 72%
- Employee engagement score increased to 671 – we are a one-star company
- Increased scores in Leadership, My Manager, My Company, Wellbeing, Fair Deal and Giving Something Back
- Decreased scores in Personal Growth and My Team – the reasons for this are being explored in more detail with individual teams
- Fair pay: more than 95% of colleagues agreed they are paid fairly for the work they do relative to people in similar positions in similar organisations, and that they feel they receive fair pay for the responsibilities they have in their jobs. This improvement on the previous survey can be attributed to the implementation of the salary benchmarking review that took place this year.

Gender pay gap

We have continued to reduce our gender pay gap year-on-year to 15.2% in April 2020 (from 18.1% in April 2017).

Wellbeing

The individual wellbeing of our colleagues is a key priority for the Group.

How we support colleagues:

- Providing specific support for mental health issues (tackling stress and isolation)
- Offering sources of advice and guidance through our employee assistance programme, mental health first aiders, help from line managers or from HR colleagues
- Launched 'Wellbeing Wednesdays'
- Mental health awareness training (RESPOND) for all.

Reward and recognition

Throughout the year, we have recognised the achievements of colleagues across the Group and how they have gone the extra mile in spite of difficult circumstances.

This includes:

- Making corporate thank you payments to our frontline colleagues
- Individual 'All in A Day's Work' accolades awarded by the Chief Executive
- Holding our second annual OSCARS (Outstanding Southern Colleagues Achievement and Recognition Scheme) ceremony virtually in December and celebrating the successes of teams across the Group
- Reviewing our benefits offer.

Our priorities for the year ahead

Key areas of focus will include:

- The development of our talent management approach
- Encouraging our new hybrid agile way of working in a post-Covid environment
- Continue to manage the Group's employer brand and public profile through our recruitment strategy to attract new and diverse talent
- Develop our Equality, Diversity and Inclusion action plan
- Work to deliver the targets in place to double BAME representation at leadership and Board level as part of our commitment to our Leadership 2025 pledge.

Individual wellbeing remains firmly on our radar and we will continue to support our colleagues in this area as well as reduce any health and safety incidents.

Focus on: Supporting careers

Apprenticeships

Chelsea has been with the Group since May 2017 in her role as a Support Worker. She wanted to advance her skills and achieve a recognised qualification, so with the support of her manager, she applied to join the Group's apprentice scheme, which is part funded by the government's Apprenticeship Levy, and with contributions from the Group.

Her hard work paid off and Chelsea now has a Level 3 Diploma in Health and Social Care.

Other apprenticeships on offer range from housing and property management, business administration, care leadership, accountancy, plumbing and more. Currently, there are 28 Group employees on the apprenticeship programme.

Chelsea said, "Overall my apprenticeship was very good. I had lots of support throughout the whole experience from my team leaders Debbie Daniels, Support Team Leader, and Emma Venables-Smith, Wellbeing Manager, and from HTP Apprenticeship College on the Isle of Wight. I really would recommend doing an apprenticeship to other colleagues. It has helped me have more of an understanding of the different needs of our customers, from those with physical health problems and/or mental health needs. I also feel more confident in my role and it may help me make a career change within the Group in the future."

Nicky Marsh, Apprenticeship and Qualifications Co-ordinator said, "The aim is for all apprentices to be offered a permanent position within the Group on completion of their apprenticeship if they're not in a role already. Hopefully, the apprenticeship role is just the start of someone's successful career journey with us."



Resources

Our objectives

- Remain financially stable and well-governed
- Create financial capacity and use it to provide more homes
- Get fit for our digital future
- Provide value for money services to our customers.

Our commitments

- Continue to generate and prioritise resources to reinvest in our social purpose
- Continue to generate a positive return on our assets
- Maintain the public funding streams supporting our development programme
- Improve how we use resources, reducing overheads per unit and monitoring our 'value for money' metrics
- Ensure that we prioritise digital investment to help us to deliver our objectives.

Our progress during 2020-21

Highlights

Every penny of our surplus and more is reinvested in our existing homes and services as well as the provision of new homes, and we continue to use our capacity to meet growing housing needs. This year £87m was invested in the delivery of new-build homes and we invested a further £42m in enhancing the safety and quality of our existing homes. Our top priority remains the health, safety and wellbeing of our residents and along with £14.5m spent during the year on building safety, we invested £1.5m in our communities.

This level of investment is supported by the consistent generation of surpluses, grant receipts from our strategic partnerships with Homes England and the Greater London Authority and careful treasury management, which included the issuance of £100m of retained bonds in May 2019.

	2020-21 £m	2019-20 £m
Investment		
In existing homes	42	30
In new homes	87	260
In the business	6	5
Funding		
Surplus for the year	82	23
Treasury management	43	236
Grant and other	10	36

In April 2020 we welcomed Crown Simmons into the Group as a separate subsidiary, adding a further 625 units to our portfolio and generating a one-off accounting gain on acquisition of £58.8m. Crown Simmons operates in the Surrey area under its own Board and independent brand.

The year was dominated by the coronavirus pandemic and we mobilised quickly to support customers and colleagues. Our financial inclusion services ensured that customers had the support they needed to manage their finances during a very challenging time and more than 100 employees volunteered their free time to support customer wellbeing. This was a period of radical operational change and all our services, whether provided on the frontline or behind the scenes, had to be reengineered to ensure customer and colleague safety.



▲ The Mannings, Shoreham-by-Sea

Group financial performance

Turnover

Turnover for the year totalled £212.2m, £24.7m lower than the prior year. Social housing lettings continue to constitute the majority of turnover from operations at 80% (2020: 69%) and income from lettings totalled £168.4m (2020: £162.9m). We took the decision to increase rents by CPI +1% with effect from 1 April 2020, in line with the provisions of the Rent Standard 2020-2025 published by the Regulator of Social Housing. Lettings income was further increased with the addition of 625 homes to our rented housing stock during the year following the merger with Crown Simmons.

While shared ownership sales were higher than last year at £18.9m (2020: £15.2m), open market sales were lower totalling £10.4m (2020: £47.3m). The fluctuations in these figures reflect year-on-year tenure variations in our development programme and 2020 saw a particularly high volume of market sale units from the completion of our Featherstone, London Lane, Dalmeny Avenue and Bow River Village Phase 2 schemes.

	2020-21	2019-20	2018-19	2017-18	2016-17
Social housing lettings	80%	69%	70%	78%	78%
Other social housing activities	12%	9%	13%	16%	12%
Non-social housing activities	8%	22%	17%	6%	10%

Operating surplus

	2020-21 £m	2019-20 £m Restated ¹	2018-19 £m	2017-18 £m	2016-17 £m
Group financial performance					
Turnover	212.2	236.8	230.5	199.7	200.1
Cost of sales	(25.6)	(47.3)	(39.3)	(29.3)	(24.2)
Operating costs	(148.3)	(145.5)	(129.3)	(121.3)	(111.3)
Surplus on disposal of fixed assets	16.5	24.1	9.7	11.1	13.6
Investment property valuation	6.2	(5.9)	0.6	3.0	20.5
Operating surplus	61.0	62.2	72.2	63.3	98.8
Net funding costs	(38.1)	(38.4)	(32.8)	(22.0)	(31.9)
Gain on acquisition	58.8	–	–	–	–
Taxation and gift aid	(0.1)	(0.3)	(0.8)	3.6	(4.9)
Net surplus for the year	81.6	23.5	38.6	44.9	62.0
Pension scheme movements	(4.5)	0.2	(1.2)	6.1	(2.4)
Total comprehensive income	77.1	23.7	37.4	51.0	59.6

¹ See Note 32 of the Financial Statements – Prior year adjustment.

The Group's overall operating surplus was £61.0m compared with £62.2m in 2020 and the total operating margin increased from 26.3% to 28.8%. Overall operating costs are slightly higher than last year at £148.3m (2020: £145.5m). Increases attributable to the operating costs of the Group's new Crown Simmons subsidiary, as well as the additional costs associated with our response to the coronavirus pandemic, were offset by efficiencies generated from our underlying operations.

We have continued our strategic approach to asset management in the year, rationalising our areas of operation to increase the efficiency with which we deliver services to our customers. A total of 257 units were sold to another registered provider, completing a phased transaction that began in 2020 and generating a surplus of £7.8m in 2020-21 to be reinvested in new and existing homes. Demand from our residents for an increased ownership share in their homes remained strong, with our surplus from staircasing receipts totalling £8.5m during the year (2020: £10.2m).

Last year, the impact of economic uncertainty caused by both Brexit and Covid-19 were felt in our investment property valuations which experienced a net reduction of £5.9m. These losses have been reversed this year as markets have stabilised and we have

recognised a valuation gain of £6.2m. Excluding the impact of investment property revaluations, our underlying operating margin was 25.9% (2020: 28.7%). This slight decrease is attributable to the larger programme of strategic asset disposal undertaken in 2019-20.

Net surplus for the year includes the impact of the one-off accounting gain on acquisition of Crown Simmons of £58.8m, driving an overall net margin of 38.5% (2020: 10.0%). Excluding this one-off gain, the surplus for the year is in line with the prior year at £22.8m (2020: £23.5m) with a net margin of 11.0%.

Total comprehensive income has been significantly impacted by the movement on pensions which this year shows a £4.5m actuarial loss compared with a small gain last year of £0.2m. This has been caused by the accounting deficit acquired in respect of Crown Simmons members and changes in the assumptions used for the Group's existing defined benefit schemes, including a lower discount rate to reflect a significant reduction in yields on high-quality corporate bonds and an increase in long-term inflation expectations. These movements are partially offset by higher than expected asset returns.

Financial review (continued)

Surplus and margin by business line	2020-21 £m	2019-20 £m Restated	2018-19 £m	2017-18 £m	2016-17 £m
Social housing lettings:					
Operating surplus	30.2	26.4	37.1	39.8	48.4
Margin	18.0%	16.2%	23.2%	25.6%	30.9%
Other social housing activities:					
Operating surplus	0.6	0.9	3.6	3.0	7.4
Margin	2.3%	4.7%	12.3%	9.4%	34.0%
Non-social housing activities:					
Operating surplus	7.2	19.5	21.2	6.3	8.8
Margin	40.3%	36.2%	51.9%	52.4%	40.4%

Margins on social housing lettings have started to recover following successive years of reductions. Increased investment in building safety following the Grenfell fire and the cumulative impact of four years of government-mandated rent reductions had put significant downward pressure on our social housing lettings margins in recent years. In 2020-21, rents have been increased in line with the Rent Standard and have been favourably impacted by the growth in our social housing units following our merger with Crown Simmons. Social housing costs have increased slightly year-on-year to £138.2m (2020: £136.5m) reflecting the operating costs of the Crown Simmons units as well as additional expenditure from our response to the pandemic. Our Group-wide efficiencies programme has partially offset the impact of these increases and as a consequence margins have risen from 16.2% to 18.0%.

Other social housing margins have been negatively impacted by lower than expected sales of shared ownership arising from successive periods of national lockdown and tiered restrictions. Sales were also delayed while we obtained additional building safety certification to facilitate completions at some of our sites.

The fixed costs of supporting shared ownership sales, when attributed to lower turnover, have resulted in a small loss of 4.5% on first tranche shared ownership sales against a surplus of 8.8% last year. All the necessary building safety certification is now in place to satisfy mortgage lender requirements and sales are underway.

Margins on non-social housing remain strong, supported by consistent year-on-year performance in our commercial and private rent lettings and margins in excess of 40% on open market sales.

Group financial position

Net assets have increased by £77.0m to £711.5m during the year, further enhancing the Group's historically strong financial position. Long-term borrowing has marginally increased to £1,712.5m from £1,700.0m but gearing remains low relative to our peers at 40.7% (2020: 40.4%). The increase in financing has funded the development of 93 new homes during the year (2020: 419) and we are targeting the delivery of 199 more in 2021-22.

Group financial position	2020-21 £m	2019-20 £m Restated ¹	2018-19 £m	2017-18 £m	2016-17 £m
Non-current assets					
Property, plant and equipment	2,214.6	2,102.7	1,975.9	1,873.9	1,809.3
Investment properties	162.1	143.3	106.9	108.9	78.8
Other investments	19.1	19.0	19.2	24.3	22.2
Net current assets	49.6	81.5	92.2	31.7	130.0
Total assets less current liabilities	2,445.4	2,346.5	2,194.3	2,038.9	2,040.3
Long-term creditors	(1,712.5)	(1,700.0)	(1,564.4)	(1,445.6)	(1,496.4)
Deferred tax	(0.7)	–	–	–	–
Provisions	(7.5)	(3.5)	–	(1.4)	(0.2)
Pensions	(13.2)	(8.5)	(9.3)	(8.7)	(9.9)
Total net assets	711.5	634.5	620.6	583.1	533.8
Total reserves	711.5	634.5	620.5	583.1	533.8

¹ See Note 32 of the Financial Statements – Prior year adjustment.

Assets held for sale totalled £14.9m at the end of the year (2020: £22.1m) representing five unsold units for open market sale and 69 unsold shared ownership units. Of these, one open market and 37 shared ownership sales have subsequently completed. EWS1 forms have been obtained where required and sales are progressing.

Treasury and capital structure

The Group maintains a treasury management policy, the principal purpose of which is to monitor and control the cost and risk associated with our treasury management activities. This policy is an important element of our governance framework and prescribes our approach to the management and mitigation of liquidity risk, interest rate risk, credit and counterparty risk and any refinancing risk arising from the maturity profile of our debt portfolio. Compliance with loan covenants is regularly monitored by the Board. We have remained compliant with all our covenants during the year, and are forecasting continued compliance over the life of our long-term financial plan (a period of 30 years).

We draw our funding from a range of different sources to provide a diversified funding structure. Total facilities as at 31 March 2021 were £1.4bn, comprising a mix of loan facilities and bond finance. Of these facilities, £401.9m remained undrawn at the financial year-end, comprising revolving credit facilities capable of draw down within 72 hours. Refinancing risk is actively managed and at 31 March 2021 we had £620.4m (45%) of our loan portfolio expiring in the next five years, of which £480.7m relates to revolving credit facilities. We anticipate these facilities will be rolled forward as they fall due.

Cash balances totalled £35.7m at 31 March 2021 including £11.1m of ring-fenced cash deposits and balances. The treasury management policy requires us to maintain sufficient cash and committed loan facilities capable of immediate draw down to cover the next 18 months' committed cash flows, excluding any forecast sales income. At the financial year-end we had forward cover for these commitments significantly in excess of policy requirements.

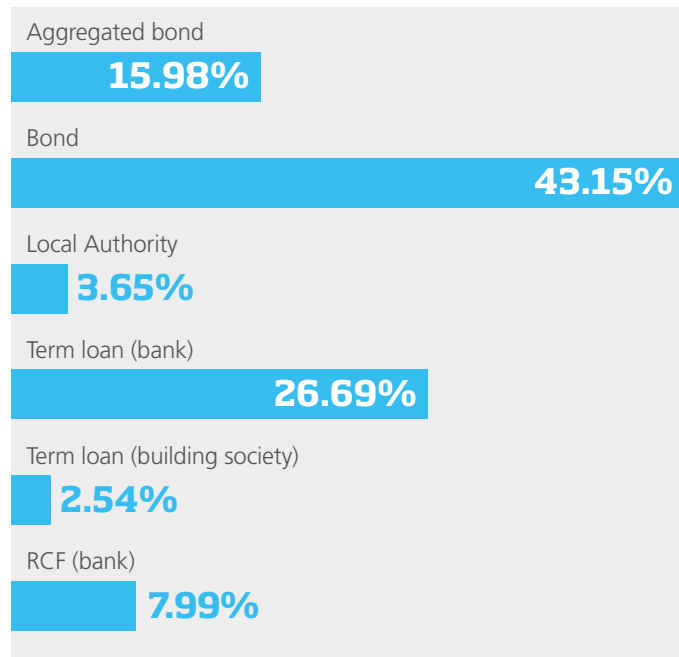
With the exception of local authority loans totalling £36m which are unsecured, all remaining facilities are fully secured on the Group's housing properties. In accordance with the annually approved treasury strategy, we actively manage levels of property security to optimise the use of the Group's assets in supporting our funding requirements. At the year-end, the Group had more than 9,000 unencumbered properties available as security.

Of £985.0m drawn debt at year-end, 81.1% was at fixed rates of interest and 18.9% at variable rates, well within the requirements of the treasury management policy. The weighted average cost of funds as at 31 March 2021 was 4.04%. The Group has no stand-alone derivatives or exchange rate exposure.

Our primary objective in relation to investments is the security of capital and this is prioritised over returns. The treasury management policy outlines the requirements relating to the long-term credit rating of any counterparty together with limits on the value of the sums invested.

The Group maintained its A3 credit rating with Moody's during the year.

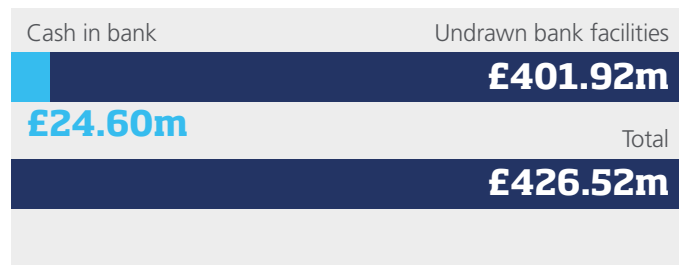
Funding mix (drawn debt)



Interest rate mix



Summary of the Group's liquidity



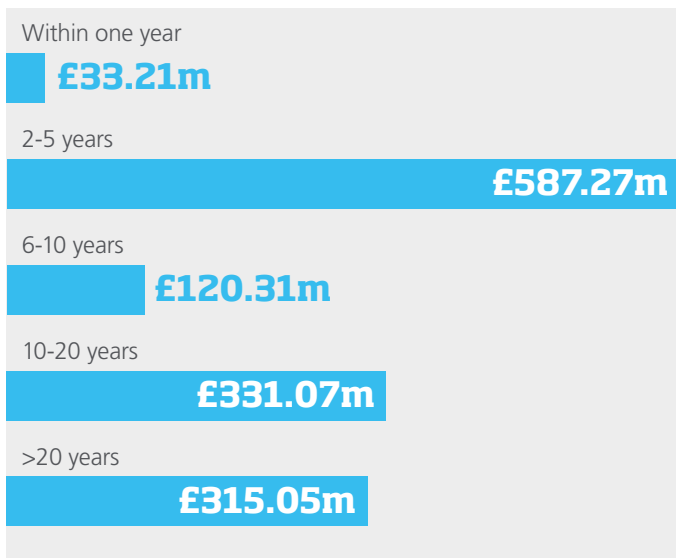
Group's liquidity management





▲ Baden Powell Close, Dagenham, Barking & Dagenham

Facility maturity



Average cost of funds

4.04%

Outlook

The social housing sector faces significant challenges in the coming years, not just from the costs to remediate fire safety issues but from reaching the government's net zero carbon emissions target by 2050. The precise costs of the latter are unknown at present but are likely to far exceed the building safety expenditure seen in the sector in recent years. In common with many of our developer peers, we are examining our future appetite for development growth in light of these emerging challenges.

Our improving operating performance will enable us to access significant untapped capacity to fund our growth and investment programmes. Coupled with our large balance sheet, high levels of liquidity and low levels of borrowing relative to our asset values, we are well-positioned to meet the current and future sector challenges with a business plan that is highly resilient to both acute and prolonged periods of stress.

Available facilities (million)

£401.92

We are committed to driving value for money in all our activities. That means maintaining our strategy to increase investment in new and existing homes and optimising the returns generated from all areas of our operations.

Value for money is explicitly embedded in our decision-making processes and we don't just measure our success by the cost of delivering services but by their outcome for our customers. Rather than maintaining a separate value for money strategy we embed value for money objectives in all our core business strategies which together support the delivery of our overall corporate plan.



Homes

- Ensure all our residents have a decent, safe home.
- Invest more in maintaining and modernising our homes.
- Provide more homes in the areas we work.
- Ensure our homes are sustainable, affordable and energy efficient.

Customers

- Listen to our customers, developing trusted relationships.
- Be easy to do business with.
- Excel at customer service.
- Provide excellent care and support services to people that need them.

Communities

- Invest more in creating sustainable estates and neighbourhoods that people are proud to live in.
- Improve the lives of our residents and their communities.
- Work with our local partners to improve our residents' communities.

People

- Be a place where colleagues are proud to work.
- Be a supportive, inclusive, diverse and equal opportunity employer.
- Create a high-performing culture that supports our people to grow.

Resources

- Remain financially stable and well-governed.
- Create financial capacity and use it to provide more homes.
- Get fit for our digital future.
- Provide value for money services to our customers.

Value for money (continued)

Homes

Maintaining and improving the safety of our homes and our residents remains our top priority. Our Customer Safety Committee oversees delivery against the Group's customer health and safety compliance obligations, including related asset management, and reports regularly to the Board.

We have used our surpluses to make significant investments in building safety during the year, spending more than £14.5m on building safety measures including surveys, inspections and remediation works over and above our standard compliance activities.

We remain committed to delivering the highest standards of building safety compliance. Gas servicing was 100% compliant at the year-end for the third consecutive year. This demonstrates the efficiency and effectiveness of our processes across multiple business areas including customer safety, housing management and estate care. Electrical certificates for communal areas were in place for 100% of our affected properties (2020: 99%). In 2019, we began a five-year programme to ensure that in-dwelling electrical certificates are in place across our homes and at the year-end 42% of this programme had been completed against a target of 40%.

We remain up to date with type 1 Fire Risk Assessments (FRA) and continue to work closely with our Primary Fire Authority (Hampshire Fire and Rescue Service). We have engaged a range of appropriately qualified consultants to support activity across our building safety programmes to complement our in-house Building Safety Team. All activity is overseen and monitored by the Customer Safety Committee and the Board.

These results are set against the backdrop of a year which saw multiple national lockdowns that limited access to our customers' homes and necessitated significant changes in our operational processes. We are pleased to have maintained the highest standards of compliance during a very challenging year.

Our corporate plan is explicit in its aim to provide homes of all tenure types to ensure that we meet a wide range of housing needs. During the year, we completed 93 new homes against a target of 116 and began work on 139 more across a wide range of tenure types including social and affordable rent, shared ownership and open market sale units, together with units

for private rent. Our overall tenure mix is detailed on page 29. Delivery slowed in the first national lockdown leading to a slight reduction in handovers compared with our target for the year.

We will continue to deliver a balanced programme using the cross-subsidy model from market-facing products to keep our social and affordable rents as low as possible. Our investment appraisal process ensures that schemes are designed to address local needs and options are subject to rigorous financial assessment against Board-approved internal thresholds, set within a governance framework that includes the Group's development committee and Board.

Value for money is a key component of our Development Strategy. We look to drive procurement efficiencies from our contractor and consultant frameworks, grow our in-house technical and commercial expertise and deliver homes to a higher construction standard with fewer defects. In addition, we recognise the strategic importance of opportunities that exist with properties and land we already own. Our Hidden Homes programme which started in 2017 is on track to deliver an additional 190 plots with an approximate land value of £13.7m.

Our in-house construction arm, Southern Housing Construction Limited, delivers construction services to the Group on smaller sites where cost-effective build services are harder to source. It is currently on site at two schemes, building a total of 73 new homes for affordable rent, shared ownership and open market sale.

Our Growth Strategy focuses on the consolidation of new homes, either constructed or acquired, within existing management areas to maximise the benefit of our established infrastructure and reduce our management cost per unit. A key element of this strategy is the rationalisation of our stock in areas where we don't have the presence to deliver the most cost-effective services to our customers. During the year, we sold 257 properties in non-strategic areas for the Group to another registered provider, generating a surplus of £7.8m to be reinvested in new and existing homes and services.

At year-end, approximately 70% of the Group's stock was rated at Energy Performance Certificate (EPC) standard 'C' or above and our long-term financial plan includes the investment necessary to bring all of the Group's rented homes to a minimum EPC 'C' rating by 2030 in line with the government's deadline.

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Gas servicing	100%	100%	100%	100%	100%	100%
Communal electrical safety	100%	99%	100%	100%	100%	100%
In-dwelling electrical programme	42%	28%	40%	60%	80%	100%
Overdue FRA ¹ inspections	1 ⁵	n/a	0	0	0	0
Overdue FRA PO ² actions	0	n/a	0	0	0	0
Overdue FRA P1 ³ actions	175	n/a	100	100	100	100
Overdue NOD ⁴ actions	3	n/a	0	0	0	0
New homes delivered	93	419	116	199	788	614

1 Fire risk assessment: Type 1 Fire Risk Assessment (FRA) is a non-intrusive survey. It assesses all the common parts of a building, such as the lobby area in a shared block of flats, but not individual dwellings.

2 Priority 0: Action that poses an urgent risk to residents. Actions should be completed within 24 hours.

3 Priority 1: Action that poses a high risk to residents. Actions should be completed within a 30-day timeframe. Of the 175 actions identified at year-end, 127 remain outstanding. Every P1 action is tracked and monitored on a weekly basis by the Building Safety Team who ensure progress is made and the appropriate interim mitigations are in place.

4 Notice of deficiency: identifies provisions and/or procedures which the Fire Authority considers as either lacking or not suitable and sufficient regarding the building. Work to close the three outstanding NODs is well advanced and progress is overseen by the Customer Safety Committee.

5 Outstanding FRA inspection completed on 1 April 2020.

n/a = new Board KPI for 2020-21.

Customers

We are committed to listening to our customers and using their insight to improve our services. Our resident involvement strategy is centred on customer engagement to improve our understanding of customer needs and the quality of our service. Our Resident Scrutiny Group has a direct line to the Board and works in conjunction with the resident steering group to shape our services. During the year, these two groups have carried out a deep dive into our complaints processes to ensure that our implementation of the new Housing Ombudsman's Complaint Handling Code supports customers and provides them with the speediest redress. We have also co-produced a model that enables our Resident Scrutiny Group to oversee our learning from complaints, effectively holding the organisation to account.

Satisfaction with overall levels of service provided by the Group closed the previous year at 83%. The new financial year began a week into the first national lockdown and most of the year was spent under some form of tiered restriction or full lockdown. Emergency repair work and safety requirements such as gas servicing continued throughout but the prolonged periods of lockdown impacted significantly on our ability to access residents' homes and carry out non-emergency repairs. By the end of the year these delays had contributed to a fall in overall satisfaction levels to 74%, although it should be noted that this figure resulted from a limited number of surveys carried out in the last quarter of the year as survey activity was also suspended during the periods of lockdown. We are working collaboratively with our day-to-day repairs contractors to reduce the backlog of non-emergency repair work and have agreed targets and timescales in place.

Similarly, we have seen a material increase in the number of complaints during the year. Through the early months of 2020-21 complaint volumes remained low, with customers exhibiting patience and forbearance as we sought to provide services under the new restrictions. From the third quarter, however, volumes began to pick up. From quarter four, the new transparency and offer of choice being given to customers for making a formal or informal complaint (in accordance with the Housing Ombudsman

Service's Complaint Handling Code) contributed further to increased case volumes, as did the government's 'Make Things Right' campaign. Feedback from complaints indicates that customers are continuing to feel anxiety or frustration as a result of the ongoing pandemic and have found it harder to receive or access Group services over the past 12 months.

It is important to us that we make sure our empty homes are turned around quickly so they can be re-let to a new resident or family as soon as possible. This year has seen our average void turnaround time increase from an all-time low of 16 days in 2019-20 to 29 days at the end of 2020-21. We suspended letting activity in March 2020 in line with government guidance and resumed in June using a risk-based framework that prioritised the backlog of homes that had built up over the period.

Ongoing coronavirus restrictions continued to impact lettings for the rest of the year, despite the digitisation of processes adopted during the period. By the end of March 2021, the number of unlet homes had reduced to 131, broadly in line with pre-pandemic volumes, and we are now well placed to deliver much reduced turnaround times for the coming year.

The pandemic also affected levels of rent arrears which increased from 3.97% last year to 4.65%. The work of our financial inclusion teams has been instrumental in limiting the impact to our customers and in minimising the increase in overall Group arrears. The increased target for 2021-22 reflects the likely impact of higher unemployment figures and a reduction in government support via the furlough scheme.

93% of emergency repairs were completed within 24 hours against a target of 85%.

Our Corporate Plan commits to providing excellent care and support services to those who need them. Overall customer satisfaction levels with these services were 99% (2020: 93%) and all of our registered care services were rated as 'outstanding' or 'good' by the Care Quality Commission (CQC).

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Overall customer satisfaction	74%	83%	85%	85%	85%	85%
Void turnaround time (days)	29	16	17	16	15	15
Arrears	4.65%	3.97%	4.00%	4.50%	4.00%	4.00%
Emergency repairs completed within 24 hours	93%	93%	85%	86%	87%	88%
Complaints response within 10 working days ²	n/a	n/a	n/a	100%	100%	100%
Cases where HOS ¹ finds maladministration	6 ³	n/a	0	0	0	0

1 Housing Ombudsman Service.

2 New Board KPI for 2021-22.

3 30 HOS determinations were received regarding complaints. Of these, six included maladministration. A further 12 were adjudged to include service failure which under the new HOS Complaint Handling Code would be reported as minor maladministration.

n/a = new Board KPI for 2020-21.

Value for money (continued)

Communities

We remain committed to improving the lives of our residents and their communities and this work took on extra significance during the year as we mobilised to help our customers manage the impact of the coronavirus pandemic.

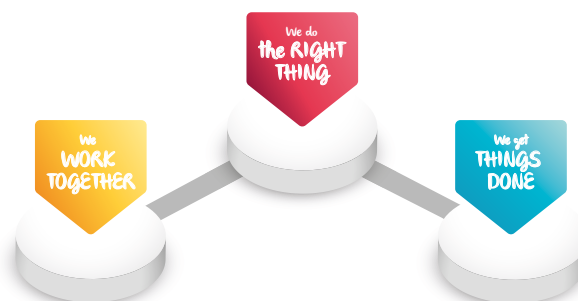
During the year, we invested £1.5m (2020: £1.1m) in community activities to help people sustain their tenancies and improve their own and their communities' quality of life. Our financial inclusion service responded to 3,763 enquiries and gave full support to 1,578 residents with advice on topics including transition to Universal Credit and navigating the complexities of the wider welfare benefits system. Our work enabled residents to benefit from a total of £5.25m in additional resources including the recovery of outstanding housing benefit. We also supported 240 residents (2020: 217) with employment and skills advice.

In addition, more than 100 colleagues from across the Group volunteered their time during the pandemic to make calls to vulnerable residents to alleviate loneliness and ensure that they were signposted to the right local support services where necessary. They also ensured that those impacted had access to food and other basic supplies. Through our partnership work we accessed £0.14m from Family Action to support residents impacted by hardship as a result of the pandemic.

We continued our work to tackle food poverty, prioritising support for food pantries including Dover and Ixworth Place, supplying food and basic necessities to many of our residents. We also supported a range of young people's projects including Tutors Unite which provides intensive catch-up learning, and Prospex Youth Support which engages with young people in some of our inner city, high-density neighbourhoods while reducing anti-social behaviour and its impact locally.

People

We are very proud of our culture across the Group and see lived experience of our values every day.



We are rated as one of the top 100 not-for-profit companies to work for in the UK according to Best Companies, entering the list at 83 out of 100 in our first year of participating in the survey (2019-20). In September 2020, we carried out a further pulse survey through Best Companies to check in with colleagues and gauge how they were feeling after a difficult and turbulent start to the year because of the pandemic. We were pleased to find that both participation and engagement levels had in fact increased compared with the prior year, with participation higher than the Board's target at 75% (2020: 67%; target 72%).

We invested £0.7m in responding to the pandemic, providing the necessary technology and office equipment to support homeworking for every member of non-frontline staff, making our offices Covid-secure and providing the proper levels of PPE to all affected staff. Our business continuity plans proved to be robust and we are very proud of our staff who provided uninterrupted services in spite of the challenges of lockdown, social distancing, increased sickness levels and high levels of customer demand.

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target
% of staff participating in engagement survey	75%	67%	72%	75%	75%	75%
Best Companies Index (BCI) score	671	662	–	–	–	–

Resources

Our Corporate Plan outlines our priorities for our homes, customers, communities, people and resources over the next three years. Value for money principles are embedded in each of these areas and the plan is explicit in its objective to improve how we use our resources to provide value for money services to our customers.

During the year, the Board received regular reporting on the Group's performance against its key performance indicators and these include the seven value for money metrics published by the Regulator of Social Housing. The table on the next page shows our performance against these regulatory measures compared with our sector peer group, the G15, which represents the largest London-based social landlords.

The table also shows our performance against the social housing lettings interest cover metric used by our credit rating agency, Moody's. This is a key measure for the Group and expresses the extent to which our interest bill is covered by the lowest risk part of our business.

Our loan covenants contain a different definition to both the Moody's and Regulator metrics, and we track our performance relative to our loan covenants on a fortnightly basis. We maintained significant headroom against our loan covenants during the year and are projected to do so for the duration of our long-term financial plan (a period of 30 years).

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target	G15 median 2019-20
Reinvestment	5.8%	12.9%	9.5%	10.2%	12.9%	9.2%	5.1%
New supply (social)	1.4%	1.2%	0.3%	0.4%	4.8%	3.9%	1.5%
New supply (non-social)	0.0%	1.0%	0.0%	0.2%	0.2%	0.4%	0.8%
Gearing	40.7%	40.4%	42.7%	43.2%	44.8%	44.9%	46.1%
EBITDA MRI	38.7%	61.2%	25.5%	85.7%	121.3%	131.1%	107.2%
Social housing cost per unit	£5,759	£5,620	£6,130	£5,750	£5,430	£5,080	£4,995
Operating margin (social housing)	18.0%	16.2%	11.0%	16.0%	21.7%	28.3%	27.2%
Operating margin (overall)	21.0%	16.1% ¹	14.2%	21.5%	23.1%	25.3%	21.7%
Return on capital employed	2.5%	2.6%	2.1%	2.3%	3.1%	3.1%	2.6%
Social housing lettings interest cover	65.1%	57.9%	46.2%	67.6%	84.0%	104.9%	–

1 Restated to exclude surplus on disposal of fixed assets.

The Board set a minimum target of £3.4m of efficiency savings in 2020-21. This target was exceeded and operating margins in social housing lettings and overall have increased compared with the prior year, significantly outperforming forecast expectations. We have a comprehensive efficiencies programme in place for the next three years that is focused on the continual strengthening of our operating performance while driving improved outcomes for our customers.

The latter is supported by our commitment to user-led service design and customer engagement has been key in the development of our digital offer via our Repairs Online service. By the year-end customers could raise, schedule and track a repair online 24 hours a day, seven days a week from any device. In early May 2021, we launched our new Customer Portal enabling customers to log in from any device at any time to view their accounts and access our new payment platform seamlessly with a single sign-on. Ongoing investment in our digital services will drive further enhancements to the portal during 2021-22.

Social housing cost per unit is higher than the G15 median and increased compared with last year as levels of overall investment

in our existing stock increased. Capitalised major repairs were £42.6m compared with £30.0m in 2019-20. We expect cost per unit to decrease over the next three years as reduced management costs are a central focus of our efficiencies programme.

EBITDA MRI was also impacted by this higher level of stock investment and by a reduction in sales income in the year, the product of year-on-year tenure variations in the development programme.

We continue to maintain gearing well below our peer average, reflecting the size and strength of our balance sheet, and the achievement of our efficiencies target in 2020-21 has created a strong platform for the realisation of our longer-term programme. EBITDA MRI and social housing lettings interest cover are projected to rise consistently and sustainably over the next three years and for the duration of our long-term financial plan as operational efficiencies are embedded. Target efficiency savings for the coming year are embedded in Group budgets with performance tracked on a monthly basis and overseen by the Finance Committee and the Board.

VFM metric definitions

Reinvestment %	Investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held
New supply (social) %	The number of social housing units that have been acquired or developed in the year as a proportion of total social housing units owned
New supply (non-social) %	The number of new non-social housing units that have been acquired or developed in the year as a proportion of total social and non-social housing units owned
Gearing %	The amount of debt held over the value of housing assets
EBITDA MRI %	Earnings Before Interest, Tax, Depreciation, Amortisation (Major Repairs Included). Indicates the level of surplus generated compared to interest payable
Social housing cost per unit	Sum of social housing operating expenditure divided by the total number of units under management. It includes management costs, service charge costs, routine maintenance costs, planned maintenance costs, major repairs expenditure, capitalised major repairs expenditure, lease costs and other social housing lettings costs
Operating margin (social housing) %	Operating surplus from social housing lettings divided by turnover from social housing lettings
Operating margin (overall) %	Surplus from all operating assets before exceptional items are taken into account. Calculation excludes gain/(loss) on disposal of fixed assets
Return on capital employed	Operating surplus as a percentage of total assets less current liabilities
Social housing lettings interest cover	Operating surplus from social housing compared to net interest payable

Effective risk management is at the heart of our business and has an important part to play in ensuring we are able to deliver our purpose. Our Board and the Audit and Risk Committee (ARC) play key roles in our management of risk across the Group.

The Board has overall responsibility for ensuring the Group has an appropriate strategy and systems for managing risk, assesses our emerging and principal risks and sets our risk appetite and strategy for managing risks. The ARC supports the Board in undertaking detailed consideration of risk management systems and monitoring and gives the Board assurance that they are fit for purpose. The Board uses this opinion from the ARC as part of its assurance on the effectiveness of risk management arrangements.

During the year, we began a review of our risk and assurance framework. We did this as part of our strengthening of governance and control arrangements in response to the Regulator's in-depth assessment. The Board will be considering a revised risk and assurance framework in October 2021 following focused consideration by the ARC in September.

As a first step to renewing our approach, the Board has reviewed our risk appetite and our key strategic risks. The first step was to assess risk appetite in an externally facilitated workshop using four categories of risk:

1. Minimal

As little as reasonably possible. Preference for the ultra-safe option. Potentially limited reward. Avoiding risk is the key objective.

2. Cautious

Preference for safe options with low inherent risk, even if this gives limited potential reward.

3. Open

Willing to consider all potential options that also provide acceptable reward and Value for Money.

4. Seek

Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.

This exercise defined our common corporate understanding of risk and established our corporate appetite for risk. In each area the Board has balanced its appetite for risk with a desire to capitalise appropriately where opportunities arise. This can be seen most clearly in the results for our customer and housing services and in areas related to our people and our approach to technology, where the outcome balances careful risk management with innovation. The Board will use the revised risk appetite to facilitate the development of our overall corporate strategy for dealing with risk, together with a framework for effective risk management and assurance, reviewing and resetting our:

- Detailed strategies, processes and controls for addressing specifically identified business risks
- Control strategies for monitoring, managing and mitigating specifically identified business risks
- Risk mapping outputs, stages and reporting.

Key strategic risks

The Board has assessed our emerging and principal risks, their impact and our mitigations and these are set out in the table on the next page. They are arranged in order from the highest to lowest scoring strategic risk after mitigation, and the scores are a combination of the probability of a risk crystallising and its impact if it does.

Risk appetite results

	1. Minimal	2. Cautious	3. Open	4. Seek
Customer Service			3.0	
Care Services		2.0		
Homes – Housing Services			2.9	
Growth – Organic			2.7	
Growth – Inorganic				3.4
Communities			3.1	
People and HR				3.5
Financial Viability/Resources		2.2		
Health and Safety	1.4			
Compliance and Regulation	1.2			
Technology			3.3	
Data Quality and Security	1.1			
External Brand/Reputation		2.3		

Our key risks reflect our focus as a business – keeping our customers safe, making sure our business is financially stable and well-governed, and delivering high-quality, compliant homes and services.

The Board's review of key strategic risks during the year has resulted in a number of changes that have streamlined our strategic risk register. A single risk representing building safety and compliance has replaced the two previous risks, reflecting the equal importance of day-to-day building compliance across all health and safety strands and the specific threat posed by combustible cladding and other fire safety issues. Our Customer Safety Committee and Board oversee our performance across all health and safety areas. Our bespoke Building Safety Programme, in-house team of building safety managers and established Primary Authority are key components of our assurance framework.

Four financial risks have been consolidated into two strategic risks focused on the long-term financial viability of the Group and our access to liquidity. The latter is represented by a risk that considers unexpected funding challenges, reflecting the potential for volatility in the global financial markets as a result of the pandemic, together with more localised challenges posed by the UK's exit from the European Union.

Two risks related to business continuity and governance through the Covid-19 period have been removed from the strategic risk register following the Board's review. These were included at the beginning of the year as the pandemic escalated but our systems of control in business continuity management have proved to be extremely robust, with interim governance arrangements providing strong support for our underlying governance structures. Business continuity continues to be monitored closely at the operational level.

Two new risks have been added to the register. Our efficiencies programme is a very important part of improving our financial performance and driving further increases in value for money services to our residents. The strategic risk register recognises the risks associated with failing to deliver our portfolio of business change and summarises the governance in place to ensure that savings are generated and digital enhancements delivered. The register also acknowledges the risks associated with deteriorating levels of service delivery and quality, prompted by a number of changes in the Group's operating environment including the publication of the Social Housing White Paper and the Housing Ombudsman Service's new Complaint Handling Code. Our governance structure is a strong mitigation for risks in these areas as we benefit from the high levels of direct customer engagement from our resident scrutiny groups and their links to our Board.

Cyber security remains a significant risk across all sectors as threats become more prevalent and more sophisticated. During the year, we have obtained Cyber Essentials accreditation and established a security operations centre that monitors activity across our technology estate 24 hours a day, seven days a week. We recognise that human error remains the biggest single threat to combating a cyber-attack and we have a comprehensive programme of testing and training in place to ensure that our colleagues form a strong first line of defence.

In spite of the unprecedented challenges facing the Group and the nation in the past year, careful and active management of our key strategic risks has ensured that their likelihood and their impact has remained stable. New risks emerging as a result of the pandemic such as those affecting the Group's income levels have been managed effectively within our existing risk framework.

Strategic risk register

Homes are not safe or compliant with legislative requirements

Impact

- Risk of injury or death
- Poor customer service
- Financial and regulatory consequences
- Criminal and/or civil prosecution
- Reputational damage

How we manage the risk

- Rigorous landlord compliance regime in place
- Rigorous response to fire safety including proactive measures to improve the safety of high rise buildings and other homes that have increased fire risk
- Primary authority in place and active in partnership with Hampshire Fire and Rescue
- Independent compliance audits
- Quarterly performance reporting to and oversight from the Customer Safety Committee and Board
- Monthly oversight from the Executive Management Team

Security breach affects infrastructure and data

Impact

- Service disruption
- Data lost and/or corrupted and data protection compromised
- Fraudulent transactions lead to financial loss
- Regulatory consequences
- ICO fines/sanction
- Legal action
- Reputational damage

How we manage the risk

- Oversight from Audit and Risk Committee
- IT Security Board in place
- Cyber Essentials certification
- 24/7 network monitoring through Security Operations Centre
- Continual vulnerability assessment and remediation
- Ongoing data back-up and recovery
- Mandatory annual cyber security training for all staff

Financial viability is not fully protected

Impact

- Non-compliance with funding covenants
- Unable to deliver services
- Unable to deliver corporate plan commitments
- Regulatory consequences
- Reputational damage
- Negative impact on credit rating
- Reduced access to funding
- Reduced investment capacity

How we manage the risk

- Financial health indicators (FHI) in place that monitor financial viability, including financial covenant position
- FHI tested via the Board's approved stress testing regime
- FHI monitored fortnightly by the Executive Management Team and quarterly by Finance Committee
- Financial Risk Mitigation Policy and recovery plan in place with strong oversight and rapid decision-making by the Board

Unexpected funding challenges

Impact

- Insufficient liquidity to meet our obligations
- Unable to deliver services
- Unable to deliver corporate plan commitments
- Regulatory consequences
- Reputational damage
- Reduced investment capacity

How we manage the risk

- Treasury management policy in place
- Sufficient liquidity maintained at all times for at least 18 months' committed spend, excluding any capital receipts
- Short-term cash flows prepared on a weekly basis
- Liquidity forecasts monitored by the Executive Management Team fortnightly and quarterly by Finance Committee and the Board
- Active funder relationship management

Significant property market correction

Impact

- Reduced demand, income and surplus
- Increased asset holding costs
- Increased costs of programme delivery
- Asset impairment
- Regulatory consequences

How we manage the risk

- Regular monitoring of KPIs by the Executive Management Team and Development Committee
- Board oversight of market exposure through regular stress testing of the long-term financial plan
- Active management and marketing of unsold properties
- Conversion of sales units to private rent through Spruce subsidiary
- Conversion of sales units to other tenures
- Ability to slow development programme

Non-compliance with data protection legislation

Impact

- Adverse customer impact
- ICO fines/sanction
- Legal action
- Regulatory consequences
- Reputational damage

How we manage the risk

- Oversight of all data-related projects from Data and Information Governance Group
- Robust data protection processes and procedures in place
- Qualified corporate data protection team supports and monitors compliance across the business
- Mandatory annual data protection training for all staff

Business change portfolio not delivered

Impact

- Reduced customer service levels and satisfaction
- Efficiencies savings not achieved and value for money compromised
- No or poor return on technology investment
- Regulatory consequences
- Reputational damage
- Negative impact on credit rating
- Reduced access to funding
- Reduced investment capacity

How we manage the risk

- Efficiencies Coordinating Group in place to manage delivery of programme
- Service Charge Board in place to oversee delivery of service charge improvements
- Digital strategy in place to direct service redesign and digitisation of services
- Delivery of change portfolio tracked by Group Portfolio Management Office (GPMO)
- Oversight of performance against targets from the Finance Committee and Board

Deteriorating levels of service delivery and quality

Impact

- Customer dissatisfaction with potential for an increase in formal customer complaints
- Property condition deteriorates and becomes unsafe
- Reputational damage
- Regulatory scrutiny and action
- Housing Ombudsman sanction

How we manage the risk

- Customer service skills training for staff
- Customer oversight from Resident Scrutiny Group
- Robust processes for handling complaints with lessons learnt procedures in place
- KPIs monitored by the Executive Management Team and Board

Unable to attract and retain talented staff

Impact

- Poor customer service
- Increased customer dissatisfaction
- Loss of corporate memory
- High staff turnover impacts remaining staff negatively
- Increased recruitment and reward costs

How we manage the risk

- Talent management strategy in place
- Active succession planning
- Active leadership and management development
- Regular staff engagement surveys with feedback used to improve approach and offer
- Business continuity planning ensures no single person areas of dependency

The Group's business activities, its current financial position and factors that are likely to affect its future development are set out within the Strategic Review.

The Board's assessment of going concern is focused on the Group's liquidity and its compliance with loan covenants. The review period is 18 months from the signing of the financial statements.

The Group maintains its rigorous approach to financial planning, including the preparation of detailed budgets and forecasts for the next financial year. The Group's budget is approved by the Board and forms the first year of the 30-year business plan (the 'long-term financial plan') which sets out the long-term objectives of the Group.

The Board has considered the ongoing impact of Covid-19 on its short-term forecasts, applying stress tests to the early years of the long-term financial plan that reflect the potential for heightened financial risk stemming from the effects of the pandemic. The Board considers these tests to represent a severe yet plausible view of the risks that may impact the Group. The tests consider the impact of adverse movements in macroeconomic indicators, as well as sharp reductions in development sales income and significant above-inflationary increases in costs. Tenant rent arrears are presumed to almost double in the period under review with a conservative assumption on eventual recovery also modelled. The Group is able to withstand these stresses while remaining fully compliant with its loan covenants and without employing any mitigating actions.

In line with its treasury management policy, the Group continues to maintain sufficient resources to cover at least the next 18 months' committed cash flows, excluding sales receipts. This position is calculated net of any restricted cash. The Group's detailed liquidity position is set out on pages 55 to 56 and at the year-end undrawn facilities and cash investments totalled £426.5m with sufficient headroom forecast against the Group's liquidity policy.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the Group to continue as a going concern have been identified. On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the Group's consolidated financial statements.

The Board has assessed the viability of the Group over a five-year period, being the first five years of the Group's long-term financial plan.

This is consistent with prior years and represents the period over which cash flows associated with the Group's development and investment activities can reasonably be forecast. The viability assessment is supported by the Group's liquidity forecasts, its underlying long-term financial plan and consideration of the Group's principal risks and uncertainties.

The long-term financial plan sets out how the Group manages its resources to ensure long-term financial sustainability and the safeguarding of social housing assets. The plan includes a significant provision for ongoing building safety spend, with the majority of the spend forecast during the five-year viability assessment period and limited provision for recovery of this expenditure.

The plan represents the maximum financial risk that the Board will accept in pursuing its development and growth objectives and it is subjected to severe, but plausible stress tests designed to explore how the plan reacts to a range of risks that may arise from the Group's constantly evolving operating environment. Such risks are considered holistically and include the changing economic and political conditions that may result from the UK's exit from the European Union.

The Group adopts a multivariate approach to stress-testing. Twenty-nine individual sensitivities and five composite scenarios have been applied to test the Group's vulnerability to a wide range of stresses, which are presumed to affect the business simultaneously. The stress tests have been expanded to include specific consideration of the business's susceptibility to risks arising from Covid-19.

Key assumptions include:

- Significant, above-inflationary increases in capital and revenue expenditure while capping increases in index-linked income
- Material, unbudgeted increases to building safety works and the removal of any recovery of building safety spend
- Increases to the all-in rate of future debt capital market issuance of at least 100 basis points
- Delays in sales transactions, reflecting prolonged market disruption from building safety issues and related mortgage lender hesitation as well as the potential impact of Covid-19 on demand

- Reductions in sales values that are deeper than current analyst expectations, at 10% in 2022-23 with a further drop of 5% in 2023-24
- Extension to development periods as works are slowed to manage potential market sales exposure
- Increases in void costs to reflect a backlog of lettings caused by Covid-19
- A 50% increase in arrears from current levels which are in turn assumed to crystallise into higher levels of bad debt.

Under these stresses, the Group remains compliant with its financial covenants throughout the period under review, and for the duration of its long-term financial plan, with no changes assumed to the existing development plan and no mitigating actions employed. The Group also maintains sufficient liquidity to meet its obligations as they fall due. Under the perfect storm scenario specifically modelled to break the plan, a recovery plan has also been prepared.

The Group's current liquidity position is set out on pages 55 to 56 and at the year-end undrawn facilities and cash investments totalled £426.5m with forecast headroom against the Group's liquidity policy of £97.8m. £480.7m of the £620.4m loan facilities expiring within five years relate to revolving credit facilities which are expected to be rolled forward as they fall due.

Long-term liquidity forecasts are monitored on a fortnightly basis by the Executive Management Team and reported regularly to the Finance Committee and the Board, along with detailed short-term cash flow forecasts which include an analysis of variances between projected and actual cash flows. This ensures that the Group has the funds available to meet its short-term operational needs as well as supporting the Group's strategic objectives and safeguarding its long-term viability. All forecasts exclude restricted cash.

In April 2020, the Regulator of Social Housing published its viability rating for the Group following its in-depth assessment (IDA). The Group was re-graded from V1 to V2, retaining a compliant regulatory rating. The Group has maintained its V2 rating during the year.

Based on the results of the Group's long-term financial plan stress-testing and the Group's forecast liquidity position, together with the assurance of its regulatory assessment, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period under review. The Board is satisfied that the Group has the financial capacity to withstand a range of severe yet plausible adverse scenarios while maintaining continued compliance with its financial covenants, the requirements of the Regulator and the risk appetite of the Board.



Governance report

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Arthur Merchant
Chair of the Board

Governance highlights

I have had the privilege of chairing the Board of Southern Housing Group for five years now and this last year has certainly been one of the most demanding of my tenure.

Adapting to the pandemic

In common with all organisations adapting to working through a pandemic, our Board did not meet in person during this period. We did, however, convene virtually – 14 times – which is more than we would have done normally. This increased frequency reflected two concurrent themes: a need to maintain a close oversight of the business during the pandemic's rapidly evolving challenges while ensuring we flexed our strategic response appropriately; and a collective desire to focus on assurance and governance following the Regulator's IDA downgrade of the Group from G1 to G2 in early 2020. We have been working closely with the Regulator to address the issues that led to the downgrade and all the related actions have been completed.

Building greater trust, transparency and accountability

In 2019, we introduced some far-reaching changes to our governance structure, creating a Finance Committee to focus on financial and treasury matters and significantly increasing the focus on safety and resident involvement with a new Customer Safety Committee and Community Investment and Care Committee, together with the introduction of our Resident Scrutiny Group. This review reflected our understanding of the need to prioritise robust governance, safety and greater opportunities for resident involvement and scrutiny. Our objective for the Group's governance framework is to ensure that we operate to the highest standards. I have been impressed with the contribution and perspective our Resident Scrutiny Group has already been able to bring – for example to our procurement review.

Diversity and inclusion

Diversity and inclusion across the Group is important to us. For the Board and committees it is clear that we have made some progress towards our objectives but we still have some work to do to ensure that BAME representation is increased.

Focus on the future – strategic collaboration for better services, building safety and sustainability

A clear focus for the Board going forward is the need to build greater trust, transparency and accountability. We have made this one of our headline objectives for the Group and this will bring greater opportunities for us to listen to our residents and involve them in our decision-making and performance.

This year we were approached by Sanctuary Group to explore a possible business combination. Although we decided not to take our discussions further, what did come out of those conversations was the strategic value of partnership and local collaboration in contributing to the resilience and adaptability of our organisation.

As we move into the next few years in such a challenging environment, I believe that it will be through strategic collaboration between housing providers, residents and our stakeholders that we will succeed in continuing to provide much needed homes and support services, enable our focus on investing in building safety and set us on a clear path to carbon-neutrality.

Thank you

A final note from me. I'd like to thank the members of our Board and committees for their time, dedication and expertise in guiding the Group through this difficult year. The Group's senior leadership team have consistently demonstrated their high level of professionalism and resilience as we have adapted our business to unprecedented times and our thanks go out to everyone across the Group.

Arthur Merchant
Chair of the Board

Read more about our approaches to:

- Building safety on pages 11, 12 and 34.
- Sustainability on pages 35-37.
- Resident involvement on page 41.
- Equality, Diversity and Inclusion on page 50.

Statement of compliance with the regulatory standards

Our regulator, the Regulator of Social Housing (RSH), publishes a regulatory framework and regulatory standards. The regulatory standards comprise:

- The economic standards – the governance and financial viability, value for money and rent standards
- The consumer standards – tenant involvement and empowerment, home, tenancy and neighbourhood and community standards.

One of the core economic standards is governance and financial viability. This requires Registered Providers (RPs) to have effective governance arrangements in place that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. It also requires RPs to manage their resources effectively, to make sure their viability is maintained while ensuring that social housing assets are not put at undue risk.

As part of being regulated by the RSH, Southern Housing Group has been given a rating for governance, as assessed against the governance and financial viability standard. Following an in-depth assessment carried out by the RSH in 2019, Southern Housing Group was given a G2 governance and V2 financial

viability rating, both of which are compliant ratings, for the financial year ended 31 March 2020. These ratings were reconfirmed by the RSH in January 2021 following its routine stability checks. An in-depth assessment was not conducted during the year under review.

Each year the RSH requires RPs to assess their compliance with the governance and financial viability standard and provide assurance to customers and stakeholders that the RSH specific expectations are being complied with.

We have undertaken an annual review of compliance. The Board is assured that Southern Housing Group is compliant with the regulatory framework including the governance and financial viability standard and its accompanying code of practice.

The Board is committed to ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. Our modern slavery statement is available on our website at shgroup.org.uk/about-us/legal/modern-slavery-and-human-trafficking



▲ Pankhurst Avenue, Brighton

Compliance with the UK Corporate Governance Code

The Regulator of Social Housing requires all registered providers to adopt a code of governance. Southern Housing Group Board has chosen to adopt the UK Corporate Governance Code (the UK Code) on a 'comply or explain' basis.

Southern Housing Group's assessment of compliance against the principles of the UK Code has concluded that in the year ending 31 March 2021 it has complied with the main principles of the UK Code as they apply to the Group. The table below summarises the principles of the UK Code that are not applicable or are relevant only to listed companies.

Principle A – A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

As a Community Benefit Society and non-profit company we do not generate value for shareholders but generate public benefit to wider society.

Provision 3 – In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.

As a Community Benefit Society and non-profit company we do not have major shareholders with whom to engage and consult.

Provision 4 – When 20% or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.

As a Community Benefit Society and non-profit company we do not have shareholders with whom to engage and consult.

Provision 30 – In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

The Group is not a listed company and therefore is not required to publish half yearly financial statements, but does comply with the going concern basis of accounting while preparing its annual financial statements.

Provision 36 – Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

As a Community Benefit Society and non-profit company we do not have shareholders who hold shares in the sense set out in this section.

Governance structure

Committee structure, membership, roles and responsibilities

Committee structure with chairs and responsibilities



Division of responsibilities

Chair

The Chair of the Group Board provides overall leadership to the Group, in close co-operation with the Chief Executive, in a manner which maximises the contribution of board members and staff alike to enable them to fulfil their responsibilities for the overall governance and strategic direction of the Group. The Chair ensures that the Board functions effectively, that there is an agreed strategy that determines the Group's objectives, that the boundaries of management authority are clearly defined, and that external relations are maintained. The Chair is responsible for the annual appraisal of the Chief Executive.

Chief Executive

The Chief Executive reports directly to the Chair and is responsible for driving the strategy of the Group, ensuring that the objectives are achieved, and performance is reported to the Board. The Chief Executive is responsible for setting the tone of the business and ensuring the desired culture is embedded throughout the workforce.

The Chief Executive leads the Executive Management Team (EMT) in the day-to-day running of the business, including implementing the Board's decisions. The Chief Executive leads the EMT in ensuring the Group's policies and procedures are adhered to and that the Group's risks are monitored and managed within the Board's approved risk appetite.

Senior Independent Director

The Senior Independent Director (SID) adds value to the business of the Group by acting as a sounding board for the Chair and as an intermediary for other directors, contributing experience, expertise and insight to determine the overall business. The SID is available to other board members in cases of conflict acting as a conduit for other board members to raise concerns which have not been resolved through the normal channels regarding the Chair, the Chief Executive or other board members. The SID also meets with other board members, without the Chair present, to appraise the Chair's performance taking into account the views of executive directors.

The Board

The Group's Board is collectively responsible for the long-term success of the Group. To retain control of key decisions and to provide a clear division of responsibility between the running of the Board and the running of the business, the Group Board has identified reserved matters that only the Board can approve. Other matters have been delegated to the committees. Any matters outside of these delegations fall within the Chief Executive's responsibility and authority.

Matters reserved to the Group Board include:

- Determining the strategic direction of the Group and setting out its mission, vision and values
- Approving higher-level strategies, long-term plans and objectives to achieve the vision
- Financial control
- Risk appetite and management
- Governance and the system of delegation
- Monitoring the Group's performance
- Accountability to stakeholders

The Board, subsidiary boards and each committee receives sufficient, reliable, and timely information in advance of meetings and are provided with or are given access to all the necessary resources and expertise to enable them to undertake their duties in an effective manner.

The Board is scheduled to meet five times a year but also meets more frequently when needed. For example, during the coronavirus pandemic, it met 14 times for a formal Board meeting, and also met informally in between as needed. All meetings during the pandemic were conducted remotely. The Board also has two strategy setting events in spring and autumn.

Each Board meeting has a planned agenda, which allows enough time to discuss both strategic and operational matters and includes consideration of performance and risk management.

Committees

The Board delegates authority in certain matters, according to specific terms of reference, to six committees. Committee membership consists of both Group Board members and independent committee members. This mix strengthens the experience and different skills available to the organisation whilst ensuring that the Group Board remains a manageable size and provides value for money. This model enhances decision-making, providing a clear overview which helps to focus the Group's management on achieving its strategic objectives. Each committee meets at least four times a year.

Audit and Risk Committee

The Audit and Risk Committee recommends the appointment or reappointment of our external auditors, considers the audit approach taken and reviews findings. The appointment of the external audit firm is re-tendered at regular intervals. This Committee reviews the annual financial statements of the Group before recommending them to the Board for approval. The Committee also oversees accounting policy and consistency across the Group. It is responsible for reviewing the Group's internal controls and its risk management framework, and regularly reviews the Group's top risk register. It also regularly reviews all external and internal audit and similar reports and provides constructive challenge to the Executive Management Team (EMT) on external and internal audit findings and closely monitors their implementation.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is responsible for reviewing and recommending Board and Committee remuneration, together with succession planning, ensuring there is a plan for the orderly succession of new appointments to the Board(s) and committees to maintain an appropriate balance of skills and experience within the Group's governance structure. This Committee oversees the Group's pension strategy and arrangements and approves the Group's Pay Policy and Code of Conduct. It also ensures there is an appropriate induction and training framework in place for Board and Committee members. The Committee reviews the pay of executive members of the Board, giving due consideration to peer comparison, pay ratios and gaps assuring proportionality and alignment to the Group's culture. Executive directors are eligible to receive non-contractual rewards available to the Group's entire workforce at the discretion of the Remuneration and Nominations Committee in connection with organisational performance. The only executive director on the Group Board is the Chief Executive, whose pay is published in the financial statements.

Finance Committee

The Finance Committee oversees finance and treasury management within the Group, including: oversight of Group financial stability; budgets, forecasts and long-term financial planning; financial/budgetary performance and management accounts; financial strategy; treasury management strategy and arrangements; and intra-group lending.

Development Committee

The Development Committee considers matters relating to the development and investment strategy of all the Group's companies, including new property developments and stock reinvestment. This Committee is responsible for ensuring the proper assessment and regular monitoring of development risk. It is also responsible for reviewing the Group's sales strategy and recommending it to the Board for approval, as well as regularly reviewing and monitoring the Group's sales programme.

Customer Safety Committee

The Customer Safety Committee has the delegated authority for overseeing the Group's customer health and safety and compliance requirements and obligations, and asset management in respect of health and safety compliance.

It reviews strategies and policies, and internal audit reports where these are related to customer health and safety and safeguarding. It monitors and oversees all matters relating to customer health and safety and safeguarding compliance through risk and Key Performance Indicator analysis.

Community Investment and Care Committee

The Community Investment and Care Committee has the delegated authority for overseeing the Group's care and supporting independence, community investment and sheltered housing activities. It has responsibility for the oversight of associated policies and procedures, service level agreements with contractors and local authorities and Key Performance Indicators. It also has responsibility for oversight and support of the Group's resident engagement structure.

Resident Scrutiny Group

The scrutiny function consists of the Resident Scrutiny Group and supporting steering groups who engage with residents to help shape services and aim to hold the organisation to account for its performance. Board members attend scrutiny meetings: there is one permanent position and another rolling position. The Chair of the Resident Scrutiny Group is able to report directly to the Board on issues arising.

There is a Resident Engagement Strategy in place to ensure residents' voices are heard throughout the organisation.

Board membership and attendance 2020-21

The table below shows each Board member's attendance at meetings of the Board and any committees they are members of during the financial year.

	Board	Audit and Risk Committee	Development Committee	Community Investment and Care Committee	Customer Safety Committee	Finance Committee	Remuneration and Nominations Committee
Non-Executive Board Members							
Arthur Merchant	14/14	3/4	1/4	1/4	2/4	4/6	5/5
Carol Rosati	14/14	–	–	–	2/4	2/6	1/5
Robert Clark	14/14	–	4/4	–	–	3/6	–
Mary Watkins	14/14	–	–	4/4	–	–	–
Joanna Hawkes	12/14	–	1/4	–	–	6/6	–
Janet Collier	14/14	4/4	–	–	–	3/6	–
Abi Gray	14/14	–	–	–	–	–	5/5
David Lewis	14/14	–	–	–	4/4	–	1/5
Simone Buckley	14/14	–	–	–	4/4	1/6	–
Alfons Dankis	7/14	–	–	–	–	–	–
Executive Board Members							
Alan Townshend	14/14	3/4	4/4	2/4	4/4	5/6	5/5

■ Denotes Chair ■ Ex officio role ■ As observer

Our Board

All board members are independent members of the Board, other than the CEO who is an executive director.

One board seat is reserved for a resident board member who is appointed in the same way as all other members, is subject to the same tenure rules, receives the same remuneration, and is required to abide by the same codes of conduct including declaring any conflicts of interest.

To manage any conflicts of interest that may arise, all members complete and update their declaration of interests form annually. Any interests are recorded, and relevant interests are reported to the external auditors as part of their annual audit. Any interests arising during Board or Committee meetings are recorded in the minutes of each meeting.

Chair



Arthur Merchant

Arthur became Chair of the Group Board in July 2016. He is a former partner and Head of Housing for Grant Thornton UK PLC. He specialised in the provision of external and internal audit, business planning, governance and risk management services to the housing sector for over 20 years. His client portfolio also included the local authority, NHS and education sectors. He is a qualified accountant (CIPFA) serving as a member of CIPFA's housing association panel for over 10 years. Arthur is an experienced non-executive director having served on the boards of the Hertfordshire Chamber of Commerce, Mind and three other large housing providers. His experience includes chairing audit and treasury committees and being part of a non-executive working group/committee successfully achieving substantial renegotiation of loan covenants and refinancing at two housing associations.

Arthur is a regular speaker at major housing events and conferences.

Senior Independent Director



Carol Rosati OBE

Carol is the Board's Senior Independent Director (SID). She has over 25 years' experience of talent management and workforce development, focusing on diversity and inclusion. She is currently lead Equality, Diversity and Inclusion specialist at the Met Office. She is also a qualified executive coach and runs her coaching business v2 Coaching. Carol joined the Group Board in 2014 and chaired the Remuneration and Nominations Committee from 2016 to 2019, before being appointed as SID. She is Vice Chair of UN Women UK and chairs their Nominations Committee. In 2020, she also joined the Board of Alliance Homes based in Somerset. She was awarded an OBE in the Queen's 2015 Birthday New Year's Honours List for Services to Women in Business.

Members



Simone Buckley

Simone joined the Group Board in July 2015. She was previously Chair of the Group's South Region Resident Services Panel and a Customer Services Committee member. Simone is a member of the Group's Customer Safety Committee and provides a link with the Group's Resident Scrutiny Group. Simone has over 15 years' experience working within blue chip organisations both in the UK and Australia, specialising in change management, communications and business integration.



Joanna Hawkes

Joanna joined the Board in July 2017 and chairs the Group's Finance Committee. She has over 30 years' experience in the private sector having worked with a number of blue-chip companies in various sectors in corporate finance and treasury roles. This has included asset finance roles with Hilton International and treasurer of rolling stock lessor Angel Trains. She left her role of Group Treasurer of Marks and Spencer plc to take up a role as Director of Corporate Finance at Transport for London. She is a fellow of the Association of Corporate Treasurers and a qualified accountant. She is also Chair of the Finsatra DB pension scheme.

Members



Robert Clark

Robert has been a qualified member of RICS since 1974 and retired as CEO of Durkan Ltd in 2016. As Managing Director and CEO, Robert was responsible for the management of all construction projects, business planning and HR management. His board and committee experience has included joint venture companies, housing associations, construction skills training, The Housing Forum and The Hertfordshire Housing Conference.



Janet Collier

Janet chairs the Group's Audit and Risk Committee and the Crown Simmons subsidiary board, having joined the Group Board in September 2018. She is a CIPFA accountant with over 30 years' public sector experience. She has worked at a number of local authorities in both housing and corporate finance and was previously Deputy Chief Executive and Director of Finance at City West Homes. She has also worked as a consultant providing financial consultancy and training for public sector organisations, especially on social housing finance and value for money. She is an experienced non-executive having been a board member and Chair of Audit Committee at another housing association and is currently also a board member and Chair of Audit and Risk at Advance Housing and Support.

Members



Abi Gray

Abi joined the Board in September 2019 and chairs the Group's Remuneration and Nominations Committee, having served on the Committee for two years. Abi has 10 years' customer services experience, specialising in building customer-centric cultures by empowering employees to deliver excellent customer service. Abi is a qualified coach, counsellor and a specialist in employee engagement. Abi was previously also a member of the Customer Services Committee.



Alan Townshend

Alan has over 33 years of experience in the affordable housing sector, working with both public and private companies and running his own consultancy firm. Alan became Group Chief Executive in September 2018, having previously been Group Development Director for three years. Prior to joining the Group, Alan worked at Wandle Housing, initially joining as its Asset Investment Director before being appointed Interim Chief Executive Officer and overseeing the operational and strategic side of the business. His other roles include seven years at Circle Group as Group Regional Operations Director. Alan is a member of the Chartered Institute of Housing.

Members



David Lewis

David chairs the Group's Customer Safety Committee. He joined the Group Board in September 2019 and has over 25 years' asset management, regeneration and procurement experience in local government, Arm's Length Management Organisations (ALMOs) and housing associations. David has held both non-executive director and director positions for G15 housing associations and is a member of the Chartered Institute of Housing and RICS.



Mary Watkins, Baroness Watkins of Tavistock

Mary joined the Board in July 2018 and chairs the Group's Community Investment and Care Committee. She has extensive board experience in the housing and health and social care sectors and chaired the Quality and Governance Committee at South Western Ambulance Service Foundation NHS trust, where latterly she was Deputy Chair and Senior Independent Director. Her experience has involved significant changes to the businesses in which she has been a board member including the amalgamation of two NHS providers and two housing associations. She is a qualified nurse, has held a University Senior Deputy Vice Chancellor position and published extensively in the fields of health and social care. She is a Visiting Professor at King's College London. Mary was appointed a Crossbench Life Peer in 2015 and speaks regularly on housing issues.

Members who left the Board in 2020-21

Alfons Dankis retired from the Group Board in September 2020. He was formerly Chair of Crown Simmons.

Board evaluation

During the year, we commissioned highly experienced governance consultants, Altair, to carry out an external board evaluation and support board member appraisals, improving the effectiveness of our governance. The evaluation confirmed that our Board is made up of appropriately skilled and experienced independent directors who are appraised effectively on an annual basis. Development plans are developed as a result of appraisal feedback and are in place for directors as appropriate. Succession planning is effective and actively managed.

Board and committee diversity analysis

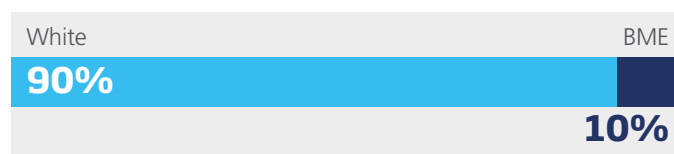
Each year, as part of our Board evaluation, we report on the Board's diversity across a number of characteristics to the Remuneration and Nominations Committee. This informs succession planning and board member recruitment. Improving diversity across our governance is integral to the way in which we embrace and promote diversity as an organisation. Our approach to diversity is set out in our Equality, Diversity and Inclusion strategy which has been developed in partnership with our Remuneration and Nominations Committee. As well as the Equality Act protected characteristic strands, we also include ensuring our residents' voice is strongly represented throughout our governance structure as part of our board diversity. During 2020-21 one board place was reserved for a resident board member. We will increase this representation as board positions become vacant.

Age

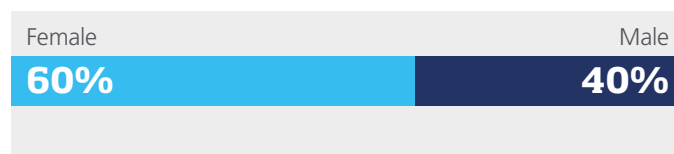
the average NED age is

58

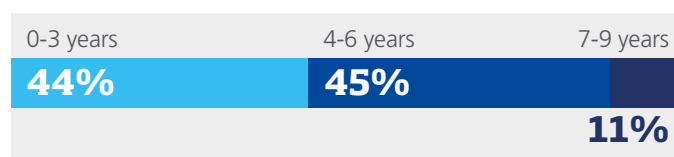
Ethnicity



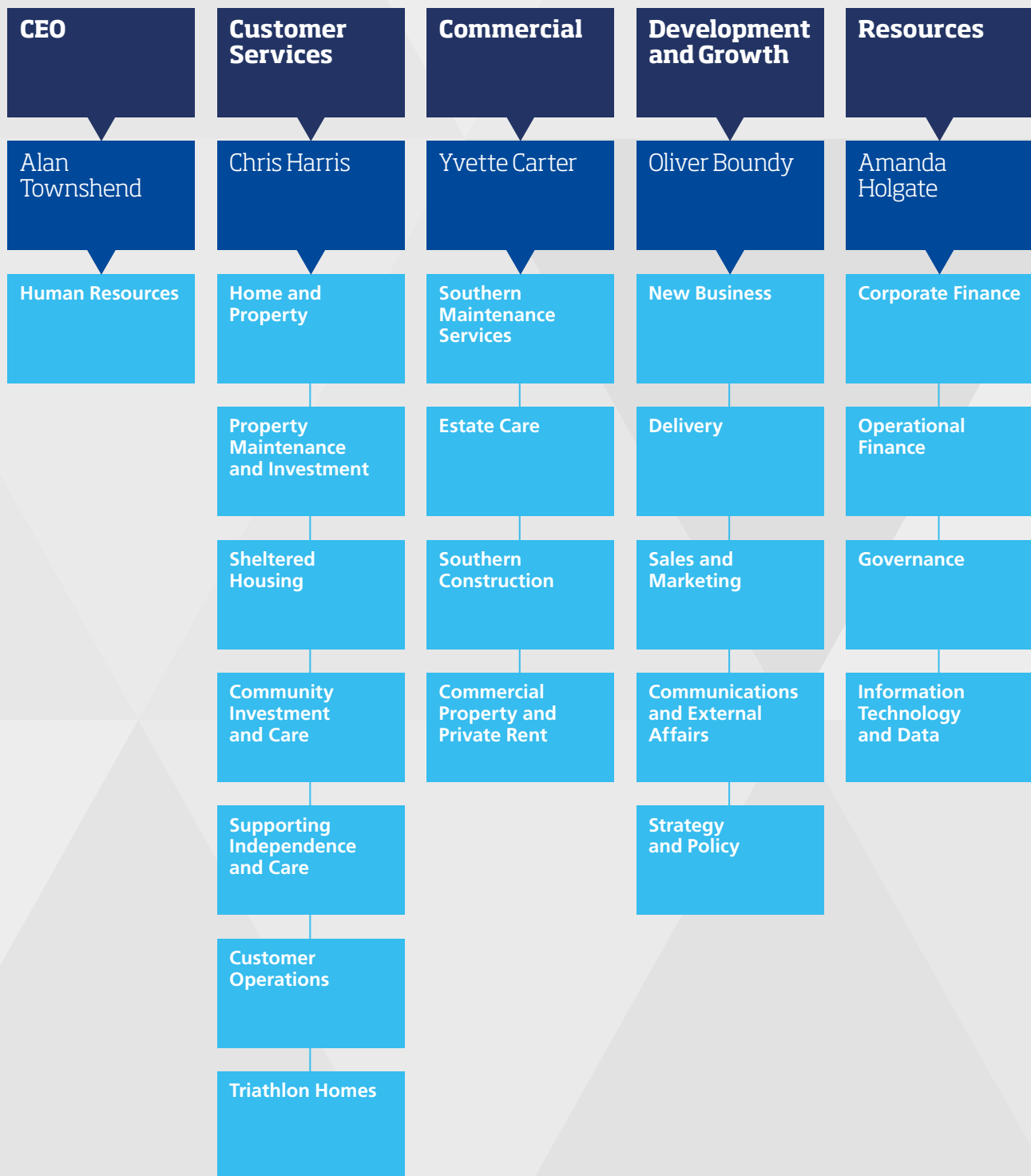
Sex



Tenure



Operating structure 2020-21



Executive biographies



Oliver Boundy
Executive Director
Development and Growth

Oliver has worked in the housing sector for over 15 years. After joining the Group as New Business Director in 2016, Oliver established and led a highly successful New Business Team and was instrumental in increasing delivery of new homes through site acquisition, partnership working and a strong new business pipeline. Oliver took over as Executive Director Development and Growth in September 2018.



Chris Harris
Executive Director Customer Services

Chris was Executive Director of Customer Services between 2016 and 2021. As a member of the Group's Executive Management Team, Chris was responsible for setting the strategic direction for customer services. During the year, Chris led the teams that provide customer, property, residential and care services, along with community, financial and employment and training support to a wide range of people.



Yvette Carter
Executive Director Commercial

Yvette joined the Group in 2019 to lead our newly created Commercial Directorate which covers Southern Maintenance Services (our in-house repairs and maintenance service), Spruce Homes (our private rent business), Southern Housing Construction (our in-house construction company), Estate Care (our in-house caretaking and estate maintenance service) and Commercial Property.

Yvette has previously worked with Mears Group PLC and has a breadth of experience at senior level across many sectors.



Amanda Holgate
Executive Director Resources

Amanda joined the Group in 2019 and is responsible for several departments including corporate and operational finance; governance; IT and data; and the Group's portfolio management office.

Amanda previously served as Finance Services Director at Peabody and Deputy Finance Director at Family Mosaic. Prior to joining the social housing sector in 2014 she gained more than 20 years' experience in financial, commercial and infrastructure support roles across a wide range of industry sectors including manufacturing and wholesale, technology consulting, retail and financial services.



Alan Townshend
Group Chief Executive

Alan leads the executive team and is a member of the Group Board. His biography can be viewed on page 78.

Remuneration & Nominations Committee report



Statement from Committee Chair – Abi Gray

Each year, the Remuneration and Nominations Committee undertakes an evaluation of its performance to provide assurance to the Group Board that it is fulfilling its terms of reference. On behalf of the Board I am pleased to present the Committee's annual report, confirming that, during the year, the Committee once again satisfied the remit delegated to it by the Board.

The membership of the Committee is made up of a maximum of five independent members plus the Group Chair as an ex officio member. Executive directors do not sit on the Committee but can attend at my invitation. The Chair of the Group Staff Forum is a co-opted member. Committee membership changed during the year with Diane Lennan joining Julie Blair, Debbie Mansfield and me in June 2020.

During 2020-21, we met on five occasions in April, June, September, November 2020, and in March 2021. As Committee Chair, I provided a summary of each of the Committee's meetings to the Group Board.

We undertook a range of work during the year, covering all items in our terms of reference. At each meeting we received comprehensive reports covering non-executive and staffing matters, and governance issues including governance contingency arrangements in response to the coronavirus pandemic.

Highlights for the year

Board evaluation

We supported the wider board and committee member appraisal process, ensuring that it was fit for purpose and that non-executive and independent member appraisals were carried out in a timely and effective way. We also supported the Group Board's Senior Independent Director in leading on the Group Chair's appraisal, making sure that non-executive and executive directors had an opportunity to give feedback.

Importantly, we played a key role in procuring a board and governance effectiveness review by external consultants, Altair, and in implementing elements of the resulting governance development plan that were within our remit. These activities formed part of the Group's response to the in-depth assessment by the Regulator of Social Housing.

Altair were asked to complete a review of the effectiveness of the Group's Board to evidence compliance with the regulatory standard and the UK Corporate Governance Code. The scope of the review covered Board's strategic focus and understanding, the effectiveness of risk management, relationships within the Board, with committees and with the executive team, meeting management and effectiveness, and member roles and responsibilities.

The review found that there is a positive and professional culture and supportive relationships between Board Members, including the Chairs, and with the executive team. The Board is well-balanced and functioning well with a good degree of openness and inclusivity. There is a good range of skills and experiences across the membership who feel able to actively contribute. Improved outcomes from the evaluation included further developing member training and development plans, a more dynamic skills matrix and succession plan plus better integrated agendas and improved forward planning. Induction processes for new members have also been strengthened. None of the recommendations were considered to be material and they do not impact the composition of the Board.

Altair also supported the Group to prepare for an in-depth assessment by the Regulator of Social Housing and in the preparation of the subsequent improvement plan. They have supported us in providing third-party assurance on implementation of the recommendations. They have no other connections with the business or with any of the directors.

As part of the governance development plan, we reviewed and approved a refreshed code of conduct and conflicts of interest policy and process.

Succession planning and appointments to the Board

On behalf of the Board, we oversaw succession planning, taking into account both the skills needed for effective governance, and the need to improve diversity on all boards and committees.

As part of our Group Equality, Diversity and Inclusion strategy, we have set a target to have 30% BAME membership on our boards and committees by 2025. We will achieve this through a diversity-positive approach to succession planning and member recruitment as opportunities arise.

We reviewed our skills matrix development and monitoring, receiving updates on our position at each of our meetings. We have ensured that our skills matrix covers the expertise needed to govern the business effectively and to reflect the requirements of our corporate strategy. We defined our key board skills to be:

- Strategic leadership and scrutiny
- Human resources and organisational management
- Information technology and data management
- Public relations and communications
- Housing management/service users' needs and aspirations
- Financial and treasury management
- Governance, risk, regulation, compliance and assurance
- Development, regeneration and sustainability
- Community investment and community development
- Government, community and stakeholder relationships.

As a result of the Board evaluation work, we focused on the implementation of key improvements to both succession planning and board skills development, including aligning our skills requirements to our latest strategy, and ensuring that succession planning and recruitment takes into account the changing skills gaps on the Board as members join and leave.

In addition, we ensured there was a programme of learning and development to support members in regularly updating their skills and knowledge, and familiarity with the Group.

Women earn

83p

for every £1 that men
earn when comparing
median hourly pay

Diversity and inclusion

In September, we considered the Group's revised Equality, Diversity and Inclusion strategy before recommending it to the Board. The strategy has three broad aims:

- Advance equality of opportunity by developing effective leadership that promotes equality, diversity and inclusion
- Eliminate discrimination and have an inclusive work environment where staff respect and value each other's and our customers' diversity and wellbeing
- Develop an excellent understanding of our customers to ensure services are delivered in a way that does not discriminate, promotes equality and inclusion and respects the diversity of our customers and the communities in which they live.

We were pleased to note that, as part of a range of performance measures on delivering the strategy, progress will be reported regularly to the executive team and the Group Board while this Committee will continue to monitor workforce representation quarterly.

We reviewed the Group's Gender Pay Gap information prior to publication of the data on the government portal. We also supported the development of ethnicity pay gap reporting for the Group and this will be published on the Group's website from 2021-22.

In line with our commitment for BAME representation at Board, the Committee was also pleased to support the aim to reach 30% BAME representation in executive roles by 2025. However, we are mindful of the importance of recognising the other protected characteristics and ensuring that we are considering all diversity strands during recruitment to these roles.

Gender pay gap key statistics:

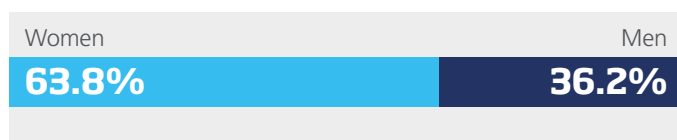
- Women earn 83p for every £1 that men earn when comparing median hourly pay. Their median hourly pay is 16.8% lower than men's
- When comparing mean (average) hourly pay, women's mean hourly pay is 15.2% lower than men's
- Women occupy 43.2% of the highest paid jobs and 70% of the lowest paid jobs.

Remuneration & Nominations Committee report (continued)

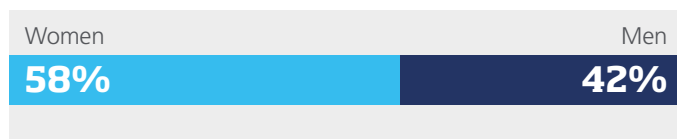
Upper hourly pay quarter (highest paid)



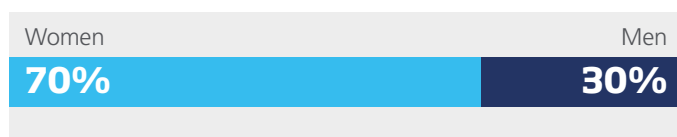
Upper middle hourly pay quarter



Lower middle hourly pay quarter



Lower hourly pay quarter (lowest paid)



Approach to remuneration

Southern Housing Group Limited's Board and committee members are paid for their services. This increases our ability to attract and retain high-calibre members and to improve mechanisms for their performance appraisal and development.

We carry out a triennial review of non-executive director remuneration but this did not fall due in 2020-21. We did look at non-executive director expenses and recommended a revised policy to Board. We also recommended a revised approach to board member recruitment and selection.

Current annual payment rates

Role	Salary
Group Chair	£25,000
Member and Chair of committee or subsidiary board	£12,000
Member	£10,000
Additional payment for Senior Independent Director	£2,000
Independent Committee Member	£3,000

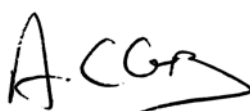
On the executive side, the Committee considered the staff pay policy in light of the need to attract and retain people while being mindful of the efficiencies agenda across the Group. Following discussions, we were able to recommend a robust pay policy to the Board. In keeping with our values as a business with a social purpose, we were pleased to recommend the continued adoption of the Living Wage principle. The pay policy operated as intended during the year.

The pay of executive directors is set by comparison with G15 peers, using a simple salary approach reflecting the strategy of the Group which balances both short- and long-term objectives whilst ensuring remuneration remains simple, transparent and provides value for money. In reviewing this area, the Committee gives due consideration to pay ratios and gaps assuring proportionality and alignment to the Group's culture. The remuneration of Executive Management Team directors (excluding the Chief Executive) is presented to the Committee by the Chief Executive.

Executive team remuneration was last reviewed in June 2020. The Chief Executive presented a paper to the Committee that confirmed that salaries continued to be in line with market rates. The Committee supported the recommendation that there would be no increase to salaries for any of the executive team during the pandemic. The Committee felt that this was the most appropriate action and was in line with the ethos and culture of the Group.

Executive directors are eligible to receive non-contractual rewards available to the Group's entire workforce at the discretion of the Committee and in connection with organisational performance. The only executive director on the Group Board is the Chief Executive, whose pay is published in these financial statements.

A formal workforce advisory panel, the Group Staff Forum, is in place to promote the views of the Group's employees. The Chief Executive and the Chair of the Group Board both attend the Group Staff Forum meetings and the Chair of the Group Staff Forum is an ex officio member of the Remuneration and Nominations Committee.



Abi Gray
Chair of the Remuneration and Nominations Committee



Statement from the Committee Chair – Janet Collier

2020-21 has been a challenging year for the Group. In common with the country and the sector, we have seen exceptional external challenges with ongoing uncertainty over future UK economic conditions following Brexit, and the devastating impact of the coronavirus pandemic. In addition, we have had more local challenges to respond to following a governance downgrade from the Regulator of Social Housing.

At times such as these, the Committee's work to provide the Board with assurance on the effectiveness of the risk management and internal control framework and processes is critical and helps to ensure that, as a business with social objectives, we can continue to invest in homes and communities, so people can thrive.

The Committee continues to oversee the financial reports prepared by management, and the audit and assurance work of our internal and external auditors, who themselves provide robust challenge and suggest areas of improvement within our internal control framework.

Introduction

The Audit and Risk Committee's members are independent directors. The Chair of the Committee is a member of the Group Board to facilitate the line of sight between the Board and the Committee. The Chair of the Committee is also Chair of the Group's subsidiary, Crown Simmons, and recuses herself from Audit and Risk Committee meetings when matters relating to Crown Simmons are under consideration.

Across the Committee membership, there is a diverse range of experience in business, finance, auditing, risk and controls, with particular depth of experience in housing. The Committee is also able to draw on the expertise of key advisors and control functions, including the internal and external auditors.

The Committee provides oversight and advice to the Board on the matters listed in its terms of reference which focus on the integrity of financial reporting and the external audit process, and the maintenance of a sound system of internal control and risk management, including internal audit. The Committee reviewed its terms of reference and found them to be fit for purpose and in line with the requirements of the UK Corporate Governance Code. Some minor changes were made to the terms of reference during the year to ensure there was clarity of oversight between its remit and the functions of the Finance Committee. The Chair of the Committee reports to the Board on matters arising after each meeting.

The Committee did not require independent advice during the year but did consider the work of corporate advisors as part of risk and audit work. At each meeting, the Committee had the opportunity to meet with the internal and external auditors without management present.

Preparation of the financial statements and external financial reporting

In considering the financial statements, the Committee discussed and considered in detail management's analyses, the external auditor's work, and conclusions on the main areas of judgement. Internal controls and risk management systems have been put in place to provide assurance over the preparation of the annual report and accounts. Information submitted for inclusion in the financial statements is attested by individuals with appropriate knowledge and experience.

The annual report and accounts are scrutinised throughout the process by relevant senior stakeholders. Subsequently, the Audit and Risk Committee, with the support of the Finance Committee, provides debate and challenge, before requesting board approval. Key controls in the process are subject to regular testing, the results of which are reported to the Committee.

The Audit and Risk Committee reviewed key audit and accounting matters and management judgements, with particular regard to property valuations, the prior year restatement relating to fixed assets, the accounting treatment applied to the merger with Crown Simmons and the going concern status and ongoing viability of the Group. Management judgements in respect of these matters were examined in detail and discussed with the Group's external auditors. The Committee considered in detail the management letter provided by the auditors, as well as management's responses.

Audit and Risk Committee report (continued)

The work of the Committee

Area of focus	Committee action
Annual report and statutory financial statements	The Committee considered the annual report and financial statements at its meeting in July, following joint engagement on the content between the Committee and the Finance Committee. The Committee also reviewed evidence in support of the Group's going concern and viability assessments and was satisfied that it provided robust assurance of the ongoing viability of the Group. The Committee recommended approval of the Group's annual report and financial statements to the Board, giving assurance that, taken as a whole, the annual report and financial statements were fair, balanced and understandable, and provided the information needed to assess the Group's position and performance, business model and strategy.
External audit	The Committee considered the external audit plan for 2020-21 and monitored the implementation of the internal control findings highlighted by the external auditors in their report to the Committee for the year ended 31 March 2020. They met in camera with the external auditors during the year. The Committee considered the independence letter provided by the Group's external auditors, PricewaterhouseCoopers LLP, and was satisfied that the appropriate level of integrity, independence and objectivity had been maintained. The auditors did not provide any non-audit or additional services to the Group. The auditors reached the end of a nine-year uninterrupted engagement with the Group in 2020-21 and the external audit service will be re-tendered for the 2021-22 year. At their February meeting, the Committee approved the reappointment of Beever and Struthers as external auditors for the audit of the 2020-21 year for the Crown Simmons entities within the Group.
Internal audit	The Committee approved the internal audit programme for the year, ensuring it conformed to the Group's key areas of risk. They actively monitored the programme's fitness for purpose, modifying it to ensure it remained focused on key areas. The Committee also ensured alignment between the 2020-21 plan and the following year's plan to extract maximum value. The Committee received reports on the implementation of the internal audit programme at each of its meetings, reviewing progress against audit recommendations by management.
Risk management	The Committee received reports on risk management and reviewed the Group's top risk register at each of its meetings, recommending any changes to the Board as appropriate.
IDA action plan	The Committee monitored the IDA action plan updates at its meetings in September, December and February, reviewing the evidence provided by management to provide assurance to the Board that progress was on target. They worked jointly with the Group Board on the closure of items on the action plan. They received updates on the dialogue with the Regulator on their view of the Group's actions to improve the issues found by the IDA.
Compliance with the UK Corporate Governance Code and regulatory standards	The Committee reviewed the Group's compliance with the UK Code at its July meeting and provided assurance to the Group Board that the Group complied with all the provisions that applied to it. They also considered compliance with regulatory standards at the same meeting and similarly provided assurance to the Group Board on compliance.
IT and data	The Committee received regular reports on progress against key IT risks and audit recommendations, including IT security, cyber security, data quality and systems. The Committee also monitored progress in implementing data protection requirements and received update reports on any data breaches together with information on any reports to the ICO and their outcomes. The Committee considered data issues in regulatory returns and how to obtain assurance of the robustness of the Group's approach to its regulatory returns. An independent review of controls and governance for Group returns was requested and an internal audit of the financial returns has been scheduled for 2021-22 while a review of the Statistical Data Return was carried out by external consultants.
Fraud register	The Committee received reports on any fraud activity experienced by the Group.
Business continuity	The Committee received reports on the effectiveness of the Group's business continuity planning, and how the plans had been revised and improved following the real-time experience of the pandemic.

Internal audit

The Committee has overseen the conclusion of an internal audit plan. The Committee works closely with the internal auditors, who report directly to the chair of the Audit and Risk Committee. Throughout the year, the Committee carefully monitored the progress of the internal audit function. The Audit and Risk Committee approves the work of internal audit annually and specifically approves any changes to the audit plan, through regular quarterly updates. The scope of work takes account of the function's own assessment of risks, the input of first and second line management, and the Audit and Risk Committee itself.

The Committee recognises the need to have ongoing dialogue with management in between the quarterly meetings. The objective is to provide the Committee oversight of audit outcomes, and to give the members sufficient time to review and comment on audit reports. Consequently, the Committee has agreed to receive audit reports and any ad hoc changes to the audit programme outside of the formal meetings. To maintain line of sight, any decisions and/or discussions that occur outside of formal meetings are reported to the next Audit and Risk Committee meeting.

The internal audit plan and strategy for the year identified the key matters which are considered below.

Key matter	Committee response
To ensure that the Group's internal audit programme considers and reflects the Group's strategy and objectives	The Committee agreed the audit programme following assurance that the Internal Audit and Assurance Manager had undertaken the necessary consultation in conjunction with the Risk Manager, directors and the internal auditors, Mazars, to ensure the Group's strategy aligned with the programme.
To ensure that a risk-based methodology, including risk horizon scanning, is used to devise the audit programme	The Committee mandated that the Social Housing White Paper should be considered and factored into the Group's risk profiling, which assisted with the creation of the risk-based audit programme.
To ensure that risks identified by the regulators and legalisation are identified	The Committee agreed that the audit plan should reflect regulatory outcomes, legislative compliance, and the Consumer Standards.
To identify and raise trends/risks arising from audit work	The Committee supported the provision of regular oversight on trends emerging, including regular updates from the service areas which included plans to address the risks in the future.



Janet Collier

Chair of the Audit and Risk Committee

Statement of the Board's responsibilities

The Board is responsible for preparing the Annual Report and the Group Financial Statements in accordance with applicable law and regulations. The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Private Registered Provider (PRP) and of the surplus or deficit for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the PRP will continue in business.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the PRP's transactions and disclose its financial position with reasonable accuracy at any time. This is designed to enable the Board to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2019, issued by the Regulator of Social Housing.

The Board is also responsible for safeguarding the assets of the PRP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Southern Housing Group Limited confirms that the annual report has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2018 Statement of Recommended Practice for registered social landlords.

The Regulator of Social Housing (the Regulator) carried out its routine in-depth assessment (IDA) of the Group during the 2019-20 year and published its regulatory judgement in April 2020. The Regulator assessed the Group's governance rating as G2 and its rating for financial viability as V2. These ratings were previously G1 and V1 respectively.

A G2 rating meets the Regulator's governance requirements but recognises that we need to improve some aspects of our governance arrangements to support continued compliance. A V2 rating meets the Regulator's viability requirements, providing assurance that we have the financial capacity to deal with a reasonable range of adverse scenarios, but we need to manage material risks in order to ensure continued compliance. The Board approved an improvement plan to return to a G1 rating for governance at the earliest available opportunity. All items in this plan have been completed and improvements have been embedded into our business as usual processes.

The Board confirms that an assessment of the Group's compliance with the Governance and Financial Viability Standard has been completed and certifies that the Group is compliant with this Standard. The board members who served during the year are listed and attendance at meetings is recorded on pages 75 to 79.

Statement of internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It provides reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates ongoing processes for identifying, evaluating and managing the significant risks that it faces. They have been in place for the year to 31 March 2021 and up to the date of the approval of the Annual Report and the Group Financial Statements. The Board and Audit and Risk Committee review processes at least quarterly.

Main policies in place to provide effective internal control

Risk assessment

The Group's objectives are established within the context of the Group's Corporate Plan. There is a process of cascading these objectives throughout the Group to each operational team and to individual staff member targets. Assessment of resultant risk is mapped for each area of business activity. The Group's risk management strategy includes requirements for formal risk assessments to be presented to the Board for discussion and approval. The Audit and Risk Committee fulfils this function.

Control environment

Authority, responsibility and accountability are set out in the following ways:

- Standing orders and delegated authorities
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Policies and procedures in all key areas
- Codes of conduct for Board and Committee members, and staff
- Staff job descriptions and supervisory procedures.

Information

There is a timely system for reporting progress in the Group, at many levels. The Boards and their sub-committees receive regular and extensive reports on all key areas of performance.

Monitoring

The Group has a comprehensive internal audit programme undertaken by Mazars LLP, chartered accountants, who report to the Audit and Risk Committee. They also meet regularly and independently with the Chair of the Audit and Risk Committee.

The internal audit programme is designed to review key areas of risk for the Group. Each audit assignment is sponsored by the relevant Executive Director who approves the scope of the work and takes responsibility for ensuring recommendations are acted upon. Group-wide progress on completing work on recommendations is monitored by the Internal Audit and Assurance Team. Both Mazars LLP and the Group's internal audit team report to each meeting of the Audit and Risk Committee on their recent and prospective activity.

The risk management process incorporates reviews of high-level strategic risks across the Group, including the identification of newly emerging risks. The external audit, internal audit and risk management activities incorporate follow-up reporting on actions identified for improving the Group's control environment.

Review of effectiveness

The Board has reviewed the effectiveness of the Group's internal controls through the work of the Audit and Risk Committee, which regularly reports to the Board. In addition, the Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the period under review and up to the date of approval of this report.

The Board confirms that no weaknesses were found in the internal controls for the year ended 31 March 2021 that might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

Independent auditors

A resolution is to be proposed at the annual general meeting for the position of Group's independent auditor to be retendered for the forthcoming year.

Statement on the annual report

Each individual who is a director at the date of approval of this report confirms that they consider the annual report and accounts as a whole to be fair, balanced and understandable, and that they provide the information necessary for stakeholders to assess the Group's performance, business model and strategy.

Statement as to disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware. They have taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.



Arthur Merchant
Chair of the Group Board

For and on behalf of the Board



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Independent auditors' report to the members of Southern Housing Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Southern Housing Group Limited's group financial statements and association financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the association's affairs as at 31 March 2021 and of the group's and association's surplus and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019.

We have audited the financial statements, included within the Annual Report and Group Financial Statements 2020/21 (the "Annual Report"), which comprise: the consolidated and association Statements of financial position as at 31 March 2021; the consolidated and association Statements of comprehensive income, the consolidated and association Statements of changes in reserves and the consolidated Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the association or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The group operates in England. It comprises nine trading entities and two joint venture entities.
- We conducted a full scope audit of six trading entities, while the remaining three trading entities were not significant from the perspective of the group.
- We engaged a component team to conduct a full scope audit of one joint venture entity, while the other joint venture entity was not significant from the perspective of the group.
- These audit procedures covered 98% of group turnover and 98% of group total assets.

Key audit matters

- Valuation of investment properties (group and association)
- Consideration of COVID-19 (group and association)

Materiality

- Overall group materiality: £2.1 million (2020: £2.4 million) based on 1% of turnover.
- Overall association materiality: £1.9 million (2020: £1.8 million) based on 1% of turnover.
- Performance materiality: £1.6 million (group) and £1.4 million (association).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (group and association) See notes 1 and 11 to the financial statements for the group's and association's disclosures of the related accounting policies, judgements and estimates relating to the valuation of investment properties. Certain group properties are held for long-term investment or are rented at market rents. At 31 March 2021, these were valued at £162.1 million. These are initially recognised at cost (including purchase costs and directly attributable expenditure), and subsequently measured at fair value with any increases or decreases in fair value recognised within the surplus for the year. The group engages independent valuers with relevant qualifications to value their investment property portfolio. Valuing investment properties is complex, judgmental and requires the involvement of specialists. Investment properties are material to the group and their value can vary significantly due to the sensitivity of the calculations to input assumptions such as expected yields/discount rates and market growth assumptions, especially in the current COVID-19 environment. In addition, there are limited comparable transactions which increases the level of judgement in respect of the relevant yields. This further heightens the risk of material misstatements due to judgements in assumptions used.	We engaged our internal valuation experts (RICS qualified) to assist us in our audit of this matter. We assessed the external valuers' qualifications and expertise and noted they have the necessary skills and relevant experience to perform these valuations. We verified on a sample basis, the accuracy of the underlying lease and property data used by the external valuers in their valuation by tracing the data back to the relevant supporting documents. We read the external valuation reports for the residential, commercial and properties under development portfolios. With the assistance of our internal valuation experts, we confirmed that the valuation approach for each portfolio was in accordance with RICS standards and suitable for use in determining the final fair values for the purpose of the financial statements. With the assistance of our internal valuation experts, we challenged the valuation process, the key assumptions, and the rationale behind the more significant valuation movements during the year. We did not identify any unreasonable special assumptions or unusual caveats or disregards. We are satisfied that the valuations of the investment properties are within an acceptable range and have been performed on an appropriate basis for inclusion in the financial statements. We have reviewed the disclosures included in note 1 and note 11 of the financial statements, including sensitivity analysis, and consider these are adequate.
Consideration of COVID-19 (group and association) The COVID-19 pandemic has had a significant impact on the UK economy with consequences to the judgements and estimates made by the group. Based on its experience over the past year, management has assessed the completeness of accounting considerations across the group. While management have adequately considered the ongoing impact of the COVID-19 pandemic on its accounting estimates in preparing the group's financial statements, they have not identified any material financial risks at the year-end arising due to the pandemic. Management has considered its short-term and long-term forecasts as part of the group's going concern statement and viability assessment. This includes applying stress tests to reflect the potential for heightened financial risk stemming from the effects of the COVID-19 pandemic by modelling possible downside scenarios to its base case financial plan. Having considered these scenarios, together with an assessment of planned and possible mitigating actions, the Directors have concluded that the group remains a going concern, and that there is no material uncertainty in respect of this conclusion. Management has included its going concern statement and described its viability assessment in the Annual Report.	We evaluated management's assessment of accounting estimates within the financial statements which could be impacted by the challenging economic environment resulting from COVID-19. We satisfied ourselves that management's measurement of such estimates was acceptable. We also considered the appropriateness of management's disclosures in the Annual Report of the impact of the current environment and the increased uncertainty on its accounting estimates and found these to be adequate. With respect to the Directors' going concern statement and viability assessment, we evaluated management's base case and downside scenarios, challenging its key assumptions together with assessing the group's available facilities. Our conclusion in respect of going concern, and our consideration of the Directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group, are set out separately in this report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the association, the accounting processes and controls, and the industry in which they operate.

The group operates in England. It comprises nine trading entities and two joint venture entities.

Of the above, six trading entities (including the association) and one joint venture entity are considered to be significant components of the group. We conducted full scope audits of the six trading entities. We instructed component auditors for one joint venture entity. The remaining entities were not material from the perspective of the group.

Our audit procedures accounted for 98% of the group’s turnover and 98% of the group’s total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – association
Overall materiality	£2.1 million (2020: £2.4 million).	£1.9 million (2020: £1.8 million).
How we determined it	1% of turnover	1% of turnover
Rationale for benchmark applied	This is a generally accepted measure applied when auditing organisations with social objectives, to calculate overall materiality.	This is a generally accepted measure applied when auditing organisations with social objectives, to calculate overall materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £7,000 and £1,896,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1.6 million for the group financial statements and £1.4 million for the association financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £106,200 (group audit) (2020: £118,000) and £94,800 (association audit) (2020: £90,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the group’s and the association’s ability to continue to adopt the going concern basis of accounting included:

- detailed discussions with management to understand their approach to assessing going concern and viability both prior to and after the year-end;
- an assessment of management’s base case and downside scenarios, challenging the key assumptions;
- considering the group’s available financing, including related covenants, and maturity profile to assess liquidity through the assessment period;
- testing the mathematical integrity of the forecasts and the models and reconciled these to Board-approved budgets;
- reviewing the adequacy and sensitivity of the key assumptions considered in the downside scenario; and
- assessing the reasonableness of management’s planned or potential mitigating actions where relevant.

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 group’s and 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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group’s and the association’s ability to continue as a going concern.

In relation to the directors’ reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the association's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and association's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the group's and association's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the association will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and the association and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and association's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the association's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Board's responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 directors are responsible for assessing the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the association or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Regulator of Social Housing's regulatory framework, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate

journal entries to increase the reported operating surplus, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and members of the Audit and Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulations (in particular, considering the results of the Regulator of Social Housing's most recent In-Depth Assessment) and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging judgements and assumptions made by management in their key accounting judgements and estimation uncertainty, in particular in relation to the valuation of investment properties (see the related key audit matter); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations focusing on journals impacting: rental income, capitalisation of costs and property sales.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent society's members as a body in accordance with Section 87 (2) and Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

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

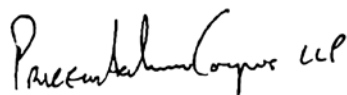
- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent society; or
- the parent financial statements are not in agreement with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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 9 July 2012 to audit the financial statements for the year ended 31 March 2013 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 March 2013 to 31 March 2021.

The engagement partner on the audit resulting in this independent auditors' report is Sotiris Kroustis.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 July 2021

Consolidated and Association Statements of Comprehensive Income

For the year ended 31 March 2021

	Note	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Turnover	2	212,182	236,846	189,643	181,415
Cost of sales	2	(25,588)	(47,302)	(9,961)	(5,003)
Gross profit		186,594	189,544	179,682	176,412
Operating costs	2	(148,263)	(145,552)	(143,731)	(146,958)
Gain/(loss) on revaluation of investment properties	2	6,156	(5,865)	5,602	(5,650)
Gain on disposal of fixed assets	5	16,539	24,046	16,070	23,776
Operating surplus		61,026	62,173	57,623	47,580
Interest receivable and similar income	6	394	1,190	5,225	4,889
Interest payable and similar charges	7	(38,414)	(39,595)	(41,989)	(43,620)
Share of (loss)/surplus in joint ventures		(155)	24	–	–
Gain on acquisition of Crown Simmons	31	58,844	–	–	–
Gift aid received		–	–	13,659	19,961
Surplus before tax	8	81,695	23,792	34,518	28,810
Taxation	9	(68)	(295)	–	–
Surplus for the year		81,627	23,497	34,518	28,810
Other comprehensive (expense)/income					
Actuarial (loss)/gain in respect of pension schemes	25	(4,534)	183	(4,534)	183
Total other comprehensive (expense)/income		(4,534)	183	(4,534)	183
Total comprehensive income for the year		77,093	23,680	29,984	28,993
Total comprehensive income attributable to the Association		77,248	23,656	29,984	28,993

Restated balances are in respect of housing properties, details of which are presented in note 32.

All results for the current and prior years are attributable to continuing operations. The notes on pages 102 to 133 form part of these financial statements.

Consolidated and Association Statements of Financial Position

As at 31 March 2021

	Note	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Fixed assets					
Property, plant and equipment	10	2,214,586	2,102,654	1,978,226	1,955,245
Investment properties	11	162,148	143,299	131,308	125,315
Investment in social HomeBuy	12	7,101	7,267	7,101	7,267
Unlisted investments	13	8,058	7,888	7,887	7,888
Investment in connected entities	14	2,146	1,968	5,690	3,708
Investment in joint ventures	15	1,755	1,910	1,294	1,294
		2,395,794	2,264,986	2,131,506	2,100,717
Current assets					
Stock	16	114,439	109,709	23,935	17,586
Trade and other debtors	17	17,618	25,876	250,703	213,112
Cash and cash equivalents		35,771	58,934	24,996	49,999
		167,828	194,519	299,634	280,697
Creditors: amounts falling due within one year	18	(118,269)	(112,979)	(105,299)	(104,833)
Net current assets		49,559	81,540	194,335	175,864
Total assets less current liabilities		2,445,353	2,346,526	2,325,841	2,276,581
Creditors: amounts falling due after more than one year	19	(1,712,467)	(1,699,996)	(1,697,937)	(1,687,434)
Deferred tax	9	(710)	—	—	—
Provisions for liabilities and charges	21	(7,492)	(3,500)	(6,712)	(2,500)
Post employment benefits	25	(13,206)	(8,574)	(13,206)	(8,574)
Total net assets		711,478	634,456	607,986	578,073
Reserves					
Called up share capital	22	—	—	—	—
Retained equity		711,119	634,026	607,627	577,643
General reserve		359	430	359	430
Total reserves		711,478	634,456	607,986	578,073

Restated balances are in respect of housing properties, details of which are presented in note 32.

Retained equity includes the net assets of the Samuel Lewis Foundation, an endowment fund. See note 29 for further information on its net assets.

The financial statements on pages 98 to 133 were authorised for issue by the Board of Directors on 19 July 2021 and signed on its behalf by:

Arthur Merchant
Chair

Janet Collier
Board Member

Noreen Adams
Company Secretary

Southern Housing Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (Registered Number IP31055R)

Consolidated and Association Statements of Changes in Reserves

For the year ended 31 March 2021

Group	Retained equity £000s	General reserve £000s	Total reserves £000s
Reserves at 1 April 2019 (as presented)	620,030	430	620,460
Restatement (see note 32)	(9,684)	–	(9,684)
Reserves at 1 April 2019 (restated)	610,346	430	610,776
Surplus for the year (restated)	23,497	–	23,497
Actuarial gain on pension schemes	183	–	183
Reserves at 31 March 2020 (restated)	634,026	430	634,456
Surplus for the year	81,627	–	81,627
Actuarial loss on pension schemes	(4,534)	–	(4,534)
Total other comprehensive expense for the year	–	(71)	(71)
Reserves at 31 March 2021	711,119	359	711,478

Association	Retained equity £000s	General reserve £000s	Total reserves £000s
Reserves at 1 April 2019 (as presented)	558,334	430	558,764
Restatement (see note 32)	(9,684)	–	(9,684)
Reserves at 1 April 2019 (restated)	548,650	430	549,080
Surplus for the year (restated)	28,810	–	28,810
Actuarial gain on pension schemes	183	–	183
Reserves at 31 March 2020 (restated)	577,643	430	578,073
Surplus for the year	34,518	–	34,518
Actuarial loss on pension schemes	(4,534)	–	(4,534)
Total other comprehensive expense for the year	–	(71)	(71)
Reserves at 31 March 2021	607,627	359	607,986

Restated balances are in respect of housing properties, details of which are presented in note 32.

The general reserve records funds that have been given to the Group for use on some estates.

Retained equity includes the net assets of the Samuel Lewis Foundation, an endowment fund. See note 29 for further information on its net assets.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	Group 2021 £000s	Restated Group 2020 £000s
Cash flow from operating activities			
Surplus before tax		81,695	23,792
Share of loss/(surplus) in joint ventures		155	(24)
Net interest and financing costs		38,020	38,405
Gain on acquisition of Crown Simmons		(58,844)	–
Operating surplus		61,026	62,173
Adjustments for:			
Depreciation	10	29,488	26,494
Gain on disposal of fixed assets		(16,539)	(24,046)
(Gain)/loss on revaluation of investment properties		(6,156)	5,865
(Reversal of impairment)/impairment	10	(300)	2,800
Government grants utilised in the year		(9,611)	(9,846)
Decrease/(increase) in stock and Homeflex property disposal		3,629	(21,760)
Decrease/(increase) in trade and other debtors		8,461	(10,892)
Increase in trade and other creditors		10,206	5,957
Increase in provisions		3,160	2,701
Corporation tax		(394)	–
Net cash generated from operating activities		82,970	39,446
Cash flow from investing activities			
Purchase of property, plant and equipment	10	(95,774)	(197,287)
Purchase of investment property		(19,259)	(40,721)
Proceeds from disposal of property, plant and equipment		33,931	51,909
Distributions received from joint ventures		–	328
Loan to joint venture		(178)	(178)
Interest received		394	862
Government grants received		14,500	46,565
Proceeds from sale of social HomeBuy investments		464	423
Cash arising from acquisition of Crown Simmons Housing		7,612	–
Net cash used in investing activities		(58,310)	(138,099)
Cash flow from financing activities			
Interest paid		(44,011)	(42,401)
Loan repayments		(42,812)	(59,317)
New secured loans		39,000	207,341
Net cash (used in)/generated from financing activities		(47,823)	105,623
Net (decrease)/increase in cash and cash equivalents		(23,163)	6,970
Cash and cash equivalents at the beginning of the year		58,934	51,964
Cash and cash equivalents at the end of the year		35,771	58,934
Group reconciliation of net debt			
Cash and cash equivalents	Group 2020 £000s	Group cash flow and non-cash items* £000s	Group 2021 £000s
Housing loans and listed bonds	58,934	(23,163)	35,771
	(978,432)	(8,079)	(986,511)
Net debt	(919,498)	(31,242)	(950,740)

Restated balances are in respect of housing properties, details of which are presented in note 32.

* Included are non-cash items which increase net debt by £1,854k. These represent effective interest rate adjustments, which include debt issue costs, and movements on accrued interest.

At 31 March 2021, restricted cash comprising balances on bank accounts held on trust for those who own a share of their property totalled £10,869k (2020: £10,144k). Cash also includes a restricted balance of £202k (2020: £202k) where a charge is held as security to cover future development costs on a particular scheme.

A further £15,285k (2020: £15,285k) restricted balance is held relating to the Samuel Lewis Foundation, a permanent endowment.

Notes to the financial statements

For the year ended 31 March 2021

1. Principal accounting policies

General information and statement of compliance

Basis of preparation

The financial statements have been prepared in accordance with and are compliant with applicable Generally Accepted Accounting Standards in the United Kingdom including Financial Reporting Standard 102 (FRS 102), the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the accounting direction for private registered providers of social housing 2019, issued by the Regulator of Social Housing. They have been prepared on the historical cost basis (as modified by the revaluation of investment properties and financial instruments).

The accounting policies have been consistently applied. The Association and the Group are public benefit entities registered in England. The accounting policies are set out below or in the relevant note disclosures relating to each balance or transaction.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Southern Housing Group Limited (the Association), Southern Home Ownership Limited (SHOL), Southern Space Limited (SSL), Southern Development Services Limited (SDSL), Southern Housing Construction Limited (SHCL), Spruce Homes Limited, Rosemary Simmons Memorial Housing Association Limited, Hewitt Homes and Fellowship Houses Trust and are consolidated in accordance with FRS 102 and the Co-operative and Community Benefit Societies Act 2014.

Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances between Group entities are eliminated in full on consolidation.

The joint venture investments in Triathlon Homes LLP and Affinity (Reading) Holdings Limited are accounted for using the equity accounting method in these consolidated financial statements. Affinity Housing Services (Reading) is accounted for as a jointly controlled operation.

Business combination

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed plus the costs directly attributable to the business combination. On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities. Where the business combination is in substance a gift, then the difference between the fair value of net assets acquired and the consideration paid is recognised as a gain through profit or loss.

On 1 April 2020 Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing became a subsidiary of Southern Housing Group Limited. Purchase accounting has been applied to the business combination and a fair value assessment was completed for the assets, liabilities and activities of Crown Simmons Housing as at 1 April 2020, as required by section 19 of FRS 102. The business combination was in substance a gift since there was no consideration paid to acquire the net assets of Crown Simmons Housing.

Segmental reporting

For the purpose of segmental reporting, the chief operating decision maker ('CODM') is considered to be the Executive Management Team ('EMT'). In line with the segments reported to the CODM, the presentation of these financial statements and accompanying notes reflect the Group's management and internal reporting. The information reviewed within the management accounts to assess performance and make strategic decisions is consistent with and closely aligned to these financial statements. Segmental reporting is presented in note 2 to the financial statements where information about income and expenditure attributable to the material operating segments are presented on the basis of the tenure type of the housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the associated risks, and the nature of the regulatory environment in which the Group operates.

Assets and liabilities are not reported by operating segment or tenure, other than housing properties which are split by tenure type and are shown in note 10.

Going concern

The Group's business activities, its current financial position and factors that are likely to affect its future development are set out within the Strategic Review. The Board's assessment of going concern is focused on the Group's liquidity and its compliance with loan covenants. The review period is 18 months from the signing of the financial statements.

The Group maintains its rigorous approach to financial planning, including the preparation of detailed budgets and forecasts for the next financial year. The Group's budget is approved by the Board and forms the first year of the 30-year business plan (the 'long-term financial plan') which sets out the long-term objectives of the Group.

The Board has considered the ongoing impact of Covid-19 on its short-term forecasts, applying stress tests to the early years of the long-term financial plan that reflect the potential for heightened financial risk stemming from the effects of the pandemic. The Board considers these tests to represent a severe yet plausible view of the risks that may impact the Group. The tests consider the impact of adverse movements in macroeconomic indicators, as well as sharp reductions in development sales income and significant above-inflationary increases in costs. Tenant rent arrears are presumed to almost double in the period under review with a conservative assumption on eventual recovery also modelled. The Group is able to withstand these stresses while remaining fully compliant with its loan covenants and without employing any mitigating actions.

In line with its treasury management policy, the Group continues to maintain sufficient resources to cover at least the next 18 months' committed cash flows, excluding sales receipts. This position is calculated net of any restricted cash. The Group's detailed liquidity position is set out on pages 55 to 56 and at the year-end undrawn facilities and cash investments totalled £426.5m with sufficient headroom forecast against the Group's liquidity policy.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the Group to continue as a going concern have been identified. On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the Group's consolidated financial statements.

1. Principal accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents are cash and short term, highly liquid investments that are convertible for use as cash at less than three months' notice with minimal risk to the principal sum. Cash balances also include restricted cash held on behalf of the Group's leaseholders, for which there is an associated creditor balance held (see note 18) and any cash relating to our permanent endowment which is only available for specific uses. The Association has taken advantage of the exemption under FRS 102 and has not prepared a cash flow statement.

Gift aid

Gift aid income is recognised in the statement of comprehensive income by the Association and as a distribution in the subsidiary making the gift aid payment when the intended gift has been confirmed. It is only provided for where a legal obligation exists. Income and distribution are eliminated on consolidation where the gift is from a Group company.

VAT

A large proportion of the Group's income comprises rental income which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the statement of comprehensive income.

Restatement

During the year, the Association identified an error, following an exercise to review historic records, relating to incorrect depreciation of housing property assets. The Association has restated the comparative figures in these financial statements, being the earliest prior period presented to which these errors relate, to give effect to the adjustments necessary to correct the identified error. See note 32 for details.

Key accounting judgements and estimation uncertainty

In preparing the financial statements, the Group is required to make certain estimates, judgements and assumptions. Estimates and assumptions will, by definition, seldom equal the related actual results. These are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable based on the information available.

The critical judgements made in these financial statements are:

Property assets

See notes 10, 11 and 16 for the accounting policies. Management have applied judgement in determining whether assets are recognised as property, plant and equipment, investment properties or stock based on their intended usage. For mixed tenure developments the appropriate share of costs for individual units constructed is allocated on a pro-rata area basis, in line with the initial appraisal. This is then revised once the final tenure mix has been confirmed.

It is Group policy to ensure resident shared owners maintain the property in a continuous state of sound repair and the Group considers that any depreciation calculation based on the property's current value would be insignificant, due to the large residual value and long economic lives. Therefore, shared ownership properties are not depreciated.

When considering property assets for impairment, units are grouped together as cash generating units, by block and tenure type where the assets are in use and at a scheme level for assets under construction. As these assets are held for service potential, judgement is required in determining the appropriate method for calculating the value in use. No impairment requirement was identified.

Gift aid

Management has made a judgement that it is probable that gift aid payments will be made to the parent within 9 months of the year end by the subsidiary entities where sufficient funds are available for the year ended 31 March 2021. In accordance with FRS 102 the tax provision is assessed on the basis that gift aid payments are probable.

Therefore, the corporation tax impact of probable gift aid payments has been considered in the calculation of the tax provision for the period.

Building safety provisions

Building safety provisions are recognised when it is probable that the Group will have to incur costs to satisfy a constructive or legal obligation. Determination of whether a constructive or legal obligation for a specific property has arisen is a matter of judgment and management assess this based on information available at the year-end.

Key sources of estimation uncertainty:

Property assets

The proportion of shared ownership properties sold as the first tranche varies from property to property based on the percentage purchased by the shared owner. The first tranche proportion of unsold and under construction properties is estimated based on recent sales trends observed over the past year and expected selling percentage from the remaining unsold stock. The current estimate of the proportion that will be sold as first tranche is 43%. This percentage has increased from 35% in the previous year and can vary according to different geographical and economic factors. An increase of 1% in the expected selling percentage would result in an increase of £1,458k in the value of unsold assets held in stock and a corresponding decrease in shared ownership housing properties. Stock is held at the lower of cost or net realisable value. This requires management to estimate the expected selling price of properties under construction as well as the cost to complete construction. The carrying value of stock is disclosed in note 16.

The fair value of investment properties is determined annually by professional external valuers. They use certain key assumptions to assess the values which can vary due to the sensitivity of the inputs such as discount rates, yields and market conditions. See note 11 for further detail.

Post employment benefits

Estimation of pension assets and liabilities depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension fund assets and guaranteed minimum payment (GMP) equalisation. The Group uses qualified actuaries to value its pension assets and liabilities. See note 25 for further detail.

Notes to the financial statements

For the year ended 31 March 2021
(continued)

2. Turnover

Turnover and operating surplus

Operating surplus includes gains and losses on the sale of fixed assets and revaluation gains and losses on investments, as these are considered to be part of the Group's operating activities. Gift aid receipts are not included within the operating surplus as the amount paid is considered annually and therefore is not an operating item.

Rent receivable

Rental income from social housing and private rental properties owned by the Group is recognised, net of void losses, on a straight-line basis over the lease term.

Service charge income

Service charge income is recognised on an accruals basis as it falls due. The Group operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgeted spend. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge in the following year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows.

Management fees

Management fees receivable (excluding VAT) for services provided to other entities are recorded when they fall due. Fees are charged to the Group's subsidiaries for management and support services and are apportioned as a percentage of turnover. Intra group fees receivable and payable are eliminated on consolidation.

Support services

Support service income for provision of extra care for residents with specific needs is recognised on an accruals basis as it falls due.

Commercial income

Income from the letting of commercial properties is recognised on a straight-line basis over the lease term. Lease incentives are amortised over the life of the lease.

Property sales income

Receipts from the sale of the first tranche of shared ownership properties and proceeds of open market sales are recognised within turnover on legal completion. The sale of subsequent tranches (staircasing) of shared ownership properties and the sale of housing properties are recorded net of carrying value as a gain or loss on disposal of fixed assets.

Grants

Revenue grants are credited to the statement of comprehensive income in the same period as the expenditure to which they relate and the performance conditions are met. The cumulative grant amortised is disclosed as part of the contingent liabilities until the property it funds is disposed of or ceases to be used for social housing purposes.

Social Housing Grant is the capital grant provided by Homes England (formerly the Homes and Communities Agency), the Greater London Authority or other Government agency to wholly or partially fund Registered Providers when developing social housing. The grant is carried as deferred income in the balance sheet and amortised to the statement of comprehensive income through turnover, over the life of the structure of the properties to which it relates when they are ready to let. Social Housing Grant becomes recyclable at the point the related property is sold and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income. Grants which cannot be recycled are returned to the funder.

2. Turnover and operating surplus

Group	2021 Turnover £000s	2021 Cost of sales £000s	2021 Operating costs £000s	2021 Operating surplus £000s	2020 Turnover £000s	Restated 2020 Cost of sales £000s	Restated 2020 Operating costs £000s	Restated 2020 Operating surplus £000s
Social housing lettings	168,400	–	(138,168)	30,232	162,917	–	(136,540)	26,377
Other social housing activities								
Charges for support services	5,589	–	(5,596)	(7)	4,755	–	(5,296)	(541)
First tranche low-cost home ownership sales	18,875	(19,721)	–	(846)	15,245	(13,911)	–	1,334
Impairment reversal/(charge)*	–	–	300	300	–	–	(2,800)	(2,800)
Other	1,476	–	(9)	1,467	155	–	–	155
Non-social housing activities								
Commercial income/(expenses)	2,459	–	(162)	2,297	2,514	–	(166)	2,348
Private rental lettings	3,839	–	(669)	3,170	2,893	–	(468)	2,425
Open market sales	10,352	(5,867)	–	4,485	47,321	(33,404)	–	13,917
Other	1,192	–	(3,959)	(2,767)	1,046	13	(282)	777
	212,182	(25,588)	(148,263)	38,331	236,846	(47,302)	(145,552)	43,992
Gain/(loss) on revaluation of investment properties (Note 11)				6,156				(5,865)
Gain on disposal of fixed assets (Note 5)				16,539				24,046
Total of operating activities	212,182	(25,588)	(148,263)	61,026	236,846	(47,302)	(145,552)	62,173

Association	2021 Turnover £000s	2021 Cost of sales £000s	2021 Operating costs £000s	2021 Operating surplus £000s	2020 Turnover £000s	Restated 2020 Cost of sales £000s	Restated 2020 Operating costs £000s	Restated 2020 Operating surplus £000s
Social housing lettings	162,625	–	(133,684)	28,941	161,884	–	(136,183)	25,701
Other social housing activities								
Charges for support services	5,589	–	(5,596)	(7)	4,755	–	(5,296)	(541)
First tranche low-cost home ownership sales	9,640	(9,654)	–	(14)	5,797	(5,002)	–	795
Impairment charge*	–	–	–	–	–	–	(600)	(600)
Other	1,471	–	(9)	1,462	155	–	–	155
Non-social housing activities								
Commercial income/(expenses)	2,457	–	(162)	2,295	2,477	–	(166)	2,311
Private rental lettings	3,084	–	(369)	2,715	2,330	–	(340)	1,990
Other	4,777	(307)	(3,911)	559	4,017	(1)	(4,373)	(357)
	189,643	(9,961)	(143,731)	35,951	181,415	(5,003)	(146,958)	29,454
Gain/(loss) on revaluation of investment properties (Note 11)				5,602				(5,650)
Gain on disposal of fixed assets (Note 5)				16,070				23,776
Total of operating activities	189,643	(9,961)	(143,731)	57,623	181,415	(5,003)	(146,958)	47,580

* The impairment charge relates to shared ownership properties under construction.

Restated balances are in respect of housing properties, details of which are presented in note 32.

2a. Particulars of income and expenditure from social housing lettings

Group	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	2021 Total £000s
Rent receivable net of identifiable service charges	92,704	14,081	9,679	8,870	14,803	140,137
Service charges receivable	12,841	2,036	–	636	2,667	18,180
Gross rental income	105,545	16,117	9,679	9,506	17,470	158,317
Grant amortisation	6,989	1,054	332	434	1,274	10,083
Turnover from social housing lettings	112,534	17,171	10,011	9,940	18,744	168,400
Management costs	(31,725)	(4,816)	(2,069)	(1,584)	(5,845)	(46,039)
Service charge costs	(14,057)	(2,193)	(936)	(712)	(2,696)	(20,594)
Rent losses from bad debts	(240)	(31)	(14)	(11)	(2)	(298)
Routine maintenance	(27,600)	(4,198)	(1,760)	(1,344)	–	(34,902)
Planned maintenance	(4,566)	(691)	(287)	(218)	–	(5,762)
Depreciation	(24,289)	(3,596)	(1,522)	(1,166)	–	(30,573)
Operating costs on social housing lettings	(102,477)	(15,525)	(6,588)	(5,035)	(8,543)	(138,168)
Operating surplus on social housing lettings	10,057	1,646	3,423	4,905	10,201	30,232
Operating margin %	9%	10%	34%	49%	54%	18%
Void losses	957	154	99	414	–	1,624

Group	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	Restated 2020 Total £000s
Rent receivable net of identifiable service charges	91,038	13,275	9,189	8,049	14,780	136,331
Service charges receivable	12,001	1,748	–	569	2,277	16,595
Gross rental income	103,039	15,023	9,189	8,618	17,057	152,926
Grant amortisation	6,842	998	325	482	1,198	9,845
Management fee	101	15	5	7	18	146
Turnover from social housing lettings	109,982	16,036	9,519	9,107	18,273	162,917
Management costs	(31,104)	(4,537)	(2,251)	(1,490)	(5,638)	(45,020)
Service charge costs	(19,858)	(2,897)	(1,413)	(947)	(3,519)	(28,634)
Rent losses from bad debts	(1,459)	(213)	(103)	(69)	–	(1,844)
Routine maintenance	(22,458)	(3,276)	(1,585)	(1,068)	–	(28,387)
Planned maintenance	(4,015)	(586)	(283)	(191)	–	(5,075)
Depreciation	(21,817)	(3,182)	(1,543)	(1,038)	–	(27,580)
Operating costs on social housing lettings	(100,711)	(14,691)	(7,178)	(4,803)	(9,157)	(136,540)
Operating surplus on social housing lettings	9,271	1,345	2,341	4,304	9,116	26,377
Operating margin %	8%	8%	25%	47%	50%	16%
Void losses	275	41	57	264	–	637

Restated balances are in respect of housing properties, details of which are presented in note 32.

2a. Particulars of income and expenditure from social housing lettings (continued)

	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	2021 Total £000s
Association						
Rent receivable net of identifiable service charges	90,695	13,715	9,051	7,830	13,863	135,154
Service charges receivable	12,266	1,855	–	585	2,209	16,915
Gross rental income	102,961	15,570	9,051	8,415	16,072	152,069
Management fee	356	54	17	22	64	513
Grant amortisation	6,968	1,054	332	434	1,255	10,043
Turnover from social housing lettings	110,285	16,678	9,400	8,871	17,391	162,625
Management costs	(30,995)	(4,687)	(1,932)	(1,478)	(5,581)	(44,673)
Service charge costs	(13,436)	(2,032)	(838)	(641)	(2,420)	(19,367)
Rent losses from bad debts	(262)	(40)	(16)	(13)	–	(331)
Routine maintenance	(27,107)	(4,099)	(1,690)	(1,293)	–	(34,189)
Planned maintenance	(4,558)	(689)	(284)	(217)	–	(5,748)
Depreciation	(23,291)	(3,522)	(1,452)	(1,111)	–	(29,376)
Operating costs on social housing lettings	(99,649)	(15,069)	(6,212)	(4,753)	(8,001)	(133,684)
Operating surplus on social housing lettings	10,636	1,609	3,188	4,118	9,390	28,941
Operating margin %	10%	10%	34%	46%	54%	18%
Void losses	893	135	96	440	–	1,564

	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	Restated 2020 Total £000s
Association						
Rent receivable net of identifiable service charges	91,005	13,275	8,972	7,960	14,292	135,504
Service charges receivable	11,980	1,748	–	569	2,094	16,391
Gross rental income	102,985	15,023	8,972	8,529	16,386	151,895
Management fee	101	15	5	7	18	146
Grant amortisation	6,842	998	325	482	1,196	9,843
Turnover from social housing lettings	109,928	16,036	9,302	9,018	17,600	161,884
Management costs	(31,099)	(4,537)	(2,191)	(1,478)	(5,436)	(44,741)
Service charge costs	(19,857)	(2,897)	(1,399)	(944)	(3,471)	(28,568)
Rent losses from bad debts	(1,459)	(213)	(103)	(69)	–	(1,844)
Routine maintenance	(22,458)	(3,276)	(1,582)	(1,067)	–	(28,383)
Planned maintenance	(4,015)	(586)	(283)	(191)	–	(5,075)
Depreciation	(21,816)	(3,182)	(1,537)	(1,037)	–	(27,572)
Operating costs on social housing lettings	(100,704)	(14,691)	(7,095)	(4,786)	(8,907)	(136,183)
Operating surplus on social housing lettings	9,224	1,345	2,207	4,232	8,693	25,701
Operating margin %	8%	8%	24%	47%	49%	16%
Void losses	272	41	57	263	–	633

Restated balances are in respect of housing properties, details of which are presented in note 32.

Notes to the financial statements

For the year ended 31 March 2021
(continued)

3. Board and senior executive emoluments (key management personnel)

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, committee members, the Group Chief Executive and any other person who is a member of the Executive Management Team) was as follows:

Group	2021 £000s	2020 £000s
Emoluments	1,019	952
Pension contributions	72	60
Non Executive Board member emoluments	209	195
	1,300	1,207

The remuneration (excluding pension contributions and NI) payable to the Group Chief Executive, who is also the highest paid director was:

	2021 £s	2020 £s
Salary	231,400	232,927
Benefits in kind	448	1,034
Total remuneration (excluding pension contributions and NI)	231,848	233,961

The Remuneration and Nominations Committee sets the pay of the Executive Directors at a level to attract and retain the talent required to lead the Group. In doing this, it takes account of a market comparative exercise which is carried out annually by an independent body. Our aim is not to pay the highest salaries in the market but to remain competitive.

The pension schemes available to the Executive Directors are offered on the same terms as to other staff. There are no different pension arrangements for the Executive Directors.

4. Employee information

Monthly average number of full-time equivalent employees (FTE = 35 hours per week):	Group 2021 FTE	Group 2020 FTE	Association 2021 FTE	Association 2020 FTE
Average number of full-time equivalent employees	1,064	994	1,058	994

Staff costs (for the above employees)	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Wages and salaries	36,834	34,057	36,596	34,057
Social security costs	3,824	3,635	3,797	3,635
Other pension costs	3,342	3,465	3,242	3,465
	44,000	41,157	43,635	41,157

Remuneration paid to staff including Executives in bands from £60,000 upwards:

Staff costs for the year are net of proceeds received from the Coronavirus Job Retention scheme grant during the early part of the financial year (2020: Nil).

FTE = 35 hours per week	Group 2021 FTE number	Group 2020 FTE number
£60,000–£70,000	59	54
£70,000–£80,000	29	28
£80,000–£90,000	20	15
£90,000–£100,000	13	9
£100,000–£110,000	7	6
£110,000–£120,000	6	5
£120,000–£130,000	4	2
£130,000–£140,000	2	5
£140,000–£150,000	8	1
£180,000–£190,000	–	2
£190,000–£200,000	3	–
£200,000–£210,000	1	–
£280,000–£290,000	1	1

Remuneration includes salary, allowances, pension contributions, employers NI, benefits in kind and bonus.

5. Gain on disposal of fixed assets

The gain or loss on disposal of fixed assets is recorded as the net value of the proceeds and the costs of sale which include the carrying value of the proportion of the property being sold and the associated grant.

Group	Housing property 2021 £000s	HomeBuy and other tangible fixed assets 2021 £000s	Total 2021 £000s	Housing property 2020 £000s	HomeBuy and other tangible fixed assets 2020 £000s	Total 2020 £000s
Sale proceeds	36,660	464	37,124	49,772	2,228	52,000
Cost of sales	(20,353)	(166)	(20,519)	(26,737)	(1,079)	(27,816)
Incidental sale expenses	(66)	–	(66)	(137)	(1)	(138)
	16,241	298	16,539	22,898	1,148	24,046

Association	Housing property 2021 £000s	HomeBuy and other tangible fixed assets 2021 £000s	Total 2021 £000s	Housing property 2020 £000s	HomeBuy and other tangible fixed assets 2020 £000s	Total 2020 £000s
Sale proceeds	36,484	464	36,948	49,772	2,228	52,000
Cost of sales	(20,646)	(166)	(20,812)	(27,007)	(1,079)	(28,086)
Incidental sale expenses	(66)	–	(66)	(137)	(1)	(138)
	15,772	298	16,070	22,628	1,148	23,776

6. Interest receivable and similar income

Interest income is recognised on a receivable basis as it falls due.

Interest and investment income	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Interest from investments	303	675	298	345
Intercompany interest receivable	–	–	4,849	4,089
Interest from bank deposits	91	515	78	455
Total	394	1,190	5,225	4,889

7. Interest payable and similar charges

Interest payable on loans is recognised on a payable basis as it falls due together with amortisation charges. Interest is capitalised on properties under construction on a fair proportion of the borrowings of the Group and Association as a whole, using the weighted average interest rate for borrowing. The Group's weighted average interest rate for borrowing is 4.07% per annum (2020: 4.29% per annum).

Premiums on issue of debentures are treated as deferred income and written back to the statement of comprehensive income over the period of the loan.

Net Interest and finance costs charged	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Loans and bonds	(39,797)	(40,244)	(39,760)	(40,244)
Other fees	(5,225)	(4,275)	(3,421)	(4,267)
Less: interest payable capitalised	6,753	5,080	1,337	1,047
	(38,269)	(39,439)	(41,844)	(43,464)
Deferred income written back	50	50	50	50
Total	(38,219)	(39,389)	(41,794)	(43,414)

Notes to the financial statements

For the year ended 31 March 2021
(continued)

7. Interest payable and similar charges (continued)

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Other finance costs: pension schemes				
Group pension scheme				
Expected return on pension scheme assets	1,693	1,730	1,693	1,730
Interest on pension scheme liabilities	(1,853)	(1,890)	(1,853)	(1,890)
Isle of Wight Council pension scheme				
Expected return on pension scheme assets	128	142	128	142
Interest on pension scheme liabilities	(163)	(188)	(163)	(188)
Total	(195)	(206)	(195)	(206)
Total interest and similar charges	(38,414)	(39,595)	(41,989)	(43,620)

8. Surplus before tax

The operating surplus before tax is stated after charging/(crediting):

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Depreciation:				
Property	23,308	22,374	22,385	22,367
Other tangible fixed assets	6,180	4,120	6,103	4,120
Impairment (reversal)/charge	(300)	2,800	–	600
Stock cost of sales recognised as an expense	25,588	47,302	9,961	5,003
Operating lease charges:				
Property	113	–	–	–
Other equipment	380	320	380	320
Auditors' remuneration:				
External audit fee (including expenses, excluding VAT)	340	265	280	205

Restated balances are in respect of housing properties, details of which are presented in note 32.

9. Taxation

No taxation is payable on the charitable surpluses of the Association. Taxation is chargeable on the surpluses of all subsidiary entities. Surpluses either in whole or in part are transferred to the parent by a gift aid distribution which then reduces the taxation charge accordingly. The tax impact of a gift aid payment is accounted for when it is probable that the gift aid payment will be made. All entities are registered for Value Added Tax (VAT). As the majority of group activities are exempt from VAT the recovery under partial exemption is minimal.

The tax charge has been assessed on the basis that it is probable that gift aid will be paid to the parent by the Group companies within nine months of the year end.

Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102 Section 29.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

9. Taxation (continued)

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

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
UK corporation tax				
Current tax at 19% (2020: 19%)	120	437	–	–
Adjustment to tax charge/(credit) in respect of previous years	21	(188)	–	–
Total tax charge	141	249	–	–
Deferred tax expense	(71)	46	–	–
Adjustments in respect of prior periods	(2)	–	–	–
	68	295	–	–

The total tax charge/(credit) for the year is lower (2020: higher) than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Total tax reconciliation				
Surplus on ordinary activities before tax	81,695	23,618	34,518	28,649
Adjustment relating to restatement	–	174	–	161
Adjusted surplus on ordinary activities before tax	81,695	23,792	34,518	28,810
Less surplus from charitable activities	(34,518)	(28,810)	–	–
Taxable surplus/(deficit) on ordinary activities before tax	47,177	(5,018)	34,518	28,810
Total tax charge	8,964	(953)	6,558	5,474
Effects of:				
Non taxable income	(8,780)	–	(6,558)	(5,474)
Timing difference in relation to revaluation	–	(33)	–	–
Change in tax rates	–	77	–	–
Expenses not deductible for tax purposes	1	3,686	–	–
Qualifying charitable donations paid or to be paid within 9 months of the year end	(257)	(2,527)	–	–
Adjustment to tax charge in respect of previous years	19	(188)	–	–
Share of taxable profits in Triathlon Homes LLP	121	233	–	–
Total tax (credit)/charge (see above)	68	295	–	–

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Deferred taxation liability				
At 1 April	782	738	–	–
Timing differences	(71)	44	–	–
At 31 March	711	782	–	–

Deferred tax mainly arises from timing differences relating to revaluation of investment properties.

Factors that may affect future tax charges

The standard rate of corporation tax in the UK remained at 19% in 2021. The rate will remain at 19% for the financial year beginning 1 April 2021. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

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For the year ended 31 March 2021
(continued)

10. Property, plant and equipment

Property plant and equipment comprise housing properties and other fixed assets.

Housing properties

Housing properties are held at historic cost less accumulated depreciation. Cost includes the cost of acquiring land and buildings, construction costs as well as directly attributable staff costs and interest capitalised during the development period from commencement on site.

Costs are split between the structure and those major components which require periodic replacement.

Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard.

Works to existing properties which result in an increase in the net rental stream over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. This may be as a result of an increase in net rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale. Capitalisation of development costs ceases at practical completion including the accrual of known costs at that time and all subsequent costs are expensed.

Housing properties are transferred to other asset categories when there is a change in their intended usage.

Depreciation

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off to the estimated residual value. The following useful economic lives are used:

Housing properties held for letting:

Structure	100 years
Major components	
Bathroom	30 years
Heating system (gas)	15 years
Heating system (electric)	25 years
Kitchen	20 years
Roof (pitched)	60 years
Roof (flat)	20 years
Windows	30 years
Wiring	30 years

Management reviews the useful life of the assets which are depreciated at a component level over their estimated useful economic lives based on experience. For leasehold assets the maximum depreciation period is that of the remaining term of the lease. For those properties occupied on short leases the maximum depreciation period is that of the remaining term of the lease.

Where a decision is made to demolish and redevelop properties, the useful economic life of the asset, including components, is re-estimated at the point that Board approval is obtained and depreciation is then charged over the remaining life of the asset.

10. Property, plant and equipment (continued)

Impairment

At each balance sheet date, the value of property, plant and equipment assets is formally assessed to determine whether there is an indication of impairment. This assessment is carried out by tenure and at the estate/scheme level, such a level representing a cash generating unit. A scheme is defined as all units of the same tenure within one area or estate.

Impairment is normally assessed scheme by scheme although for assets in use it may be at a block or unit level if more appropriate. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus. In line with the Group's objectives its social housing properties are held for their service potential and not purely for economic return.

Therefore, the Group follows the guidelines of the SORP and uses the depreciated replacement cost of the property as a reasonable estimate of the recoverable amount.

Group	Housing properties held for letting £000s	Shared ownership housing properties £000s	Housing properties under construction £000s	Other fixed assets per following note £000s	Total property, plant and equipment £000s
Cost					
At 1 April 2020 restated	1,807,191	300,676	182,225	85,270	2,375,362
Reclassification from investment properties	1,508	—	—	—	1,508
Reclassification to other fixed assets	(73)	—	—	73	—
Reclassification to stock	(111)	—	111	—	—
Schemes completed	2,406	12,515	(14,921)	—	—
Homeflex tenure change	(1,306)	877	—	—	(429)
Additions: New properties	2	—	48,854	—	48,856
Existing properties	41,255	477	—	—	41,732
Other fixed assets	—	—	—	11,529	11,529
Acquired on the acquisition of Crown Simmons	57,342	4,168	2,571	35	64,116
Impairment writeback	—	—	171	—	171
Transfer to stock	—	(1,920)	(471)	—	(2,391)
Disposals	(21,042)	(7,419)	(343)	(9,428)	(38,232)
At 31 March 2021	1,887,172	309,374	218,197	87,479	2,502,222
Accumulated depreciation					
At 1 April 2020 restated	241,260	—	—	31,448	272,708
Reclassification from other fixed assets	66	—	—	(66)	—
Charge for the year	23,308	—	—	6,180	29,488
Eliminated in respect of disposals	(5,237)	—	—	(9,323)	(14,560)
At 31 March 2021	259,397	—	—	28,239	287,636
Net Book Value					
At 31 March 2021	1,627,775	309,374	218,197	59,240	2,214,586
At 31 March 2020 restated	1,565,931	300,676	182,225	53,822	2,102,654

Restated balances are in respect of housing properties, details of which are presented in note 32.

Detail relating to other fixed assets can be found at the end of note 10.

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(continued)

10. Property, plant and equipment (continued)

On the acquisition of Crown Simmons Housing, their market rent properties were valued using the market value subject to existing tenancies ('MV-T') model while remaining housing properties were valued using the existing use value for social housing (EUV-SH) model. See note 31 for further details.

	Housing properties held for letting £000s	Shared ownership housing properties £000s	Housing properties under construction £000s	Other fixed assets per following note £000s	Total property, plant and equipment £000s
Association					
Cost					
At 1 April 2020 restated	1,793,670	275,757	73,082	85,270	2,227,779
Reclassification from investment properties	1,508	–	–	–	1,508
Reclassification from/(to) other fixed assets	193	–	–	(193)	–
Schemes completed	2,358	8,056	(10,414)	–	–
Homeflex tenure change	(1,306)	877	–	–	(429)
Additions: New properties	6,791	7,977	8,368	–	23,136
Existing properties	41,162	477	–	–	41,639
Other fixed assets	–	–	–	11,521	11,521
Transfer to stock	–	(1,920)	–	–	(1,920)
Disposals	(21,041)	(7,827)	(250)	(9,428)	(38,546)
At 31 March 2021	1,823,335	283,397	70,786	87,170	2,264,688
Accumulated depreciation					
At 1 April 2020 restated	241,086	–	–	31,448	272,534
Reclassification from/(to) other fixed assets	66	–	–	(66)	–
Charge for the year	22,385	–	–	6,103	28,488
Eliminated in respect of disposals	(5,237)	–	–	(9,323)	(14,560)
At 31 March 2021	258,300	–	–	28,162	286,462
Net Book Value					
At 31 March 2021	1,565,035	283,397	70,786	59,008	1,978,226
At 31 March 2020 restated	1,552,584	275,757	73,082	53,822	1,955,245

Restated balances are in respect of housing properties, details of which are presented in note 32.

Detail relating to other fixed assets can be found at the end of note 10.

10. Property, plant and equipment (continued)

Properties held for security

Loan facilities, both drawn and undrawn, totalling £1,387m (2020: £1,415m) are secured against 17,189 (2020: 17,266) properties.

Accommodation in management comprises:

	Group units 2020	Group units additions	Group units disposals	Group units tenure change/other	Group units 2021
Units owned and managed:					
General needs	17,533	331	(207)	33	17,690
Housing for older people	2,163	76	(8)	24	2,255
Supported housing	394	10	(4)	46	446
Intermediate rent	842	91	–	(5)	928
Private rent (investment properties)	261	27	–	(26)	262
Affordable rent	1,280	44	(14)	(164)	1,146
Leasehold	2,941	107	(15)	(110)	2,923
Shared ownership	3,215	130	(11)	(6)	3,328
	28,629	816	(259)	(208)	28,978
Units managed on behalf of other landlords:					
General needs	692	–	–	(17)	675
Supported housing	72	–	(5)	–	67
Intermediate rent	294	–	–	–	294
Leasehold	130	36	–	(1)	165
Shared ownership	313	–	–	(2)	311
	1,501	36	(5)	(20)	1,512
Total units managed	30,130	852	(264)	(228)	30,490
Total units owned	28,629	816	(259)	(208)	28,978

Accommodation in management comprises:

	Association units 2020	Association units additions	Association units disposals	Association units tenure change/other	Association units 2021
Units owned and managed:					
General needs	17,529	–	(207)	35	17,357
Housing for older people	2,163	–	(8)	24	2,179
Supported housing	394	10	(4)	46	446
Intermediate rent	833	–	(13)	8	828
Private rent (investment properties)	226	27	–	(20)	233
Affordable rent	1,235	10	(14)	(149)	1,082
Leasehold	2,788	–	(15)	(105)	2,668
Shared ownership	3,064	76	(11)	(3)	3,126
	28,232	123	(272)	(164)	27,919
Units managed on behalf of other landlords:					
General needs	696	333	–	(17)	1,012
Housing for older people	–	76	–	–	76
Supported housing	72	–	(5)	–	67
Intermediate rent	303	91	–	–	394
Affordable rent	45	42	–	(15)	72
Leasehold	283	107	39	(4)	425
Shared ownership	464	58	–	(6)	516
	1,863	707	34	(42)	2,562
Total units managed	30,095	830	(238)	(206)	30,481
Total units owned	28,232	123	(272)	(164)	27,919

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10. Property, plant and equipment (continued)

Other fixed assets

Other tangible fixed assets are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost to the estimated residual value at the annual rates below. For those properties occupied on short leases the maximum depreciation period is that of the remaining term of the lease.

Freehold and leasehold properties	100 years
Plant and machinery	15 years
Estate equipment and offices, fixtures and fittings	5–10 years
Computer hardware and software	3 years

Group	Freehold and leasehold properties £000s	Estate equipment and offices £000s	Plant, machinery, fixtures and fittings £000s	Computer hardware and software £000s	Total other fixed assets £000s
Cost					
At 1 April 2020	28,361	32,944	2,068	21,897	85,270
Reclassification	2,815	266	–	(3,008)	73
Additions	1,011	5,668	–	4,850	11,529
Acquired on Crown Simmons acquisition	–	–	26	9	35
Disposals	(28)	(1,205)	(1,452)	(6,743)	(9,428)
At 31 March 2021	32,159	37,673	642	17,005	87,479
Accumulated depreciation					
At 1 April 2020 restated	5,973	14,700	1,915	8,860	31,448
Reclassification	(66)	–	–	–	(66)
Charge for year	1,499	1,691	24	2,966	6,180
Disposals	(28)	(1,103)	(1,449)	(6,743)	(9,323)
At 31 March 2021	7,378	15,288	490	5,083	28,239
Net Book Value					
At 31 March 2021	24,781	22,385	152	11,922	59,240
At 31 March 2020 restated	22,388	18,244	153	13,037	53,822

Association	Commercial, freehold and leasehold properties £000s	Estate equipment and offices £000s	Plant, machinery, fixtures and fittings £000s	Computer hardware and software £000s	Total other fixed assets £000s
Cost					
At 1 April 2020	28,361	32,944	2,068	21,897	85,270
Reclassification	2,815	–	–	(3,008)	(193)
Additions	1,003	5,668	–	4,850	11,521
Disposals	(28)	(1,205)	(1,452)	(6,743)	(9,428)
At 31 March 2021	32,151	37,407	616	16,996	87,170
Accumulated depreciation					
At 1 April 2020 restated	5,973	14,700	1,915	8,860	31,448
Reclassification	(66)	–	–	–	(66)
Charge for year	1,499	1,637	10	2,957	6,103
Disposals	(28)	(1,103)	(1,449)	(6,743)	(9,323)
At 31 March 2021	7,378	15,234	476	5,074	28,162
Net Book Value					
At 31 March 2021	24,773	22,173	140	11,922	59,008
At 31 March 2020 restated	22,388	18,244	153	13,037	53,822

Total assets under construction included above are £3,037k (2020 restated: £8,281k) of which £907k (2020 restated: £1,029k) relate to internally generated costs paid in the year.

11. Investment properties

Properties for market rent or commercial lettings are included as investment properties and are recorded at fair value with changes in the market value reported in the statement of comprehensive income. No depreciation is provided in respect of investment properties.

At 31 March 2021 all commercial properties were market valued externally by Copping Joyce, qualified RICS Chartered Surveyors. The valuation adopted a rent capitalisation methodology into the perpetuity at an appropriate yield using floor areas and rental values. In the instance of properties having a dual use as offices and commercial lettings the cost is split by use using the proportion of floor area with office carrying cost being disclosed in property, plant and equipment.

Developments under construction with a commercial property tenure are required to be split out from housing properties and classified as investment properties under construction. The commercial element is then valued as part of our investment portfolio at fair value and a gain or loss on revaluation recognised.

Residential properties held for investment and rented at market rents were valued on a case by case open market value basis adopting the investment method of valuation where appropriate by Copping Joyce. The valuation model used an assumption that the properties are sold as single investment blocks.

All the above valuations were carried out by Copping Joyce in accordance with the RICS Valuation Global Standards 2020 incorporating the IVSC (International Valuation Standards Council) effective 31 January 2020, produced by The Royal Institution of Chartered Surveyors (commonly known as 'The Red Book').

The key variables in the valuation of residential properties held for private rent are market rents and capitalisation rates (yields). An increase in yield of 0.25% and reduction in rent of 2.5% results in a value reduction of approximately £6,599k (7.4%). For the commercial portfolio an increase in yield of 0.25% and reduction in rent of 2.5% would lead to a decrease in the valuation of £3,685k (7.0%). These figures are disclosed as an indicator of potential sensitivity only.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Valuation at 1 April	143,299	106,934	125,315	90,110
Reclassification to stock	(4,459)	(924)	–	–
Additions	18,660	42,499	1,900	40,200
Disposals	–	(143)	–	(143)
Transfer (to)/from fixed assets	(1,508)	798	(1,508)	798
Gain/(loss) on revaluation of investment properties	6,156	(5,865)	5,601	(5,650)
At 31 March	162,148	143,299	131,308	125,315

The above includes developments under construction of £20,500k (2020: £2,290k).

12. Investment in social HomeBuy

The Group retains a stake in homes purchased through the HomeBuy and Starter Homes Initiative schemes which are regarded as public benefit entity concessionary loans. They are held in the statement of financial position, recorded at transaction value, being the share of value of the property at the date of acquisition, as opposed to being held at the fair value of the loans which FRS 102 would otherwise require.

The loan is repayable on the sale of the underlying property with any proportionate excess achieved on the sale value over the loan value being reported through the statement of comprehensive income.

Investments in HomeBuy and Starter Home Initiatives are funded through social housing grant. The Association funds 6% of the stake in Starter Home Initiatives, with the remainder being funded through social housing grant. No interest is payable. The security is a charge on the property and repayment is due upon the sale of the property. There are no concessionary loans committed but not taken up at year end.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
HomeBuy and Starter Home Initiatives	7,101	7,267	7,101	7,267

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13. Unlisted investments

The unlisted investments comprise interest bearing cash deposits placed as a guarantee for loans from The Housing Finance Corporation Limited ('THFC'). These are held at cost adjusted for any increases in amounts deposited or withdrawn and impairment. The deposits are held as interest cover with differing maturity and interest rates in line with the loan facility agreements. Interest receivable is accounted for on an accruals basis.

The endowment is held by Fellowship Houses Trust and is held at fair value.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Unlisted investments				
At 1 April	7,888	8,084	7,888	8,084
Cash deposit movement	(1)	(196)	(1)	(196)
Cash deposit	7,887	7,888	7,887	7,888
Acquisition of endowment from Crown Simmons	138	—	—	—
Revaluation of endowment	33	—	—	—
Endowment	171	—	—	—
At 31 March	8,058	7,888	7,887	7,888

14. Investment in connected entities

The investment in subsidiary of £3,544k (2020: £1,740k) relates to Spruce Homes Limited and Rosemary Simmons Memorial Housing Association Limited and is supported by the net assets of the subsidiaries. The investment loan comprises redeemable loan notes issued to Affinity (Reading) Holdings Limited.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Cost				
Investment in subsidiary	—	—	3,544	1,740
Investment loan to joint venture entity	2,146	1,968	2,146	1,968
	2,146	1,968	5,690	3,708
		Wholly owned subsidiary £000s	Joint venture entity £000s	Association £000s
Movement				
At 1 April 2020		1,740	1,968	3,708
Net increase in investment		1,804	178	1,982
At 31 March 2021		3,544	2,146	5,690

See note 27 for details of the Group's ownership interests in subsidiaries and affiliates.

15. Investment in joint ventures

Joint ventures are those entities over which the Group exercises joint control through a contractual arrangement. Affinity Housing Services (Reading) is accounted for as a jointly controlled operation where the share of operations is brought directly into the Group and Association financial statements. Affinity (Reading) Holdings Limited is accounted for as a jointly controlled entity. In the Association figures it is held at cost less any impairment, in the Group it is held using the equity method of accounting.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Triathlon Homes LLP	—	—	—	—
Affinity (Reading) Holdings Limited				
Investment	1,294	1,294	1,294	1,294
Share of accumulated surplus	461	616	—	—
	1,755	1,910	1,294	1,294

15. Investment in joint ventures (continued)

Southern Housing Group Limited holds:

A 50% partnership capital in Affinity Housing Services (Reading), a joint venture with Abri Group, which is accounted for as a jointly controlled operation. The joint venture has a 33% holding in Affinity (Reading) Holdings Limited, which holds 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's housing portfolio.

A 33.33% direct holding in Affinity (Reading) Holdings Limited, which together with the indirect holding described above, gives a total interest of 50%. The indirect interest is accounted for through the accounting of Affinity Housing Services (Reading). The direct interest is accounted for as a jointly controlled entity. In the Association it is held at cost less impairment and in the Group it is held using the equity method of accounting.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The principal activity of Triathlon Homes LLP is the management of the social housing within East Village, Stratford. Following the final handover of all units by the developer to Triathlon Homes LLP, all units are used for social housing in a variety of tenures.

Triathlon Homes LLP is accounted for as a jointly controlled entity and has net negative reserves due to a negative cash flow hedge reserve. The Group has no contractual liability for the resultant losses.

16. Stock

Completed property stock and properties under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises land, materials, direct labour, direct development overheads and interest capitalised during the development period from commencement on site. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Stock in the course of construction is assessed against the net realisable value of the asset for impairment.

Shared ownership properties held for sale and under construction are split proportionally between stock and fixed assets, based on the expected first tranche proportion. First tranche proportions are accounted for as stock and the related sales proceeds are shown in turnover. The remaining elements of the shared ownership properties are accounted for as fixed assets. Subsequent sales are treated as part disposals of fixed assets.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Under construction – first tranche shared ownership	63,505	37,449	1,399	3,858
Under construction – open market sales	36,026	50,172	14,966	5,648
Completed properties – first tranche shared ownership	11,513	16,350	7,570	8,080
Completed properties – open market sales	3,395	5,738	–	–
	114,439	109,709	23,935	17,586

17. Trade and other debtors

Trade and other debtors are measured at transaction price less any impairment.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Rent and service charges in arrears	10,482	9,177	10,192	9,142
Less: provision for bad and doubtful debts	(4,148)	(3,780)	(4,070)	(3,776)
	6,334	5,397	6,122	5,366
Amounts due from group undertakings	–	–	234,276	198,819
Other debtors	6,598	17,799	5,629	6,247
Prepayments and accrued income	4,686	2,680	4,676	2,680
	17,618	25,876	250,703	213,112

The £233,531k (2020: £198,819k) due to the Association from group undertakings relates to revolving loans to fund working capital with final repayment due after more than one year and the balances are expected to fluctuate in the short term. The loans are secured via a charge on the entity's assets at interest rates between 1.1% and 3% over 3 month LIBOR (London Inter-bank Offered Rate).

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18. Creditors: amounts falling due within one year

Trade and other creditors and housing loans are carried at amortised cost.

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Social housing grant received in advance	201	201	201	201
Recycled capital grant fund (RCGF)	8,364	7,626	8,364	7,626
Disposal proceeds fund (DPF)	–	15	–	15
Amounts due to group undertakings	–	–	990	943
Accruals	38,166	28,970	28,515	22,107
Deferred income	1,491	–	1,491	–
Corporation tax	185	1,221	–	–
Other taxation and social security	303	177	264	177
Other creditors	24,494	23,228	20,411	22,223
Grant repayable	4,063	4,047	4,063	4,047
Housing loans	41,002	47,494	41,000	47,494
	118,269	112,979	105,299	104,833

Restated balances are in respect of housing properties, details of which are presented in note 32.

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £10,967k (2020: £10,231k) and trade creditors of £4,812k (2020: £5,406k) are reflected above in other creditors.

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

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
19a Housing loans and listed bonds	945,509	930,938	945,210	930,938
19b Deferred income	760,820	762,617	746,628	750,088
19c Recycled capital grant fund (RCGF)	6,138	6,441	6,099	6,408
	1,712,467	1,699,996	1,697,937	1,687,434

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
19a Housing loans and listed bonds				
Housing loans falling due after one year	528,883	515,690	528,584	515,690
Bonds	425,000	425,000	425,000	425,000
Loan set-up costs	(5,950)	(7,016)	(5,950)	(7,016)
Other loan costs	(2,424)	(2,736)	(2,424)	(2,736)
Loans at amortised cost	945,509	930,938	945,210	930,938

Housing loans and bonds are secured by specific charges on 17,189 (2020: 17,266) of the Group's housing units and are repayable in instalments due as follows:

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Housing loans falling due within one year	31,108	37,237	31,106	37,237
Interest accrued	9,894	10,257	9,894	10,257
Total housing loans falling due within one year	41,002	47,494	41,000	47,494
Between one and two years	19,446	37,106	19,444	37,106
Between two and five years	168,006	134,573	167,997	134,573
In five years or more	766,431	769,011	766,143	769,011
Total housing loans and bonds falling due after more than one year	953,883	940,690	953,584	940,690
Total housing loans and bonds excluding loan set up costs and other costs	994,885	988,184	994,584	988,184

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

Housing loans bear fixed rates of interest ranging from 1.0% to 11.5% or variable rates based on a margin above LIBOR. The final instalments fall due for repayment during the period 2020 to 2047.

The Group has three publicly listed bonds the terms of which are:

- 3.5% £300m 2047
- 4.5% £75m 2039
- 5.354% £50m 2044

Housing loans are subject to compliance with a number of financial covenants such as interest cover and gearing.

19b Deferred income

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Social and other housing grant b/fwd	761,905	733,757	749,376	727,843
Social housing grant received in the year	14,263	46,300	14,026	41,155
Grant repaid	–	101	–	101
Intra group transfer	–	–	(1,427)	–
Grant on disposals	(8,589)	(9,160)	(8,589)	(9,160)
Transfer to RCGF	(160)	(1,682)	(160)	(3,154)
Grant amortisation released on disposals	2,607	2,433	2,607	2,433
Amortisation of social housing grant in year	(9,611)	(9,844)	(9,610)	(9,842)
Deferred income – social and other housing grant c/fwd	760,415	761,905	746,223	749,376
Premium on debentures	92	143	92	143
Deferred income	313	569	313	569
	760,820	762,617	746,628	750,088

Restated balances are in respect of housing properties, details of which are presented in note 32.

19c Recycled capital grant fund

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Balance relating to Homes England				
Balance at 1 April	9,867	8,363	9,867	8,363
Grant released on sales	946	1,440	946	1,440
Greater London Authority (GLA) transfer	(13)	–	(13)	–
Interest added to fund	10	64	10	64
Acquired on acquisition of Crown Simmons	39	–	–	–
Balance at 31 March	10,849	9,867	10,810	9,867
Comprising amounts:				
Due within one year	8,364	7,247	8,364	7,247
Due in more than one year	2,485	2,620	2,446	2,620
Balance relating to the GLA				
Balance at 1 April	4,200	3,774	4,167	3,741
Grant released on sales	1,654	1,926	1,654	1,926
Interest added to fund	5	22	5	22
Intra-group transfer	–	–	33	(1,472)
Social housing grant transfer	(2,219)	–	(2,219)	–
Homes England transfer	13	–	13	–
Grant recycled into new schemes	–	(1,522)	–	(50)
Balance at 31 March	3,653	4,200	3,653	4,167
Comprising amounts:				
Due within one year	–	379	–	379
Due in more than one year	3,653	3,821	3,653	3,788
Total due within one year	8,364	7,626	8,364	7,626
Total due in more than one year	6,138	6,441	6,099	6,408

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20. Social housing grant

The Group receives financial assistance from Homes England and the GLA. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building structure, which is 100 years.

Government grant amounts amortised represents a contingent liability to the entity and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes as disclosed in note 30.

The analysis of the assistance from government sources in the form of government grants is:

	Note	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Government funding received	19b	760,415	761,905	746,223	749,376
Grants amortised in the year (contingent liabilities)		9,611	9,844	9,610	9,842

Restated balances are in respect of housing properties, details of which are presented in note 32.

21. Provisions for liabilities and charges

Provisions are recognised when it is probable that the Group will have to incur costs to satisfy a legal or constructive obligation. The amount recognised is management's best estimate of the costs that will be incurred to meet the obligation identified.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Balance at 1 April	3,500	–	2,500	–
Provision recognised, net of utilisation	3,992	3,500	4,212	2,500
Balance as at 31 March	7,492	3,500	6,712	2,500

The provision of £6,712k (2020: £2,500k) for the Association relates to the anticipated cost of capital building safety works where an obligation has been created. The remaining £780k (2020: £1,000k) provision represents the remaining costs of completing the build of a commercial unit at a development scheme where the Group is committed to constructing the asset as part of the terms of purchasing the land. It is expected that these costs will be incurred within the next two or three years.

22. Called up share capital

	2021 £s	2020 £s
Shares of £1 each issued and fully paid:		
Balance at 1 April	7	6
Shares issued during year	3	2
Shares surrendered during year	(1)	(1)
As at 31 March	9	7

The share capital of the Association consists of shares 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 person's share capital is cancelled.

23. Capital commitments

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Capital expenditure contracted but not provided for in the financial statements	166,067	153,114	7,574	20,313
Capital expenditure authorised but not contracted	337,426	185,092	115,676	61,779

Committed development expenditure for the Group and Association will be financed through £32,395k (2020: £31,535k) grant with the balance funded through cash balances, cash generated from property sales and borrowings on undrawn funding facilities. It is not possible to identify the exact split of the funding.

24. Operating leases

Leased assets

Payments under cancellable operating leases are charged to the statement of comprehensive income on a straight line basis over the life of the lease.

	Total 2021 £000s	Total 2020 £000s
Future minimum lease payments		
Within one year	140	5
Between one and five years	851	288
Over five years	16	63
	1,007	356

Operating leases with tenants

The Group's rental properties other than those held for investment purposes are tenanted under cancellable operating leases with typical tenant break clauses of four weeks. Rents vary in line with the Rent Standard as set by the Government and affected by the Welfare Reform and Work Act 2016. The Group share of equity in a shared ownership property may be purchased by its leaseholder at any time at the pro-rata market rate at which point ongoing lease payments will be adjusted according to the share of ownership retained by the Group.

Income on all operating leases is recorded in the statement of comprehensive income as the rent falls due. The Group's residential market rented properties are let under operating leases which are cancellable ranging from four weeks to three month notice periods. The Group's commercial properties are let under non-cancellable operating leases.

The Group's future minimum operating lease receipts from commercial properties under non-cancellable arrangements were:

	2021 £000s	2020 £000s
Minimum amounts due within:		
Less than one year	1,994	2,340
Later than one year and not later than five years	6,809	6,660
Later than five years	2,259	3,676
	11,062	12,676

25. Post employment benefits

The Group operates three defined benefit schemes all of which are closed to new members. There is one defined contribution scheme.

a) Defined benefit schemes

Southern Housing Group Limited contributes to the Southern Housing Group scheme which has been closed to new members since 31 March 2003.

Southern Housing Group Limited also contributed during the year to:

- The Isle of Wight Council Pension fund for employees who transferred from the Isle of Wight Council.
- The Islington local government pension scheme in which there is only 1 member, the share of scheme assets and liabilities of which are not material to the Southern Housing Group Limited financial statements.

b) Defined contribution scheme

A defined contribution scheme administered by Scottish Widows Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

Regular valuations of the defined benefit schemes are prepared by independent, professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the pension fund. The current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, admin costs and net interest are charged against the operating surplus in the year. Remeasurement of the net liability (or asset) is recognised as actuarial gains/(losses) in other comprehensive income.

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For the year ended 31 March 2021
(continued)

25. Post employment benefits (continued)

Employer contributions paid to all defined contribution schemes are charged to the statement of comprehensive income.

The Group has six commercial units and 57 private rent units secured against the Southern Housing Group pension plan at a carrying value of £40.8m.

The amounts recognised in the statement of financial position for the Group's defined benefit schemes are as follows:

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Southern Housing Group Pension scheme	(11,670)	(6,841)	(11,670)	(6,841)
Isle of Wight Pension scheme	(1,536)	(1,733)	(1,536)	(1,733)
Total net deficit	(13,206)	(8,574)	(13,206)	(8,574)

Southern Housing Group Pension Scheme

Southern Housing Group Limited is the sponsoring employer of a funded defined benefit pension scheme (the Plan) in the UK, which provides retirement benefits based on members' salary when leaving employment. The assets of the Plan are held in a separately administered fund which is administered by a trustee body (independent of Southern Housing Group Limited) who are responsible for ensuring that the Plan is sufficiently funded to meet current and future obligations.

The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method. The last full actuarial valuation was carried out at 31 March 2018.

Southern Housing Group Limited has agreed a funding plan with the trustee of the Plan, whereby ordinary contributions are made into the Plan based on a percentage of active employees' salary. Additional contributions are agreed with the trustee of the Plan to reduce the funding deficit where necessary. The disclosures set out below are based on calculations carried out as at 31 March 2021 by an independent qualified actuary.

On 30 September 2020 Crown Simmons Housing transferred all liabilities out of the Social Housing Pension Scheme (SHPS) into the SHG Scheme 1964 and is no longer a participating member of the SHPS scheme.

SHG Scheme 1964

During the year, the Group paid contributions at a rate of 30.1% of pensionable pay. No additional deficit payments were made in the year (2020: £165,615).

The employer contribution rate to be applied from 1 April 2021 is 30.1%.

The results of the calculations and the assumptions adopted are shown below.

	2021 % pa	2020 % pa
Actuarial assumptions		
Rate of increase in salaries	3.05	2.10
Discount rate	2.05	2.30
Inflation assumption – RPI	3.30	2.60
Inflation assumption – CPI	2.55	1.60

	Male	Female
Mortality assumptions		
Current pensioner aged 65	21.60	23.60
Future retiree upon reaching 65	22.90	25.10

The major categories of scheme assets as a percentage of total scheme assets are:

	2021 %	2020 %
Equities	38.03	45.20
Diversified growth fund and LDI	61.47	54.50
Cash	0.50	0.30
Total	100.00	100.00

25. Post employment benefits (continued)

SHG Scheme 1964 (continued)

	2021 £000s	2020 £000s
Net defined benefit liability		
Fair value of scheme assets	53,985	45,283
Present value of defined benefit obligation	(59,116)	(49,210)
Defined benefit liability recognised in statement of financial position	(5,131)	(3,927)

	2021 £000s	2020 £000s
Total expense recognised in statement of comprehensive income		
Current service cost	405	448
Administration expenses	3	38
Net interest cost	85	82
Total recognised in the statement of comprehensive income	493	568

	Assets £000s	Liabilities £000s	Total £000s
Reconciliation of scheme assets and liabilities			
At 1 April 2020	45,283	(49,210)	(3,927)
Benefits paid	(1,379)	1,379	–
Current service cost	–	(405)	(405)
Interest income/(cost)	1,031	(1,116)	(85)
Administration expenses	(3)	–	(3)
Employer contributions	364	–	364
Employee contributions	59	(59)	–
Actuarial losses	–	(9,705)	(9,705)
Return on scheme assets excluding interest income	8,630	–	8,630
At 31 March 2021	53,985	(59,116)	(5,131)

SHG Scheme 2017

During the year the Group paid contributions at a rate of 20.7% of pensionable pay. In addition a further payment of £450,000 (2020: £501,249) was made towards an identified deficit.

The employer contribution rate to be applied from 1 April 2021 is 20.7%.

The results of the calculations and the assumptions adopted are shown below.

	2021 % pa	2020 % pa
Actuarial assumptions		
Rate of increase in salaries	3.35	2.60
Discount rate	2.05	2.30
Inflation assumption – RPI	3.35	2.60
Inflation assumption – CPI	2.75	1.60

	Male	Female
Mortality assumptions		
Current pensioner aged 65	21.60	23.60
Future retiree upon reaching 65	22.90	25.10

The major categories of scheme assets as a percentage of total scheme assets are

	2021 %	2020 %
Equities	32.48	40.80
Diversified growth fund and LDI	64.15	58.30
Cash	3.37	0.90
Total	100.00	100.00

25. Post employment benefits (continued)
SHG Scheme 2017 (continued)

	2021 £000s	2020 £000s
Net defined benefit liability		
Fair value of scheme assets	32,911	23,574
Present value of defined benefit obligation	(39,450)	(26,488)
Defined benefit liability recognised in statement of financial position	(6,539)	(2,914)

	2021 £000s	2020 £000s
Total expense recognised in statement of comprehensive income		
Current service cost	177	138
Past service cost	–	–
Administration expenses	22	170
Net interest cost	75	78
Total recognised in the statement of comprehensive income	274	386

	Assets £000s	Liabilities £000s	Total £000s
Reconciliation of scheme assets and liabilities			
At 1 April 2020	23,574	(26,488)	(2,914)
Benefits paid	(1,321)	1,321	–
Current service cost	–	(177)	(177)
Interest income/(cost)	662	(737)	(75)
Administration expenses	(7)	(15)	(22)
Employer contributions	733	–	733
Employee contributions	94	(94)	–
Acquired from Crown Simmons	5,275	(6,010)	(735)
Actuarial losses	–	(7,250)	(7,250)
Return on scheme assets excluding interest income	3,901	–	3,901
At 31 March 2021	32,911	(39,450)	(6,539)

The Isle of Wight Council Pension Scheme

The Group participates in a pension scheme providing benefits based on final pensionable pay: The Isle of Wight Pension Scheme. The scheme is funded by the payment of contributions to a pension fund, which is administered by the Isle of Wight Council. The Group has agreed a funding plan with the trustee, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed to reduce the funding deficit where necessary.

A comprehensive actuarial valuation of the pension scheme, using the projected unit credit method, was carried out at 31 March 2019 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 31.6% of pensionable pay plus an additional amount of £350,000 will apply for 2021-22 (2020-21: 28.3% plus £350,000).

The major assumptions used in this valuation were:

	2021 % pa	2020 % pa
Actuarial assumptions		
Pension increase rate	2.85	2.00
Rate of increase in salaries	3.65	2.80
Discount rate	1.95	2.30
Inflation assumption – RPI	3.00	2.90
Inflation assumption – CPI	2.85	2.00

25. Post employment benefits (continued)

The Isle of Wight Council Pension Scheme (continued)

Mortality assumptions	Male	Female
Current pensioner aged 65	21.90	24.20
Future retiree upon reaching 65	22.90	25.90

The major categories of scheme assets as a percentage of total scheme assets are

	2021 %	2020 %
Equities	74.00	62.00
Property	5.00	6.00
Bonds	20.00	30.00
Cash	1.00	2.00
Total	100.00	100.00

	2021 £000s	2020 £000s
Net defined benefit liability		
Fair value of scheme assets	6,617	5,545
Present value of defined benefit obligation	(8,153)	(7,278)
Defined benefit liability recognised in statement of financial position	(1,536)	(1,733)

	2021 £000s	2020 £000s
Total expense recognised in statement of comprehensive income		
Current service cost	44	74
Net interest cost	35	46
Total recognised in statement of other comprehensive income	79	120

	Assets £000s	Liabilities £000s	Total £000s
Reconciliation of scheme assets and liabilities			
At 1 April 2020	5,545	(7,278)	(1,733)
Benefits paid	(385)	385	–
Current service cost	–	(44)	(44)
Interest income/(cost)	128	(163)	(35)
Employer contributions	386	–	386
Employee contributions	8	(8)	–
Actuarial losses	–	(1,045)	(1,045)
Return on scheme assets excluding interest income	935	–	935
At 31 March 2021	6,617	(8,153)	(1,536)

Defined contribution schemes

The amount recognised as an expense for the year in respect of the defined contribution scheme was:
£1,893,129 (2020: £1,706,385)

26. Legislative provisions

Southern Housing Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (Registered Number IP31055R) and registered with the Regulator of Social Housing (Registered Number L4628).

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27. Group organisations

Southern Housing Group Limited is the ultimate parent undertaking and controlling party and is required by statute to prepare group financial statements for the following organisations included in these financial statements. All the undertakings are incorporated in England and Wales:

Name	Legal status	Regulator	Nature of business	Interest held by parent (SHGL)
Southern Housing Group Limited	Co-operative and Community Benefit Societies Act 2014 Number IP31055R	Registered Provider Number: L4628	Provision of housing and accommodation to the disadvantaged	
Southern Home Ownership Limited	Co-operative and Community Benefit Societies Act 2014 Number IP18521R	Registered Provider Number: LH1662	Development and management of properties	100% shares
Southern Space Limited	Companies Act 2006 Number 05437850		Vehicle for the one third share in Triathlon Homes LLP	100% shares
Southern Development Services Limited	Companies Act 2006 Number 05400187		Provision of development services to other group companies	100% shares
Spruce Homes Limited	Companies Act 2006 Number 10181074		Provision of housing for private rent	100% shares
Southern Housing Construction Limited	Companies Act 2006 Number 10181046		Provides property construction services	100% shares
Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing	Co-operative and Community Benefit Societies Act 2014 Number IP15355R	Registered Provider Number: LH1026	Provision of housing and accommodation to the disadvantaged	100% shares
The Fellowship Houses Trust	Charities Act 2011 Charity Number 205786	Registered Provider Number: LH1821	Provision of housing and accommodation to the disadvantaged	Crown Simmons Housing is Corporate trustee
Hewitt Homes	Charities Act 2011 Charity Number 235827	Registered Provider Number: LH1856	Provision of housing and accommodation to the disadvantaged	Crown Simmons Housing is Corporate trustee
Samuel Lewis Foundation	Charitable Endowment. Charity Number 206611	Charity Commission	Provision of housing and accommodation to the disadvantaged (see note 29)	Corporate trustee
Affinity Housing Services (Reading)	Jointly controlled operation		Joint venture with Abri Group	50% partnership capital
Affinity (Reading) Holdings Limited	Companies Act 2006 Number 04851135		Joint venture with Abri Group	33.3% share directly held and 16.67% via Affinity Housing Services (Reading)
Triathlon Homes LLP	The Limited Liability Partnership Act 2000		Joint venture entity with First Base 4 Stratford LLP and East Place Limited	33% partnership interest via Southern Space Limited

28. Related parties

Intra-group transactions for Southern Housing Group Limited with non-regulated group members are as follows:

	2021 £000s	2020 £000s
Payments received by Southern Housing Group Limited		
Administration support and development costs recharged to Southern Space Limited, Southern Development Services Limited, Spruce Homes Limited and Southern Housing Construction Limited	2,412	1,971
Loan interest from Southern Space Limited, Spruce Homes Limited and Southern Housing Construction Limited	53	90
Director's services and income received from Affinity Housing Services (Reading)	150	161
Provision of administrative services to Triathlon Homes LLP	1,469	588
Gift aid from Southern Space Limited and Southern Development Services Limited	143	1,472
Total	4,227	4,282

	2021 £000s	2020 £000s
Payments made by Southern Housing Group Limited		
Development costs paid to Southern Development Services Limited	–	6,260
Management costs paid to Spruce Homes Limited	139	94
Property equity purchase paid to Southern Space Limited	–	453
Total	139	6,807

	2021 £000s	2020 £000s
Assets		
Intercompany debtor due from Southern Space Limited, Spruce Homes Limited and Southern Housing Construction Limited to Southern Housing Group Limited	2,438	1,874
Redeemable loan notes due from Affinity Reading (Holdings) Limited	2,146	1,968

	2021 £000s	2020 £000s
Liabilities		
Intercompany creditor due from Southern Housing Group Limited to Southern Space Limited, Southern Development Services Limited and Southern Housing Construction Limited	990	943

Intra-group transactions for Southern Home Ownership with non-regulated group members are as follows:

	2021 £000s	2020 £000s
Purchase of developments from Southern Space Limited	–	1,566
Management income from Spruce Homes Limited	377	450
Development costs paid to Southern Development Services Limited and Southern Housing Construction Limited	3,249	3,296
Intercompany debtor due from Spruce Homes Limited	26	40
Intercompany creditor due to Southern Space Limited, Southern Development Services Limited and Southern Housing Construction Limited	1,087	561

Payments totalling £1,406 (2020: £1,352) were made to Southern Housing Group Limited by Simone Buckley, a Board member who was a leaseholder during the year. The terms of the lease are on the same basis as for other tenants and on an arm's length basis.

As Southern Housing Construction Limited has net current liabilities, the Association has provided a letter confirming its intention to provide financial support if required for this entity for a period of at least 18 months from 1 April 2021.

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29. Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing Group Limited as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing Group Limited. This disclosure is given for reporting purposes to the Charity Commission.

Expenditure on letting activities comprise certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties.

Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ringfenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £000s	Number of units
Liverpool Road	1910	324	247
Jubilee Cottages	1935	707	28
Palliser Road	1927	973	57
Beech House	1936	701	16

Fund balances are represented by:

	2021 £000s	2020 £000s
Property, plant and equipment	14,005	14,363
Cash	15,285	15,285
Investment properties	6,910	6,900
Total assets less current liabilities	36,200	36,548
Creditors: amounts falling due after more than one year		
Social housing and other grants	(7,701)	(7,701)
Total net assets	28,499	28,847
Net income from permanent endowed assets		
Income from lettings	1,802	1,851
Less expenditure on letting activities	(839)	(651)
Surplus on letting activities	963	1,200
Loss on revaluation of investment properties	(310)	(300)
	653	900

30. Contingent liabilities

The Group has grant attributable to properties acquired from housing associations that were purchased at fair value, measured at Existing Use Value – Social Housing (EUV-SH) or through a competitive bidding process. These properties included original government grant funding of £61,001k (2020: £46,204k) which the Group has an obligation to recycle in accordance with the original grant funding terms and conditions. In accordance with the SORP, these amounts are disclosed as a contingent liability. The Group is responsible for the recycling of the grant in the event of the housing properties being disposed.

At 31 March 2021 the value of cumulative amortised grant which would require to be recognised as a liability if the properties funded were disposed of or ceased to be used for social housing purposes was £168,541k (2020: £143,123k).

31. Business combination

On 1 April 2020 Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing became a subsidiary of Southern Housing Group Limited. Acquisition accounting has been applied to the business combination and a fair value assessment was completed for the assets acquired, liabilities and contingent liabilities assumed of Crown Simmons Housing. All housing properties held for letting were fair valued externally by Copping Joyce, qualified RICS Chartered Surveyors. The valuation model used for market rent properties was the MV-T model while remaining housing properties were valued using the EUV-SH model. The key areas impacted by the fair valuation were mainly housing properties as the carrying value of all remaining assets acquired and liabilities assumed were considered to approximate their fair values at the acquisition date or where applicable, the measurement principles prescribed in Section 28 of FRS 102. This resulted in a fair value gain of £58,844k; since the business combination is in substance a gift, this gain was recognised in the consolidated statement of comprehensive income.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Group 2021 £000s
Consideration for acquisition	–
Net assets acquired at fair value:	
Housing properties held for letting	61,510
Housing properties under construction	2,571
Other fixed assets	35
Unlisted investments – FHT endowment	138
Stock – property under construction	316
Trade debtors	107
Other debtors and prepayments	96
Cash and cash equivalents	7,612
Accruals and deferred income	(896)
Other creditors	(995)
Housing loans	(10,876)
Recycled capital grant fund (RCGF)	(39)
Pension reserve	(735)
	58,844
Gain on acquisition	58,844

Contingent liabilities of £18,884k, being cumulative amortised and unamortised grants, were assumed by the Group on the acquisition of Crown Simmons Housing. The Group assessed that the likelihood of any outflows arising from settlement of these contingent liabilities is remote and their fair value was considered immaterial. Hence, no amounts were assigned to contingent liabilities in the determination of gain on acquisition.

As a result of the market impacts of Novel Coronavirus (Covid-19), the valuation of housing properties is reported on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. This reflects the fact that at the valuation date, the valuers consider that they can attach less weight to previous market evidence for comparison purposes to inform opinions of value. The inclusion of a material valuation uncertainty declaration does not mean that the valuation cannot be relied upon. Rather, it indicates that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

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32. Prior year adjustment

During the year a review of the Group's fixed asset register identified a certain number of housing property assets which were being depreciated incorrectly or were no longer owned by the Association/Group. This error was identified by management in the current year and accordingly the opening position for the comparative period and the prior year comparatives have been restated as shown below.

Consolidated Statement of Comprehensive Income (extract)

	As presented Group 2020 £000s	Fixed assets restatement 2020 £000s	Restated Group 2020 £000s
Cost of sales	(47,315)	13	(47,302)
Gross profit	189,531	13	189,544
Operating costs	(145,716)	164	(145,552)
Gain on disposal of fixed assets	24,049	(3)	24,046
Operating surplus	61,999	174	62,173
Surplus before tax	23,618	174	23,792
Taxation	(337)	42	(295)
Surplus for the year	23,281	216	23,497
Total comprehensive income for the year	23,464	216	23,680

Statement of Comprehensive Income (extract)

	As presented Association 2020 £000s	Fixed assets restatement 2020 £000s	Restated Association 2020 £000s
Operating costs	(147,122)	164	(146,958)
Gain on disposal of fixed assets	23,779	(3)	23,776
Operating surplus	47,419	161	47,580
Surplus before tax	28,649	161	28,810
Surplus for the year	28,649	161	28,810
Total comprehensive income for the year	28,832	161	28,993

The opening reserves as at 1 April 2019 reduced by £9.7m following correction of the above errors.

32. Prior year adjustment (continued)

**Consolidated Statement of Financial Position
(extract)**

	As presented Group 2020 £000s	Increase/ (decrease) 2020 £000s	Restated Group 2020 £000s
Fixed assets			
Cost – property plant and equipment	2,292,791	(2,699)	2,290,092
Depreciation – property, plant and equipment	(234,664)	(6,596)	(241,260)
Depreciation – other fixed assets	(31,421)	(27)	(31,448)
Property, plant and equipment	2,111,976	(9,322)	2,102,654
Total fixed assets	2,274,308	(9,322)	2,264,986
Accruals and deferred income	(28,984)	14	(28,970)
Corporation tax	(1,263)	42	(1,221)
Grant repayable	(2,873)	(1,174)	(4,047)
Creditors: amounts falling due within one year	(111,861)	(1,118)	(112,979)
Net current assets	82,658	(1,118)	81,540
Total assets less current liabilities	2,356,966	(10,440)	2,346,526
Deferred income	(763,589)	972	(762,617)
Creditors: amounts falling due after more than one year	(1,700,968)	972	(1,699,996)
Total net assets	643,924	(9,468)	634,456
Total reserves at 31 March 2020	643,924	(9,468)	634,456
Total reserves at 31 March 2019	620,460	(9,684)	610,776

**Statement of Financial Position
(extract)**

	As presented Association 2020 £000s	Increase/ (decrease) 2020 £000s	Restated Association 2020 £000s
Fixed assets			
Cost – property plant and equipment	2,145,208	(2,699)	2,142,509
Depreciation – property, plant and equipment	(234,490)	(6,596)	(241,086)
Depreciation – other fixed assets	(31,421)	(27)	(31,448)
Property, plant and equipment	1,964,567	(9,322)	1,955,245
Total fixed assets	2,110,039	(9,322)	2,100,717
Accruals and deferred income	(22,108)	1	(22,107)
Corporation tax	–	–	–
Grant repayable	(2,873)	(1,174)	(4,047)
Creditors: amounts falling due within one year	(103,660)	(1,173)	(104,833)
Net current assets	177,037	(1,173)	175,864
Total assets less current liabilities	2,287,076	(10,495)	2,276,581
Deferred income	(751,060)	972	(750,088)
Creditors: amounts falling due after more than one year	(1,688,406)	972	(1,687,434)
Total net assets	587,596	(9,523)	578,073
Total reserves at 31 March 2020	587,596	(9,523)	578,073
Total reserves at 31 March 2019	558,764	(9,684)	549,080



Other information

Principal advisors, Secretary
and registered office

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Principal advisors, Secretary
and registered office

External auditors	Principal bankers	Secretary and registered office
PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 1 Embankment Place London WC2N 6RH	National Westminster Bank PLC Corporate banking Second Floor, County Gate 2 Staceys Street Maidstone Kent ME14 1ST	Noreen Adams Group Company Secretary Southern Housing Group Fleet House 59-61 Clerkenwell Road London EC1M 5LA



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