



# Annual Report

## 2023-24





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# 01

## HIGHLIGHTS

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## FINANCIAL STATEMENTS

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Opening Statements

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Highlights

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About Southern Housing

## From Chair of the Board

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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

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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.

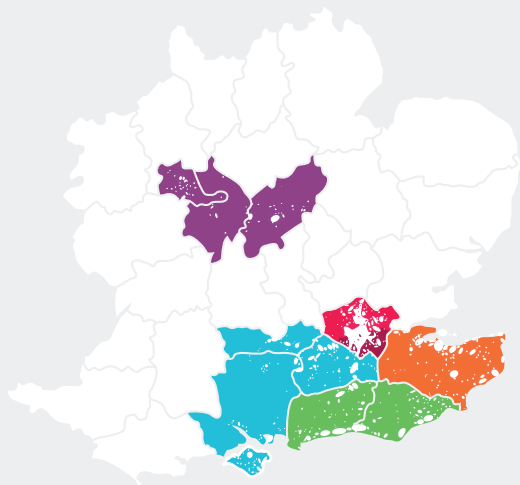
## Our markets, external environment and future prospects

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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HIGHLIGHTS

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## STRATEGIC REPORT

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LEADERSHIP AND  
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FINANCIAL  
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Our Business Model

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Stakeholders and Engagement

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Strategic Plan

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Financial Review

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Value for Money

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Financial Planning and Treasury  
Management

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

DEFRA conversion factors 2023 have been used to convert transport fuel consumption and mileage from litres/miles to tonnes CO<sub>2</sub>e

<sup>[1]</sup> Revised figures based on actual energy usage 2022-23

<sup>[2]</sup> 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.

<sup>[3]</sup> 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.

<sup>[4]</sup> 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 CO<sub>2</sub>e.

<sup>[5]</sup> 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 CO<sub>2</sub>e
- 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

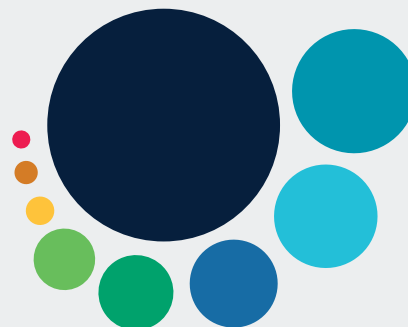
### Analysis of turnover

- 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)**

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2023/24 £m</b>	<b>2022/23 £m</b>	<b>2021/22 £m</b>
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.

<b>HOMES</b>	<b>2023/24 £bn</b>	<b>Funded by</b>	<b>2023/24 £bn</b>
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)

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

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.

<b>SOCIAL HOUSING LETTINGS PERFORMANCE</b>	<b>2023/24</b>	<b>2022/23</b>	<b>🔄 2021/22</b>
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
<b>INTEREST RATE PROFILE</b>			
% 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
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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
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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
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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
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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
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Reinvestment	5.8%	8.2%	5.3%
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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
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A. New supply delivered % (social housing)	0.7%	1.6%	2.0%
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B. New supply delivered % (non-social housing)	0%	0.1%	0.1%
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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
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Gearing	49.9%	53.4%	51.1%
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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
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EBITDA-MRI %	38.7%	60.4%	56.2%
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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 £
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Social Housing CPU	6,844	7,120	7,661
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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
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Overall	12.4%	18%	19%
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Social Housing	15.5%	20%	21%
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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
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Return on Capital Employed (ROCE)	1.7%	2.4%	3.0%
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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

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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.

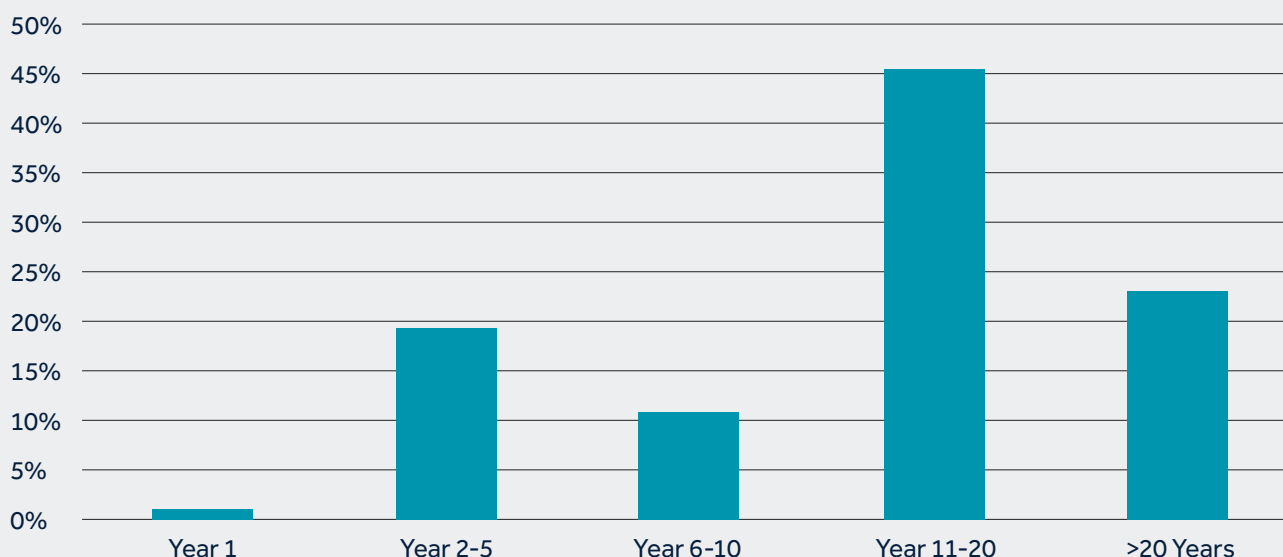
Significant treasury risks include ensuring the Group has sufficient liquidity to fund its operations and development pipeline, interest rate risks and ensuring that all loan covenants are met. Our liquidity policy requires us to have sufficient funds in place so as not to rely on sales.

## 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

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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

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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
<p>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.</p>	<p>Long</p>	<p>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.</p>
<p>We do not deliver our integration programme as planned, making Business As Usual more challenging and failure to deliver ongoing benefits.</p>	<p>Medium</p>	<p>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.</p>

**DELIVER EFFICIENCY**

RISK	TIME SPAN	COMMENT AND RISK MITIGATIONS
Business negatively impacted by changes to Government policy.	Long	<p>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.</p> <p>Potential changes are modelled through the long-term financial plan and stress tested to ensure the Plan is sufficiently robust and resilient.</p>
Ineffective governance and regulatory compliance and / or poorly controlled business.	Long	<p>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.</p> <p>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.</p>
Financial health is not fully protected in line with risk appetite.	Long	<p>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.</p>

**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.

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The Board

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Committees

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Resident Governance

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Executive Team

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Compliance

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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

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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).

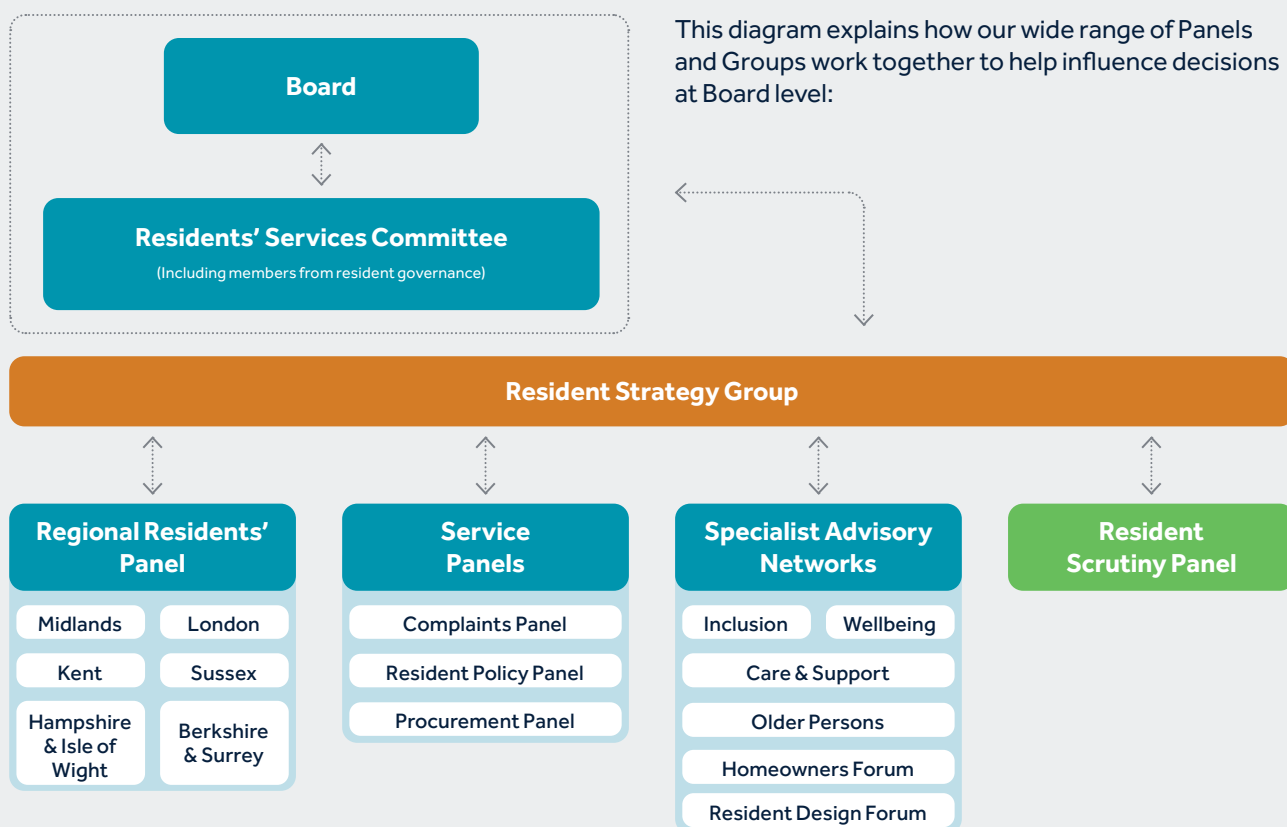
# Residents

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

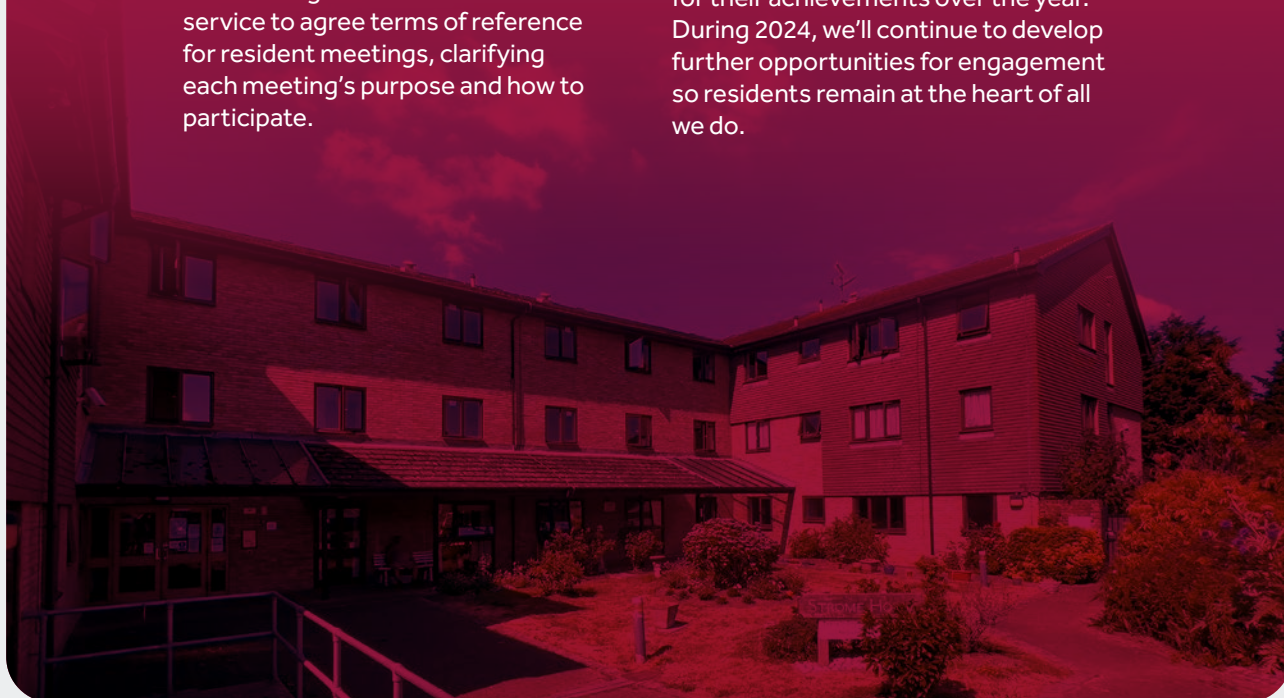
Following merger, we carried out a review of our care and independent living services. Gathering and acting upon resident feedback is a priority across the organisation.

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

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## 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

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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

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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. They are seated around a table, with their hands and arms visible, suggesting a collaborative discussion. The image is partially obscured by the large numbers and text on the left side.

03

LEADERSHIP AND  
GOVERNANCE

04

## FINANCIAL STATEMENTS

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Statement of Comprehensive Income

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Statement of Financial Position

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Statement of Changes in Reserves

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Consolidated Statement  
of Cash Flows

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Analysis of changes in net debt

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Notes to the Financial Statements

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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	<b>Group financial statements as a whole</b> £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.		
	<b>Group specific materiality</b> £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:

<b>1. FOR SALES PRICE</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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</li> <li>where third party valuation is used, for a sample of properties, checked expert estimates against publicly available selling prices for comparable properties.</li> </ul>
<b>2. FOR COSTS TO COMPLETE</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>assessed the accuracy of cost forecasting by looking at outturn costs compared with budget on schemes that completed in the year.</li> <li>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).</li> </ul>
<b>3. FOR COSTS TO SELL</b>	<ul style="list-style-type: none"> <li>where material, considered computations of selling costs and compared against known selling costs that have been incurred in the year.</li> </ul>

**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
<b>MATERIALITY</b>	Southern Housing		Southern Housing	
<b>BASIS FOR DETERMINING MATERIALITY</b>	Financial statement: £88.8m  Specific: £10.9m	£14.2m	Financial statement: £87.5m  Specific: £10.5m	£13.7m
<b>PERFORMANCE MATERIALITY</b>	Financial statement: £62.2m  Specific: £7.7m	£10.0m	Financial statement: £61.3m  Specific: £7.3m	£9.6m
<b>BASIS FOR DETERMINING PERFORMANCE MATERIALITY</b>	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:

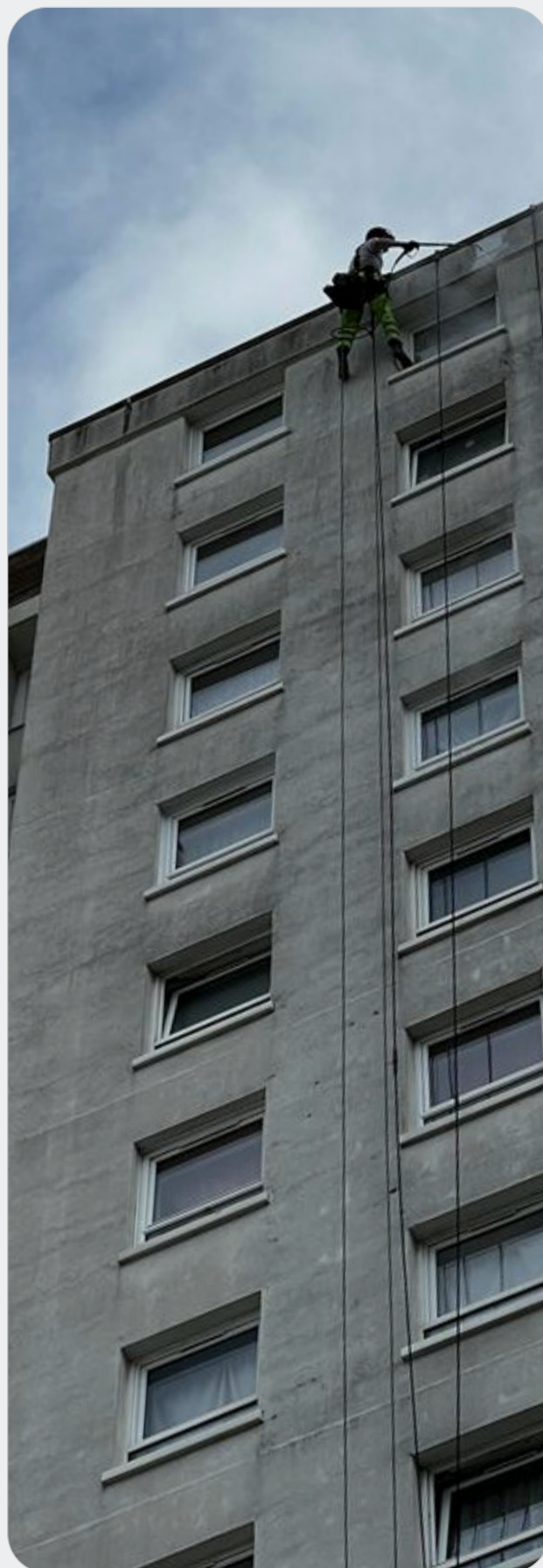
- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the 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
<b>TURNOVER</b>	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
<b>Operating surplus</b>		<b>108.4</b>	<b>136.0</b>	<b>107.4</b>	<b>131.7</b>
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)
<b>Surplus before fair value movements</b>		<b>2.8</b>	<b>39.9</b>	<b>21.4</b>	<b>43.4</b>
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	-	-
<b>(Deficit) / surplus before taxation</b>		<b>(28.6)</b>	<b>79.8</b>	<b>(0.2)</b>	<b>77.9</b>
Taxation	12	0.4	(0.1)	(0.6)	-
<b>(Deficit) / surplus before taxation</b>		<b>(28.2)</b>	<b>79.7</b>	<b>(0.8)</b>	<b>77.9</b>
Actuarial loss in respect of defined benefit pension schemes	32	(3.7)	(2.3)	(3.7)	(2.3)
<b>Total comprehensive (deficit) / income for the year</b>		<b>(31.9)</b>	<b>77.4</b>	<b>(4.5)</b>	<b>75.6</b>

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

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**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
<b>GROUP</b>					
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
<b>ASSOCIATION</b>				
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
<b>GROUP</b>					
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
<b>ASSOCIATION</b>				
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
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
(Deficit) / surplus for the year	(28.2)	79.7
<b>ADJUSTMENTS</b>		
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)
<b>Net cash from operating activities</b>	<b>207.3</b>	<b>319.5</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
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
<b>Net cash used in investing activities</b>	<b>(346.0)</b>	<b>(376.7)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
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)
<b>Net cash generated by financing activities</b>	<b>101.6</b>	<b>15.6</b>
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
<b>CASH AND CASH EQUIVALENTS</b>				
Cash	95.8	(43.7)	-	52.1
Cash equivalents	50.3	6.6	-	56.9
	146.1	(37.1)	-	109.0
<b>BORROWINGS</b>				
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)
<b>DERIVATIVES</b>	13.8	-	(1.1)	12.7
<b>Total</b>	<b>(2,690.5)</b>	<b>(263.1)</b>	<b>(92.2)</b>	<b>(3,045.8)</b>

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
<b>SOCIAL HOUSING ACTIVITIES (NOTE 3b)</b>	534.5	-	(451.9)	-	82.6	481.1	-	(391.4)	-	89.7
<b>OTHER SOCIAL HOUSING ACTIVITIES</b>										
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)
<b>SURPLUS ON ASSET DISPOSAL (NOTE 3c)</b>	-	-	-	32.7	32.7	-	-	-	46.7	46.7
<b>NON SOCIAL HOUSING ACTIVITIES</b>										
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
<b>TOTAL</b>	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
<b>SOCIAL HOUSING ACTIVITIES (NOTE 3b)</b>	525.0	-	(450.0)	-	75.0	473.0	-	(387.4)	-	85.6
<b>OTHER SOCIAL HOUSING ACTIVITIES</b>										
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)
<b>SURPLUS ON ASSET DISPOSAL (NOTE 3c)</b>	-	-	-	31.9	31.9	-	-	-	43.8	43.8
<b>NON SOCIAL HOUSING ACTIVITIES</b>										
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
<b>TOTAL</b>	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
<b>NET RENTAL INCOME</b>	<b>379.2</b>	<b>55.9</b>	<b>8.2</b>	<b>-</b>	<b>57.6</b>	<b>1.0</b>	<b>501.9</b>	<b>455.7</b>
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
<b>TURNOVER FROM SOCIAL HOUSING LETTINGS</b>	<b>401.4</b>	<b>58.5</b>	<b>9.1</b>	<b>2.2</b>	<b>61.8</b>	<b>1.5</b>	<b>534.5</b>	<b>481.1</b>
<b>EXPENDITURE ON LETTINGS ACTIVITIES</b>								
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
<b>OPERATING COSTS ON SOCIAL HOUSING</b>	<b>374.6</b>	<b>38.9</b>	<b>7.8</b>	<b>0.9</b>	<b>28.7</b>	<b>1.0</b>	<b>451.9</b>	<b>391.4</b>
<b>OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS</b>	<b>26.8</b>	<b>19.6</b>	<b>1.3</b>	<b>1.3</b>	<b>33.1</b>	<b>0.5</b>	<b>82.6</b>	<b>89.7</b>
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
<b>NET RENTAL INCOME</b>	<b>372.7</b>	<b>55.4</b>	<b>8.2</b>	<b>-</b>	<b>54.5</b>	<b>1.0</b>	<b>491.8</b>	<b>446.9</b>
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
<b>TURNOVER FROM SOCIAL HOUSING LETTINGS</b>	<b>395.8</b>	<b>58.0</b>	<b>9.1</b>	<b>2.2</b>	<b>58.4</b>	<b>1.5</b>	<b>525.0</b>	<b>473.0</b>
<b>EXPENDITURE ON LETTING ACTIVITIES</b>								
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
<b>OPERATING COSTS ON SOCIAL HOUSING</b>	<b>373.7</b>	<b>38.8</b>	<b>7.8</b>	<b>0.9</b>	<b>27.8</b>	<b>1.0</b>	<b>450.0</b>	<b>387.4</b>
<b>OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS</b>	<b>22.1</b>	<b>19.2</b>	<b>1.3</b>	<b>1.3</b>	<b>30.6</b>	<b>0.5</b>	<b>75.0</b>	<b>85.6</b>
Void losses	(4.3)	(1.9)	(0.1)	-	-	(0.1)	(6.4)	(5.6)

### 3(c). Fixed asset disposals

<b>GROUP</b>	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

<b>ASSOCIATION</b>	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
<b>SOCIAL HOUSING HOMES</b>						
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
<b>NON SOCIAL HOUSING</b>						
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
<b>SOCIAL HOUSING HOMES</b>						
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
<b>Total social housing homes owned and or managed</b>	<b>70,707</b>	<b>1,434</b>	<b>(360)</b>	<b>(45)</b>	<b>(12)</b>	<b>71,724</b>
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
<b>NON SOCIAL HOUSING</b>						
Market rent	310	-	(2)	-	-	308
Student accommodation	1,654	-	-	-	-	1,654
<b>Total non social housing homes owned and managed</b>	<b>1,964</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>1,962</b>
Total non social housing homes managed but not owned	204	-	-	-	-	204
<b>Total owned and managed</b>	<b>72,671</b>	<b>1,434</b>	<b>(362)</b>	<b>(45)</b>	<b>(12)</b>	<b>73,686</b>
Leaseholders	5,606	89	-	45	-	5,740
<b>Total</b>	<b>78,277</b>	<b>1,523</b>	<b>(362)</b>	<b>-</b>	<b>(12)</b>	<b>79,426</b>

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
<b>OPERATING SURPLUS IS STATED AFTER CHARGING/(CREDITING)</b>				
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
<b>OPERATING LEASE CHARGES</b>				
- Land & building	1.6	1.4	1.6	1.3
- Other	0.8	1.2	0.8	1.2
<b>AUDITORS' REMUNERATION</b>				
- 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
<b>STAFF COSTS (INCLUDING DIRECTORS) CONSIST OF</b>				
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
	<b>123.2</b>	<b>110.7</b>	<b>122.7</b>	<b>110.2</b>

More details on pension costs can be found in note 32.

	GROUP		ASSOCIATION	
	2024 FTE	2023 FTE	2024 FTE	2023 FTE
<b>FTE ANALYSIS</b>				
Administration	436	521	436	521
Development	96	130	96	130
Housing, DLO, Support and Care	1,892	1,841	1,892	1,841
	<b>2,424</b>	<b>2,492</b>	<b>2,424</b>	<b>2,492</b>

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
<p>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</p>		
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	<b>TOTAL</b>	<b>380</b>	<b>311</b>
£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
	<b>135.5</b>	<b>122.3</b>	<b>135.8</b>	<b>125.2</b>
<b>INTEREST CAPITALISED ON CONSTRUCTION OF HOUSING PROPERTIES</b>	(21.9)	(22.3)	(13.5)	(15.1)
	<b>113.6</b>	<b>100.0</b>	<b>122.3</b>	<b>110.1</b>
<b>OTHER FINANCING COSTS THROUGH INCOME AND EXPENDITURE</b>				
(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
<b>CURRENT TAX</b>				
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	-
<b>Total current tax</b>	<b>1.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.3</b>
Deferred tax expense	(0.6)	(0.6)	(0.1)	(0.3)
Adjustment in respect of previous periods	(0.8)	-	-	-
	<b>(0.4)</b>	<b>0.1</b>	<b>0.6</b>	<b>-</b>

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>CURRENT TAX RECONCILIATION</b>				
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)
<b>Taxable surplus on ordinary activities before tax</b>	<b>5.5</b>	<b>14.8</b>	<b>-</b>	<b>1.8</b>
Corporation tax charged at 25% (2023: 19%)	1.4	2.8	-	0.3
<b>EFFECTS OF</b>				
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)
<b>Total tax charge (see above)</b>	<b>(0.4)</b>	<b>0.1</b>	<b>0.6</b>	<b>-</b>

### 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
<b>COST</b>					
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
<b>DEPRECIATION</b>					
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
<b>IMPAIRMENT</b>					
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
<b>NET BOOK VALUE</b>					
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
<b>ASSOCIATION</b>					
<b>COST</b>					
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
<b>DEPRECIATION</b>					
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
<b>IMPAIRMENT</b>					
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
<b>NET BOOK VALUE</b>					
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:

<b>OTHER FIXED ASSETS</b>	<b>Years</b>
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
<b>COST</b>					
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
<b>DEPRECIATION</b>					
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
<b>NET BOOK VALUE</b>					
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
<b>COST</b>					
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
<b>DEPRECIATION</b>					
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
<b>NET BOOK VALUE</b>					
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.

<b>GROUP</b>	<b>2024 £m</b>	<b>2023 £m</b>
At 1 April	0.1	2.2
Distribution received	-	(2.8)
Cumulative share of joint venture profit	0.1	0.7
<b>At 31 March</b>	<b>0.2</b>	<b>0.1</b>

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
<b>AFFINITY AND TRIATHLON</b>				
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
<b>MARK TO MARKET DERIVATIVES</b>				
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
<b>GROUP</b>				
<b>DUE WITHIN ONE YEAR</b>				
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
<b>DUE AFTER MORE THAN ONE YEAR</b>				
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
<b>TOTAL DEBTORS</b>	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
	<b>4,796.5</b>	<b>4,596.9</b>	<b>4,799.9</b>	<b>4,557.8</b>

## 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
<b>TOTAL SOCIAL HOUSING GRANT RECEIVED OR RECEIVABLE</b>				
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
	<b>2,112.9</b>	<b>2,123.1</b>	<b>2,065.3</b>	<b>2,068.3</b>
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	<b>1,674.9</b>	<b>1,709.8</b>	<b>1,630.5</b>	<b>1,660.7</b>
Cumulative amount amortised	<b>390.9</b>	<b>370.3</b>	<b>388.6</b>	<b>365.6</b>

## 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".

<b>GROUP</b>	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)
<b>At 31 March</b>	<b>20.1</b>	<b>27.0</b>	<b>15.5</b>	<b>27.5</b>
<b>AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA</b>				
Within one year	12.4	14.7	0.2	14.3
Within 2 to 3 years	7.7	12.3	15.3	13.2
	<b>20.1</b>	<b>27.0</b>	<b>15.5</b>	<b>27.5</b>

<b>ASSOCIATION</b>	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)
<b>At 31 March</b>	<b>20.1</b>	<b>26.1</b>	<b>15.4</b>	<b>26.6</b>
<b>AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA</b>				
Within one year	12.3	14.6	0.2	14.1
Within 2 to 3 years	7.8	11.5	15.2	12.5
	<b>20.1</b>	<b>26.1</b>	<b>15.4</b>	<b>26.6</b>

## 25. Loans and borrowings

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>HOUSING LOANS REPAYABLE</b>				
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
<b>HOUSING LOANS REPAYABLE</b>				
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
<b>TOTAL FACILITIES</b>	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
<b>TOTAL FACILITIES</b>	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
<b>DRAWN FACILITIES</b>	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.

<b>BOND MATURITY</b>	<b>October 2035</b>	<b>October 2036</b>	<b>February 2039</b>	<b>March 2043</b>	<b>October 2047</b>	<b>March 2048</b>
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*	OFF	SH	SH	OFF	SH	OFF

\*SH is Southern Housing and OFF 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.

### THE GROUP HAS RECOGNISED

	GROUP		ASSOCIATION	
	2024 £m	2023 £m	2024 £m	2023 £m
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 £
<b>ASSOCIATION</b>		
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
<b>EXPENDITURE ON DEVELOPMENTS</b>				
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
<b>LAND AND BUILDINGS</b>				
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
<b>OTHER</b>				
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
<b>Total</b>	<b>10.8</b>	<b>11.1</b>	<b>10.8</b>	<b>11.0</b>

**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
<b>MINIMUM AMOUNTS DUE WITHIN</b>		
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
<b>AMOUNTS OWED BY RELATED PARTIES AT YEAR END</b>		
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	-
<b>Total</b>	<b>3.9</b>	<b>3.1</b>

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
<b>Total assets less current liabilities</b>	<b>39.3</b>	<b>33.6</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Social housing and other grants	(6.7)	(6.4)
<b>Total net assets</b>	<b>32.6</b>	<b>27.2</b>
<b>NET INCOME FROM PERMANENT ENDOWED ASSETS</b>		
Income from lettings	1.8	1.9
Less expenditure on letting activities	(0.3)	(0.2)
<b>Surplus on letting activities</b>	<b>1.5</b>	<b>1.7</b>

## 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
<b>FUNDING POSITION AT 31 MARCH</b>		
Share of assets	235.6	244.4
Estimated liabilities	(221.2)	(241.8)
<b>Net surplus</b>	<b>14.4</b>	<b>2.6</b>
Unrecognised surplus (asset ceiling)	(27.0)	(18.6)
<b>Net deficit</b>	<b>(12.6)</b>	<b>(16.0)</b>

	2024 £m	2023 £m
<b>AMOUNTS CHARGED TO OPERATING SURPLUS FOR YEAR TO 31 MARCH</b>		
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
<b>Total operating charge</b>	<b>5.8</b>	<b>2.1</b>

**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	-
<b>Total net interest cost</b>	<b>0.5</b>	<b>0.5</b>

**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
<b>Actuarial gain</b>	<b>3.9</b>	<b>14.8</b>
Change in unrecognised surplus	(7.6)	(17.1)
<b>Total actuarial loss</b>	<b>(3.7)</b>	<b>(2.3)</b>

**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
<b>Surplus in the schemes at the end of the year</b>	<b>14.4</b>	<b>2.6</b>
Unrecognised Surplus	(27.0)	(18.6)
<b>Net deficit</b>	<b>(12.6)</b>	<b>(16.0)</b>

**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
<b>Unrecognised surplus at end of the year</b>	<b>27.0</b>	<b>18.6</b>

**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)
<b>Closing fair value of assets</b>	<b>235.6</b>	<b>244.4</b>

**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
<b>Closing present value of liabilities</b>	<b>221.2</b>	<b>241.8</b>

**Split of plan assets**

The major categories of plan assets as a percentage of total plan assets were as follows:

	2024 £m	2023 £m
<b>NON LOCAL GOVERNMENT PENSION SCHEMES</b>		
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%
<b>LOCAL GOVERNMENT PENSION SCHEMES</b>		
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

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Registered society number:  
8983

Regulator of Social Housing  
number: 5171

## Advisors to the Southern Housing Board

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### Devonshires

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### Statutory Auditors

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Gatwick RH6 0P

### Principal Bankers

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Canary Wharf  
London E14 5HP

### National Westminster Bank Plc

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Maidstone  
Kent ME14 1ST

