Building homes, independence and aspirations

Reports and Financial Statements for the year ended 31 March 2021

Contents

Registered Office

Home Group Limited
2 Gosforth Park Way
Gosforth Business Park
Newcastle upon Tyne
NE12 8ET

Co-operative and Community Benefit Society No: 22981R

Regulator of Social Housing Registered No: L3076

Chairman's Introduction

It is with great pleasure that I introduce the financial statements for the year ended 31 March 2021.

Every year, without fail it seems, there are challenges put in front of us – be they political, economic or social. And every year we rise to those challenges.

However, this past year has challenged us like never before. COVID-19 has tested every inch of our business, our energy and resolve, our values and our strength of character.

I'm proud to say that we've stood up to every test we've faced. Colleagues should be immensely proud of what they've achieved in the face of such adversity. I know I am.

Even with the forecasted dips in some areas of our operation due to COVID-19, our overall performance was once again strong.

Home Group is a social enterprise and charity, one of the nation's largest providers of housing, health and care, with a turnover of £430 million.

Last year, we housed 113,000 people in our 55,000 homes across England and Scotland. This included accommodation-based support for close to 11,000 customers with mental and physical health issues.

Our surplus before tax for year end to 31 March 2021 was £28.8 million – a fall of £13.2 million compared to the previous year. Early in the financial year we expected our surplus would be a casualty of COVID-19 and that's why in early June 2020, we revised our plans and re-budgeted to reflect the impact of the first lockdown.

We were further challenged later in the year by the continuing impact of the pandemic, but despite this we only missed our re-budgeted surplus figure due to an exceptional impairment charge of £3.7 million on one of our completed affordable housing schemes.

Our strong governance and financial resilience was recognised this year by an In-Depth Assessment (IDA) which resulted in us once again maintaining our G1/V1 status. I'd like to extend my sincere thanks to all colleagues for helping achieve this outstanding outcome.

Despite the unprecedented events of the past year and the extreme challenges they brought, we didn't lose sight of the strategic objectives we had set ourselves for 2021.

We were focussed on our mission to 'build homes, independence and aspirations'. Inherent in achieving our mission is putting our customers at the heart of everything we do.

A priority at the outset of lockdown was making sure our customers felt safe and supported. More than 33,000 wellbeing calls were made by colleagues to customers during lockdown.

I recall endless stories of colleagues going over and above what was expected in order to ensure customers were supported. And that commitment and dedication didn't go unnoticed. We've had some amazing feedback from customers, including some heartfelt gratitude.

As lockdown went on and started to impact jobs and livelihoods, our financial inclusion team worked tirelessly to support customers struggling to make ends meet.

In the first six months of the pandemic, the team increased payment arrangements for our customers by £165,000; increased customer income by £810,000; reduced customer outgoings by £125,000 and retrieved £25,000 of payments through backdated benefits.

Despite the early lockdown rules preventing some safety checks and all routine maintenance and repairs, the operations team ensured customers' homes were safe and secure.

We carried out 116,442 routine and 49,175 emergency repairs in the year ended 31 March. Although lockdown restrictions meant we weren't able to complete all the improvement works we had planned, we still invested £84.4 million in improving and maintaining our customers' homes. We have budgeted £120 million for 2022.

As well as maintaining homes, we continued with our plans to deliver over 1,000 new homes per year.

Despite lockdown halting construction for a significant period, we delivered 1,019 homes last year. That was only slightly down on the previous year. Overall, we invested £159 million in delivering new homes in the financial year.

Significant investment was also committed to ensure we deliver our long-term roadmap to net-zero. We've developed a framework and detailed long-term plan to reach our targets, and those of Government, by 2050.

Underpinning our approach to sustainability is the certification of our ISO 14001:2015 Environmental Management System. In December 2020, we achieved recertification with no non-conformances.

Earlier this year Home Group, along with Abri, Anchor Hanover Group, the Hyde Group and Sanctuary Group, formed The Greener Futures Partnership - a pioneering partnership based on the shared ambitions to lower emissions, reduce fuel poverty and improve living conditions for customers by creating sustainable, affordable, healthier and safer homes.

Around the same time, Home Group agreed a deal with major energy provider SSE, which will see it use renewable electricity throughout its corporate offices. Over 2,500 meters will be converted from brown to green energy.

Last autumn, we launched a successful campaign to support customers who were in fuel poverty, or facing it, last winter. During the campaign, support from our financial inclusion team, in partnership with Agility Eco under the Connect for Help referral system, led to £250,000 in savings or income maximisation on energy related issues, which equated to £500 for each customer who went through the service.

Our support for customers with mental and physical health needs grew once again last year. Our commitment to re-integrate people with a range of complex needs into the community was a main focus.

Our target, pre-COVID, was to secure 36 customers for the year. We achieved 28. We transitioned five customers to their own home by the end of the year. The remaining 23 are currently in their transition periods and have either moved or will do so very soon.

This area of the organisation, like every other, has been affected by the events of the past year.

Considering the unprecedented challenges we've faced, our performance has been exceptional. I would like to extend my sincere gratitude and thanks to colleagues for their amazing commitment, dedication and determination.

John Cridland

Chairman
Home Group

Strategic Report

Board

J Cridland, CBE (Home Group Chair)

R A Bradley (Clinical Governance Committee Chair)

L Cullen (appointed 2 June 2020)

K Gillespie (Development Committee Chair)

M G Henderson

J Hudson

M Madden (Home Scotland Chair)

B Mehta, CBE (Governance Committee Chair)

L A Morphy, OBE (Health and Safety Governance Committee Chair)

I Mudie (appointed 30 July 2020)

N W Salisbury (Senior Independent Member, Audit Committee Chair) (until 18 July 2021)

C Vallis (Senior Independent Member, from 19 July 2021)

Executive (key management personnel)

M G Henderson
Chief Executive

R M Byrne
Executive Director – New Models of Care

J Cook
Executive Director – Development

M Forrest
Executive Director – Operations

J Hudson
Chief Financial Officer

N Hussain
Executive Director – Business Development

Advisors

Bankers:
Barclays Bank plc
Barclays House
5 St. Ann's Street
Quayside
Newcastle upon Tyne
NE1 2BH

Independent Auditors:
Deloitte LLP
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
NE1 2HF

Solicitors:
Devonshire Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

Strategy

Overview of Home Group and our strategy

Home Group, a social enterprise and a charity with a turnover in excess of £400 million, is one of the UK's largest providers of high quality housing and supported housing services and products. Founded in the North East by an Act of Parliament in the 1930s, for 90 years we have been working with trusted partners and our customers to make a real difference to the lives of individuals, families and communities across the UK.

The principal activities of Home Group are:

- The provision of affordable rented accommodation – we currently house 113,000 people across more than 55,000 properties. These are a variety of tenures, including social, affordable, shared ownership and supported homes;
- The design, development and delivery of integrated health and care services – for our customers who need more than just a home, we support their specific needs, and worked with over 11,000 vulnerable people last year in our supported housing and health services;
- The development of new homes – in addition to developing new build properties for affordable rent and affordable home ownership, we also develop homes for sale on the open market, many of which are marketed under our Persona sales brand. Profits from our open market sales activity are reinvested into the business.

In 2016, we launched our five year strategy. Our mission is to "build homes, independence and aspirations" and we have developed a strategy to deliver this. The strategy is regularly refreshed to ensure we deliver what our customers and their communities need in an ever changing external environment. Our intention was to review and update the strategy during 2021 to strengthen our approach to important challenges and opportunities such as net zero emissions, but due to the COVID-19 crisis, the revised strategy will now be launched in April 2022. This additional time has allowed us to reflect, capture learning, build in the overall impacts of COVID-19 on our customers, business, colleagues and partners, and ultimately ensure the strategy remains relevant following this unprecedented situation.

Our current five year strategy has four goals. These were refreshed during 2019 to reflect our new customer promise and a greater focus on the types and location of new housing. We continue to test and challenge these with our Board members to ensure they remain relevant to the delivery of our mission.

Delivering on our customer promise	Our customer promise includes six pledges to our customers. This was developed with our customers, and customers assess how well we are delivering against each part of the promise. We promise to: care about you; deliver a reliable repairs service; help communities to grow; provide a safe place to live; tell you where your money goes; and work together with customers and partners.
Building the right homes in the right places	We are making a step change in house building, by pioneering new markets and building more truly affordable homes with a range of ways for our customers to buy or rent them. The homes we build are high quality and our customers are involved in the design process. We are entering new markets, with different tenures. The surplus we make from selling houses will be used to build more homes for affordable rent, to regenerate existing stock, and provide an integrated housing and health offer.
Market leaders in new models of care (NMC)	We are adapting our model and shifting our place within the health and social care market. We are delivering care services that truly make a difference by focusing on where we can deliver a long-term impact for customers to help relieve pressure on the NHS and social care. We will focus on the needs of the individuals we serve, specifically using our expertise in mental health and learning disabilities. We will deliver quality care and the right home for our most vulnerable customers, including those with highly complex needs through our care services.
Being 20% more efficient	We are re-engineering the way we work. Working more efficiently and productively enables us to free up resources to support our strategic priorities and ensure the sustainability of the business. This goal is supported by our value for money strategy which drives us to be more cost effective and do more with less while ensuring high quality delivery.

We measure progress against these goals to ensure they are fully embedded and driving everything we do. The KPIs against which we measure performance are included in the Value for Money section of this report at page 17. In addition, we work with customers to undertake qualitative assessments of how we are delivering the customer promise across our neighbourhoods and our overall performance is regularly scrutinised by our customer forum who feedback directly to the Board.

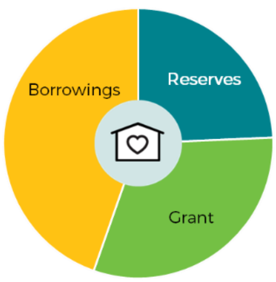
Business model and structure

Business model

Home Group is not-for-profit and any surplus is reinvested back into the business. Value is generated through the business streams below, and through the following key resources and relationships:

- The homes we own
- Our colleagues and customers
- Our suppliers and contractors

Business activity:	Renting homes	Development	Care and support services
	This includes supported housing and shared ownership as well as our core general needs homes.	We build new homes for rent and shared ownership, and develop some homes for outright sale. Homes for rent / Homes for sale	We provide care and support services to customers living in our supported housing.
Main income stream:	• Rent and service charge income	• Sales income	• Care and support contract income
Main costs:	• Repairs and maintenance • Housing management	• Build costs • Sales and marketing costs	• Costs of delivering care and support
Surplus:	Where income exceeds costs, we generate a surplus. We reinvest our surplus in: • Improving our existing homes • Improving the services we offer to our customers • Developing new affordable homes		



As well as our own reserves built through surpluses described above, the business is funded through external borrowings and government grant:

- We are a strategic development partner with Homes England, the Greater London Authority and the Scottish government, all of which provide grant funding to help us build affordable homes.
- We also fund our development through long-term borrowings, either through bank loans or the issue of corporate bonds.

For management purposes, the business is organised into three business units:

- Operations: The delivery of services to our rented and supported customers
- Development: Design and delivery of our new build homes, and regeneration of our existing homes
- New models of care (NMC): Design and development of our integrated support services, and delivery of complex care

These business units are supported by our support functions team which provides asset management, facilities, assurance, compliance and risk, health and safety, communications, marketing, strategy, business development, project management, finance, human resources, information systems, legal services, company secretarial and procurement.

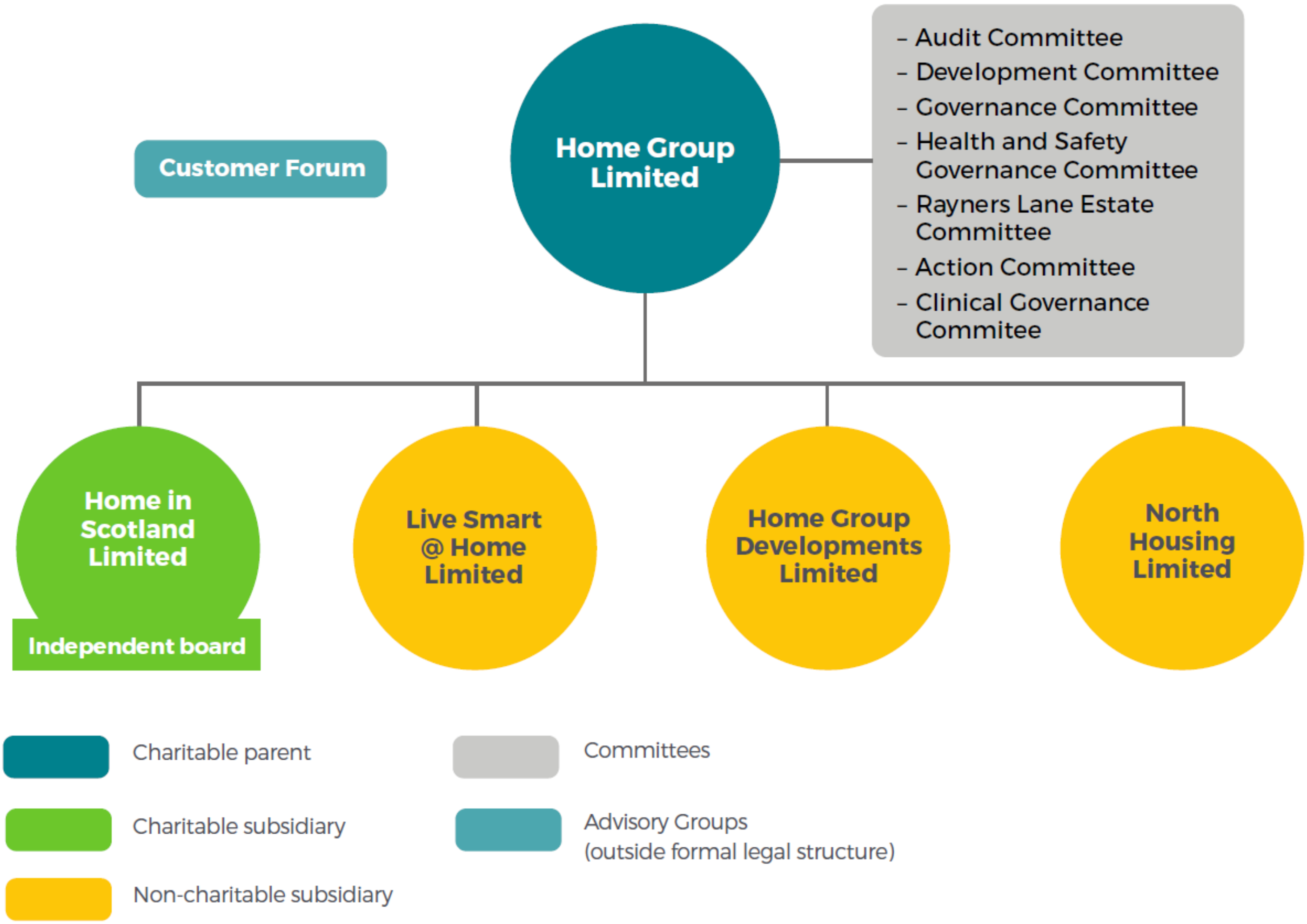
Business model and structure (continued)

Group structure

Home Group Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014, is the parent organisation in the group. Home Group Limited is registered with the Financial Conduct Authority (FCA) as a registered society and with the Regulator of Social Housing (RSH) as a Registered Provider, and has charitable status.

Home Group Limited has four trading subsidiaries:

- Home in Scotland Limited (Home Scotland), a charitable registered housing association registered with the Scottish Housing Regulator, undertaking Home Group's business in Scotland.
- Home Group Developments Limited (HGDL), a private non-charitable company which undertakes new build construction of affordable housing and homes for sale on the open market.
- North Housing Limited (NHL), a private, non-charitable company which acts as a vehicle to facilitate joint venture activity across the Group. Joint venture partnerships are formed primarily to develop residential property.
- Live Smart @ Home Limited (Live Smart), a private non-charitable company managing market and mid-market rented products.



The group also has interests in joint ventures and associates, details of which are set out in Note 14 to the financial statements.

Within the main financial statements, the consolidated financial position is referred to as the 'Group', and the parent entity financial position is referred to as the 'Association'. References to 'Home Group' are to the group as a whole.

Business environment

COVID–19

The coronavirus pandemic continues to be the most significant external factor impacting Home Group, its customers, colleagues, suppliers and stakeholders. During the initial months of the pandemic last year we responded quickly and positively, establishing new ways of working with our priorities being to ensure the safety and wellbeing of our colleagues and customers whilst at the same time protecting the financial viability of the business.

We were able to adapt our operations quickly thanks to a strong business continuity plan which ensured continuity of service to all our customers. We reshaped our repairs and maintenance offer to focus on delivery of an essential repairs service, continued to undertake all statutory servicing activities, and within three months had re-established full provision of maintenance services. We continued to offer care services to our vulnerable customers, modified working practices and ensured that colleagues had the appropriate Personal Protective Equipment (PPE) to undertake their roles safely. We introduced an extended range of support measures for our customers, which included welfare calls, increased support through our financial inclusion team, deferral of rent payments and increased cleaning across our estate.

We have managed the risks of COVID throughout the year using a separate risk log and linking that with regular stress testing and reporting to management and Board. As we continue to emerge from lockdown the impact of the previous restrictions continue to present risks to our operations, including, the reduced availability of building supplies and materials which could impact on the timing and/or cost of investment in new and existing homes, and the future impact on arrears as the financial support measures which many of our customers are benefitting from are removed by the government.

These factors, together with a more extreme wave of the pandemic, are reflected in our financial modelling and detailed stress testing. Further details of this are discussed in our going concern assessment on page 40-41.

Principal risks and uncertainties

The key risks which may prevent us from achieving our strategy are reviewed on a continuing basis throughout the year by the Board, the Executive team and Senior Management. The Group takes a balanced approach to risk and reward. We are risk averse in relation to compliance with laws and regulations and have in place robust measures to prevent any non-compliance. We take a considered view of risk in pursuit of our strategic goals to grow our NMC business and our development programme. All risks are identified, evaluated, monitored and reported in line with our Risk Management Framework which is approved by the Board.

Strategic and operational risks presenting the greatest risk to Home Group are reported to each Audit Committee and twice annually to the Board. The risk updates include an assessment of the scoring, details of the controls in place and any future plans to help reduce the risk to a more tolerable level. Our scoring has four levels; critical, high, medium and low with all individual risks assigned a controlled risk score following assessment of the risk and details of controls that are in place. In addition to reviewing individual risks, management and the Board review the cumulative effect of all risks and evaluate the combined impact these could have should they occur at the same time.

We score risks as low, medium, high or critical based on our assessment of the impact and likelihood of the risk, both without mitigation (the uncontrolled risk score) and taking into account the controls and mitigations we have put in place (the controlled risk score).

In addition to the risks related with the ongoing coronavirus pandemic, the risks which we consider could materially impact our ability to deliver our strategy and objectives, and how we manage and mitigate these, are set out on the following pages.

Risk description	How we manage and mitigate the risk	Controlled risk score
Changes in building and fire safety legislation and regulations.	There is significant new and planned legislation in this area. The Fire Safety Act 2021 enhances and clarifies the requirements for building owners in relation to completion of fire risk assessments. The draft Building Safety Bill will provide two new regulators for buildings and materials along with a framework for managing higher risk buildings that building owners will need to comply with. Our Higher Risk Building Group is responsible for our internal approach to building and fire safety and has worked with specialist external solicitors to complete a detailed analysis of the requirements and an implementation plan. Progress against the plan will be reported to Health and Safety Committee and the Board.	High
Our customers' health, safety, wellbeing and satisfaction is paramount. If we do not understand our customers or respond to their diverse and changing needs we are at risk of not delivering on our key social mission.	There is a health and safety policy in place which is our overall framework for all customers and colleagues. We have established involvement channels to ensure the customer voice is central to our approach in this area. We have launched a new complaints process to align our ways of working to the Housing Ombudsman framework and best practice. This has made it easier for customers to make a complaint and quicker for them to get a response, for our colleagues it has made it easier to get things resolved as quickly and efficiently as possible. The welfare calls we started during the pandemic were successful and using our learnings from this we have developed a new approach to our ongoing touchpoints with customers to ensure we are engaging with them in the right way at the right time. We have invested in an in-house clinical team who support us to understand and meet the requirements of our customers with highly complex needs.	High
We have continued to expand our new models of care, particularly in the areas of mental health and learning disabilities. It is important we protect the health, safety, and well-being of these vulnerable customers. The care we provide must be high quality and delivered by competent and experienced practitioners. Any changes to commissioning priorities or the political agenda could impact our ability to develop new services affecting our plans for growth and potentially reducing the estimated financial contribution of these services.	Our Clinical Governance Committee provides oversight of the activities in this area. We have a clear focus on quality aiming to achieve at least 'good' inspection ratings in all our CQC schemes. We continue to grow our inhouse clinical expertise ensuring strong clinical oversight of our practice. We also have clinicians directly working in our services alongside customers delivering quality care and risk mitigation. We have established our presence in the market, building relationships and maximising opportunities to influence commissioners across both health and social care. This puts us in a strong position to react to changing priorities. We also ensure that we have a diverse portfolio of care and supported schemes which protects our exposure to changes in a specific area.	High

Risk description	How we manage and mitigate the risk	Controlled risk score
We may be exposed to data losses or restricted system access as a result of a cyber security breach. If our data and systems were compromised this could lead to disruption to business operations, financial loss, compliance failure and/or reputational damage.	We have full accreditation of ISO27001 for our information security system and have actions in place to ensure ongoing maintenance of this accreditation. We recognise that our colleagues are our first line of defence against cyber security attacks and as such colleagues are encouraged to remain vigilant for phishing emails, calls and other suspicious requests for information and to report any such attempts to our data security team. We regularly review the adequacy of our data management and security controls, undertake colleague awareness and training, subject out system to penetration testing and test our contingency and recovery processes.	High
The impact of Welfare Reform Act and other government policy changes could impact our ability to achieve our strategy. Without effective mitigation arrears and bad debt could increase significantly/	Our Income Protection Steering Group is well established and focuses on improving our approach to managing arrears and supporting customers to better sustain their tenancies over time. The group also performs horizon scanning to ensure we can proactively deal with any changes. We have further strengthening the way we support customers to prevent them from accruing arrears, such as the expansion of the financial inclusion team, implementation of dedicated arrears management software and a tenancy sustainment framework. We closely monitor government policy, seeking to influence and respond to consultations where appropriate. This year that has included a number of proposed changes to tax rules which would have had significant financial implications for the Group. We stress test the impact of potential changes in government policy (e.g. rent formula or grant allocation) to understand the impact and also identify mitigations that we would put in place should they occur.	High
A significant downturn in the economy, including a property market crash or a slowdown in the market, could result in us not achieving planned sales levels or values. The resulting reduced cash flow would impact on our ability to deliver on our development ambitions in the future and could put pressure on our covenant headroom.	Stress testing is carried out an annual basis and as part of this work to ensure we would not breach our loan covenants or our golden rules. We have identified that a 25-35% property market crash poses a significant risk to our business if unmitigated. We understand the full menu of mitigations available to us and how we would enact these if it were required and we have tested that we could implement these if required. Our development risk model is based upon understanding the maximum impairment charge that our business could absorb whilst preserving our interest cover covenant. Every development approval is assessed on this basis to understand what additional risk a new commitment poses to the business before it is approved.	Medium

Risk description	How we manage and mitigate the risk	Controlled risk score
Compliance with the regulatory framework and all statutory health, safety and environmental legislation remains a priority. Any failing in these areas could lead to action being taken against us, as well as impacting on our future strategy and reputation.	The Regulatory Compliance Group provides governance over how we deliver all our regulatory requirements. This groups carries out horizon scanning across each of our regulators to understand new requirements and assess any gaps that we may have. As an example, following publication of the Social Housing White Paper this group supported in the development of an action plan to ensure the implementation of all required changes and high visibility within the wider business. Progress against the action plan is being monitored by this group. The Group also reviews new and emerging external risks and any incidents of noncompliance in other providers, asking the question 'could this happen at Home Group?' to identify areas for improvement. The internal assurance team considers regulatory and statutory compliance when carrying out internal audits and developing the risk based internal audit plan. Regulatory and statutory compliance information is reported monthly to management and at every Board.	Medium
Supply chain failure. We work with several key suppliers and partners, particularly with respect to our developments and ongoing maintenance of properties, who are vital in helping us deliver services to our customers. Any disruption to these arrangements could impact the continuity of services, resulting in a financial loss and/or impact on the level of service our customers receive.	Our procurement framework ensures that suppliers are robust, and that due diligence is carried out to make sure requirements can be delivered. We take a strong contract management approach and KPIs are embedded within contracts. The evidence of the last 12 months is that our supply chain is robust and despite the challenges we have not experienced any significant disruption.	Medium
Sustainability. There are increasing regulatory and legislative environmental requirements that we will need to meet. Noncompliance or a lack of engagement on environment matters could impact on both regulatory compliance and the reputation of the group.	A new strategic environmental working group is in place which informs our approach, provides governance over environmental returns and will align our strategic direction. We have developed an overarching roadmap to net zero which incorporates detailed analysis of the investment required in our existing homes and mitigation of wider business emissions. We are engaged in a sector alliance, Green Futures Partnership, with other associations and our investment need is included in our financial business plan.	Medium

Business environment (continued)

Environmental impact

Our customers, colleagues and partners care about our impact on the environment and how we're working to improve it. As an organisation, we are acting on four key areas, which we align to the greenhouse gas protocol:

- **Our existing homes** - with over 55,000 homes in hundreds of communities, we are focused on improving their energy efficiency. It is the right thing to do for the environment, and we hope it will also help to reduce the risk of fuel poverty for our customers. We have a clear plan for all existing homes to achieve an EPC rating of C by 2030 and a roadmap to meet the challenge of net zero by 2045 (Scotland) and 2050 (England).

- **Our new homes** - when we're building new homes and communities, for people to rent or buy, we're building them so they are fit for the future. We're responding to the government's future homes standard, which means installing only renewable heating systems from 2025, looking at the use of heat networks for decarbonisation and using modern methods of construction, such as offsite construction.

- **Our offices and operations** - our approach to sustainability isn't only about helping our customers to reduce energy use, it's also about us operating as sustainably as possible. We're looking at office energy and water use, emissions from our contractors and diverting waste from landfill to minimise our environmental impact. We are also reviewing the way our colleagues work, switching to a more digital model which will significantly reduce travel in the future.

- **Our supply chain** - we also expect our partners and suppliers to take sustainability seriously. We're making sure the products we buy for our homes and offices have as little environmental impact as possible. From recycled paper to Forest Stewardship Council (FSC) certified wood products to low flow taps and showers, our procurement team ensures that sustainability is thought about every time we purchase goods and services. We are actively engaged with strategic suppliers to share knowledge and align our approaches where possible.

We have a sustainability steering group, featuring colleagues from across the business, with dedicated roles related to energy and the environment and others focussed on embedding a sustainable approach in procurement, maintenance, development and service delivery. Environmental sustainability will be a key part of our refreshed asset management strategic plan in 2022.

Equality, diversity and inclusion

Equality, diversity and inclusion are at the heart of our social purpose, driving the value that a diverse workforce brings to the organisation and the communities within which we operate.

In terms of colleague gender we have a ratio of 62% females to 38% males and at senior level, 45% of our executive and senior management team are women. A recent Women into Senior Leadership Programme has shown a 40% rate in promotions and we are ranked as 4th in the UK by Great Place to Work for best organisations for women to work at.

Our latest gender pay gap reporting is published on our website and can be found at the following address:
https://www.homegroup.org.uk/about-us/corporate/transparency/gender-pay-gap/

Our broad efforts to attract, recruit and retain an overall diverse workforce, have led to promising results with our BAME representation currently at 13%, LGB+ at 5% and disability presenting at 5%. Nevertheless, there remains work to do if we are to achieve the aspirational targets we've committed to by 2025 (BAME 22%, LGBTQ+ 8%, Disability 8%). Our pledge in adopting the Rooney Rule (interviewing where possible, at least one candidate from a BAME background for all senior roles) has shown very promising results with over 46% of all senior recruitment exercises having candidates who identify as BAME.

In 2021 our annual colleague survey (carried out by the external company, Great Place to Work) placed us 7th in the UK for large organisations, with 88% of our colleagues agreeing that Home Group is a great place to work, a significant increase in what has been an extremely challenging year for many of our colleagues. We were also pleased to achieve 18th place in the Stonewall 2020 top 100 employers' index, reflecting our progress with LGBTQ+ equality and inclusion. In addition, we also achieved Platinum status for Investors in People, and have become one of the UK's first organisations to achieve high performing accreditation for Investors in People for Wellbeing.

Business environment (continued)

Apprenticeships

Our award winning apprenticeship programme supports around 120 apprentices each year with over 70 exclusively for Home Group customers who have been long term unemployed. Indeed, 61% of apprentices within our customer programme tell us that they feel they would not have been offered a job or an apprenticeship elsewhere so it is great to know we are supporting our customers' independence and aspirations via our programme. Meanwhile, 64% of our apprenticeships are filled by diverse or disadvantaged groups and 80% of our apprentices stay in jobs with Home Group at the end of their apprenticeship.

The apprenticeship programme is multi award winning, and this year we won the North East Large Apprenticeship Employer of the Year, being highly commended nationally.

Anti-corruption and Bribery

Home Group is committed to the highest ethical standards and adopts a zero tolerance to fraud, bribery or tax evasion in any form. It manages risks in respect of fraud, bribery, corruption and offences under the Bribery Act 2010, Criminal Finances Act 2017 and the Fraud Act 2006. Our fraud, tax evasion and bribery prevention, detection and response policy includes standards and guidance for all colleagues who must also complete mandatory training.

Key measures designed to eliminate or reduce the likelihood of fraud and bribery include existing financial controls, procurement, recruitment and tenancy allocation policies, procedures and internal and auditing procedures. Additional controls include policies, procedures and associated resources relating to gifts and hospitality, payments and benefits, anti-money-laundering and whistle-blowing.

Taxation – our contribution to the UK tax system

As a responsible tax payer, Home Group meets its liabilities to pay taxes in full as they fall due, and is committed to observing all applicable laws, rules and regulations in meeting our tax obligations. The table below summarises the total tax payable by the Group:

	2021 £m	2020 £m
Irrecoverable input VAT	**19.9**	22.4
Employer's national insurance contributions	**6.9**	6.2
Corporation tax	**2.3**	0.7
Stamp duty land tax	**1.3**	-
Total	**30.4**	29.3

As the majority of our income is exempt from VAT, the Group is unable to recover the majority of the VAT it suffers on purchases. As a result we paid almost £20 million in irrecoverable input VAT this year.

The Group does not pay corporation tax on the majority of its activities, as social housing activity is charitable in nature. Profits from outright property sales are subject to corporation tax. The effective tax rate of the group is 7.1%.

Stamp duty land tax becomes payable when land and buildings are acquired by a non-charitable company. This year the Group has paid £1.3 million in relation to land acquired by HGDL which will be used to build new homes.

Financial review

The current financial year has brought with it challenges with the uncertain broader economic situation due to both the pandemic and Brexit. Given this backdrop we are pleased to report a good set of annual results and an ongoing strong financial position. Overall our income has grown thanks to the continued strength of our core rented and supported businesses and, despite the significant challenges in the market, further growth in our market sales programme. Whilst our operating surplus fell £11.3 million from the prior year this was largely as a result of reduced sales of existing properties as our plans for this were hampered by the pandemic and a significant impairment charge of £3.7 million on a single affordable completed property scheme. These factors also caused the similar fall in our overall surplus before tax result. Our group balance sheet remains strong with net assets of £684 million, an increase driven largely by additions to our rented homes portfolio and higher levels of cash at the year end. At the balance sheet date, the amount of cash and undrawn committed facilities available to the Group was £431 million.

Surplus generated

Surplus before tax is a key measure we use to track our financial performance. We achieved a surplus before tax for the year of £28.8 million. Significant movements are discussed further below.

Summary statement of comprehensive income	2021 £m	2020 £m
Turnover	**429.9**	406.1
Cost of sales	**(93.2)**	(79.4)
Operating expenditure	**(277.3)**	(261.9)
Surplus on disposal of housing properties	**9.5**	15.5
Operating surplus	**68.9**	80.3
Share of profit in joint ventures and associates	**0.9**	1.7
Net finance costs	**(41.1)**	(40.0)
Surplus before tax	**28.8**	42.0

Turnover - Group turnover increased by £23.8 million to £429.9 million in the year ended 31 March 2021, a 5.9% increase. The majority of our turnover (65%) continues to come from social housing lettings, which saw an increase of £6.8 million largely as a result of new homes developed for rent and shared ownership. We also saw an increase in turnover from new build sales of £13.2 million despite a reduction in volume (590 to 516) due to the pandemic. A larger proportion of sales in the year were outright market sale versus first tranche shared ownership sales, delivering higher proceeds. We continue to grow our development and sales capacity to enable us to deliver successful mixed tenure developments and provide cash to reinvest into our new development programme, allowing us to provide more affordable homes.

Cost of sales – Cost of sales has increased by £13.8 million as a result of the increase in new build sales turnover and the increased number of outright sales which have higher related costs to build. The margin we achieve on new build sales varies between schemes and has decreased slightly this year as we made more sales from lower margin schemes.

Operating surplus - Whilst turnover increased, our operating surplus reduced by £11.3 million. The main driver of this was the reduction in surplus from disposal of existing housing properties which fell from £15.5 million to £9.5 million. This was as a result of a large one-off sale in the prior year generating significant surplus and that several planned disposals for this year were not able to be completed as the timing was hampered by the pandemic. Further, we incurred a significant impairment on one of our completed affordable schemes of £3.7 million.

Financial strength

The Group's balance sheet remains strong, with net assets increasing by £18.6 million during the year. Gearing remains low, at 43.2% (2020: 46.0%). Significant movements in the balance sheet are discussed further below.

Summary statement of financial position	2021 £m	2020 £m
Housing properties	2,539.6	2,489.8
Other fixed assets and investments	116.8	131.7
Properties and assets held for sale	154.8	187.0
Cash and cash equivalents	54.6	34.6
Debtors	24.4	35.1
Borrowings (bonds and third-party loans)	(1,150.9)	(1,181.1)
Deferred capital grant	(826.3)	(813.6)
Other liabilities	(194.6)	(187.9)
Pension provision	(33.9)	(29.7)
Net assets	**684.5**	**665.9**

Financial review (continued)

Housing properties – The net book value of our housing properties increased by £49.8 million during the year as we continue to invest in new delivering new affordable homes and improvements to our existing homes. We spent £92.1 million developing new affordable homes and spent a further £19.4 million on capitalised improvement works on our existing homes. We have also reflected an impairment charge on a housing properties to the value of £5.1 million, the most significant of these being £3.7 million and relates to the matter discussed within note 31 and on page 34 of the Report of the Board.

Other fixed assets and investments – The £14.9 million decrease was driven by a £11.4 million reduction in loans to our joint venture investments. As the development schemes delivered through our joint venture arrangements mature the loans are repaid. Office buildings are included in other fixed assets and this year we recognised a £2.4 million impairment on our current head office which we plan to dispose of when we move into our new head office next year.

Properties held for sale - Decreased by £32.2 million during the year as a result of lower work in progress on both shared ownership properties and outright sale properties. The progress on a number of development schemes was impacted by COVID, particularly during the first part of the year when the majority of sites were closed. We also made the deliberate decision to slow down our spending levels to match the reduction in sales proceeds (versus budget) to ensure headroom was protected.

Cash and cash equivalents - Increased by £20.0 million during the year which is discussed in more detail in the cash flow review below.

Debtors – Decreased by £10.7 million, mainly as a result of a decrease in the leasehold debtors balance and prepayments. We have changed our processes this year with regard both the timing and way that leaseholders now pay service charge to us. Prepayments decreased as the 2020 balance included a significant prepayment of £6.2 million relating for a development scheme reaching golden brick.

Borrowings - Our largest liability remains borrowings (bonds and third party loans), although they decreased by £30.2 million this year, as we repaid some existing facilities with the cash generated from business activities.

Deferred capital grant - Increased by £12.7 million during the year due as we received additional grant to fund our development of housing properties.

Other liabilities - Increased by £6.7 million. The most significant movement was on the recycled capital grant fund which increased by £6.2 million as we sold properties funded by grant which is now available to recycle onto new developments. There was also a £5.3 million increase in accruals which is linked to timing of payments around the year end, and a £6.2 million decrease in other creditors relating to a 2020 balance for a development scheme.

Pension provision - Increased by £4.2 million following actuarial review of the position at the year end. This was mainly a result of the decrease in corporate bond yields compared to the previous year, and does not impact the funding position.

Cash flows

Summary cash flow statement	2021 £m	2020 £m
Net cash inflow from operating activities	138.3	126.4
Net cash outflow from investing activities	(39.7)	(87.5)
Net cash outflow from financing activities	(78.6)	(87.8)
Net change in cash and cash equivalents	**20.0**	**(48.9)**

Cash inflows and outflows for the year ended 31 March 2021 are detailed in the Group Cash Flow Statement on page 39.

Cash inflow from operating activities increased compared to the prior year as we did not invest as much in properties for sale. As our sales programme did not deliver in line with target, we made the decision not to spend our uncommitted development budget to better manage our cash flows.

Cash outflow from investing activities decreased compared to the prior year as we did not invest as much in housing properties, with a corresponding decrease in capital grants received. Further, the loans we made to joint ventures was less compared with the prior year, and repayments from them increased.

Cash outflow from financing activities decreased compared to the prior year. Whilst we drew down less compared to the previous year, we also repaid less – the net position of these being a cash improvement of £8.6 million.

Financial review (continued)

Looking ahead

As we emerge from lockdown the impact of the previous restrictions continue to present risks to our finances. Building supplies and materials are becoming more difficult to procure and we are monitoring the situation closely to understand the impact it may have on cost but also on timing of development scheme plans. Furthermore, as the financial support measures which many of our customers are benefitting from are removed by the government, we will be monitoring the impact on our customers' rental arrears and ability to pay.

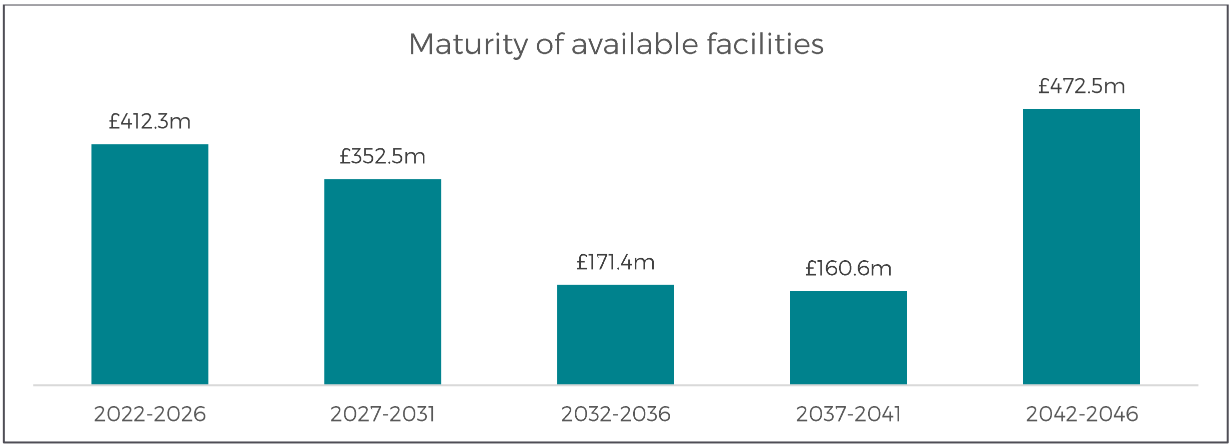
There also remains the risk of further waves of coronavirus and further lockdowns and restrictions. We have carried out extensive risk-based stress testing on the impact that this could have on Home Group in the next 12 months and beyond. This provides us with confidence that we are in a robust position to withstand any ongoing impact of the pandemic, including any potential further waves. We have sufficient headroom in the scenarios we have stress tested. More detail on our stress testing is set out on page 40.

Capital structure and treasury policies

As at 31 March 2021, the Group has committed borrowing facilities of £1.6 billion (2020: £1.4 billion) of which £1.2 billion is drawn. £376.8 million (2020: £226.3 million) remains undrawn and available to enable us to invest in our new development programme and existing properties in line with our asset management plans, as well as withstand any financial shocks. Debt is secured by specific charges against housing land and buildings. The Group continues to have a large pool of unencumbered properties available as security for future borrowings to support its growth strategy.

In May 2020, Home Group Limited issued a £100 million retained bond at an effective fixed rate of 2.311% maturing in 2043. This funding forms a key part of the Group's long-term financing strategy and will further support Home Group's aim to build homes for social and affordable rent, together with supported housing.

Our current facilities (including undrawn and available facilities) have the following maturity profile:



The Group's Treasury function operates within a framework of clearly defined Board approved policies and procedures that serve to ensure sufficient liquidity is available to meet foreseeable needs, prudent investment of surplus cash and minimise financial risk.

The Group manages its exposure to fluctuations in interest rate risk by ensuring a high proportion of its debt is long-term fixed interest rates funding. At present the policy is to aim to maintain between 65% and 80% of borrowing in long-term fixed interest rate funding. At the year-end 80.6% (2020: 68.7%) of the Group's borrowing was in the form of long-term fixed interest rate debt. The policy does allow flexibility to move outside the target range, and following the issue of the retained bond in May 2020 together with lower utilisation of revolving credit facilities in the year, we are marginally above the target range at the balance sheet date.

The Group's lending agreements include a number of financial and non-financial covenants. The key financial covenants are interest cover, gearing and net income cover ratios. Loan covenants are monitored by the Treasury team on a monthly basis and reported to Board regularly. All covenants were met throughout the year.

A number of the Group's borrowing facilities are linked to LIBOR. We are in negotiations with the providers of these facilities to amend the borrowing agreements to include reference to SONIA to replace LIBOR and expect to complete these negotiations in advance of the transition date of 31 December 2021.

As at 31 March 2021, the Group has a Standard & Poor's credit rating of A- and the outlook for the Group is deemed stable.

Strategic performance and value for money

As discussed on page 5 our strategic goals are;

- Building the right homes in the right place
- Delivering our customer promise
- Becoming market leaders in new models of care
- Becoming 20% more efficient

Value for Money (VfM) is embedded throughout our strategic goals which set out the outcomes we intend to deliver. To Home Group, this means delivering our strategy in the most cost-effective way, allowing us to do more with less whilst maintaining a high quality of service.

In doing this, we acknowledge the need to strike the right balance between delivering our strategic goals, including VfM, and our risk appetite with particular regard to compliance and regulatory risk. This means being able to respond to a changing situation, such as the COVID-19 pandemic, and adjust our targets if priorities change.

How do we measure our performance?

We measure our performance against these strategic goals via defined performance indicators for which we set clear annual targets. Our indicators are based on the VfM metrics set out by the Regulator of Social Housing (these are identified with 'RSH' in the following pages), together with additional indicators linked to our strategy. Measurement in this way ensures that our approach to VfM is embedded throughout our strategic goals and the outcomes we deliver.

Performance against our targets is reviewed in monthly performance meetings and reported at every Board meeting. The Board also receive a semi-annual update on benchmarking and progress on our improvement plans. We benchmark where available and appropriate against a group of comparable housing providers to help us understand our performance and inform our improvement plans and targets.

Some of our performance indicators are Alternative Performance Measures (APMs) as defined by the European Securities and Markets Authority (ESMA). In accordance with the ESMA Guidelines on APMs we have provided definitions and reconciliation of each APM to line items presented in the financial statements on pages 82-85.

Our performance on our key performance indicators, including our VfM indicators, against the 2021 target and peer group benchmark is shown on the following pages.

Building the right homes in the right place

Indicator	2021 Target	2021 Result	2020 Result	2019 Result
Homes delivered	1,363	**1,019**	1,179	1,660
New supply – social (RSH) *	1.6%	**1.0%**	2.4%	2.3%
New supply – non-social (RSH) *	0.6%	**0.4%**	0.3%	0.6%
Gearing (RSH)	40-55%	**43.2%**	46.0%	47.6%
Profit from new build sales and joint ventures	£12.1m	**£9.2m**	£10.0m	£12.0m

* Measurement of new supply as a % of existing stock.

Building new homes remains a core part of our strategy, and we continue to aim to deliver high quality, affordable homes where our customers need them. However we will only invest in new developments where this is the right decision for the business, and will not pursue targets at the expense of delivering value for money.

At the beginning of the year as a result of the first national lockdown the majority of our development and sales sites were closed for between 1 and 2 months. This, together with revised working practices to enable social distancing when we reopened, caused delays on sites and as a result we did not meet our targets for homes delivered or new supply – social. Although we saw good recovery on sales following the first lockdown, this activity continued to be impacted by COVID throughout the year to a greater extent than we anticipated when setting targets. Recurring restrictions affected buyer confidence and ability to secure mortgages and sales progression slowed as lenders and conveyancing solicitors worked through backlogs from the first lockdown and additional requirements linked to building safety certificates. As a result of slower sales, we took the decision to further slow down development to protect our cash position.

Strategic performance and value for money (continued)

During the year we delivered 359 new homes for affordable rent (2020: 591) and a further 195 for affordable home ownership (2020: 227). We also completed 307 new homes for outright sale (2020: 158). A further 157 homes were delivered by our joint ventures (2020: 203).

Delivering our customer promise

Indicator	2021 Target		2021 Result	2020 Result	2019 Result
Social housing reinvestment (RSH)	7.0%	●	**4.4%**	6.5%	10.7%
Average time to complete a standard repair*	14 days	●	**10 days**	11 days	10 days
Average time to attend an emergency repair	6 hours	●	**4 hours**	6 hours	5 hours
Complaints responded to within 20 days	90%	●	**67%**	81%	88%
Complaints escalated to Stage 2	10%	●	**7%**	8%	10%
Customer satisfaction – Rented	93%	●	**91%**	95%	95%

* Measurement of average time to attend a standard repair in 2021 excludes those repair jobs where we were initially prevented from attending by COVID restrictions.

Social housing reinvestment - this reflects both the investment we make in new homes, and our investment in improving existing homes. During the year, we reduced development expenditure as progress on sites was delayed. We continued to invest in our existing homes, although this amount fell below that of the previous year and what we had targeted due to COVID restrictions limiting the amount of planned maintenance we were able to carry out within customers' homes.

Complaints responded to within 20 days - the proportion of complaints responded to within our target of 20 working days dropped during the year. This was partly the result of changes in our process which is now more focussed on having earlier communication of an agreed action plan even if those actions will take longer than 20 days to complete. Whilst this has resulted in some complaints taking longer to resolve, customers feel more informed on a timelier basis.

We continue to improve the complaints process based on customer feedback and thematic reviews of complaints and given the focus on this consider it appropriate to put a formal improvement plan in place:

Complaints Improvement Plan
New actions for 2022
➢ Thematic reviews of complaints to enable grouping of similar complaints so these are dealt with consistently and identify improvements that can be made to reduce complaint numbers going forwards.
➢ Implementation of new housing system to improve quality of data held on complaints and launch dashboard to be used throughout the business.

Customer satisfaction – this dropped slightly below target during the year. We have not identified any particular trends or themes in customer satisfaction and given the backdrop of COVID we do not consider an improvement plan to be necessary. We are introducing new satisfaction measures structured around our customer promise which should provide us with better insight.

Becoming market leaders in new models of care

Indicator	2021 Target		2021 Result	2020 Result	2019 Result
Value of new business won	£48.7m	●	**£46.6m**	£27.7m	£19.9m

A significant part of our new models of care new business is securing care packages for complex care customers. We saw some delays in transitioning customers as a result of COVID restrictions, and as a result achieved slightly below target on this indicator. However we still consider this to be successful as it represents a significant increase in activity in this area compared to previous years.

Strategic performance and value for money (continued)

20% more efficient

Indicator	2021 Target	2021 Result	2020 Result	2019 Result
Operating margin – Overall (RSH)	14.4% 🔴	**13.8%**	16.0%	21.9%
Operating margin – Social housing lettings (RSH)	18.6% 🟢	**21.7%**	23.6%	25.8%
Interest cover (EBITDA MRI) (RSH)	154% 🟢	**171%**	155%	198%
Return on capital employed (RSH)	2.6% 🟢	**2.6%**	3.1%	3.4%
Occupancy	99.2% 🟢	**99.4%**	98.9%	98.9%
Social housing cost per unit (RSH)	£4,795 🟢	**£4,484**	£4,407	£4,272
Arrears	8.3% 🟢	**7.9%**	8.4%	8.0%
Overheads as % adjusted turnover	13.7% 🟢	**13.1%**	13.5%	13.3%

Although some of these indicators were impacted by COVID restrictions, we were able to achieve target on all of them with the exception of operating margin (overall) which was impacted by impairment charges of £5.1 million on our housing properties and £2.4 million on other fixed assets. Excluding impairments, our operating margin was 17.9%, reflecting a better performance than budget.

How do we benchmark our performance?

We benchmark our VfM indicators where available and appropriate against a group of comparable housing providers to help us better understand our performance and inform our improvement plans and targets. Our performance compared to a peer group benchmark (where available) is set out on the following pages. We benchmark our performance as green (at or above average), amber (slightly below average) or red (significantly below average). The peer group used may vary as we decide for each indicator which is the most appropriate comparison, and what benchmarking information is available.

Because information for 2021 is not available at the time of preparing the annual reports, benchmarking information is presented for 2020. Although we know that the rest of the sector will also have been impacted by COVID during 2021, we do not have up to date benchmarking information for most indicators, and apparent trends must be viewed within this context.

The VfM regulatory standard requires us to develop improvement plans to address areas of underperformance. There may be areas where we perform below average in comparison to the sector and peer group; however if we understand the reasons why and are comfortable with this result in relation to our strategic goals and direction, we may decide that specific improvement actions are not necessary.

Indicators where performance is above or in line with average

Indicator	2021 Result	2021 Benchmark	2020 Benchmark	2019 Benchmark
Average time to complete a standard repair	**10 days**	🟢	🟢	🟡
Gearing (RSH)	**43.2%**	🟢	🟢	🟢
Interest cover (EBITDA MRI) (RSH)	**171%**	🟢	🟢	🟢
Occupancy	**99.4%**	🟢	🟡	🟡
Social housing cost per unit (RSH)	**£4,484**	🟢	🟢	🟢
Overheads as % adjusted turnover	**13.1%**	🟢	🟢	🟡

Our benchmarking data shows that, for six of our KPIs, our 2021 performance is at or above average data from our selected peers for 2020. This shows a continued improvement in our benchmarking performance over recent years. We already have an improvement plan in place for Occupancy, and even though we have seen an improvement in this indicator, we still consider that further improvement is possible, and have kept the improvement plan in place. We do not consider that improvement plans are necessary for any other indicators where we benchmark at or above average.

Strategic performance and value for money (continued)

Occupancy Improvement Plan	
Prior year action	**Update from prior year**
➢ Introduce new enhanced void standards for hard to let properties to make these more attractive to our customers	All empty homes since September 2020 have been processed using our new void standards. This includes an enhanced standard for homes we think may be difficult to let quickly, which includes a decorating package.
New actions for 2022	
➢ Develop efficient and collaborative void management practices and codes	
➢ Review long-term and hard to let voids and estates, identifying the worst performing and developing bespoke solutions	

Indicators where performance is below average

Indicator	2021 Result	2021 Benchmark	2020 Benchmark	2019 Benchmark
Social housing reinvestment (RSH)	4.4%	🟡	🟢	🟢
New supply – social (RSH)	1.0%	🔴	🟡	🟢
New supply – non-social (RSH)	0.4%	🟡	🟡	🟢
Operating margin – Overall (RSH)	13.8%	🔴	🔴	🟡
Operating margin – Social housing lettings (RSH)	21.7%	🔴	🟡	🟡
Return on capital employed (RSH)	2.6%	🔴	🟢	🟡
Arrears	7.9%	🟡	🟡	🟢

Social housing reinvestment, New supply (social) and New supply (non-social) – all of these indicators were impacted by our decision during the year to reduce investment in new development based upon sensible decision making as we monitored the external environment during the pandemic and experienced reduced sales proceeds. As a result we do not believe an improvement plan is necessary. We also consider it likely that the downwards trend in these indicators is a result of comparing our 2021 results to a 2020 (unaffected by COVID) benchmark.

Operating margins – are impacted to some extent by the mix of activities we carry out. Both provision of supported housing and new build sales attract a lower margin than our core general needs social housing lettings, and a higher proportion of these in comparison to our peer group can result in a lower margin both overall and on social housing lettings. The analysis below shows how each margin indicator is affected by different activities.

Operating margin	2020 Peer group average	2021 Result	2020 Result	2019 Result
General needs	27.3%	**23.3%**	27.3%	30.8%
Supported housing	12.5%	**10.6%**	6.8%	4.9%
Shared ownership	51.3%	**39.4%**	33.3%	41.4%
Social housing lettings	28.0%	**21.7%**	23.6%	25.8%
Support contracts	0.3%	**9.3%**	8.2%	5.5%
New build sales	12.6%	**7.6%**	8.7%	18.0%
Overall	21.0%	**13.8%**	16.0%	21.9%

The reduction in 'Operating margin – Overall' is being driven by both the reduction in Social housing lettings margin, and a decreasing margin and planned increased activity on new build sales. Building more homes is a strategic decision and margin is impacted by the mix of scheme delivered in each specific year. As a result, we do not consider an improvement plan necessary. With regards to 'Operating margin - Social housing lettings' we believe that further work can be done to analyse this measure to ensure we are being as effective and efficient as possible across all component parts, and as a result have put an improvement plan in place:

Strategic performance and value for money (continued)

Operating margin – Social housing lettings Improvement Plan
New actions for 2022
➢ Further analysis to be carried out to understand performance on the component parts of this measure and promote better understanding across the business to enable greater focus on improved efficiency.

Return on capital employed – we have seen a drop in return on capital employed mainly as a result of impairments booked during the year. Excluding impairments, return on capital employed would be 2.9%, above average in our peer group. Any improvement in margin as discussed above would have a positive effect on return on capital employed, and we do not consider a separate improvement plan to be necessary.

Arrears - lockdown and other restrictions in place during the year had a detrimental effect on many of our customers' financial situation and homelife. When surveyed, around one in five of our customers' employment had been negatively impacted, and nearly half did not consider themselves to be managing well financially.

This meant that arrears levels increased as more customers made Universal Credit claims for the first time. Despite this, we were able to manage arrears levels, achieve our target and make an improvement in overall levels by the end of the year. We still benchmark below average when comparing to both our peer group for 2020 and the sector for 2021. Our improvement plan for arrears remains in place.

Arrears Improvement Plan	
Prior year actions	Update from prior year
➢ A financial inclusion team will be established to provide support to customers, with dedicated roles in each region now being recruited to	Both the financial inclusion telephony team and the regional financial inclusion partnership team are almost fully recruited to and delivering impressive financial returns, both to customers in terms of their income and in terms of helping them to reduce their arrears with us.
➢ New arrears case management software being introduced from May 2020	The roll out of RentSense across the business has been successful, enabling local housing teams to prioritise most effectively the cases they need to be working on. It has helped us to deliver a much improved arrears performance at the end of the year, despite the pandemic.
➢ Earlier intervention process introduced, with live monitoring of the DWP landlord portal for new cases so these can be immediately escalated	A specialist income collections team has now been established to take on tasks previously delivered within the contact centre; this includes Universal Credit administration. The team provide proactive contact to support customers through their transition onto Universal Credit and help them to manage their money during the claim period and immediately after.
New actions for 2022	
➢ Develop learning offer for colleagues on income protection and debt collection	
➢ Reduce the number of customers in arrears through referral to our financial inclusion team	
➢ Review and improve former tenants arrears collection process	

Strategic performance and value for money (continued)

Targets for 2022

Our targets for the upcoming year are developed as part of our budgeting and business planning process and consider our current performance and the improvement plans we have in place. As part of the development of our complaints process, and to align with the Housing Ombudsman Complaints Handling Code, we have moved to one key indicator for complaints, which is that a complaints decision has been communicated to the customer within 10 working days.

Indicator	2022 Target
Social housing reinvestment (RSH)	9.5%
Average time to complete standard repair	14 days
Average time to attend emergency repair	6 hours
Complaints decision within 10 days	80%
Customer satisfaction – Rented	93%
Homes delivered	1,485
New supply – social (RSH)	1.9%
New supply – non-social (RSH)	0.4%
Gearing (RSH)	40-55%
Profit from new build sales and joint ventures	£13.5m

Indicator	2022 Target
Operating margin – Overall (RSH)	14.4%
Operating margin – Social housing lettings (RSH)	20.7%
Interest cover (EBITDA MRI) (RSH)	131%
Return on capital employed (RSH)	2.6%
Occupancy	99.5%
Social housing cost per unit (RSH)	£5,451
Arrears	7.7%
Overheads as % adjusted turnover	12.2%
Value of new business won	£34.1m

Performance and Value for Money conclusions

This has been a challenging year, and we have met our targets on the majority of our VfM indicators. In particular, the restrictions in place during much of the year have put pressure on both Arrears and Occupancy, and we have successfully mitigated this to deliver an improving trend which we aim to continue.

We continue to consider how we can deliver better Value for Money for our customers and we have developed Operational Delivery Plans (ODP) across all areas of the business this year to ensure continuous improvement. Each plan includes a number of actions to achieve this and help us to reach the targets we have set out above. In those areas where we believe we have a more significant gap we have formal improvement plans in place this year, including two new plans this year on Complaints and Operating margin – Social housing lettings. Progress on our ODP and improvement plans will be monitored throughout the year.

Statement of compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the 2018 SORP for Registered Social Housing Providers.

On behalf of the Board.

J Cridland, CBE, MA
Home Group Chairman
29 July 2021

Report of the Board

Governance

Governance structure

Throughout the year the Association operated under its established governance structure comprising the Board of the Association, and seven Board committees - the Audit Committee, Clinical Governance Committee, Development Committee, Governance Committee, Health and Safety Governance Committee, Action Committee and the Rayners Lane Estate Committee – the roles of which are summarised below.

In addition, each subsidiary has its own board, and representatives of the Group attend Board meetings of joint ventures and associates. The Group also has a customer forum, which is responsible for representing customers' views and interests at a national level and for providing a strong mechanism for involving customers in Home Group.

The Board	• Responsible for the overall direction of Home Group's business. • Essential functions include the setting of strategy and monitoring of progress in achieving that strategy, the definition of values and objectives, approving policies, plans and budgets, and monitoring performance of the business and its executive management. • Seeks to ensure that undue risks are not taken and that Home Group's affairs are conducted to the highest standards of performance and propriety. • Annually reviews Home Group's governance arrangements and undertakes an annual self-evaluation of its effectiveness as a Board.
Audit Committee	• Oversees financial reporting and Home Group's risk and control framework, internal and external audit arrangements and internal control systems. The Committee's role includes an overview of the work undertaken throughout Home Group by Home Group's risk and compliance and assurance services teams, and reviewing and recommending the report and financial statements to the Board for approval. • Reviews the independence and objectivity of Home Group's external auditors, Deloitte, and monitors the provision of non-audit services undertaken by the external auditors, including the fees charged for such services.
Clinical Governance Committee	• Gives the Board assurance on the quality and safety of care for customers and its remit covers governance and internal monitoring, organisational policies and procedures, safety and excellence in customer care and quality assurance. • Reviews incident reports and management's response to root cause analysis reviews of why incidents and accidents have occurred.
Development Committee	• Oversees Home Group's development activity. • Reviews performance of development schemes against commercial and strategic objectives, driving lessons learned and feeding back into the business to drive continuous improvement.
Governance Committee	• Oversees annual reviews of Home Group's compliance against the Regulator of Social Housing's regulatory standards, Home Group's Rules, Governance Framework and Governance Standards, and recommends any changes to the Board of the Association. • Responsible for non-executive and executive recruitment and succession planning, and for making policy recommendations on board member evaluation and non-executive appraisal. Also responsible for the recruitment process in respect of Executive appointments, and for supporting the Board in ensuring adequate succession planning for the Executive. • Recommends to the Home Group Board the remuneration package offered to the Chief Executive and endorses remuneration packages of other members of the Executive.
Health and Safety Governance Committee	• Provides a strategic steer into the Group's Health and Safety Strategy and Implementation Plan and oversees progress against these to provide assurance to the Home Group Board of the effective development and maintenance of the health and safety management system.

Governance (continued)

Action Committee	• Meets as required to act in relation to matters requiring an express authorisation of the Board which are not otherwise covered by delegated authority and which are necessary to safeguard the business interests of Home Group and where it is not possible or practicable to convene a meeting of the full Board. • The quorum for the Committee is three members of the Board and all decisions are reported to the next meeting of the Board and to other Boards where relevant.
Rayners Lane Estate Committee	• Established under the terms of a stock transfer agreement between the Association and the London Borough of Harrow, and oversees the delivery of the Association's commitments under the stock transfer agreement, specifically in respect of the regeneration of the Rayners Lane estate in Harrow. • Membership comprises individuals nominated separately by the London Borough of Harrow, the Rayners Lane Estate Tenants and Residents Association, the Association's customers on the estate and the Association.

Membership of the Board and committees is set out on page 25.

Corporate governance

Home Group has been rated as G1:V1 for governance and financial viability by the Regulator of Social Housing in its latest In Depth Assessment which was finalised in June 2021. The Board confirms that Home Group has assessed its compliance with the Governance and Financial Viability Standard during the year and certifies that in all material respects Home Group is in compliance with the Governance and Financial Viability Standard.

The Board has adopted and is compliant with the requirements of the National Housing Federation's Code of Governance 2015 edition and has approved the adoption of the National Housing Federation's Code of Governance 2020 as its chosen code of governance from 1 April 2021 onwards. We will identify any changes required as we transition to the new Code and report on this in our next Annual Report. The Board is committed to supporting adherence to high standards of corporate governance, and has adopted and is compliant with the National Housing Federation's Code of Conduct 2012.

Home Group has adopted the National Housing Federation's Code on Mergers, Group Structures and Partnerships (2015). There have been no merger, group structure or partnership proposals during the financial year.

Executive and non-executive appraisal and remuneration

A system of non-executive Board member appraisal is in place, under which the Chairman conducts an annual individual appraisal of non-executive Board members, incorporating feedback from other non-executive Board members and members of the Executive. An equivalent appraisal of the Chairman is conducted by the Senior Independent Member. Independent committee members who do not sit on the Home Group Board are appraised by the chair of the respective committee. Performance appraisal of Executive Board members is conducted within the framework of Home Group's performance appraisal process.

The Association introduced a policy in July 2005 which entitles non-executive members of the Board to elect to draw remuneration. The Association's remuneration framework was set in accordance with the regulatory requirements set by the Housing Corporation in 2003, and in accordance with National Housing Federation guidance. This reflects the business needs of the Association, having regard to the complexity, size and demands of the organisation. Following a review of non-executive board member remuneration during the year, the Association considers that remuneration remains appropriate. Details of the remuneration drawn by members of the Board during the year are set out in Note 5 to the financial statements on page 54. The total remuneration of non-executive board members represents 0.03% of Group turnover (2020: 0.03%).

The names of those who were Board members or members of the Executive at any time during the year, or up to the date of signing this report, are set out on page 4.

Board member and Committee member attendance at meetings during the year ended 31 March 2021 is shown in the table on the next page.

Governance (continued)

Home Group Board and Committee member attendance

Name	Home Group Board		Audit Committee		Clinical Governance Committee		Development Committee		Governance Committee		Health and Safety Governance Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Non-executives												
Rhona Bradley	7	7	4	4	5^	5^						
Ian Campbell*											4	4
John Cridland	7^	7^					7	7	3	3		
Linda Cullen	6	6			3	3						
Ken Gillespie	7	7	4	4			7^	7^			4	4
Lara Joisce			4	3								
Myriam Madden**	7	7	4	4					3	3		
Bharat Mehta	7	7			5	5			3^	3^	4	3
Leslie Morphy	7	7			5	5			3	3	4^	4^
Indra Mudie	5	5										
Nick Salisbury#	7	7	4^	4^			7	7	3	3		
Chris Vallis	7	7			3	3						
Brian Walsh					5	5						
Executives												
Mark Henderson	7	7										
John Hudson	7	7										

A = maximum number of meetings that could have been attended
B = number of meetings actually attended
* Member of Home Scotland Board
** Chair of Home Scotland Board
^ Board or Committee Chair
\# Senior Independent Member (until 18 July 2021)

- Linda Cullen was appointed to the Home Group Board on 2 June 2020 and to the Clinical Governance Committee on 30 July 2020.
- Indra Mudie was appointed to the Home Group Board on 30 July 2020 and to the Health and Safety Governance Committee on 28 July 2021.
- Myriam Madden was appointed to the Audit Committee on 21 April 2020.
- Chris Vallis was appointed to the Clinical Governance Committee on 30 July 2020.
- Chris Vallis was appointed as Senior Independent Member on 19 July 2021.

Statement of internal controls

The Home Group Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness across the Group.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

The process for identifying, evaluating and managing significant risks faced by the Group is ongoing, and has been in place throughout the period from 1 April 2020 up to the date of approval of the Financial Statements. This process is set out in the Group's Risk Management Framework and its effectiveness is assessed on an annual basis by the Board.

Key elements of the internal control framework include:

- Board approved terms of reference and delegated authorities for all Boards and Committees, including the Audit Committee.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Strategic and operational risk registers which are regularly reviewed by Senior Management, Executive, the Audit Committee and the Board.
- A robust planning process with detailed financial budgets, forecasts and performance measures.
- Regular reporting to Executive and the appropriate Board/Committee of key performance indicators to monitor progress against objectives.
- An established health and safety management system and compliance framework.
- A structured approach to the appraisal and authorisation of all significant new business initiatives and commitments.
- A considered and documented approach to treasury management which is subject to annual review.
- Formal recruitment, retention and training and development policies.
- Board approved Confidential Reporting Policy and Fraud and Bribery Prevention, Detection and Response Policy.
- Detailed policies and procedures in each area of the Group's operations.
- An Assurance service which reviews internal controls across the Group and provides regular reports to the Audit Committee on any significant control weaknesses.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Audit Committee received the Annual Assurance Statement from the Head of Audit and the Group Chief Executive's annual review of the effectiveness of the system of internal control. The Audit Committee has subsequently reported its findings to the Board in its Annual Report.

During the year there were no significant findings or weaknesses identified in internal controls, which resulted in the material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditors.

Other information

Statement of Board's responsibilities in respect of the Board's report and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Colleagues

We work with colleagues to make sure people feel aware, informed and involved with Home Group's strategic direction and we welcome views and suggestions. We use a range of ways to engage with colleagues, including Workplace (an enterprise social network), our intranet, seminars, meetings and events as well as a strong team culture of briefings, meetings and brilliant conversations.

Our mutual pay award is an example of how we engage with colleagues and encourage them to be involved in the company's performance, achieving a common awareness of factors affecting the performance of the company, and consulting colleagues so their views can be taken into account in making decisions.

Our recruitment approach is one that is inclusive and as a Disability Confident and 'Mindful Employer' we support future and current colleagues to develop meaningful careers, offering a comprehensive training and development approach that welcome a diverse pool of colleagues. We continue to invest in colleague learning and development and wellbeing as this is key to engagement and business success.

Disclosure of information to auditors

The Board members and Executive Directors who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member and Executive Director has taken all the steps that they ought to have taken as a Board member or Executive Director to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Other information (continued)

Events after the end of the reporting period

As at 31 March 2021 Home Group had a £7 million loan to its subsidiary, HGDL, that was due to end in June 2021, and as such has been classified within current asset investments in the Statement of Financial Position. In June 2021 the loan was renewed for five years; going forwards it will therefore be classified as a fixed asset investment.

In June 2021 Home Group management and Board approved a decision to decant customers from one of our completed affordable housing schemes due to safety concerns highlighted within building surveys commissioned by the group. As a result of this decision, the value of the property has been reviewed and an impairment charge of £3.7 million has been included within these financial statements.

The Board considers that there have been no other events since the year end that have had a significant impact on the Group's financial position.

Auditors

A resolution to reappoint Deloitte LLP as auditors was proposed at the Annual General Meeting.

Statement of compliance

The Board confirms that this Report of the Board has been prepared in accordance with the principles set out in the 2018 SORP for Registered Social Housing Providers.

On behalf of the Board,

J Cridland, CBE
Home Group Chairman
29 July 2021

Independent Auditor's Report to the Members of Home Group Limited

Report on the audit of the financial statements

1. Opinion

In our opinion, the financial statements of Home Group Limited (the 'association') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the association's affairs as at 31 March 2021 and of the group's and the association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements which comprise:

- the consolidated and association statements of comprehensive income;
- the consolidated and association statements of financial position;
- the consolidated and association statements of changes in reserves;
- the consolidated cash flow statement; and
- the related notes 1 to 34.

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).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 provided to the group and the association for the year are disclosed in note 9 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Impairment of property and other assets (including work in progress). Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £4.30m which was determined on the basis of approximately 1% of turnover.
Scoping	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of misstatement at the group level. We performed full scope audits over the association and its four consolidated subsidiaries, achieving coverage of 100% of the group's turnover and total net assets.
Significant changes in our approach	This is our first year as external auditor. We have considered the key audit matters identified by the predecessor auditor. In the current year, valuation of defined benefit pension obligations and going concern are no longer considered key audit matters based on our risk assessment and our understanding of these areas.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and association's ability to continue to adopt the going concern basis of accounting included:

- Assessing the cash flow forecasts, sensitivity analysis performed by management and supporting five-year and thirty-year business plans, including the impact of Covid-19 on the business;
- Evaluating the financing facilities and borrowings, including historic and forecast compliance with relevant covenants;
- Considering the current regulatory judgements published by the Regulator for Social Housing, with the association being rated as G1:V1 for governance and financial viability; and
- Assessing accuracy of forecasts by comparing actual Performance against budget in the current and previous financial year.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

5. 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. These matters included 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.

5.1. Impairment of properties under construction (including work in progress)

Key audit matter description	The group has a significant development programme which includes social housing, shared ownership properties and mixed tenure schemes. The total value of the assets in the scope of this key audit matter are: • Housing properties under construction: £136.9m (2020: £161.7m) • Shared ownership properties under construction: £47.7m (2020: £44.0m) • Outright sale properties work in progress: £108.9m (2020: £138.4m) • Shared ownership properties work in progress: £17.9m (2020: £21.6m) As set out in Note 1, on an annual basis management carries out a review for indicators of impairment of housing properties such as cost overruns, building issues, contractor delays or the economic downturn associated with Covid-19. This assessment is carried out on a scheme by scheme basis, and the considerations differ depending on the intended purpose of each scheme. In addition, management prepare detailed valuation models by scheme to assess whether there is an impairment. These models include assumptions used such as management costs, lifecycle costs, discount rate, rental yields and assumed values. We have identified a key audit matter in relation to the risk that impairment indicators may not be identified and the risk that assumptions used may be inaccurate, and therefore work in progress or housing properties under construction may be overstated. Details of the accounting policies applied are set out in Notes 1, 11 and 15.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls relating to the identification and assessment of impairment indicators. We discussed the methodology used by the group and the association to identify impairments and assessed the reasonableness of this approach in line with the Statement of Recommended Practice for registered social housing providers ('Housing SORP') and FRS102. We evaluated management's assessment of potential impairment triggers using our experience of the group and wider sector. We engaged our valuations specialists, to challenge the assumptions used and calculations performed by management to produce the valuations used in the impairment review. We compared a sample of key information used in the impairment calculations, such as forecast costs and sales valuations, with published information sources to test the reasonableness of management's assumptions.
Key observations	Based on the work performed, we are satisfied that the carrying value of properties under construction (including work in progress) is fairly stated.

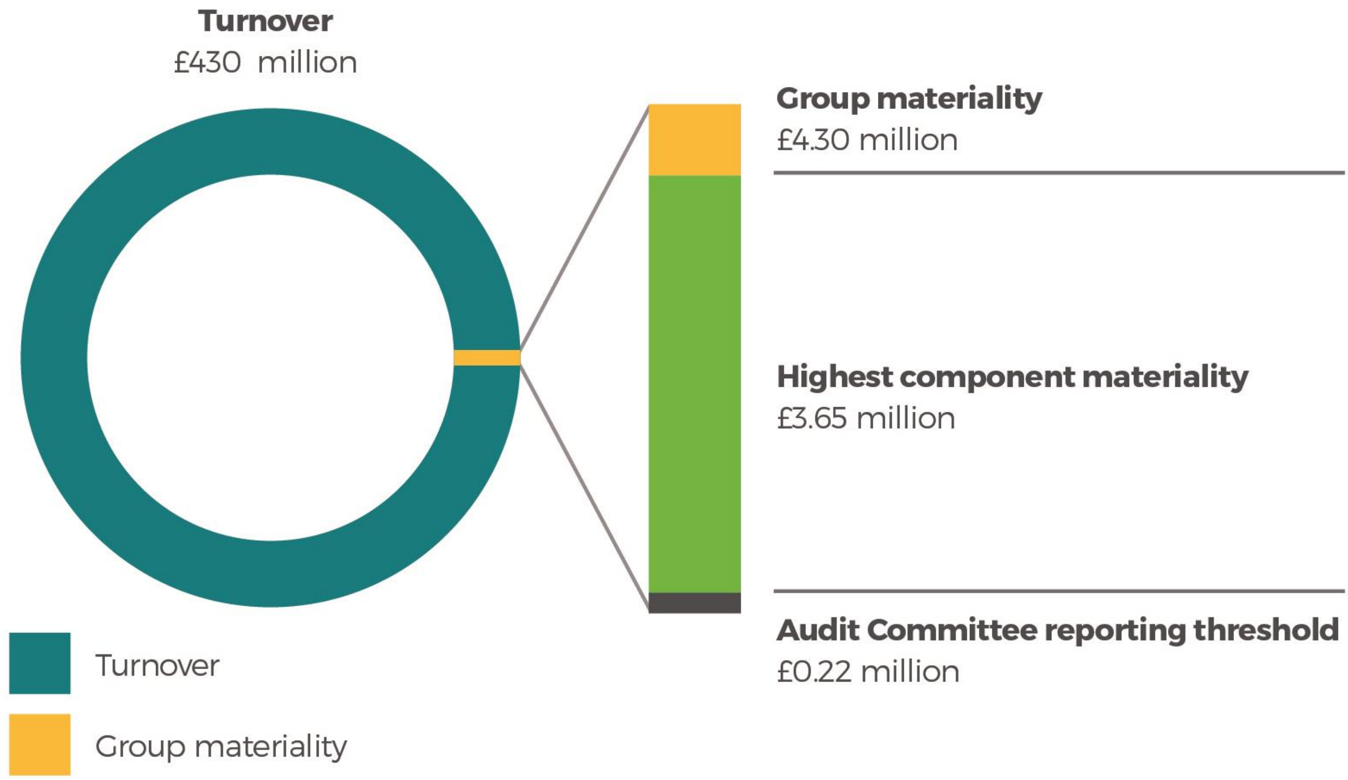
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Association financial statements
Materiality	£4.30m (2020 predecessor auditor: £4.00m)	£3.65m (2020 predecessor auditor: £3.50m)
Basis for determining materiality	Approximately 1% of turnover (2020 predecessor auditor: 1%)	
Rationale for the benchmark applied	We used turnover as the benchmark for determining materiality as we deem this reflects the underlying performance of the business and is a key metric for users of the financial statements.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Association financial statements
Performance materiality	60% of group materiality	60% of association materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our risk assessment, including our assessment of the group's overall control environment; b. this is our first year as external auditor to the group and association; c. the low number of corrected and uncorrected misstatements identified in the previous audit by the predecessor auditor; and d. the change to remote working and impact on group operations as a result of Covid-19.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.22m (2020 predecessor auditor: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risk of material misstatement at the group level. The group audit, including audit of the consolidation, the association, and the subsidiaries, is performed primarily by the group audit team.

At the group level, we also tested the consolidation process. Full scope audits were performed on the association and its subsidiaries covering 100% of the group's turnover (2020 predecessor auditor: 100%), and 100% of the group's total net assets (2020 predecessor auditor: 100%). These were performed at the individual component materiality levels and ranged from £0.03m to £3.65m. There have been no significant changes in our scoping compared to prior year.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and 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.

9. Responsibilities of the Board

As explained more fully in the statement of 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for the Chief Executive's remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including valuations, pensions and Information Technology specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of properties under construction (including work in progress) and grant income recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included the group's compliance with regulatory standards set by the Regulator of Social Housing.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment of properties under construction (including work in progress) as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities;
- for a sample of grants recorded as turnover in the year, we assessed whether the conditions attached to each grant have been met; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report in respect of the following matters if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

13. Other matters which we are required to address

13.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board in September 2020 to audit the financial statements for the year ended 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one, covering the year ended 2021.

13.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

14. Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Wright

Nicola Wright (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle upon Tyne, United Kingdom
27 August 2021

Statement of Comprehensive Income for the year ended 31 March 2021

	Notes	GROUP 2021 £000	GROUP 2020 £000	ASSOCIATION 2021 £000	ASSOCIATION 2020 £000
Turnover	2	429,893	406,096	365,096	349,339
Cost of sales	2	(93,196)	(79,364)	(56,730)	(49,282)
Operating expenditure	2	(277,271)	(261,905)	(267,067)	(248,373)
Surplus on disposal of housing properties	3	9,520	15,451	9,488	15,334
Operating surplus		68,946	80,278	50,787	67,018
Share of profit in joint ventures	14	1,108	1,528	-	-
Share of (loss) / profit in associates	14	(170)	170	-	-
Interest receivable	7	2,728	3,296	444	991
Interest payable and financing costs	8	(43,843)	(43,304)	(41,701)	(41,266)
Surplus on ordinary activities before taxation	9	28,769	41,968	9,530	26,743
Taxation	10	(2,302)	(726)	(452)	1,260
Surplus for the year		26,467	41,242	9,078	28,003
Actuarial (loss) / gain relating to pension schemes	24	(7,856)	6,456	(7,856)	6,456
Total comprehensive income for the year		18,611	47,698	1,222	34,459

All activities are continuing.

The notes on pages 40 to 81 form part of the financial statements.

The financial statements on pages 36 to 81 were approved by the Board on 29 July 2021 and were signed on its behalf by:

J Cridland, CBE
Home Group Chairman

C Vallis
Board Member

R Hall
Company Secretary

Statement of Financial Position as at 31 March 2021

	Notes	GROUP 2021 £000	GROUP 2020 £000	ASSOCIATION 2021 £000	ASSOCIATION 2020 £000
Fixed assets					
Housing properties	11	**2,539,561**	2,489,789	**2,352,151**	2,321,772
Other fixed assets	12	**9,768**	18,205	**9,768**	18,205
Intangible fixed assets	13	**18,230**	17,020	**18,230**	17,020
Investment in subsidiaries	14	-	-	**111,848**	134,796
Investment in joint ventures	14	**59,459**	69,707	-	-
Investment in associates	14	**17,140**	15,327	-	-
Other investments	14	**9,968**	10,189	**7,250**	7,566
Homebuy loans receivable		**682**	682	**682**	682
Pension asset	24	**1,358**	509	**1,358**	509
		2,656,166	2,621,428	**2,501,287**	2,500,550
Current assets					
Properties held for sale	15	**154,774**	181,207	**87,896**	116,903
Other fixed assets held for sale	12	-	5,809	-	5,809
Debtors	16	**24,385**	35,144	**34,571**	38,052
Investments	17	**236**	-	**7,202**	-
Cash and cash equivalents		**54,641**	34,640	**51,404**	31,632
		234,036	256,800	**181,073**	192,396
Creditors: amounts falling due within one year	18	**(205,786)**	(225,947)	**(185,110)**	(186,785)
Net current assets / (liabilities)		**28,250**	30,853	**(4,037)**	5,611
Total assets less current liabilities		**2,684,416**	2,652,281	**2,497,250**	2,506,161
Creditors: amount falling due after more than one year	19	**(1,966,099)**	(1,956,699)	**(1,913,626)**	(1,927,883)
Pension provision	24	**(33,855)**	(29,710)	**(33,855)**	(29,710)
Net assets		**684,462**	665,872	**549,769**	548,568
Capital and reserves					
Non-equity share capital	25	-	-	-	-
Restricted reserve		**671**	662	**671**	662
Income and expenditure reserve		**683,791**	665,210	**549,098**	547,906
Total capital and reserves		**684,462**	665,872	**549,769**	548,568

The notes on pages 40 to 81 form part of the financial statements.

The financial statements on pages 36 to 81 were approved by the Board on 29 July 2021 and were signed on its behalf by:

J Cridland, CBE
Home Group Chairman

C Vallis
Board Member

R Hall
Company Secretary

Statement of Changes in Reserves for the year ended 31 March 2021

GROUP	Income and expenditure reserve	Restricted reserve	Total reserves
	£000	£000	£000
As at 1 April 2019	617,520	626	618,146
Total comprehensive income for the year	47,698	-	47,698
Transfer to income and expenditure reserve	(8)	8	-
Movement in restricted income	-	28	28
As at 31 March 2020	665,210	662	665,872
Total comprehensive income for the year	18,611	-	18,611
Transfer from income and expenditure reserve	(30)	30	-
Movement in restricted income	-	(21)	(21)
As at 31 March 2021	**683,791**	**671**	**684,462**

ASSOCIATION	Income and expenditure reserve	Restricted reserve	Total reserves
	£000	£000	£000
As at 1 April 2019	513,455	626	514,081
Total comprehensive income for the year	34,459	-	34,459
Transfer to income and expenditure reserve	(8)	8	-
Movement in restricted income	-	28	28
As at 31 March 2020	547,906	662	548,568
Total comprehensive income for the year	1,222	-	1,222
Transfer from income and expenditure reserve	(30)	30	-
Movement in restricted income	-	(21)	(21)
As at 31 March 2021	**549,098**	**671**	**549,769**

The notes on pages 40 to 81 form part of the financial statements.

Group Cash Flow Statement for the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Net cash inflow from operating activities	26	138,343	126,428
Cash flow from investing activities			
Purchase of housing properties, other fixed assets and intangible assets		(108,843)	(171,988)
Investment in joint ventures		(5,378)	(26,261)
Repayments from joint ventures		19,018	13,905
Distributions received from joint ventures		-	183
Investment in associates		(2,707)	(2,304)
Repayments from associates		1,090	450
Additions to other investments		(183)	(530)
Disposals of other investments		404	368
Net proceeds from sale of housing properties and other fixed assets		23,105	33,315
Net proceeds from sale of other fixed assets held for sale		5,806	-
Capital grants received		27,903	65,103
Capital grants repaid		-	(54)
Interest received		78	244
Net cash outflow from investing activities		(39,707)	(87,569)
Cash flow from financing activities			
Interest paid		(42,413)	(43,227)
New secured loans		127,395	32,308
Repayment of borrowings		(163,381)	(76,886)
Withdrawal from deposits		(236)	-
Net cash inflow from financing activities		(78,635)	(87,805)
Net change in cash and cash equivalents		20,001	(48,946)
Cash and cash equivalents at the beginning of the year		34,640	83,586
Cash and cash equivalents at the end of the year		54,641	34,640

The notes on pages 40 to 81 form part of the financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with UK Accounting FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ('FRS 102'), the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Statement of Recommended Practice for registered social housing providers Update 2018 ('SORP 2018').

Compliance with the SORP 2018 requires departure from the requirements of 'FRS 102, section 19 'Business Combinations and Goodwill', in relation to negative goodwill and an explanation of the result of the departure is given in the 'Negative goodwill' policy below.

As a public benefit entity, Home Group has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

No cash flow statement has been presented for the parent (Association) because advantage has been taken of the disclosure exemption available in FRS 102.

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. The financial statements are prepared on the historical cost basis of accounting. There are no material differences between the surplus before taxation and the surplus for the current or prior year and their historical cost equivalents.

A summary of the more important Group accounting policies is set out below, together with an explanation of where they have not been applied consistently.

Going concern

As set out below the Board has a reasonable expectation that the Group and the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months after the date on which the report and financial statements are signed. For this reason, the Group and Association continue to adopt the going concern basis in the financial statements.

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report and the Report of the Board. Our reported surplus before tax of £32.4 million was in line with our updated 2020/21 budget (£32.2 million) which was approved in July 2020 and reflected the anticipated impact of the pandemic on our financial performance. At the balance sheet date the amount of cash and undrawn committed facilities available to the Group was £431.4 million.

The most significant external factor that has impacted us during 2020/21 has been the COVID-19 pandemic as detailed on page 8 and the impact this has had on our financial performance and position is detailed on page 14 in our financial review.

The above is reflected in our overall group performance for the year.

Looking forwards

As part of our 2021 budget and business planning process we have undertaken detailed forecasting covering the next five financial years, as well as a long term 30-year forecast. Both show the group, and the individual entities within it, to be growing and building on their current financial strength.

When looking at the short term, to the period 31 March 2023 we expect group liquidity to increase, so that at no time do we have less than 24 months of cash and facilities available to us. Our forecasts also show that we anticipate remaining inside the parameters of our loan covenants at all times and we do not anticipate any breaches occurring.

Stress testing

We regularly stress test our financial forecasts to understand the risks they face and the impact of them transpiring. We also model the impact of the mitigations we have identified to address these events if they occur. We continue to be mindful of the ongoing impact of the COVID-19 pandemic - we expect its impact to continue for some time both for the UK as a whole and Home Group, though the impact on Home Group is not expected to be as significant as that already experienced in the first quarter of 2020/21.

1. Principal accounting policies (continued)

The detailed stress testing our financial forecasts have been subjected to include:

- A further wave of COVID-19
- Property market crash
- Economic downturn leads to severely restricted lender credit
- Significant change in tenure mix
- Increased supplier costs
- Increase in bad debts, arrears and voids
- Rent increase limited by Government policy
- Failure of significant development or maintenance contractor
- Reduced contract income in New Models of Care (NMC)
- Regulatory downgrade resulting in increased future lending rates

We always stress test our business plan to identify what would 'break' it. This is an important step in making sure our plans are robust and the Regulator expects to see this. Two stress tests scenarios would mean our loan covenants are breached in an unmitigated scenario; a property market crash (gearing) and the perfect storm (gearing and interest cover). Our work shows that in all scenarios we can implement mitigations so that covenants are adhered to, including a reduction or pause of our development programme and the reduction of a number of operational budget lines.

Basis of consolidation

The Group Statement of Comprehensive Income (SOCI) and Statement of Financial Position (SOFP) consolidate the results and financial position of the Association and its subsidiary undertakings, joint ventures and associates. Details of the subsidiary undertakings, joint ventures and associates are included in Note 14 to the financial statements. Intra-group turnover, surpluses and balances are eliminated fully on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and on transfers of engagements represents the excess of the fair value of identifiable assets over the fair value of consideration given. Where negative goodwill arises on the acquisition of a business as a part of a commercial transaction it is classified as a negative asset and amortised over the life of the asset acquired. Where negative goodwill arises through an acquisition which is in substance a gift of a business (a non-exchange transaction) the fair value of the gifted assets and liabilities is recognised as a gain or loss in the income and expenditure reserve in the year of the transaction.

The outlined treatment is in accordance with the SORP 2018 but not in accordance with section 19 of FRS 102 which requires that negative goodwill is shown as a negative asset on the SOFP. The Board is of the opinion that the treatment required by FRS 102 would not present a true and fair view of the Group's net assets because the substance of each transaction is a transfer of a business for no consideration rather than a purchase in the conventional manner. If the negative goodwill on all previous acquisitions (primarily Warden Housing Association Ltd, Stonham Housing Association Ltd, and Cleghorn Housing Association Ltd in the 1990s) had been treated as a negative asset as required by FRS 102 then the Group's net assets would have been reduced by £91.3 million (2020: £91.8 million).

Turnover

Rental income is recognised on a straight line basis, in accordance with the terms of the tenancy agreement, on an accrual basis. Revenue arising from the sale of property is recognised on legal completion. Revenue from contracts for support services is recognised in line with the contractual terms when the services are rendered. Revenue from shared ownership sales is recognised on the legal completion of the first tranche disposal. Revenue from government grants is recognised in line with the accounting policy set out on page 42.

Charges for support services

Income in respect of contracts for support services received is accounted for as charges for support services in the turnover in Note 2 to the financial statements. The related costs are matched against this income.

1. Principal accounting policies (continued)

Housing properties

Housing properties are stated at cost less accumulated depreciation and impairment. Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed. The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development, finance and legal colleagues, and surveyors arising directly from the construction or acquisition of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the period.

Housing properties are split under component accounting between their land, structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such components is capitalised and depreciated on a straight line basis over the estimated useful economic life of components as follows:

Component	Estimated useful economic life (years)
Property structure	100
Roof	40 - 55
Insulated render	35
Central heating	30
Windows	30
Bathroom	25 - 30
Electrical	25 - 30
Solar panels	25
Doors	20 - 25
Kitchen	15 - 20
Boiler	15
External boundaries	15
Lift	15
Land	Not depreciated

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected useful economic lives of the assets.

Asset type	Estimated useful economic life (years)
Freehold offices and long leasehold offices	40 or over the life of the lease
Improvements to short leasehold properties	Over the life of the lease
Plant, machinery and fixtures	4 – 8
Motor vehicles	4
Computer equipment	3 – 5
Leased equipment	Over the life of the lease

Intangible assets – software

Intangible assets that are acquired are stated at cost less accumulated amortisation and less accumulated impairment losses. The useful life of software is seven years.

Government grants

Government grants include grants receivable from Homes England, Greater London Authority, the Scottish Housing Regulator, local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due/received in advance from government organisations are included as current assets/liabilities.

1. Principal accounting policies (continued)

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

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is included in current liabilities.

Impairment

Reviews for indicators of impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the SOCI. An impairment is recognised where the carrying amount of an income generating unit exceeds its recoverable amount being the higher of its fair value less costs to sell and its value in use, or where there is a material change to a development programme or scheme, for example when there is a change in the planned use of the properties or a change in the way the properties are to be managed, or a material increase in development costs as a result of contamination, change in government policy, or a change in demand for a property that is considered irreversible.

Disposals of housing properties

Where properties built for sale are disposed of during the year the disposal proceeds are included in turnover and the attributable costs included in cost of sales. Where properties previously rented out to customers are disposed of, the surplus on disposal is included surplus on disposal of housing properties.

Where a component is replaced or restored, the old component is written off to the SOCI, to avoid double counting, and the new component is capitalised. Charges arising from the early replacement of a component are reflected as part of the overall depreciation charge.

Social Housing Grant (SHG) relating to a disposed property is either recycled or repaid. This includes previously amortised grant.

Properties for sale

Completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sale proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the element retained and held in liabilities. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties, as noted above.

Improvements to properties

Expenditure on housing properties which is capable of generating increased future rents, or extends their useful lives, or significantly reduces future maintenance costs, is capitalised.

Subsidiaries

The consolidated financial statements include the financial statements of the Association and its subsidiary undertakings made up to 31 March 2021. A subsidiary is an entity that is controlled by the parent (the Association). The results of subsidiary undertakings are included in the consolidated SOCI from the date that control commences until the date that control ceases. Control is established when the Association has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

1. Principal accounting policies (continued)

Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control. Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after the date of acquisition. If the Group's share of losses exceeds the carrying amount of its investment, the Group discontinues recognising its share of further losses. Additional losses are recognised as a provision only to the extent that the Group has a legal or constructive obligation to make payments on behalf of the joint venture or associates. The Group only resumes recognising its share of profits after they equal the share of losses not recognised. Loans to joint ventures and associates are included in fixed asset investments as they are intended to be held on a long term basis.

Other investments

Other fixed asset and current asset investments are stated at market value.

Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are not subject to a significant risk of changes in value.

Index-linked loans

Index-linked loans are shown at the amount borrowed net of any principal repayments plus indexation less issue costs. Indexation represents the amount of uplift of the borrowing by reference to movements in the retail prices index and is charged to the SOCI annually.

Loan issue costs

Issue costs of long term loan finance are deducted from the proceeds of the loan and accordingly reduce the amount at which the loan is initially recorded and are charged to the SOCI at a constant rate on the carrying amount over the term of the loan. Redemption costs are charged when incurred.

Leaseholders' building funds

Charges which are made to leaseholders for future major repairs are held in designated interest-bearing bank accounts with a corresponding creditor disclosed on the SOFP under creditors due within one year.

Supported housing managed by agencies

Social Housing Grant and revenue grant claimed by the Group as owner of its supported housing schemes and the related expenditure are included in the SOFP and SOCI of the Group. The treatment of other income and expenditure in respect of these schemes depends on whether the Group carries the financial risk. Where the Group carries the financial risk, all the scheme's income and expenditure is included in the SOCI within Note 2 to the financial statements. Where an agency carries the financial risk, the SOCI includes only that income and expenditure which relates solely to the Group. Other income and expenditure of schemes in this category is excluded from the SOCI.

Pension costs

The Group operates three main defined benefit pension schemes. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which they arise. The operating costs, finance costs and expected return on assets, and any other changes in the fair value of assets and liabilities are recognised in the SOCI.

In addition to the three defined benefit schemes above, the Group contributes to an NHS pension scheme for one employee. This is a multi-employer defined benefit scheme where it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers. This pension scheme is accounted for as a defined contribution scheme in line with SORP 2018 and FRS 102, with agreed deficit contributions being recognised as a liability in the SOFP. The Group also operates its own defined contribution scheme. The contributions paid into this scheme are charged to the SOCI as incurred.

1. Principal accounting policies (continued)

Taxation

The tax expense for the period comprises current and deferred tax. Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date.

Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Value Added Tax (VAT)

The Group is partially exempt from VAT. A small proportion of VAT is reclaimed but because of the small amounts involved, expenditure is shown gross and the VAT recovered is included in sundry income.

Homebuy

The Group operated this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG). On redemption:
- The SHG is recycled,
- The SHG is written off, if a loss occurs,
- The Group keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated Homebuy grant from Homes England is recognised as deferred income until the loan is redeemed.

Holiday pay accrual

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

Financial instruments

All financial instruments meet the criteria of a basic financial instrument as defined in section 11 of FRS 102 and are accounted for under the amortised historic cost model.

Restricted reserves

Services within Home Group's care and supported services are empowered to raise funds at a local level for the future benefit of that service. Funds collected and relevant expenditure incurred are recorded in the SOCI in the period with net movement transferred between the income and expenditure reserve and the restricted reserve at the end of each year.

1. Principal accounting policies (continued)

Significant estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out below.

Significant management judgements

Carrying value of housing properties and stock

Judgement is exercised in determining the carrying value of housing properties and properties held for sale in line with the accounting policies set out on page 42 and 43.

The Group has conducted a review of the financial performance and future prospects of its full portfolio of existing rented housing properties to assess whether there has been a trigger event for an impairment review. Indicators of impairment used as part of the review were: a fall in market values, a significant change in our operating environment, change in market interest rates, evidence of obsolescence in our stock, a change in how we use our stock, or a deterioration in asset performance. Specifically we have considered whether properties are planned to be sold, demolished or earmarked for regeneration, whether they require major works or whether they have been void for an extended period of time. Impairment charges identified and included in the SOCI are set out in Notes 9 and 11 of the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below. The estimates used relate to the current year and are not expected to impact the next financial year: they will be re-evaluated at the next reporting date.

Impairment testing

Where indicators of impairment have been identified we have tested the carrying values of both our housing properties and our development work in progress. In doing so we make a number of estimates. For the purpose of our review we consider each individual completed home and each development scheme an individual cash generating unit (CGU).

When considering housing properties we compare our carrying values against the sector standard valuation of Existing Use Value for Social Housing (EUV-SH). This is the value at which we would expect to transfer properties to another registered provider. Where the carrying value of identified properties is higher than EUV-SH, the properties have been impaired by the difference and the cost has been taken to the SOCI. It is a standard valuation method and as such is not considered to cause significant uncertainty.

For housing properties under construction – i.e. those affordable homes we're building to retain, we calculate whether the scheme's carrying value is higher than its recoverable amount and impair it if it is. This takes into account costs incurred to date and forecast future cash flows including those generated from rental income.

For properties held for sale, a scheme under development is impaired if its carrying value is higher than its selling price less costs to sell and complete. We calculate selling price less costs to sell for each scheme by taking into account costs incurred to date, estimated costs to complete, future grant receipts and any anticipated sales proceeds from property developed for sale.

Where carrying value exceeds selling price less costs to sell an impairment provision is created and the cost is taken to the SOCI. Management is required to estimate the outcome of a development and therefore in assessing whether, and to what extent, impairment provisions are required. The two key estimations are future costs and sales values.

As part of our development appraisal process we subject these estimations to sensitivity analysis, and have summarised the impact below:

Uncertainty	Impact
Future costs	For our active developments we have considered a number of cost increase scenarios. A 3% increase in costs across all active sites would lead to a £0.9m impairment; a 5% increase would mean a £1.9m impairment; and a 10% increase a £5.8m impairment. The majority of our contracts, however, are fixed price and we would not expect (and have not experienced) significant deviations from agreed terms.
Sales values	In the event of a significant property market event we have considered the impact of a 15% reduction in sales prices. In this scenario we would expect to record an impairment of approximately £11.8m.

1. Principal accounting policies (continued)

The carrying value of housing property and stock has been considered in the context of COVID-19. For housing properties the pandemic may be considered a trigger for existing impairment indicators and we have revaluated our assessment and concluded that no new triggers have been activated. In relation to stock, we have continued to work closely with our contractors and are not aware of any significant COVID-19 cost increases likely to be borne. Further, although our sales activity had initially been suppressed at the beginning of the pandemic we have experienced significant demand since June 2020 and no reduction in the value of properties that we have sold.

Defined benefit pension liabilities

The cost of defined benefit pension scheme benefits and the liability for benefits at the balance sheet date are determined using actuarial valuations. The actuarial valuation is based upon assumptions including discount rates, inflation, future salary increases and future pension increases. The valuation also reflects assumptions about future mortality rates. Variation in these assumptions may significantly impact the cost of defined benefit pension scheme benefits and the liability for benefit accrued at the balance sheet date. The overall net liability across all defined benefit pension schemes as at 31 March 2021 was £32.5 million. Key areas of estimation uncertainty are the discount rate applied in the calculations, the inflation rate used, and the average life expectancy. These are considered below:

Uncertainty	Impact
Discount rate	A 0.25% change in the discount rate would change defined benefit scheme obligations by around 4% (£12.5 million)
Inflation rate	A 0.25% change in inflation linked assumptions would change the obligation by around 5% (£14.3 million)
Life expectancy	An increase in average life expectancy by one year would increase liabilities by 4-5% (£12.4-£14.1 million)

Investment in joint ventures and associates

For loans to joint ventures and associates, the Group has reviewed future projections for joint ventures to assess the likely recoverability of loans at the balance sheet date.

2a. Turnover, cost of sales, operating expenditure and operating surplus / (deficit)

GROUP – YEAR ENDED 31 MARCH 2021	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus / (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	280,382	-	(219,484)	**60,898**
Other social housing activities					
Charges for support services		24,204	-	(21,956)	**2,248**
Shared ownership first tranche sales		26,527	(21,895)	(2,392)	**2,240**
Community investment		142	-	(1,654)	**(1,512)**
Development and marketing		-	-	(9,778)	**(9,778)**
Surplus on sale of social housing properties	3	-	-	-	**9,516**
Impairment of properties held for sale		-	-	(210)	**(210)**
Impairment of other fixed assets		-	-	(2,394)	**(2,394)**
Housing partnership		5,948	-	(4,228)	**1,720**
Other social housing		2,320	-	(2,276)	**44**
		59,141	(21,895)	(44,888)	**1,874**
Non-social housing activities					
Lettings – mid-market renting		3,772	-	(2,416)	**1,356**
Properties developed for outright sale		82,338	(71,301)	(5,053)	**5,984**
Impairment of properties held for sale		-	-	(225)	**(225)**
Surplus on sale of non-social housing properties	3	-	-	-	**4**
Other non-social housing		4,260	-	(5,205)	**(945)**
		90,370	(71,301)	(12,899)	**6,174**
Total		**429,893**	**(93,196)**	**(277,271)**	**68,946**

GROUP – YEAR ENDED 31 MARCH 2020	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus / (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	273,617	-	(209,041)	**64,576**
Other social housing activities					
Charges for support services		21,644	-	(19,874)	**1,770**
Shared ownership first tranche sales		46,000	(39,128)	(5,211)	**1,661**
Community investment		194	-	(1,720)	**(1,526)**
Development and marketing		56	(12)	(11,214)	**(11,170)**
Surplus on sale of social housing properties	3	-	-	-	**8,343**
Impairment of properties held for sale		-	-	(448)	**(448)**
Housing partnership		5,110	-	(2,168)	**2,942**
Other social housing		2,189		(3,363)	**(1,174)**
		75,193	(39,140)	(43,998)	**398**
Non-social housing activities					
Lettings – mid-market renting		3,725	-	(1,715)	**2,010**
Properties developed for outright sale		49,677	(40,224)	(2,796)	**6,657**
Surplus on sale of non-social housing properties	3	-	-	-	**7,108**
Other non-social housing		3,884	-	(4,355)	**(471)**
		57,286	(40,224)	(8,866)	**15,304**
Total		**406,096**	**(79,364)**	**(261,905)**	**80,278**

There are no individually material amounts in Other.

2a. Turnover, cost of sales, operating expenditure and operating surplus / (deficit) (continued)

ASSOCIATION – YEAR ENDED 31 MARCH 2021	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus / (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	262,516	-	(207,710)	**54,806**
Other social housing activities					
Charges for support services		24,204	-	(21,956)	**2,248**
Shared ownership first tranche sales		26,527	(21,896)	(2,391)	**2,240**
Community investment		142	-	(1,587)	**(1,445)**
Development and marketing		-	-	(9,387)	**(9,387)**
Surplus on sale of social housing properties	3	-	-	-	**9,484**
Impairment of properties held for sale		-	-	(210)	**(210)**
Impairment of other fixed assets		-	-	(2,394)	**(2,394)**
Housing partnership		5,948	-	(4,228)	**1,720**
Other social housing		2,967	-	(2,276)	**691**
		59,788	(21,896)	(44,429)	**2,947**
Non-social housing activities					
Lettings – mid-market renting		511	-	(424)	**87**
Properties developed for outright sale		36,856	(34,834)	(3,323)	**(1,301)**
Impairment of properties held for sale		-	-	(225)	**(225)**
Impairment of investment		-	-	(5,853)	**(5,853)**
Surplus on sale of non-social housing properties	3	-	-	-	**4**
Other non-social housing		5,425	-	(5,103)	**322**
		42,792	(34,834)	(14,928)	**(6,966)**
Total		**365,096**	**(56,730)**	**(267,067)**	**50,787**

ASSOCIATION – YEAR ENDED 31 MARCH 2020	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus / (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	257,067	-	(199,634)	**57,433**
Other social housing activities					
Charges for support services		21,416	-	(19,873)	**1,543**
Shared ownership first tranche sales		43,768	(36,897)	(5,211)	**1,660**
Community investment		194	-	(1,627)	**(1,433)**
Development and marketing		-	-	(9,840)	**(9,840)**
Surplus on sale of social housing properties	3	-	-	-	**8,226**
Impairment of properties held for sale		-	-	(414)	**(414)**
Housing partnership		5,110	-	(2,168)	**2,942**
Other social housing		2,960	-	(3,359)	**(399)**
		73,448	(36,897)	(42,492)	**2,285**
Non-social housing activities					
Lettings – mid-market renting		507	-	(312)	**195**
Properties developed for outright sale		14,015	(12,385)	(1,668)	**(38)**
Surplus on sale of non-social housing properties	3	-	-	-	**7,108**
Other non-social housing		4,302	-	(4,267)	**35**
		18,824	(12,385)	(6,247)	**7,300**
Total		**349,339**	**(49,282)**	**(248,373)**	**67,018**

There are no individually material amounts in Other.

2b. Income and expenditure from social housing lettings

GROUP	Housing accommodation	Supported housing and housing for older people	Shared ownership	**2021 Total**	2020 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	204,803	15,570	9,440	**229,813**	223,007
Service charges income	8,289	23,675	1,006	**32,970**	32,409
Net rents receivable	213,092	39,245	10,446	**262,783**	255,416
Amortised government grants	6,823	1,480	732	**9,035**	8,355
Revenue from local authorities and other agencies	270	8,294	-	**8,564**	9,846
Total income from social housing lettings	220,185	49,019	11,178	**280,382**	273,617
Expenditure					
Service charge costs	8,488	20,005	1,111	**29,604**	30,920
Management	48,990	14,621	2,711	**66,322**	59,399
Routine maintenance	43,534	2,829	63	**46,426**	43,060
Planned maintenance	17,069	826	65	**17,960**	17,292
Major repairs expenditure	3,721	45	9	**3,775**	6,488
Rent losses from bad debts	2,061	570	(28)	**2,603**	4,236
Property lease charges	711	1,836	12	**2,559**	2,621
Depreciation of housing properties	38,855	2,810	2,194	**43,859**	39,920
Impairment of housing properties	4,467	(29)	632	**5,070**	3,188
Other costs	988	309	9	**1,306**	1,917
Total expenditure on social housing lettings	168,884	43,822	6,778	**219,484**	209,041
Operating surplus on social housing letting activities	51,301	5,197	4,400	**60,898**	64,576
Rent losses from voids	3,994	4,151	13	**8,158**	7,697

2b. Income and expenditure from social housing lettings (continued)

ASSOCIATION	Housing accommodation	Supported housing and housing for older people	Shared ownership	**2021 Total**	2020 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	187,068	15,536	9,366	**211,970**	206,036
Service charges income	7,447	23,664	1,006	**32,117**	31,593
Net rents receivable	194,515	39,200	10,372	**244,087**	237,629
Amortised government grants	7,926	1,480	725	**10,131**	9,593
Revenue from local authorities and other agencies	4	8,294	-	**8,298**	9,845
Total income from social housing lettings	202,445	48,974	11,097	**262,516**	257,067
Expenditure					
Service charge costs	7,691	19,993	1,107	**28,791**	30,056
Management	47,429	14,619	2,704	**64,752**	57,970
Routine maintenance	40,608	2,824	63	**43,495**	40,192
Planned maintenance	15,285	825	65	**16,175**	15,970
Major repairs expenditure	2,488	43	9	**2,540**	6,317
Rent losses from bad debts	1,880	570	(28)	**2,422**	3,862
Property lease charges	656	1,817	12	**2,485**	2,559
Depreciation of housing properties	35,858	2,810	2,187	**40,855**	37,999
Impairment of housing properties	4,308	(29)	632	**4,911**	2,820
Other costs	967	308	9	**1,284**	1,889
Total expenditure on social housing lettings	157,170	43,780	6,760	**207,710**	199,634
Operating surplus on social housing letting activities	45,275	5,194	4,337	**54,806**	57,433
Rent losses from voids	35,655	2,810	2,187	**40,652**	7,551

3. Surplus on disposal of properties

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Social housing properties				
Sales proceeds	**23,201**	17,321	**23,146**	16,917
Cost of sales	**(5,511)**	(4,030)	**(5,488)**	(3,743)
Capital grant recycled	**(8,174)**	(4,948)	**(8,174)**	(4,948)
	9,516	8,343	**9,484**	8,226
Non-social properties				
Sales proceeds	**5,805**	15,999	**5,805**	15,999
Cost of sales	**(5,801)**	(8,891)	**(5,801)**	(8,891)
	4	7,108	**4**	7,108
Total	**9,520**	15,451	**9,488**	15,334

4. Housing stock

GROUP	At 1 April 2020	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2021
General needs – social					
Owned and managed	34,519	145	(164)	(7)	34,493
Owned but not managed	16	-	(16)	-	-
Managed but not owned	37	-	(7)	-	30
General needs – affordable					
Owned and managed	7,083	142	(17)	(58)	7,150
Total general needs units	**41,655**	**287**	**(204)**	**(65)**	**41,673**
Housing for older people – social					
Owned and managed	1,576	-	-	5	1,581
Housing for older people – affordable					
Owned and managed	7	-	-	(4)	3
Total housing for older people units	**1,583**	**-**	**-**	**1**	**1,584**
Supported housing – social					
Owned and managed	3,371	84	(211)	58	3,302
Owned but not managed	723	-	(82)	(1)	640
Managed but not owned	180	-	(10)	-	170
Supported housing – affordable					
Owned and managed	28	-	-	16	44
Total supported housing units	**4,302**	**84**	**(303)**	**73**	**4,156**
Low cost home ownership					
Owned and managed	2,841	158	(33)	(126)	2,840
Managed but not owned	43	-	-	-	43
Total low cost home ownership units	**2,884**	**158**	**(33)**	**(126)**	**2,883**
Care homes – bed spaces					
Owned and managed	155	-	-	-	155
Owned but not managed	94	-	-	1	95
Managed but not owned	5	-	-	-	5
Total care home units	**254**	**-**	**-**	**1**	**255**
Total social housing					
Owned and managed	49,580	529	(425)	(116)	49,568
Owned but not managed	833	-	(98)	-	735
Managed but not owned	265	-	(17)	-	248
Total social housing	**50,678**	**529**	**(540)**	**(116)**	**50,551**
Leasehold units	3,893	201	(74)	332	4,352
Market and mid-market rent units	489	-	(1)	1	489
Total non-social housing	**4,382**	**201**	**(75)**	**333**	**4,841**
Total social and non-social housing	**55,060**	**730**	**(615)**	**217**	**55,392**

4. Housing stock (continued)

ASSOCIATION	At 1 April 2020	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2021
General needs – social					
Owned and managed	30,644	106	(163)	(7)	30,580
Owned but not managed	16	-	(16)	-	-
Managed but not owned	25	-	(7)	-	18
General needs – affordable					
Owned and managed	7,083	142	(17)	(58)	7,150
Total general needs units	**37,768**	**248**	**(203)**	**(65)**	**37,748**
Housing for older people – social					
Owned and managed	1,576	-	-	5	1,581
Housing for older people – affordable					
Owned and managed	7	-	-	(4)	3
Total housing for older people units	**1,583**	-	-	**1**	**1,584**
Supported housing – social					
Owned and managed	3,371	84	(211)	58	3,302
Owned but not managed	723	-	(82)	(1)	640
Managed but not owned	180	-	(10)	-	170
Supported housing – affordable					
Owned and managed	28	-	-	16	44
Total supported housing units	**4,302**	**84**	**(303)**	**73**	**4,156**
Low cost home ownership					
Owned and managed	2,839	158	(33)	(126)	2,838
Managed but not owned	2	-	-	-	2
Total low cost home ownership units	**2,841**	**158**	**(33)**	**(126)**	**2,840**
Care homes – bed spaces					
Owned and managed	155	-	-	-	155
Owned but not managed	94	-	-	1	95
Managed but not owned	5	-	-	-	5
Total care home units	**254**	-	-	-	**255**
Total social housing					
Owned and managed	45,703	490	(424)	(116)	45,653
Owned but not managed	835	-	(98)	-	737
Managed but not owned	210	-	(17)	-	193
Total social housing	**46,748**	**490**	**(539)**	**(116)**	**46,583**
Leasehold units	3,893	201	(74)	332	4,352
Market and mid-market rent units	169	-	(1)	-	168
Total non-social housing	**4,062**	**201**	**(75)**	**332**	**4,520**
Total social and non-social housing	**50,756**	**691**	**(614)**	**216**	**51,103**

5. Emoluments of the Board, directors and senior colleagues

Analysis of non-executive Board members' emoluments

	2021 £000	2020 £000
C E R Bassett (until 18 July 2019)	-	3
R Bradley	12	12
J Cridland	23	23
L Cullen (appointed 2 June 2020)	9	-
K Gillespie	12	11
M Madden	12	12
B Mehta	12	12
L A Morphy	12	12
N W Salisbury	16	16
B Walsh (appointed 9 September 2019)	3	2
	111	103

During the year there were no benefits, other than wages and salaries, payable to non-executive board members.

Analysis of directors' emoluments (key management personnel)

The following disclosure relates to colleagues who are key management personnel as defined in the Accounting Direction for Private Registered Providers of Social Housing 2019. This consists of the executive directors.

	2021 £000	2020 £000
Emoluments paid to the directors:		
Emoluments (including pension contributions and benefits in kind)	1,236	1,179
Highest paid director:		
Emoluments (excluding pension contributions)	246	246

	Remuneration £000	Benefits £000	Pension contributions £000	2021 Total £000	2020 Total £000
R M Byrne	185	5	17	207	207
J Cook (from 1 July 2019)	169	9	15	193	141
M Forrest	181	7	12	200	199
B A Ham (until 30 June 2019)	-	-	-	-	44
M G Henderson	238	8	15	261	261
J Hudson	192	9	14	215	215
N Hussain (from 22 July 2019)	146	5	9	160	112
Total	1,111	43	82	1,236	1,179

Remuneration represents payments receivable for employment in the period and includes salary and an estimate of performance related bonus, which will be considered after the financial statements are signed.

The members of the Executive, who were in post at the year end, excluding the Chief Executive, are ordinary members of the defined contribution section of the Home Group pension scheme. No enhanced or special terms apply. From 1 April 2016 the Chief Executive received a monthly payment in lieu of the pension contributions to which he would otherwise be entitled as an ordinary member of the scheme. This is disclosed within the pension contributions above.

5. Emoluments of the Board, directors and senior colleagues (continued)

The full time equivalent number of colleagues (including directors) whose remuneration payable in the year (including compensation for loss of office, performance-related bonus, expense allowances and pension contributions) fell above £60,000 was:

	2021 Number	2020 Number
£60,000 - £70,000	46	49
£70,001 - £80,000	23	29
£80,001 - £90,000	22	21
£90,001 - £100,000	8	10
£100,001 - £110,000	6	8
£110,001 - £120,000	7	8
£120,001 - £130,000	1	2
£130,001 - £140,000	2	1
£140,001 - £150,000	1	2
£160,001 - £170,000	1	-
£190,001 - £200,000	2	1
£200,001 - £210,000	1	1
£210,001 - £220,000	1	1
£260,001 - £270,000	1	1

6. Employee information

The average number of persons (including directors) employed during the year (expressed as full time equivalents based on 35-37.5 hours) was:

	GROUP		ASSOCIATION	
	2021 Number	2020 Number	2021 Number	2020 Number
Office colleagues	1,535	1,447	1,485	1,395
Wardens, caretakers, care workers and cleaners	1,029	973	1,029	973
Maintenance	23	16	23	16
	2,587	2,436	2,537	2,384

	GROUP		ASSOCIATION	
	2021	2020	2021	2020
Employee costs (for the above persons):	£000	£000	£000	£000
Wages and salaries	77,761	70,355	75,928	68,573
Social security costs	7,115	6,758	6,927	6,570
Other pension costs	3,811	4,450	3,687	4,338
	88,687	81,563	86,542	79,481

The reduction in “other pension costs” is due to the release of a historical provision (£833,000).

In addition to the employee costs above, there were £4,721,000 (2020: 4,997,000) in Group, and £4,684,000 (2020: £4,955,000) in Association for temporary staff employed through an agency.

7. Interest receivable

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Interest receivable from other Group companies	**-**	-	**369**	754
Interest receivable from bank and building society deposits	**62**	165	**59**	158
Other interest receivable	**2,666**	3,131	**16**	79
	2,728	3,296	**444**	991

8. Interest payable and financing costs

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Interest payable to other Group companies	**-**	-	**-**	1
Interest payable on bank loans and overdrafts	**13,196**	15,600	**12,268**	14,562
Interest payable on other loans	**34,697**	33,044	**33,431**	31,776
Other financing costs on defined benefit pension schemes	**666**	893	**666**	893
	48,559	49,537	**46,365**	47,232
Less: Interest capitalised on housing property development	**(4,716)**	(6,233)	**(4,664)**	(5,966)
	43,843	43,304	**41,701**	41,266
Average rate applicable to capitalised interest	**2.7%**	2.6%	**2.7%**	2.6%

Included within interest payable and financing costs are amounts for indexation and deferred interest totalling £4,809,894 (2020: £5,595,738).

9. Surplus on ordinary activities before taxation

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Surplus on ordinary activities before taxation is stated after charging / (crediting):				
Depreciation:				
- Housing properties	**45,655**	40,176	**42,006**	38,024
- Other fixed assets	**6,933**	4,467	**6,933**	4,466
Amortisation of intangible assets	**2,145**	5,127	**2,145**	5,127
Impairment:				
- Housing properties	**5,070**	3,179	**4,911**	2,812
- Other fixed assets	**2,394**	1,753	**2,394**	1,753
- Fixed asset investment	**-**	-	**5,853**	-
- Properties held for sale	**435**	448	**435**	414
Grant amortisation	**(9,600)**	(8,953)	**(10,581)**	(10,062)
External auditor's remuneration for audit services	**219**	180	**167**	129
External auditor's remuneration for other assurance services:	**45**	46	**45**	46
Operating lease rentals	**3,839**	4,371	**3,696**	4,285

The fixed asset investment impairment (£5,853,000) relates to the write down of Home Group's investment in its subsidiary, Live Smart @ Home, to the value of its net assets.

10. Taxation

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Current tax				
UK corporation tax	**2,324**	1,817	**426**	2
Adjustments in respect of prior years' UK corporation tax	**33**	(1,091)	**26**	(1,262)
Total current tax	**2,357**	726	**452**	(1,260)
Deferred tax				
Current period	**(55)**	-	-	-
Prior year adjustment	-	-	-	-
Total deferred tax	**(55)**	-	-	-
Tax on surplus on ordinary activities	**2,302**	726	**452**	(1,260)

The Group and Association's current tax charges for the period are lower (2020: lower) than the standard rate of corporation tax in the UK (19%). The differences are explained below:

Total tax reconciliation	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Surplus on ordinary activities before taxation	**28,769**	41,968	**9,530**	26,743
Current UK Corporation tax on above at 19% (2020: 19%)	**5,466**	7,974	**1,811**	5,081
Effects of:				
Expenses not deductible for tax purposes	**3**	6	-	-
Consolidation adjustment not deductible	**(912)**	231	-	-
Surplus exempt from tax due to charitable exemptions	**(2,287)**	(6,394)	**(1,385)**	(5,079)
Unrecognised deferred tax movement	**(1)**	1	-	-
Adjustments to tax charge in respect of previous periods	**33**	(1,091)	**26**	(1,262)
Other temporary differences	-	(1)	-	-
Total tax charge	**2,302**	726	**452**	(1,260)

The UK corporation tax of 19% corporation tax rate was substantively enacted on 17 March 2020. The Finance Bill 2021 announced the UK corporation tax rate will increase to 25% from 1 April 2023, but this was substantively enacted on 10 June 2021, and after the financial year end, so the deferred tax asset continues to be recognised at 19%.

11. Housing properties

GROUP

	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership housing properties under construction £000	Total £000
Cost					
At 1 April 2020	2,531,025	161,696	238,573	43,963	2,975,257
Additions	-	64,569	-	27,579	92,148
Capitalised interest	-	2,234	-	1,010	3,244
Capitalised works	16,234	-	-	-	16,234
Transfer to completed schemes	91,586	(91,586)	24,821	(24,821)	-
Disposals	(11.354)	-	(4,056)	-	(15,410)
At 31 March 2021	**2,627,491**	**136,913**	**259,338**	**47,731**	**3,071,473**
Depreciation					
At 1 April 2020	471,588	3,587	8,986	1,307	485,468
Charge for year	43,252	-	2,403	-	45,655
Impairment	3,207	976	340	547	5,070
Eliminated in respect of disposals	(3,411)	-	(260)	-	(3,671)
Transfer of impairment relating to current assets	(84)	(526)	-	-	(610)
At 31 March 2021	**514,552**	**4,037**	**11,469**	**1,854**	**531,912**
Net book value at 31 March 2021	**2,112,939**	**132,876**	**247,869**	**45,877**	**2,539,561**
Net book value at 31 March 2020	2,059,437	158,109	229,587	42,656	2,489,789

Total accumulated impairment at 31 March 2021 is £15,497,763 (2020: £11,790,757).

	2021 £000	2020 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,212,702**	2,146,904
Long leaseholds	**143,636**	137,715
Short leaseholds	**4,471**	4,405
	2,360,808	2,289,024
Works to existing properties in the year:		
Components capitalised	**16,234**	22,838
Amounts charged to expenditure in respect of major and planned repairs	**21,735**	23,780
	37,969	46,618

11. Housing properties (continued)

ASSOCIATION

	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership housing properties under construction £000	Total £000
Cost					
At 1 April 2020	2,390,368	122,952	239,133	44,351	2,796,804
Additions	-	49,831	-	19,647	69,478
Capitalised interest	-	2,182	-	1,010	3,192
Capitalised works	15,732	-	-	-	15,732
Transfer to completed schemes	62,222	(62,222)	24,775	(24,775)	-
Disposals	(11,331)	-	(4,056)	-	(15,387)
At 31 March 2021	**2,456,991**	**112,743**	**259,852**	**40,233**	**2,869,819**
Depreciation					
At 1 April 2020	461,643	3,253	8,880	1,256	475,032
Charge for year	39,620	-	2,386	-	42,006
Impairment	3,048	1,231	340	292	4,911
Eliminated in respect of disposals	(3,411)	-	(260)	-	(3,671)
Transfer of impairment relating to current assets	(84)	(526)	-	-	(610)
At 31 March 2021	**500,816**	**3,958**	**11,346**	**1,548**	**517,668**
Net book value at 31 March 2021	**1,956,175**	**108,785**	**248,506**	**38,685**	**2,352,151**
Net book value at 31 March 2020	1,928,725	119,699	230,253	43,095	2,321,772

Total accumulated impairment at 31 March 2021 is £14,763,477 (2020: £11,215,265).

	2021 £000	2020 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,051,162**	2,011,361
Long leaseholds	**149,049**	143,212
Short leaseholds	**4,471**	4,405
	2,204,682	2,158,978
Works to existing properties in the year:		
Components capitalised	**15,732**	21,267
Amounts charged to expenditure in respect of major and planned repairs	**18,715**	22,287
	34,447	43,554

12. Other fixed assets

	Freehold and long leasehold office accommodation £000	Improvements to short leasehold office accommodation £000	Plant, machinery, fixtures and vehicles £000	Computer equipment and leased equipment £000	Total £000
GROUP					
Cost					
At 1 April 2020	13,017	4,936	2,432	56,194	76,579
Additions	86	177	-	998	1,261
Disposals	-	(1,581)	(85)	-	(1,666)
At 31 March 2021	**13,103**	**3,532**	**2,347**	**57,192**	**76,174**
Depreciation					
At 1 April 2020	5,945	3,094	1,384	47,951	58,374
Charge for year	422	702	240	5,569	6,933
Impairment	2,394	-	-	-	2,394
Eliminated in respect of disposals	-	(1,252)	(43)	-	(1,295)
At 31 March 2021	**8,761**	**2,544**	**1,581**	**53,520**	**66,406**
Net book value at 31 March 2021	**4,342**	**988**	**766**	**3,672**	**9,768**
Net book value at 31 March 2020	7,072	1,842	1,048	8,243	18,205
ASSOCIATION					
Cost					
At 1 April 2020	13,017	4,936	2,345	56,192	76,490
Additions	86	177	0	998	1,261
Disposals	0	(1,581)	(85)	0	(1,666)
At 31 March 2021	**13,103**	**3,532**	**2,260**	**57,190**	**76,085**
Depreciation					
At 1 April 2020	5,945	3,094	1,297	47,949	58,285
Charge for year	422	702	240	5,569	6,933
Impairment	2,394				2,394
Eliminated in respect of disposals	0	(1,252)	(43)		(1,295)
At 31 March 2021	**8,761**	**2,544**	**1,494**	**53,518**	**66,317**
Net book value at 31 March 2021	**4,342**	**988**	**766**	**3,672**	**9,768**
Net book value at 31 March 2020	7,072	1,842	1,048	8,243	18,205

In 2019/20, other fixed assets held for sale (£5,809,000) were shown in current assets in the SOFP. This related to spend on land and activities for our planned new headquarters in Newcastle city centre. This was sold in 2020/21 to a developer as a sale and leaseback arrangement which is why it was shown in current assets.

13. Intangible fixed assets

GROUP AND ASSOCIATION	Software
	£000
Cost	
At 1 April 2020	31,487
Additions	3,355
Disposals	(3)
At 31 March 2021	**34,839**
Depreciation and impairment	
At 1 April 2020	14,467
Charge for year	2,145
Eliminated in respect of disposals	(3)
At 31 March 2021	**16,609**
Net book value at 31 March 2021	**18,230**
Net book value at 31 March 2020	17,020

14. Fixed asset investments

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Shares in Group undertakings				
At 1 April	-	-	**114,701**	104,701
Issued in the year	-	-	-	10,000
Write down in investment	-	-	**(5,853)**	-
At 31 March	-	-	**108,848**	114,701
Loans to Group undertakings				
At 1 April	-	-	**20,095**	17,833
Additions	-	-	**17,800**	22,961
Repayments	-	-	**(27,895)**	(20,699)
Transfer to current asset investments	-	-	**(7,000)**	-
At 31 March	-	-	**3,000**	20,095
Interests in joint ventures				
At 1 April	**6,236**	4,891	-	-
Reclassification	**143**	-	-	-
Share of results	**1,108**	1,529	-	-
Additions	**214**	-	-	-
Distributions received	-	(184)	-	-
At 31 March	**7,701**	6,236	-	-
Interest in associates				
At 1 April	**170**	-	-	-
Reclassification	**2,561**	-	-	-
Share of results	**(170)**	170	-	-
Additions	**2,668**	-	-	-
At 31 March	**5,229**	170	-	-

14. Fixed asset investments (continued)

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Loans to joint ventures				
At 1 April	**63,471**	48,516	-	-
Reclassification	**(143)**	-	-	-
Additions	**7,448**	28,860	-	-
Repayments	**(19,018)**	(13,905)	-	-
At 31 March	**51,758**	63,471	-	-
Loans to associates				
At 1 April	**15,157**	12,850	-	-
Reclassification	**(2,561)**	-	-	-
Additions	**405**	2,757	-	-
Repayments	**(1,090)**	(450)	-	-
At 31 March	**11,911**	15,157	-	-
Other investments				
At 1 April	**10,189**	10,027	**7,566**	7,547
Additions	**183**	530	**53**	386
Disposals	**(168)**	(368)	**(167)**	(367)
Transfer to current asset investments	**(236)**	-	**(202)**	-
At 31 March	**9,968**	10,189	**7,250**	7,566
Total fixed asset investments	**86,567**	95,223	**119,098**	142,362

The write down in the investment in Group undertakings (£5,853,000) relates to the impairment of Home Group's investment in its subsidiary, Live Smart @ Home, to the value of its net assets.

Other investments include Affordable Housing Finance Liquidity Reserve Funds investment and equity share loans in Association, and an HGDL investment in Ptarmigan Land Projects Limited.

Shares in Group undertakings

At 31 March 2021 the Association controlled the following organisations, the results of each of which are consolidated in these financial statements in accordance with the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969:

Subsidiary name	Country of registration	Registered Social Landlord	Share capital held by HGL	Basis of control
Home in Scotland Limited	Scotland	Yes	£1	Joint arrangement deed
Live Smart @ Home Limited	England	No	£4,848,000	100% share ownership
Home Group Developments Limited	England	No	£104,000,002	100% share ownership
North Housing Limited	England	No	£0.90	100% share ownership

The following dormant companies are also members of the Group:

Subsidiary name	Country of registration	Registered Social Landlord	Share capital held by HGL	Basis of control
Home Housing Limited	England	No	£1	100% share ownership
Stonham Limited	England	No	£1	100% share ownership
Navigation Point Nominee Limited	England	No	£1	100% share ownership
North Eastern Housing Limited	England	No	£0.90	100% share ownership
Copeland Homes Limited	England	No	£1	100% share ownership
PGL (Twelve) Limited	England	No	£1	100% share ownership

Registered addresses of subsidiaries:

- Home in Scotland Limited – 20 Harvest Road, Newbridge, Edinburgh, EH28 8LW
- All others – 2 Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET

14. Fixed asset investments (continued)

Interests in joint ventures and associates

The Group, through its subsidiaries HGDL and NHL, holds an interest in the following joint ventures and associates:

Joint venture name	Country of registration	Principal activity	Percentage held
Evolution Gateshead Developments LLP	England	Property development	50%
Gateshead Regeneration LLP	England	Property development	25% *(held indirectly)*
Evolution Newhall LLP	England	Property development	50%
Evolution (Shinfield) LLP	England	Property development	50%
Evolution (Saffron Walden) LLP	England	Property development	50%
Linden (Northstowe) LLP	England	Property development	50%
Linden (Mowbray View 2) LLP	England	Property development	50%
Linden (Manse Farm) LLP	England	Property development	50%
Home Hill LLP	England	Property development	50%

Associate name	Country of registration	Principal activity	Percentage held
Evolution Morpeth LLP	England	Property development	50%
Ptarmigan Planning 4 Limited	England	Property development	46.2%
BMO UK Residential Real Estate Limited	England	Property development	33.3%

HGDL owns a minority interest (which may vary between 33% and 49% depending on other shareholdings) in Ptarmigan Planning 4 Limited, which was established for land promotion and development activities. Ptarmigan Planning 4 Limited has three wholly owned subsidiaries; Ptarmigan Birchington Limited, Ptarmigan Thatcham Limited and Ptarmigan Berinsfield Limited. HGDL also holds a 25% shareholding (with no voting rights attached) in Ptarmigan Land Projects Limited.

Registered addresses of joint ventures and associates:

- Home Hill LLP – The Power House, Gunpowder Mill, Powdermill Lane, Waltham Abbey, Essex, EN9 1BN
- Ptarmigan Planning 4 Limited – 2 Frederic Mews, London, SW1X 8EQ
- BMO UK Residential Real Estate Limited – C/O Aztec Financial Services Solent Business Park, Forum 4, Parkway South, Whitely, Fareham, Hampshire, PO15 7AD
- All others – 11 Tower View – Kings Hill, West Maling, Kent, ME19 4UY

The Group results include a profit from interests in joint ventures of £1,108,000 (2020: £1,528,000) and a loss from interests in associates of £170,000 (2020: £170,000 profit).

15. Properties held for sale

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Shared ownership properties:				
- Completed	**12,454**	20,359	**12,430**	20,359
- Work in progress	**17,887**	21,622	**15,104**	21,622
Outright sale properties:				
- Completed	**15,564**	827	**9,150**	247
- Work in progress	**108,869**	138,399	**51,212**	74,675
	154,774	181,207	**87,896**	116,903

16. Debtors

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Rental and service charges receivable	**20,839**	21,483	**19,121**	19,840
Less: Provision for bad debts	**(9,148)**	(9,599)	**(8,284)**	(8,750)
Net rental debtors	**11,691**	11,884	**10,837**	11,090
Other grants receivable	-	666	-	666
Prepayments	**3,899**	10,735	**10,084**	10,591
Accrued income	**1,106**	1,065	**735**	941
Corporation tax	-	512	-	252
Other amounts due from Group undertakings	-	-	**8,691**	6,138
Leasehold debtors	**895**	4,010	**850**	3,998
Taxation debtors	**1,897**	502	**40**	-
Other debtors	**4,897**	5,770	**3,334**	4,376
	24,385	35,144	**34,571**	38,052
Loans to employees included in other debtors	**138**	159	**138**	159

Loans to employees are made in four circumstances:

- Car loans: made in accordance with the policy of providing assistance to colleagues to purchase cars where the use of a car is required by their duties. Interest is charged at a flat rate of 5%.
- Season ticket loans: the Group provides assistance to colleagues to purchase season tickets for travel to work. No interest is charged.
- Salary sacrifice arrangements: opportunity for colleagues to fund learning, a bicycle or IT equipment costs from their salary.
- Colleague support fund: colleagues can request a short term loan to help them manage their finances. No interest is charged, and it is repaid through their salary over six months.

Prepayments have decreased as a £6 million prepayment was included in 2020 for a development scheme prior to it reaching golden brick

Leasehold debtors balance has decreased as we have changed our processes this year with regard both the timing and way that leaseholders now pay service charge to us.

17. Current asset investments

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Amounts loaned to other Group companies	-	-	**7,000**	-
Other investments	**236**	-	**202**	-
	236	-	**7,202**	-

18. Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Housing loans from third parties	**17,760**	39,359	**15,599**	16,413
Loans from Group undertakings	-	-	-	300
Trade creditors	**16,564**	20,672	**12,142**	17,078
Social Housing Grant in advance	**71,643**	71,033	**71,643**	71,033
Deferred capital grant	**9,756**	9,686	**10,400**	10,380
Corporation tax	**189**	-	**124**	-
Other taxation and social security payable	**958**	2,757	**905**	2,733
Accruals	**38,874**	33,624	**30,370**	28,053
Accrued interest payable	**7,044**	-	**6,735**	-
Deferred income	**13,784**	13,704	**12,865**	13,037
Other amounts due to Group undertakings	-	-	-	3,086
Leasehold creditors	**16,530**	17,747	**16,530**	17,747
Retentions	**8,290**	7,826	**4,112**	3,700
Other creditors	**4,394**	9,539	**3,685**	3,225
	205,786	225,947	**185,110**	186,785

The reduction in trade creditors and other taxation creditors and increase in accruals are all driven by the timing of payments around year-end. Accrued interest payable has been separately disclosed above for 2021. For 2020 the equivalent figures were £7,282k for Group and £6,947k for the Association.

Within "other creditors", there is a balance of £759k relating to the Disposal Proceeds Fund. The requirements around the Disposal Proceeds Fund ceased in April 2020, but this balance will be used on one of our development schemes (Hebburn Phase 2) in 2021/22 and the Regulator of Social Housing has therefore approved its rollover.

19. Creditors: amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Housing loans from third parties	**627,834**	755,419	**554,529**	692,754
Discounted bonds	**505,305**	386,377	**505,305**	386,377
Deferred capital grant	**816,533**	803,893	**837,365**	837,742
Disposal Proceeds Fund	-	759	-	759
Recycled Capital Grant Fund	**15,745**	9,569	**15,745**	9,569
Homebuy grant	**682**	682	**682**	682
	1,966,099	1,956,699	**1,913,626**	1,927,883

20. Debt analysis

GROUP AND ASSOCIATION	2021	2020
	£000	£000
Discounted bonds		
Issued:		
8.75% guaranteed loan stock 2037	**100,000**	100,000
3.125% guaranteed loan stock 2043	**350,000**	250,000
Zero coupon loan stock 2027	**94,450**	94,450
In issue at 31 March	**544,450**	444,450
Less: Deferred interest and issue costs:		
At 1 April	**58,073**	63,440
Discounted amount / new issue costs	**(14,072)**	135
Charged to SOCI	**(4,856)**	(5,502)
At 31 March	**39,145**	58,073
Net value at 31 March	**505,305**	386,377
Market value at 31 March	**606,705**	483,865

Housing loans and discounted bonds

A 3.125% bond was issued in March 2019 with a nominal amount of £350 million, including £100 million of retained bonds. The retained element was issued in May 2020, at 114.395%. The premium on issuance is being amortised to the SOCI using a straight line interest basis. Unamortised costs and the outstanding premium in relation to the new bond were, in total, £6.8 million and are being amortised over the remaining life of the bond.

The Group housing loans, discounted bonds and debenture stock are stated net of unamortised issue costs of £6.9 million (2020: £7.3 million). The Association housing loans, discounted bonds and debenture stock are stated net of unamortised issue costs of £6.4 million (2020: £7.0 million).

Housing loans are secured by specific charges on housing properties, bank and building society deposits and other fixed and current asset investments. The amounts charged as security for loans are:

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£	£	**£**	£
Net book value of housing properties	**1,071,381,334**	1,084,912,441	**900,366,428**	933,811,273
Fixed asset investments	**5,012,621**	5,191,283	**4,579,069**	4,727,190
Current asset investments	**235,986**	-	**201,532**	-
Cash and cash equivalents	**587,193**	648,571	**587,193**	648,571

Most housing loans held by the Group have covenants attached to them, in particular around gearing limitations and a requirement to maintain a minimum level of interest cover.

20. Debt analysis (continued)

Maturity of borrowings

The maturity profile of the carrying amount of the Group's and Association's borrowings as at 31 March 2021 was as follows:

	Less than 1 year £000	Due in 1-2 years £000	Due in 2-5 years £000	Due in over 5 years £000	Total £000
GROUP					
Discounted bonds	-	-	-	505,305	505,305
Housing loans					
- fixed	10,257	2,450	15,792	393,990	422,489
- floating	6,220	13,855	59,934	137,587	217,596
- index-linked	1,283	1,384	2,842	-	5,509
At 31 March 2021	**17,760**	**17,689**	**78,568**	**1,036,882**	**1,150,899**
ASSOCIATION					
Discounted bonds	-	-	-	505,305	505,305
Housing loans					
- fixed	10,096	2,289	15,469	363,436	391,290
- floating	4,220	11,855	41,153	116,101	173,329
- index-linked	1,282	1,384	2,842	-	5,508
At 31 March 2021	**15,598**	**15,528**	**59,464**	**984,842**	**1,075,432**

The maturity profile of the carrying amount of the Group's and Association's borrowings as at 31 March 2020 was as follows:

	Less than 1 year £000	Due in 1-2 years £000	Due in 2-5 years £000	Due in over 5 years £000	Total £000
GROUP					
Discounted bonds	-	-	-	386,377	386,377
Housing loans					
- fixed	2,597	10,311	11,228	400,858	424,994
- floating	34,755	6,220	82,140	239,253	362,368
- index-linked	2,007	1,294	4,115	-	7,416
At 31 March 2020	**39,359**	**17,825**	**97,483**	**1,026,488**	**1,181,155**
ASSOCIATION					
Discounted bonds	-	-	-	386,377	386,377
Housing loans					
- fixed	2,436	10,149	10,744	370,317	393,646
- floating	11,970	4,220	76,140	215,775	308,105
- index-linked	2,007	1,294	4,115	-	7,416
Loans from Group undertakings	300	-	-	-	300
At 31 March 2020	**16,713**	**15,663**	**90,999**	**972,469**	**1,095,844**

20. Debt analysis (continued)

Terms of repayment

At 31 March 2020 the Group had £1,150.9 million loans drawn:

- £505.3 million relates to the Association's four loan stock issues which mature as bullet repayments in 2027, 2037 and 2043.
- £286.0 million is from a syndicate of four lenders led by Royal Bank of Scotland. The loans are repaid annually in April each year in accordance with an agreed repayment profile. The facility matures in April 2036.
- The remaining £359.6 million are bilateral loan facilities from various banks, building societies and sector-specific funders that are repaid in a variety of ways either over the term of the loan or as a bullet repayment on maturity. These loan payments are due at various future dates ranging from one to 24 years.

Undrawn, committed facilities

The Group and the Association had the following undrawn, committed floating rate borrowing facilities available at 31 March:

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Expiring within one year	**-**	-	**-**	-
Expiring between one and two years	**255,000**	-	**255,000**	-
Expiring between two and five years	**42,000**	226,000	**15,000**	226,000
Expiring in more than five years	**79,772**	272	**79,772**	272
	376,772	226,272	**349,772**	226,272

These facilities have been arranged to help finance future business development. All facilities incur commitment fees at market rates.

Interest rate risk profile of borrowings

Group and Association borrowings comprise:

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Fixed rate borrowings	**927,794**	811,371	**896,595**	780,023
Floating rate borrowings	**223,105**	369,784	**178,838**	315,820
	1,150,899	1,181,155	**1,075,433**	1,095,843

All of the Group's and Association's 'Creditors: amounts falling due within one year' (other than housing loans) are excluded from the analysis as they are short term in nature and are not subject to interest rate risk. Fixed rate borrowings include the zero coupon loan stocks to reflect the deferred interest charges.

Group fixed rate borrowings bear a weighted average interest rate of 4.67% (2020: 4.97%), Association 4.77% (2020: 5.11%) and are fixed for a weighted average period of 17 years (2020: 17 years), Association 18 years (2020: 18 years). Interest rates on Group fixed rate borrowings range between 0% and 12.00% (2020: 0% to 14.00%) and Association fixed rate borrowings range between 2.89% and 12.00% (2020: 2.89% to 14.00%).

Floating rate borrowings bear interest rates based either on LIBOR or on a fixed coupon rate applied to debt balances, which change with movements in the retail price index.

The effective interest rates of borrowings are:	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	%	%	**%**	%
Discounted bonds	**5.0**	6.2	**5.0**	6.2
Housing loans				
- fixed	**4.3**	4.4	**4.5**	4.6
- floating	**0.4**	0.7	**0.4**	0.6
- index linked	**5.5**	5.5	**5.5**	5.5
Loans from Group undertakings	**-**	-	**-**	-

21. Financial instruments

Interest rate risk

Exposure to fluctuating interest rates is managed by fixing debt to maintain the level of long-term fixed interest rate funding between a minimum and maximum proportion of total debt. At present the policy is to aim to maintain between 65% and 80% of borrowing in long-term fixed interest rate funding, allowing flexibility to move outside of this range, in either direction, on a temporary basis. This policy reflects and matches the long-term nature of our asset base and the rental income streams arising from it. The remaining debt is held at floating rates. At the year-end 80.6% (2020: 68.7%) of the Group's borrowing was in the form of long-term fixed interest rate debt.

It is estimated that each quarter point increase in interest rates would increase costs by £549,000 per annum based on the variable rate debt held at 31 March 2021.

The rules of Home Group allow the use of derivatives. The ability to use stand-alone derivatives increases the options available to us in managing interest rate risk. They cannot be used for speculative purposes. The Group currently has no derivative instruments in place.

Credit risk

Home Group's policy is to minimise borrowings and surplus funds. Any investments are only made with highly rated counterparties on the Board approved list, and limited to a maximum authorised amount subject to counterparty classification.

Liquidity risk and future borrowings

As at 31 March 2021, Home Group had £376.8 million (2020: £226.3 million) committed and undrawn facilities, all of which were immediately available for drawdown. The Group continues to have a large pool of unencumbered properties (2021: £1,485.6 million, 2020: £1,572.2 million) available as security for future borrowings to support its growth strategy.

Financial assets measured at amortised cost	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Fixed asset investments:				
- Loans to Group undertakings	-	-	**3,000**	20,095
- Loans to joint ventures	**51,758**	63,471	-	-
- Loans to associates	**11,911**	15,157	-	-
- Other investment	**2,243**	2,118	-	-
	65,912	80,746	**3,000**	20,095
Current asset investments:				
- Loans to Group undertakings	-	-	**7,000**	-
	-	-	**7,000**	-
Other financial assets:				
- Short term debtors	**20,486**	23,897	**24,487**	27,209
- Cash and cash equivalents	**54,641**	34,640	**51,404**	31,632
	75,127	58,537	**75,891**	58,841
Total financial assets	**141,039**	139,283	**85,891**	78,936

Loan facilities provided to Group undertakings comprise:

- £15 million loan facility to HGDL with a term of five years maturing in 2021 (extended to 2026 in June 2021)
- £10 million 364 day loan facility to HGDL maturing in 2021
- £10 million loan facility to Home Scotland maturing in 2025
- £20 million loan facility to Home Scotland maturing 2023

As at 31 March 2021, HGDL had drawn £7.0 million (2020: £14.8 million) and Home Scotland had drawn £3.0 million (2020: £5.3 million) from the Association. The loan facilities attract interest charged at LIBOR plus margin.

Short term debtors comprise net rental debtors, accrued income, amounts due from Group undertakings, leasehold debtors and other debtors.

22. Financial instruments (continued)

Financial liabilities measured at amortised cost

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Borrowings:				
Discounted bonds	**505,305**	386,377	**505,305**	386,377
Housing loans				
- fixed	**422,489**	424,994	**391,290**	393,646
- floating	**217,596**	362,368	**173,329**	308,105
- index-linked	**5,509**	7,416	**5,508**	7,416
Loans from Group undertakings	-	-	-	300
Total borrowings	**1,150,899**	1,181,155	**1,075,432**	1,095,844
Other short term liabilities	**91,696**	89,408	**73,574**	72,889
Total financial liabilities	**1,242,595**	1,270,563	**1,149,006**	1,168,733

Other short term liabilities comprise trade creditors, accruals, other amounts due to Group undertakings, leasehold creditors, retentions and other creditors. The Disposal Proceeds Fund and Recycled Capital Grant Fund are excluded from the above figures as they do not meet the definition of a financial liability. Terms and conditions of the above financial liabilities are included in Note 20.

22. Deferred capital grant

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
At 1 April	**813,579**	789,022	**848,122**	833,405
Grant received in the year	**28,638**	37,158	**16,552**	28,427
Released to income in the year	**(9,600)**	(8,953)	**(10,581)**	(10,062)
Disposals	**(6,328)**	(3,648)	**(6,328)**	(3,648)
At 31 March	**826,289**	813,579	**847,765**	848,122
Amount due to be released within one year	**9,756**	9,686	**10,400**	10,380
Amount due to be released in more than one year	**816,533**	803,893	**837,365**	837,742
	826,289	813,579	**847,765**	848,122

23. Analysis of Recycled Capital Grant Fund

GROUP AND ASSOCIATION	2021 £000	2020 £000
At 1 April	**9,569**	10,080
Inputs:		
- Grants recycled	**8,174**	4,948
- Interest accrued	**13**	83
Recycling:		
- New build	**(2,011)**	(6,307)
Adjustments relating to prior year disposals	-	362
Transfer from DPF	-	457
Repayment of grant to Greater London Authority	-	(54)
At 31 March	**15,745**	9,569
Amounts three years or older where repayment to Homes England / Greater London Authority may be required	**2,211**	1,865

24. Pension obligations

The Group participates in three major funded pension schemes as detailed below. The Group also contributes to an NHS pension scheme for one employee. Contributions to this scheme are immaterial and consequently details of the scheme are not provided. The amounts recognised within surplus or deficit in relation to all pension schemes for the year ended 31 March 2021 was £3,811,000 (2020: £4,450,000) in respect of current service costs within operating expenditure and a charge of £666,000 (2020: £893,000) within interest payable and financing costs. The aggregate deficit across the three defined benefit pension arrangements is £32.5 million (2020: £29.2 million).

On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that trustees are under a duty to make sure that equal benefits are paid, including where these benefits are in the form of Guaranteed Minimum Pension (GMP). As a result, all schemes with GMP rights will have to act to allow for equalisation of benefits for the effect of unequal GMPs. This is known as GMP equalisation. As a result of the judgment, companies are required to make an allowance for the increase in the defined benefit obligation that they expect as a result of GMP equalisation. This increase in the defined benefit obligation is shown as a past service cost in the SOCI (HGPLAS: £166,000, TPT: £280,000).

Following on from the original ruling in 2018, a further High Court ruling on 20 November 2020 provided clarification on the obligations of pension plan trustees to equalise past transfer values allowing for GMP equalisation. This judgment confirmed, broadly, that past individual transfers need to be included (to the extent they related to relevant GMP benefits), but that actuarially certified bulk transfers do not. An allowance for equalising past transfers from the schemes has been estimated and included as a past service cost in the SOCI (HGPLAS: £6,000, TPT: £24,000).

Home Group Pension and Life Assurance Scheme (HGPLAS)

The Group operates the HGPLAS, a UK registered trust based pension scheme that provides defined benefits. The scheme is closed to new members. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The trustees are responsible for running the scheme in accordance with the scheme's trust deed and rules, which sets out their powers. The trustees of the scheme are required to act in the best interests of the beneficiaries of the scheme.

There are three categories of pension scheme members:
- Active members: currently in pensionable service.
- Deferred members: have left pensionable service and are yet to retire; and
- Pensioner members: in receipt of pension from the Scheme.

The trustees are required to carry out an actuarial valuation every three years. The most recent actuarial valuation of the scheme was performed by the scheme actuary for the trustees as at 31 March 2020. This valuation revealed a funding shortfall of £20.2 million. Following this, the Group has agreed to pay annual contributions of at least 27.2% of members' pensionable salaries in respect of future accrual of benefits. In respect of the deficit in the scheme as at 31 March 2020, the Group agreed to pay £4.5 million per year from 1 July 2021 to 31 March 2025, increasing at 4.5% each year, with the first increase on 1 April 2022. In addition, the Group will pay £0.4 million per year to cover administration expenses.

24. Pension obligations (continued)

Contributions until 30 June 2021 will be in line with the previous recovery plan agreed in June 2018 (contributions of at least 24.6% of members' pensionable salaries, £3.3 million per year deficit contributions, and £0.3 million per year administration expenses). The initial results of the actuarial valuation as at 31 March 2020 have been updated to 31 March 2021 by a qualified independent actuary.

The Pensions Trust (TPT)

The Group operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The scheme is closed to new entrants. A full actuarial valuation was completed as at 30 September 2018 and the results of this have been updated to 31 March 2020 by a qualified actuary, independent of the scheme's sponsoring employer.

The last full actuarial valuation completed on the scheme as at 30 September 2018 showed a deficit of £6,028,000. As documented in the scheme's current schedule of contributions which was put in place following the 30 September 2018 actuarial valuation, the Group agreed with the trustee that it would aim to eliminate the deficit over a period of one year from 1 April 2020 by the payment of annual contributions (in monthly instalments) of £2,244,000. It is expected that new deficit contributions will be agreed in Spring 2022, following the next valuation in September 2021. In addition, and in accordance with the 2018 actuarial valuation, the Group agreed with the trustee that from 1 April 2020 it would pay 32.5% per annum of members' earnings in respect of the cost of accruing benefits and would meet expenses and levies to the Pension Protection Fund. To meet the expenses, the Group pays at least £12,000 per month into the scheme.

Cumbria Local Government Pension Scheme (CLGPS)

In 2004 Copeland Borough Council transferred its housing stock to Home Group Limited. As part of the transaction, Home Group Limited accepted the pension liability for all employees who transferred under the Transfer of Undertakings Protected Employment (TUPE) regulations. As a consequence, Home Group Limited is a participating employer in the CLGPS which provides benefits based on final pensionable pay. The scheme is closed to new members from the Group. Employer contribution rates during the year ended 31 March 2020 were 21.6% of pensionable salary.

The valuation used for defined benefit pension disclosures has been based on the most recent actuarial valuation at 31 March 2019. This has been updated by Mercer Limited to take account of the requirements of section 28 of FRS 102 in order to assess the liabilities of the scheme at 31 March 2021. Scheme assets are stated at their market value at 31 March 2021.

The decisions of the Court of Appeal in the McCloud case have ruled that the transitional protections afforded to older members when the public service pension schemes were amended constituted unlawful age discrimination. The government has accepted that remedies relating to the McCloud judgment are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer have a benefit entitlement from the Fund). The accounting figures already include an allowance for McCloud that is substantially in line with the above. Therefore no further adjustments are required in relation to McCloud.

24. Pension obligations (continued)

Scheme disclosures for the year ended 31 March 2021

Assumptions

The post retirement mortality assumptions used to value the benefit obligation are as follows:

	HGPLAS	TPT	CLGPS
Males	105% S3PMA_All CMI 2020 [1.25%]	107% S2PMA CMI 2020 [1.25%]	99% S3PA CMI 2018 [1.75%]
Females	105% S3PFA_Middle CMI 2020 [1.25%]	107% S2PFA CMI 2020 [1.25%]	88% S3PA CMI 2018 [1.75%]

The assumed life expectations (in years) on retirement at age 65 are:

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	21.5	21.2	22.7
Member aged 45 (life expectancy at 65)	22.8	22.5	24.3
Females:			
Member aged 65 (current life expectancy)	23.3	23.1	25.3
Member aged 45 (life expectancy at 65)	24.9	24.7	27.2

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 are:

	HGPLAS	TPT	CLGPS
Discount rate	2.0%	2.1%	2.1%
Retail Price Index inflation	3.3%	3.3%	N/A
Consumer Price Index inflation	2.9%	3.1%	2.7%
Rate of increase of pensions in deferment	2.9%	3.3%	2.8%
Rate of increase of pensions in payment	3.3%	3.0%	2.8%
Salary increases	3.3%	3.3%	4.2%

Amounts recognised in the SOCI

	HGPLAS	TPT	CLGPS	Total
	2021	2021	2021	2021
	£000	£000	£000	£000
Current service cost	(455)	(140)	(45)	(640)
Past service cost	(6)	-	-	(6)
Expenses	(512)	(126)	(1)	(639)
Benefit changes	-	(24)	-	(24)
Amounts charged to operating expenditure	**(973)**	**(290)**	**(46)**	**(1,309)**
Interest income	2,833	1,869	573	5,275
Interest expense	(3,510)	(1,678)	(562)	(5,750)
Interest on effect of asset ceiling	-	(191)	-	(191)
Amounts (charged) / credited to interest payable and financing costs	**(677)**	**-**	**11**	**(666)**
Actuarial gains on scheme assets	27,895	3,683	3,915	35,493
Actuarial losses on scheme liabilities	(33,644)	(13,724)	(3,031)	(50,399)
Effects of changes in the amount of surplus that is not recoverable - gain	-	7,050	-	7,050
Actuarial (losses) / gains recognised in other comprehensive income	**(5,749)**	**(2,991)**	**884**	**(7,856)**

24. Pension obligations (continued)

Amounts recognised in the SOFP

	HGPLAS 2021 £000	TPT 2021 £000	CLGPS 2021 £000	Total 2021 £000
Present value of funded obligations	(180,860)	(84,230)	(26,645)	(291,735)
Fair value of scheme assets	147,755	83,480	28,003	259,238
(Deficit) / Surplus	**(33,105)**	**(750)**	**1,358**	**(32,497)**

	HGPLAS 2021 £000	TPT 2021 £000	CLGPS 2021 £000	Total 2021 £000
Opening scheme liabilities	(148,786)	(70,982)	(23,737)	(243,505)
Current service cost	(455)	(140)	(45)	(640)
Past service cost	(6)	-	-	(6)
Interest cost	(3,510)	(1,678)	(562)	(5,750)
Contributions by employees	(129)	(32)	(9)	(170)
Actuarial losses	(33,644)	(13,724)	(3,031)	(50,399)
Benefits paid	5,670	2,350	739	8,759
Losses due to benefit changes	-	(24)	-	(24)
Closing scheme liabilities	**(180,860)**	**(84,230)**	**(26,645)**	**(291,735)**

	HGPLAS 2021 £000	TPT 2021 £000	CLGPS 2021 £000	Total 2021 £000
Opening fair value of scheme assets	119,076	77,841	24,246	221,163
Employer contributions	4,004	2,531	-	6,535
Interest income	2,833	1,869	573	5,275
Contributions by employees	129	32	9	170
Actuarial gains	27,895	3,683	3,915	35,493
Benefits paid	(5,670)	(2,350)	(739)	(8,759)
Expenses	(512)	(126)	(1)	(639)
Closing fair value of scheme assets	**147,755**	**83,480**	**28,003**	**259,238**

Actual return on scheme assets

	HGPLAS 2021 £000	TPT 2021 £000	CLGPS 2021 £000	Total 2021 £000
Actual return	30,728	5,552	4,488	40,768

Analysis of scheme assets

	HGPLAS	TPT	CLGPS
Equities and property	69.5%	15.5%	46.4%
Bonds and gilts	30.0%	55.2%	17.6%
Other	0.1%	29.3%	31.9%
Cash	0.4%	-	4.1%

Scheme disclosures for the year ended 31 March 2020

Assumptions

The post retirement mortality assumptions used to value the benefit obligation are as follows:

	HGPLAS	TPT	CLGPS
Males	100% S2PMA + 1 year CMI 2019 [1.25%]	107% S2PMA CMI 2019 [1.25%]	99% S3PA CMI 2018 [1.75%]
Females	100% S2PFA + 1 year CMI 2019 [1.25%]	107% S2PFA CMI 2019 [1.00%]	88% S3PA CMI 2018 [1.75%]

The assumed life expectations (in years) on retirement at age 65 are:

24. Pension obligations (continued)

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	20.7	21.7	22.6
Member aged 45 (life expectancy at 65)	22.1	23	24.2
Females:			
Member aged 65 (current life expectancy)	22.7	23.4	25.2
Member aged 45 (life expectancy at 65)	24.2	24.7	27.1

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 are:

	HGPLAS	TPT	CLGPS
Discount rate	2.4%	2.4%	2.4%
Retail Price Index inflation	2.5%	2.5%	N/A
Consumer Price Index inflation	1.8%	1.8%	2.1%
Rate of increase of pensions in deferment	1.8%	2.5%	2.2%
Rate of increase of pensions in payment	2.5%	1.9%	2.2%
Salary increases	3.0%	3.0%	3.6%

Amounts recognised in the SOCI

	HGPLAS 2020 £000	TPT 2020 £000	CLGPS 2020 £000	Total 2020 £000
Current service cost	(613)	(132)	(44)	(789)
Past service cost	-	-	(96)	(96)
Expenses	(459)	(146)	(1)	(606)
Amounts charged to operating expenditure	**(1,072)**	**(278)**	**(141)**	**(1,491)**
Interest income	3,062	1,753	604	5,419
Interest expense	(3,934)	(1,788)	(590)	(6,312)
Amounts (charged) / credited to interest payable and financing costs	**(872)**	**(35)**	**14**	**(893)**
Actuarial gains on scheme assets	(11,176)	3,193	(1,220)	(9,203)
Actuarial losses on scheme liabilities	17,215	4,119	1,184	22,518
Effects of changes in the amount of surplus that is not recoverable - gain / (loss)	-	(6,859)	-	(6,859)
Actuarial gains / (losses) recognised in other comprehensive income	**6,039**	**453**	**(36)**	**6,456**

Amounts recognised in the SOFP

	HGPLAS	TPT	CLGPS	Total
Present value of funded obligations	(148,786)	(70,982)	(23,737)	(243,505)
Fair value of scheme assets	119,076	77,841	24,246	221,163
Effect of asset ceiling	-	(6,859)	-	(6,859)
(Deficit) / Surplus	**(29,710)**	**-**	**509**	**(29,201)**

24. Pension obligations (continued)

	HGPLAS 2020 £000	TPT 2020 £000	CLGPS 2020 £000	Total 2020 £000
Opening scheme liabilities	(165,726)	(75,834)	(24,823)	(266,383)
Current service cost	(613)	(132)	(44)	(789)
Past service cost	-	-	(96)	(96)
Interest cost	(3,934)	(1,788)	(590)	(6,312)
Contributions by employees	(143)	(31)	(9)	(183)
Actuarial losses	17,215	4,119	1,184	22,518
Benefits paid	4,415	2,684	641	7,740
Closing scheme liabilities	**(148,786)**	**(70,982)**	**(23,737)**	**(243,505)**
Opening fair value of scheme assets	127,943	73,186	25,486	226,615
Employer contributions	3,978	2,508	9	6,495
Interest income	3,062	1,753	604	5,419
Contributions by employees	143	31	9	183
Actuarial gains / (losses)	(11,176)	3,193	(1,220)	(9,203)
Benefits paid	(4,415)	(2,684)	(641)	(7,740)
Expenses	(459)	(146)	(1)	(606)
Closing fair value of scheme assets	**119,076**	**77,841**	**24,246**	**221,163**
Actual return on scheme assets				
Actual return	(8,114)	4,946	(697)	(3,865)
Analysis of scheme assets				
Equities and property	64.3%	12.9%	52.2%	
Bonds and gilts	34.5%	57.2%	24.9%	
Other	0.6%	29.9%	18.1%	
Cash	0.6%	-	4.8%	

Other defined benefit pension schemes

In addition to the three defined benefit schemes disclosed above, the Group participates in a number of other multi-employer defined benefit pension schemes, where it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers. Accordingly, the charge to the income and expenditure account for the period represents the employer contribution payable. As the schemes are not material, detailed disclosures in respect of the schemes are not provided.

However, as a result of changes in pension scheme regulation, there is a potential debt on the employer that could be levied by the trustees of any defined benefit scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

The debt for a scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis) with the assets of the scheme. If the liabilities exceed the assets then there is a buyout debt.

The leaving employer's share of the buyout debt is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy out market. The amounts of debt can therefore be volatile over time.

25. Non-equity share capital

Each non-executive member of the Board holds one share of £1 in the Association. As at 31 March 2021, there were ten non-executive board members who each held a share in the Association.

Allotted, issued and fully paid:	£
At 1 April 2020	8
Issued during the year	2
Surrendered during the year	-
At 31 March 2021	10

Shares in Home Group Limited carry no rights to dividend and no rights of redemption, nor do they entitle the shareholding member to a distribution on winding up or dissolution. In a general meeting, every shareholding member present is entitled to one vote on a show of hands. On a poll every shareholding member present in person or by proxy is entitled to one vote.

26. Reconciliation of surplus to net cash inflow from operational activities

	2021 £000	2020 £000
Surplus for the year	26,467	41,242
Adjustments for:		
Taxation	2,302	726
Depreciation of housing properties	45,655	40,176
Depreciation of other fixed assets	6,933	4,467
Amortisation of intangible fixed assets	2,145	5,127
Impairment of housing properties	5,505	3,598
Impairment of other fixed assets	2,394	1,753
Decrease in properties held for sale	26,860	20,136
Decrease / (Increase) in debtors	9,581	(1,606)
(Decrease) / Increase in trade and other creditors	(4,098)	5,843
Surplus on disposal of housing properties	(9,520)	(15,451)
Loss on disposal of other fixed assets	374	266
Pension costs less contributions payable	(5,226)	(5,004)
Share of profit before tax in joint ventures	(1,108)	(1,528)
Share of loss / (profit) before tax in associates	170	(170)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(9,600)	(8,953)
Interest payable	43,843	43,304
Interest receivable	(2,728)	(3,296)
Corporation tax paid	(1,606)	(4,202)
Net cash inflow from operating activities	138,343	126,428

27. Analysis of changes in net debt

GROUP	At 1 April 2020 £000	Cash flows £000	Other non-cash changes £000	At 31 March 2021 £000
Cash and cash equivalents	34,640	20,001	-	54,641
Debt due within one year:				
- Housing loans from third parties	(39,359)	39,309	(17,710)	(17,760)
Debt due after one year:				
- Housing loans from third parties	(755,419)	110,748	16,837	(627,834)
- Discounted bonds	(386,377)	(114,072)	(4,856)	(505,305)
Total net debt	**(1,146,515)**	**55,986**	**(5,729)**	**(1,096,258)**

28. Reconciliation of net cash flow to movement in net debt

	2021	2020
	£000	£000
Increase in cash in the period	**20,001**	(48,946)
Cash inflow from increase in debt	**35,985**	44,579
Change in net debt resulting from cash flows	**55,986**	(4,367)
Non cash changes	**(5,729)**	(7,452)
Movement in net debt in the period	**50,257**	(11,819)
Opening net debt	**(1,146,515)**	(1,134,696)
Closing net debt	**(1,096,258)**	(1,146,515)

29. Capital commitments

	GROUP		ASSOCIATION	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Capital expenditure that has been contracted for but not provided for in the financial statements	**496,860**	411,026	**257,210**	223,401
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**281,437**	498,243	**109,923**	156,299

The Group expects to fund these commitments, and the costs associated with future growth of the business through a combination of cash flows from operating activities, grants, proceeds from the sale of housing properties, proceeds from the sale of properties developed for outright and shared ownership sale and further borrowings.

At 31 March 2021, the Group had £376.8 million committed and undrawn facilities all of which were immediately available for drawing. Further information on these facilities and future borrowings is provided in the Strategic Report on page 16.

30. Financial commitments

	GROUP		ASSOCIATION	
At the year end the total contractual payments under non-cancellable operating leases were as follows:	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000
Less than one year	**2,324**	2,851	**2,247**	2,724
Between one and five years	**3,245**	4,017	**3,238**	3,942
More than five years	**10,265**	10,197	**10,265**	10,197
	15,834	17,065	**15,750**	16,863

The Association has entered into a number of operating leases for assets which are used by other Group members. The lease cost is borne by the appropriate Group members within their income and expenditure account. However, as the leases are entered into by the Association, they have been included within the above note.

In December 2020, the Association sold land for our planned new headquarters in Newcastle city centre, which are now in development. We will be leasing the property back from the developer in 2022, so we expect there to be an increase in financial commitments shown in next year's financial statements.

31. Contingent liabilities and assets

As discussed in the Financial Review on page 15, the financial statements include an impairment relating to one of our completed affordable housing schemes (Riverside Place) of £3,656k. Alongside the impairment we anticipate incurring costs to address the issues identified with this building. At the date of signing the financial statements the scale and nature of the required works has not been finalised and we are unable to estimate a value for them.

Further, our legal team are currently determining whether third parties may be liable for the costs to address these issues. As this work is at an early stage, we are unable to conclude whether legal action will be taken on the associated value of any such claim.

32. Grant and financial assistance

	GROUP		ASSOCIATION	
The total accumulated government grant and financial assistance received or receivable at 31 March:	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000
Held as deferred capital grant	**826,289**	813,579	**847,765**	848,122
Recognised as income in the SOCI	**137,746**	130,008	**172,367**	163,648
Grant within cost on properties at fair values at acquisition	**237,452**	237,452	-	-
	1,201,487	1,181,039	**1,020,132**	1,011,770

33. Related party transactions

Group

Transactions between fellow subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

During the year the Group entered into the following related party transactions with its jointly controlled entities and associates:

	2021	2020
	£000	£000
Invoiced to jointly controlled entities and associates in respect of interest charges	**2,650**	3,052
Purchase of housing property from jointly controlled entities and associates	**2,866**	3,623
Management fee income from jointly controlled entities	**29**	131
Amounts owed from jointly controlled entities and associates at the year-end	**69,255**	78,629

33. Related party transactions (continued)

Association

The Association recharged each subsidiary (2021: £1,817,000, 2020: £1,277,000) for centrally provided services on a basis which reflects the time and cost of the services provided.

There are management agreements in place under which subsidiaries manage some properties on behalf of the Association. The management fees due under these agreements are £232,000 (2020: £308,000).

The Association has purchased housing properties from HGDL based on the construction cost plus a margin (2021: £28,374,000, 2020: £41,106,000).

Intergroup borrowings attract interest at either a fixed rate or interest which is variable and is based on LIBOR, plus a margin. Details of the related party transactions due to intergroup borrowings are detailed below:

	2021	2020
	£000	£000
Interest payable by subsidiaries on borrowings from the Association	369	754
Interest payable by the Association on borrowings from subsidiaries	-	1
Amounts owed to subsidiaries	-	3,386
Amounts owed from subsidiaries	18,691	26,233
Investment in subsidiaries	108,848	114,701

The Home Group Board includes two customer representatives. All transactions in respect of customer board members have been carried out at arm's length and under normal commercial terms. Details of the remuneration of board members are included in Note 5. During the year the Association entered into the following related party transactions with its customer board members:

	2021	2020
	£	£
Charges to customer board members in respect of rent and service charges	6,701	7,337
Amounts owed to customer board members at the year-end	245	1,597
Amounts owed from customer board members at the year-end	278	-

34. Operating segments

As a Public Interest Entity, Home Group is required to provide segmental analysis in line with International Financial Reporting Standard 8 'Operating Segments'. This requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker (CODM) which forms the basis on which the CODM makes decisions about resources to be allocated to segments and assess their performance. The Group's CODM is the Board.

During 2020/21, the Group had three operating segments. These operating segments undertake different activities and services, which are managed separately. The Group's operating segments are outlined below.

- Operations – this includes the Group's general needs rental business in England and Scotland, the management of homes previously sold as shared ownership and leasehold, and the Group's supported housing and the provision of care and support services in England and Scotland. It also includes the mid-market rental activity carried out by Live Smart @ Home.

- Development – this includes the development of affordable housing and the development and subsequent sale of shared ownership homes and homes developed for sale on the private market. It includes the activity of Home Group Developments and North Housing. The Development operating segment earns external revenue on shared ownership and private market sales. It does not earn internal revenue for developing affordable homes, and because it incurs costs related to this activity, it can appear to be loss making as per 2019/20 comparative.

The Group's third operating segment, New Models of Care, is not material and therefore not separately disclosed. New Models of Care leads on the design and development of integrated health and care services, and delivery of complex care contracts.

34. Operating segments (continued)

These operating segments are supported by the Support Functions business unit, which includes the delivery of support services including the Chief Executive's team, Risk and Assurance, Communications, Strategy, Finance, Human Resources and Development, Company Secretary, Information Systems, Legal Services, Procurement and Asset Management.

The Board reviews the internal management accounts at each meeting. The Board does not review any balance sheet measures by segment, only for the Group as a whole, so these have not been reported.

The tables which follow set out the income and expenditure account of the Group's operating segments. The title "Other" has been included to reconcile the segments to the figures reviewed by the Board and is made up of the Group consolidation adjustments, Support Functions and New Models of Care business units. The key operating performance measure of profit or loss used by the Board in terms of segmental analysis is operating surplus.

Income and expenditure account – year ended 31 March 2021

	Operations £000	Development £000	Other £000	Group £000
Turnover	318,304	109,005	2,584	429,893
Cost of sales	-	(93,213)	17	(93,196)
Employment costs	(59,721)	(4,801)	(20,750)	(85,272)
Maintenance	(65,076)	(7)	(291)	(65,374)
Other operating expenditure	(39,662)	(6,643)	(17,688)	(63,993)
Depreciation and impairment	(43,552)	(2,556)	(16,524)	(62,632)
Operating expenditure	(208,011)	(14,007)	(55,253)	(277,271)
Surplus on disposal of housing properties	-	-	9,520	9,520
Operating surplus / (deficit)	**110,293**	**1,785**	**(43,132)**	**68,946**

Income and expenditure account – year ended 31 March 2020

	Operations £000	Development £000	Other £000	Group £000
Turnover	309,861	96,166	69	406,096
Cost of sales	-	(79,413)	49	(79,364)
Employment costs	(57,062)	(4,920)	(17,968)	(79,950)
Maintenance	(61,115)	(10)	1,009	(60,116)
Other operating expenditure	(49,503)	(9,752)	(7,494)	(66,749)
Depreciation and impairment	(44,702)	(3,440)	(6,948)	(55,090)
Operating expenditure	(212,382)	(18,122)	(31,401)	(261,905)
Surplus on disposal of housing properties	-	-	15,451	15,451
Operating surplus / (deficit)	**97,479**	**(1,369)**	**(15,832)**	**80,278**

Segmental revenue and expenditure is all derived from UK customers and suppliers.

Alternative performance measures

Home Group uses alternative performance measures ('APMs') to assess its performance. Some of the measures are defined by the Regulator of Social Housing (RSH) and some are determined by Board and management. Whilst they are financial measures of performance, financial position or cash flows, they are not defined or specified by FRS 102, as such we have provided a definition of the APMs used by the Board when reviewing the performance below. Those measures defined by the Regulator of Social Housing are identified with 'RSH'.

Amount spent on improving and maintaining our customers' homes

This shows the overall amount we invest in providing a cost effective repairs and maintenance service, and undertaking a planned programme of improvement works.

	2021 £000	2020 £000	
Routine maintenance	**46,426**	43,060	Note 2b
Add: Planned maintenance	**17,960**	17,292	Note 2b
Add: Major repairs expenditure	**3,775**	6,488	Note 2b
Add: Capitalised works	**16,234**	22,838	Note 11
Subtotal: Planned maintenance and improvement works	**37,969**	46,618	
Amount spent on improving and maintaining customers' homes	**84,395**	89,678	

Amount spent on delivering new homes

This shows the overall amount we invest in delivering new homes, one of our strategic priorities.

	2021 £000	2020 £000	
Additions to housing properties	**92,148**	134,965	Note 11
Add:			
Properties held for sale – closing balance	**154,774**	181,207	Note 15
Add: Cost of sales	**93,196**	79,364	SOCI
Less: Properties held for sale – opening balance	**(181,207)**	(203,078)	Note 15
Subtotal: Additions to properties held for sale	**66,763**	57,493	
Amount spent on delivering new homes	**158,911**	192,458	

Social housing reinvestment (RSH)

This shows the amount we invest into new and existing social homes as a proportion of the carrying value of the homes.

	2021 £000	2020 £000	
Additions to housing properties	**92,148**	134,965	Note 11
Add: Capitalised interest	**3,244**	4,806	Note 11
Add: Capitalised works	**16,234**	22,838	Note 11
Subtotal: Housing properties reinvestment	**111,626**	162,609	
Divided by: Housing properties – Net book value	**2,539,561**	2,489,789	Note 11
Social housing reinvestment	**4.4%**	6.5%	

Gearing (RSH)

This is a key risk measure which shows whether the level of borrowing we have entered into to fund new development is appropriate for the size of our business and risk appetite.

	2021 £000	2020 £000	
Housing loans from third parties	17,760	39,359	Note 18
Add: Discounted bonds	-	-	Note 18
Add: Housing loans from third parties	627,834	755,419	Note 19
Add: Discounted bonds	505,305	386,377	Note 19
Less: Cash and cash equivalents	(54,641)	(34,640)	SOFP
Subtotal: Net debt	1,096,258	1,146,515	
Divided by: Housing properties – Net book value	2,539,561	2,489,789	Note 11
Gearing	43.2%	46.0%	

Profit from new build sales and joint ventures

This shows total profits earned from our development activities.

	2021 £000	2020 £000	
Shared ownership first tranche sales – Operating surplus	2,240	1,661	Note 2a
Add: Properties developed for outright sale – Operating surplus	5,984	6,657	Note 2a
Add: Share of profit in joint ventures	1,108	1,528	SOCI
Add: Share of (loss) / profit in associates	(170)	170	SOCI
Profit from new build sales and joint ventures	9,162	10,016	

Operating margin – Overall (RSH)

This measures the proportion of surplus we generate from turnover on day-to-day activities and is a key indicator of operating efficiency and business health.

	2021 £000	2020 £000	
Operating surplus	68,946	80,278	Note 2a
Less: Surplus on sale of social housing properties	(9,516)	(8,343)	Note 2a
Less: Surplus on sale of non-social housing properties	(4)	(7,108)	Note 2a
Subtotal: Operating surplus as defined by RSH	59,426	64,827	
Divided by: Turnover	429,893	406,096	Note 2a
Operating surplus – Overall	13.8%	16.0%	

Operating margin – Social housing lettings (RSH)

This measures the proportion of surplus we generate from turnover on our core social housing lettings business and is a key indicator of operating efficiency and business health.

	2021 £000	2020 £000	
Social housing lettings - Operating surplus	60,898	64,576	Note 2a
Divided by: Social housing lettings - Turnover	280,382	273,617	Note 2a
Operating margin – Social housing lettings	21.7%	23.6%	

EBITDA MRI (RSH)

Earnings before interest, tax, depreciation and amortisation (major repairs included) is a standard measure used within the social housing sector to compare the level of earnings from operations, excluding the impact of adjustments which can be affected by accounting policy choices.

	2021 £000	2020 £000	
Operating surplus as defined by RSH	**59,426**	64,827	As above
Add: Depreciation of housing properties	**45,655**	40,176	Note 9
Add: Depreciation of other fixed assets	**6,933**	4,467	Note 9
Add: Amortisation of intangible fixed assets	**2,145**	5,127	Note 9
Add: Interest receivable	**2,728**	3,296	Note 7
Less: Amortised government grants	**(9,035)**	(8,355)	Note 2b
Less: Revenue grants	**(8,564)**	(9,846)	Note 2b
Less: Capitalised works	**(16,234)**	(22,838)	Note 11
EBITDA MRI	**83,054**	76,854	

Interest cover (RSH)

Interest cover shows how comfortably we are able to meet the interest repayments on our borrowings.

	2021 £000	2020 £000	
EBITDA MRI	**83,054**	76,854	As above
Divided by:			
Interest payable and financing costs	**43,843**	43,304	SOCI
Add: Interest capitalised on property development	**4,716**	6,233	Note 8
Subtotal: Gross interest payable	**48,559**	49,537	
Interest cover	**171%**	155%	

Return on capital employed (RSH)

This shows how efficiently we are using our resources to generate a financial return.

	2021 £000	2020 £000	
Operating surplus	**68,946**	80,278	SOCI
Add: Share of profit in joint ventures	**1,108**	1,528	SOCI
Add: Share of (loss)/profit in associates	**(170)**	170	SOCI
Subtotal: Surplus before interest and tax	**69,884**	81,976	
Divided by: Total assets less current liabilities	**2,684,416**	2,652,281	SOFP
Return on capital employed	**2.6%**	3.1%	

Social housing cost per unit (RSH)

This is a high level measure of the amount it costs us on average to provide each social home that we manage.

	2021 £000	2020 £000	
Social housing lettings – Operating expenditure	**219,484**	209,041	Note 2a
Less: Depreciation of housing properties	**(43,859)**	(39,920)	Note 2b
Less: Impairment of housing properties	**(5,070)**	(3,188)	Note 2b
Less: Rent losses from bad debts	**(2,603)**	(4,236)	Note 2b
Add: Other social housing activities – Operating expenditure	**44,888**	43,998	Note 2a
Less: Shared ownership first tranche sales – Operating expenditure	**(2,392)**	(5,211)	Note 2a
Add: Capitalised works	**16,234**	22,838	Note 11
Subtotal: Social housing costs	**226,682**	223,322	
Divided by: Total social housing units	**50,551**	50,678	Note 4
Social housing cost per unit	**4,484**	4,407	

Arrears

This measures the proportion of rent due remaining unpaid at the year-end, and demonstrates how effective we are at collecting rent.

	2021 £000	2020 £000	
Rental and service charges receivable	**20,839**	21,483	Note 16
Divided by: Net rents receivable	**262,783**	255,416	Note 2b
Arrears	**7.9%**	8.4%