Building homes, independence and aspirations

Reports and Financial Statements for the year ended 31 March 2022

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

Chair's Introduction

It is with great pleasure that I introduce the financial statements for the year ended 31 March 2022.

I must begin at the very outset by thanking all my Home Group colleagues for their fantastic work and support in what has been yet another extremely challenging year.

I, like all chairs in the sector, and outside it for that matter, will be echoing very similar sentiments in their introductions to their financial statements, I'm sure. Namely, that once again our organisations have had to operate under incredibly difficult circumstances. None of which I need to remind people of here.

Suffice to say, that this past year has in many respects been a year of recovery from Covid-19. However, I'm pleased to say that, once again, we have stood up to the challenges placed before us, and we remain strong as an organisation and as a workforce.

Our support for each other, our inclusive culture and our values ensured whatever was thrown at us this past year we remained resolute in our purpose and aims.

Home Group is a social enterprise and charity, one of the nation's largest providers of housing, health and care, with a turnover of £420 million.

Last year, we housed 125,000 people in our 55,000 homes across England and Scotland. This included accommodation-based support for close to 12,000 customers with mental and physical health issues.

We operate across 200 local authority areas with 50% of stock within 14 local authorities, primarily affordable tenures.

Our surplus before tax for the year ended 31 March 2022 was £28.1 million – a slight decrease from last year, but appropriate in the circumstances.

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 2022.

Last year signalled the conclusion of our 2017-2022 operational strategy – a period in which the uncertainty caused by Brexit, and latterly Covid-19, loomed ever so large.

Despite this, we made considerable ground in our ongoing mission 'to build homes, independence and aspirations' in those five years, and we should be very proud.

Whilst for obvious reasons, we haven't reached the ambitious but achievable targets we set ourselves at the start of our five-year plan, we have been able to proactively adapt to the changing external environment and tackle the challenges this presented. In this year of recovery we have delivered to a very high level once again.

Addressing the setbacks caused by access issues during lockdown we invested £110.2 million in improving and maintaining customers' homes – an increase of £25.8 million on last year.

This included £8.7 million on building safety works, an ongoing area of focus for us. Last year we invested significantly in our building safety team, which included a new Executive Director of Building Safety.

Investment in development was up on last year at £170 million, compared to £160 million in 2021. We delivered 1,047 new homes - 623 of which were affordable tenure. Build completions were slightly behind expectation with material shortages and contractor labour shortages contributing to some delays.

Sales performance this year has been satisfactory, and we continue to see good levels of interest on our developments.

Our development in New Models of Care continues at a pace. In our complex care programme, for example, we had 20 customers moved into their homes by 31 March. In many cases they had been living in a hospital environment for years, and are now supported to live in their own home which meets their needs.

In May this year we launched our new five-year strategy. While it is very much focussed on building on the key aims in the past plan, there are one or two areas which have moved up the pecking order.

Whilst regeneration and sustainability have been integral to our previous plans, we will see increased investment in these areas over the lifetime of this new strategy, and beyond.

At the end of last year we received planning approval for a major regeneration project at our Douglas Bader Park estate in the London Borough of Barnet.

The ten-year plan will see the replacement of the outdated existing housing with 481 private and 272 affordable new homes, in a mix of tenure blind apartment blocks, maisonettes and houses. All existing customers will be rehoused on the estate, with properties ranging in size up to seven bedrooms to meet their needs.

Chair's Introduction (continued)

A major part of this project will be the delivery of energy efficient homes which are cost effective for our customers, and which support our 2050 net-zero targets, along with those of the Government.

Over the past year or so our focus has increased significantly on delivering a strategy which ensures we green our homes and our communities. And we have witnessed great inroads already in this long-term plan which will see major investment.

Last year we were awarded £1.2 million from the Social Housing Decarbonisation Fund to upgrade 90 homes in Cumbria – this work will take place over the next year, supplemented by £3.3 million of our own investment.

This year we are submitting a bid to the second round of funding, which would allow us to retrofit a further 1,000 homes. This would put us well on the way to our five-year retrofit delivery plan.

This year also saw us deliver our first Environment, Social and Governance (ESG) report under the Sustainability Reporting Standard for Social Housing – a report we will produce annually. We are committed to being transparent with all our stakeholders about our ESG performance, particularly with sustainability at the heart of our new strategy.

Our investment across the organisation over the next five years is substantial. However, it's not all about land or materials. Investing in people – new and existing - is a major part of our new five-year strategy.

A key element within our new plan is what we call 'grow our own' – investing time and resource to develop our existing talent.

Already, we have seen that working in practice, with our previous Director of Finance, Helen Brindley, taking up the role of Chief Financial Officer, while Will Gardner, previously Director of Development, taking up the role of Executive Director of Development and Sales.

Our people, as I alluded to at the very start of my introduction, are key to achieving our goals. That is why investing in them is of paramount importance. I fully expect to see more talent coming through the organisation as we develop our 'grow our own' programme.

It's a programme which has also helped us to reduce our gender and ethnicity pay gaps this past year, along with targeted recruitment activity.

A key focus for all colleagues this year is on helping our customers deal with the impact of rising prices. These increases, particularly for food and energy costs, combined with wages and benefits not keeping pace with inflation has created a cost-of-living crisis which could be catastrophic for some of our customers.

Colleagues across the board are working hard to support them through this, especially those in the financial inclusion team. They have already saved those customers who have contacted our team in the region of £500 per household. We will do everything possible to ease any suffering for our customers during this time.

We know that the effort we are putting in now is helping and we expect our longer-term strategic plans will ease any potential situations like this which may occur in the future.
Given what I have witnessed over the past four years, we have the confidence and determination to succeed, along with the resilience to deal with whatever comes our way.

John Cridland

Chair
Home Group

Strategic Report

Board

J Cridland, CBE (Home Group Chair)

H Brindley (from 8 June 2022)

R A Bradley (Clinical Governance Committee Chair)

L Cullen (Health and Safety Governance Committee Chair from 18 July 2022)

S Deacon, CBE (Home Scotland Chair) (from 24 August 2021)

K Gillespie (Development Committee Chair)

M G Henderson

J Hudson (until 7 June 2022)

M Madden (Home Scotland Chair until 24 August 2021, Audit Committee Chair from 24 August 2021)

B Mehta, CBE (Governance Committee Chair)

L A Morphy, OBE (Health and Safety Governance Committee Chair until 17 July 2022)

I Mudie

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 – Models of Care

H Brindley
Chief Financial Officer
(from 8 June 2022)

J Cook
Executive Director – Building Safety (from 16 February 2022)
Executive Director – Development and Sales (until 15 February 2022)

M Forrest
Executive Director – Operations

W Gardner
Executive Director – Development and Sales (from 4 April 2022)

J Hudson
Chief Financial Officer
(until 7 June 2022)

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 Auditor:
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

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 and communities across the UK.

The principal activities of Home Group are:

- The provision of affordable rented accommodation – we currently house 125,000 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. We worked with over 12,000 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.

Building homes, independence and aspirations

March 2022 saw the close of our previous five year strategy. During this time, we learnt the value of taking time to reflect, research and plan with the right data and insight ahead of delivery.

As an example of this regular self-challenge, the Executive team and Board agreed to change two of the goals. We replaced what was our '90% digital' goal with 'delivering our customer promise'. The customer promise was developed jointly with customers in 2019, and it felt right to ensure that this was at the heart of our strategy.

We changed our 'building 10,000 new homes' goal to 'building the right homes in the right places' to ensure we were promoting the right behaviours in pursuit of new housing opportunities.

We also recognised early on in the strategy period that we needed to do more on the aspirations part of the mission and put actions in place to help deliver on this.

A further lesson we learnt was the significant impact that the external world can have on our strategy delivery, and the need to flex quickly when required. Our swift customer-focused response to the pandemic was a great example of this, and in the current changing external environment we expect this agility to be crucial.

While there have been challenges in delivering the previous strategy, we feel that the direction was generally right.

Our new strategy embeds all of this learning. It represents 'evolution not revolution', continuing to deliver our mission of building homes, independence and aspirations, while updating the strategic goals.

Strategy (continued)

Our strategic goals

The new strategy has four goals. They are:

Delivering for our customers and communities

Our priority in our homes and communities is getting the basics right in a consistent way – customers have told us this is a must do. This includes strengthening our approach to anti-social behaviour and ensuring customers feel safe.

Beyond this, we will work with customers and stakeholders to develop a new approach to collaboration and partnerships. This includes opening up more opportunities to engage with more customers and enable them to have greater influence over their homes and communities.

Providing the right homes in the right places

We will provide safe, good quality and affordable homes in mixed tenure communities. We will further invest in geographical areas where we want to create a strong presence so that we can make a meaningful impact in communities.

Existing and new homes will meet the Home Group Standard we are developing, which is being co-designed with customers. We will invest in tried-and-tested technology when it comes to decarbonisation to support us in maximising sustainability, helping customers in fuel poverty and meeting net zero targets.

Evolving our model of care and support

Supporting vulnerable people to achieve greater independent living is core to our mission. Our model of care and support comprises meeting specialised individual complex care needs through to providing supported care services in the community, working closely with partners and commissioners.

We will be proactive in designing and growing our care and support services in the areas of learning disabilities, mental health, move on and community health.

Underpinning all of this is enabling customers to live more independent lives in the long term.

Creating a vibrant, customer-focused organisation

As an organisation, we will invest in our colleagues through 'growing our own' to develop their skills, progression routes and to increase retention.

We will focus on upskilling customers and apprentices to create a diverse and vibrant workforce and generate positive social impact.

We will be an exemplar in equality, diversity and inclusion, building on the strong culture of the organisation and constantly assessing ourselves against best practice.

We will be a leading Digital First (but not digital only) organisation, with strong data underpinning decisions.

We measure progress against these goals to ensure they are fully embedded and driving everything we do. The KPIs against which we measured performance for the previous goals are included in the Value for Money section of this report at page 18.

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

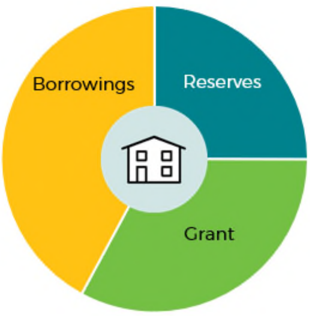
Home Group is not-for-profit and any surplus is reinvested back into the business. Value is generated through the business streams below, and through the following key resources and relationships:

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

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.	We provide care and support services to customers living in our supported housing.
		Homes for rent / Homes for sale	
Main income stream:	• Rent and service charges	• Sales income	• Contract income
Main costs:	• Repairs and maintenance • Housing management	• Build costs • Sales and marketing costs	• Staff costs for the delivery of 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, and delivering repairs and maintenance services
- Development and asset: Design and delivery of our new build homes, regeneration and strategic management of our existing homes
- Models of care: 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 assurance, compliance and risk, building safety, facilities, communications, marketing, strategy, business development, project management, finance, human resources, information systems, legal services, company secretarial and procurement.

Business model and structure (continued)

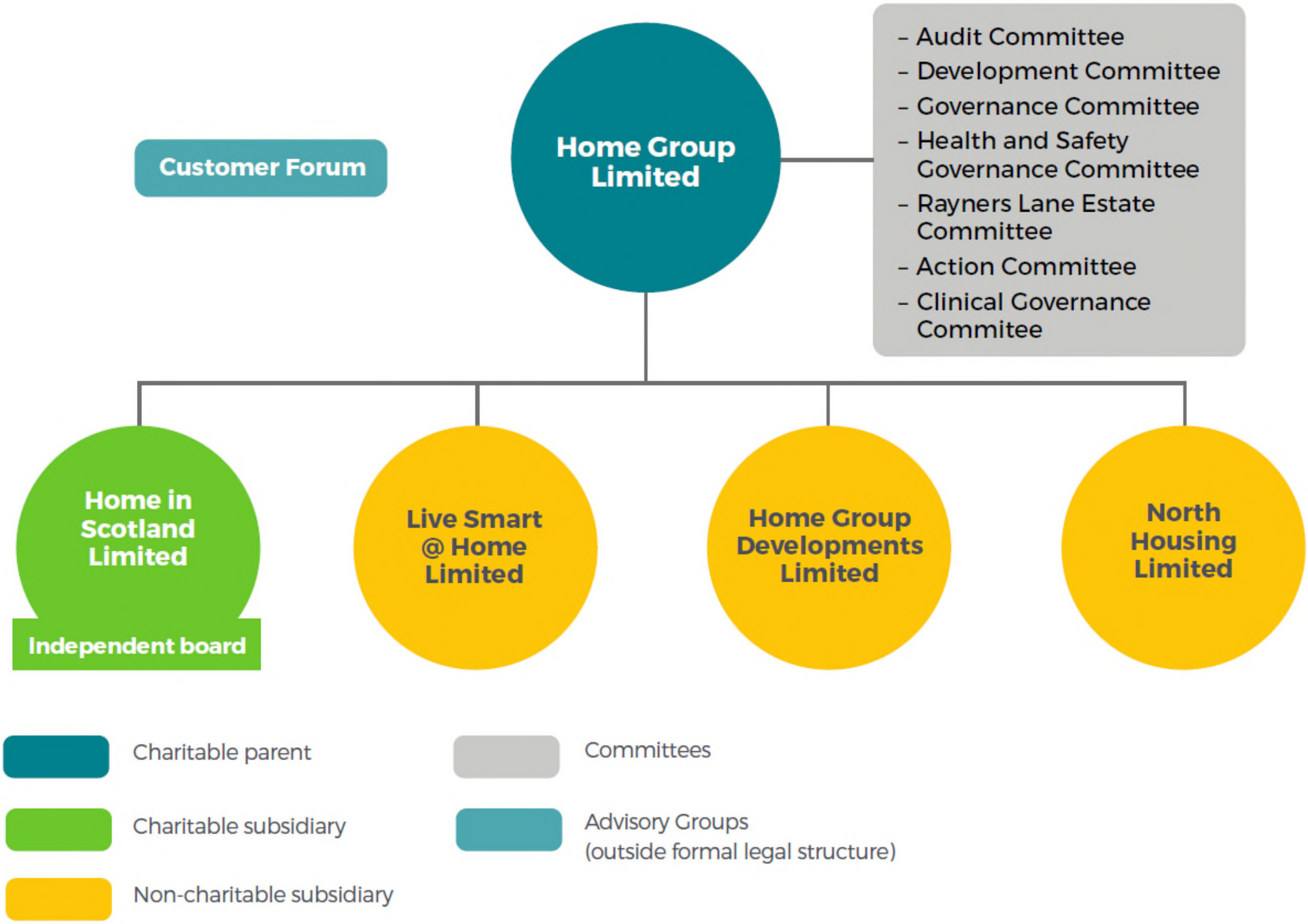
Group structure

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 (HGL) 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 which provides funding to HGDL.

Profits arising in the group's non-charitable subsidiaries are remitted to the parent company where possible, for reinvestment in the group's social purpose.



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

The current operating environment

We are operating in an increasingly uncertain business environment – over the last few years we have managed the effects of both Covid and the fallout of Brexit. These issues have been compounded by the ongoing acute cost of living crisis and the war in Ukraine.

Living with Covid

The effects of the coronavirus pandemic continued to impact Home Group, its customers, colleagues, suppliers and stakeholders over the last year. At the start of the pandemic we were able to respond quickly, adapting our operations to manage risk and ensure continuity of service to all customers.

Our operations continued to be affected throughout the year as we managed the impact of higher than average sickness absence, changes in restrictions, and the withdrawal of financial support measures.

In September 2021 we reopened our offices to all colleagues for the first time since the start of the pandemic. We continue to respond to changing legislation and best practice, updating our policies and procedures promptly when necessary.

Emerging challenges – the cost of living crisis and the war in Ukraine

As the UK and global economies emerge from the pandemic, labour market and supply chain disruption have caused increases in price and availability of goods and services. Further uncertainty and disruption has followed the invasion of Ukraine, and we have seen the highest inflation rates in 40 years. This particularly impacts our maintenance costs, and rising inflation presents an ongoing risk to our cost base.

Rising prices, particularly for food and energy costs, combined with wages and benefits not keeping pace with inflation has created a cost of living crisis which could be catastrophic for our customers. We continue to expand our financial inclusion team to provide support for those facing financial pressures.

The factors discussed above are reflected in our financial modelling and stress testing, discussed further in our going concern assessment on pages 41-42.

At the start of the coronavirus pandemic, we introduced a separate risk log linked to regular stress testing, and more recently we have taken the same approach as we react to the changing external environment following the invasion of Ukraine and the cost of living crisis.

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 opportunities. 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 complex care 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 impact of uncertainty, details of the controls in place and any future plans to help reduce the risk to a more tolerable level.

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).

Risk scoring matrix

Likelihood					
5	L	M	H	C	C
4	L	M	H	C	C
3	L	M	M	H	C
2	L	L	M	H	H
1	L	L	L	M	H
	1	2	3	4	5
			Impact		

L = Low
M = Medium
H = High
C = Critical

Management and the Board also review the cumulative effect of all risks and evaluate the combined impact these could have should they occur at the same time.

In addition to the risks related to the current external environment discussed above, 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
We fail to comply with statutory health and safety, building safety, fire safety and environmental legislation.	Our customers' health, safety, wellbeing and satisfaction is paramount. To reflect our commitment to ensuring the safety of their homes and meeting the changing requirements, we have created a new role of Executive Director for Building Safety. This directorate aligns our specialist maintenance compliance, health and safety and technical buildings teams, and will streamline activity in these areas while increasing resourcing. We are assessing every aspect of safety related activity in consideration of new and upcoming legislation. The Fire Safety Act 2021 enhances and clarifies the requirements for building owners in relation to completion of fire risk assessments. The Building Safety Act 2022 provides two new regulators for buildings and materials along with a framework for managing higher risk buildings that building owners will need to comply with. We anticipate a multi-year programme of remedial works and have factored these costs into our 22/23 budget and longer term business plan. We have developed an overarching roadmap to net zero which incorporates detailed analysis of the investment required in our existing homes.	H High
We fail to meet the quality of care required by our service types and customer groups.	As we expand our 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. 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.	H High
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. To enhance security we have introduced Multi Factor Authentication for logging into our key systems. We regularly review the adequacy of our data management and security controls, undertake colleague awareness and training, subject our system to penetration testing and test our contingency and recovery processes.	H High
We are unable to attract, recruit, develop and retain the right skills and talent to enable delivery of the strategy.	Our employer of choice offer builds our reputation and targets social purpose in resourcing and attracting colleagues. We conduct regular salary benchmarking and have an enhanced wellbeing offer to support our colleagues which we continuously review to ensure we make Home Group a healthy place to work. A new focus on 'growing our own' talent includes identifying skill gaps and providing development opportunities for our colleagues.	H High

Risk description	How we manage and mitigate the risk	Controlled risk score
Changes in the economy (high inflation, recession) could impact our customers' ability to pay rent.	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 continue to strengthen 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.	H High
Failure of a key contractor or supplier 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.	H High
Our financial health and liquidity is insufficient to allow us to deliver planned investment in existing properties and development plans.	We have a robust business planning process which includes detailed stress testing of a number of scenarios and modelling of mitigating actions that we could take should these risks arise. Regular forecasting takes place, including consideration of covenant compliance and future financing requirements.	M Medium
We fail to comply with the regulatory frameworks relevant to our business.	Our corporate governance framework ensures policies and procedures are in place to ensure regulatory compliance. The regulatory compliance group provides governance over how we deliver all our regulatory requirements. This group also carries out horizon scanning across each of our regulators to understand new requirements and assess any gaps that we may have. Specific risks around new regulation or legislation are monitored and managed separately.	M Medium
Changes in government policy or regulation may impact our ability to achieve our plans. Uncertainty over future policy direction may affect our ability to plan future activities.	We actively monitor political events and policy direction, considering how policy changes may impact on the Group through modelling, enabling us to respond quickly to future changes.	M Medium

Business environment (continued)

The climate emergency and our environmental impact

Our customers, colleagues and partners care about our impact on the environment, and we're acutely aware of the need to reduce our carbon footprint. We are fully behind the UN's goal to stabilise the amount of human-induced greenhouse gases in the atmosphere, and have committed significant investment within our 30 year financial plan to drive towards our sustainability goals.

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).

During the year we partnered with the Department for Business, Energy and Industrial Strategy (BEIS) and took part in wave 1 of the Social Housing Decarbonisation Fund. This partnership has allowed us to commit investment of £5.5 million, including funding of £1.2 million from the Treasury, to deliver whole house retrofit programs including the installation of external wall insulation, air source heat pumps and solar panels to 90 homes in Cumbria. We are currently working with BEIS and the Greener Future Partnership (five like-minded housing associations with a core objective of creating sustainable tenancies, homes and communities) in defining wave 2 with a view to expanding our partnership and investment plans over the medium term.

At 31 March, the average energy efficiency rating (SAP) of our homes was 71.8 (2021: 71.7), a slight improvement. During the year we carried out works to over 3,000 homes to improve their energy efficiency, however the impact of this work will not be reflected in higher SAP ratings until the properties undergo a full stock condition survey.

Our new homes

When we're building new homes and communities, 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.

When designing new developments, flood risk and overheating are also key components in our design. We want to implement the most effective flood resilient and overheating components and design standards. We can also maximise the benefits of these programmes such as designing sustainable urban drainage systems to provide other ecosystem services such as biodiversity net gain or sense of place for our customers.

During the year, we added 623 affordable homes to our housing stock. The majority of these were new build homes, although we did acquire some properties and convert some existing properties to house specific customer groups. Of the 563 new build homes, 548 were built to an EPC B rating, and 15 to an EPC C rating.

Our offices and operations

As well as future proofing our homes, we also want to ensure we're 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.

Underpinning our approach to sustainability is the certification of our ISO 14001:2015 Environmental Management System. In December 2021, we achieved recertification with no non-conformances.

Environmental, social and governance (ESG) reporting

In 2021 we published our first ESG report, having adopted the Sustainability Reporting Standard for Social Housing (SRS), a voluntary framework which covers 48 criteria across various ESG considerations, and enables housing providers to report in a consistent and comparable way.

The environmental criteria of the SRS are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Our ESG report is published on our website, and can be found at the following address: www.homegroup.org.uk/about-us/corporate/transparency/financial-reports-and-annual-review/

Business environment (continued)

Supply chain management

We expect our partners and suppliers to take sustainability seriously, and make sure the products we buy for our homes and offices have as little environmental impact as possible. Our procurement team ensures that sustainability is thought about every time we purchase goods and services. We actively engage with strategic suppliers to share knowledge and align our approaches where possible.

Understanding and evaluating the impact that the supply chain has on the local area and local economy is an important factor considered with all of our key contracts. On each of these we seek to maximise the community benefit impact of the contract whilst ensuring the best value for us and our customers. Our approach varies by contract but frequently includes social value resources and champions included within the requirements.

Where it makes sense, we look to use the social value commitments secured from our supply chain to support our own social value initiatives. Examples of this include asking bidders to commit where possible to apprenticeship programmes and support customer apprenticeships or other employment opportunities.

Many of the goods, services, and works that we procure impact directly upon our customers and their experience of Home Group as their landlord. For this reason, where a contract has a direct customer impact, we will do our best to involve customers in the procurement process. This involvement can range from feedback on existing services and involvement in specification creation, to active participation in the tender evaluation process.

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.

The Audit Committee is responsible for ensuring we have reporting mechanisms in place, and monitoring the outcome of investigations into any detected instances of fraud and bribery.

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 auditing procedures.

We also have policies, procedures and associated resources in place relating to gifts and hospitality, 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 to the right summarises the total tax payable by the Group:

	2022 £m	2021 £m
Irrecoverable VAT	24.7	19.9
Employer's national insurance	7.1	6.9
Corporation tax	(0.3)	2.3
Stamp duty land tax	0.2	1.3
Total	31.7	30.4

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 £25 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 group has recognised a credit in relation to corporation tax in 2022, as during the year HGDL made a gift aid payment to HGL of £8.5 million, reducing the group's corporation tax liability for 2021 by £1.6 million.

Stamp duty land tax becomes payable when land and buildings are acquired by a non-charitable company. This year the Group has paid £0.2 million (2021: £1.3 million) in relation to land acquired by HGDL which will be used to build new homes.

Business environment (continued)

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 65% females to 35% males and at senior level, 35% of our executive and senior management team are women. 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: 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 multicultural representation currently at 15%, LGB+ at 6% and disability presenting at 7%. Nevertheless, there remains work to do if we are to achieve the aspirational targets we've committed to by 2025 (multicultural 22%, LGB+ 8%, disability 8%).

We have developed focussed management development programmes for women and multicultural colleagues which collectively to date have averaged 30% promotion rates. Our new 'Grow our Own' programme which focuses on internal talent, has a specific outcome of enhancing our diverse workforce and enabling more minority groups to attain senior leadership roles.

Our pledge in adopting the Rooney Rule (interviewing where possible, at least one candidate from a multicultural background for all senior roles) has shown very promising results with over 66% of all senior recruitment exercises having candidates who identify as multicultural.

In 2022 our annual colleague survey (carried out by the external company, Great Place to Work) placed us 5th in the UK for large organisations, with 83% of our colleagues agreeing that Home Group is a great place to work, which is a significant achievement given the challenges of the past two years.

We were also pleased to achieve a top 50 place in the Stonewall 2020 top 100 employers' index, reflecting our progress with LGBTQ+ equality and inclusion. We also retained 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.

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.

As well as supporting our customers' independence and aspirations through our programme, we also offer colleague apprenticeships to enable existing colleagues to upskill and gain additional qualifications.

Of those apprentices who join us as a new recruit, 85% stay in jobs with Home Group at the end of their apprenticeship.

At 31 March 2022, we had 144 apprentices in post (2021: 132).

Financial review

We have experienced a great amount of change in the last financial year. Although we have seen some recovery from the pandemic, we have experienced significant disruption to supply chains and the labour market, resulting in shortages of materials and skills. This resulted in delays on development sites, and impacted our ability to complete void repair works to expected timescales. Towards the end of the financial year, cost inflation continued to rise, particularly impacted by the invasion of Ukraine. These factors are affecting costs faced by our customers as well as to ourselves.

Against this backdrop we remain financially strong. Income from our core business of social housing lettings and the provision of care and support services has grown, enabling us to continue to invest in our customers' homes.

We report a slightly decreased operating surplus of £66.2 million (2021: £68.9 million), the main driver of which was increased expenditure on planned maintenance and major works, some of which had been delayed from the previous year due to Covid restrictions. This year our planned maintenance programme also included £8.7 million of building safety works, an increase of £6.5 million from last year.

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 £28.1 million. Significant movements are discussed further below.

Summary statement of comprehensive income	2022 £m	2021 £m
Turnover	420.0	429.9
Cost of sales	(68.0)	(93.2)
Operating expenditure	(297.3)	(277.3)
Surplus on disposal of housing properties	11.5	9.5
Operating surplus	66.2	68.9
Share of profit in joint ventures and associates	3.8	0.9
Net finance costs	(41.9)	(41.1)
Surplus before tax	28.1	28.8

Turnover

Group turnover reduced by £9.9 million to £420.0 million in the year ended 31 March 2022, a 2.3% decrease.

The main reason for the decrease in turnover was a reduction in new build sales of £37.5 million. Sales numbers reduced to 352 (2021: 516). Our development programme handed over lower numbers of homes for sale this year, with more schemes delivering homes for rent. In addition to new build sales, this year we also derived turnover of £9.5 million from the sale of a piece of land following a strategic review.

The majority of our turnover (67%) continues to come from social housing lettings. This year we reviewed the split between the property and support elements of our supported housing portfolio, resulting in £8.2 million of turnover and associated costs now recognised as delivery of care and support services that would previously been recognised as delivery of housing accommodation. Offsetting this, we saw increases in rental income, resulting in a net increase of £3.1 million in social housing lettings turnover.

Our turnover from the delivery of care and support services increased by £14.6 million, partly from the review of the split between property and support elements where we deliver supported accommodation, but also through significant growth in this area.

Cost of sales

Cost of sales has decreased by £25.2 million as a result of the decrease in new build sales. The margin we achieve on new build sales varies between schemes and has increased slightly this year (17.3% from 14.4% in the prior year) as we made more sales from higher margin schemes.

Operating surplus

Our operating surplus reduced by £2.7 million. The main driver of this was increased expenditure on maintenance of our existing properties. As our planned maintenance programme had been delayed in the prior year as a result of restricted access during lockdowns, we had an element of "catch up" this year. Planned maintenance and major works increased by £13.5 million.

Financial review (continued)

Financial strength

The Group's balance sheet remains strong, with net assets increasing by £46.8 million during the year. Gearing remains low, at 41.8% (2021: 43.2%). Significant movements in the balance sheet are discussed further below.

Summary statement of financial position	2022 £m	2021 £m
Housing properties	2,629.4	2,539.6
Other fixed assets and investments	100.7	116.8
Properties and assets held for sale	132.0	154.8
Cash and cash equivalents	47.9	54.6
Debtors	26.7	24.4
Borrowings (bonds and third-party loans)	(1,147.5)	(1,150.9)
Deferred capital grant	(841.9)	(826.3)
Other liabilities	(201.7)	(194.6)
Pension provision	(14.3)	(33.9)
Net assets	**731.3**	**684.5**

Housing properties

The net book value of our housing properties increased by £89.8 million during the year as we continue to invest in new delivering new affordable homes and improvements to our existing homes.

We spent £124.8 million developing new affordable homes and spent a further £26.4 million on capitalised improvement works on our existing homes.

Other fixed assets and investments

The £16.1 million decrease was driven by a £15.5 million reduction in loans to our joint venture investments. As the development schemes delivered through our joint venture arrangements mature the loans are repaid.

Properties held for sale

Decreased by £22.8 million during the year as a result of lower work in progress and completed homes held for sale on both shared ownership properties and outright sale properties.

Cash and cash equivalents

Movements in cash and cash equivalents are discussed in more detail in the cash flow review on the following page.

Debtors

Increased by £2.3 million. There were no individual material movements within debtors.

Borrowings

Our largest liability remains borrowings (bonds and third party loans). Borrowings decreased by £3.4 million.

Deferred capital grant

Increased by £15.6 million during the year as we received additional grant to fund our development of housing properties.

Other liabilities

Increased by £7.1 million. The main movement was on the recycled capital grant fund, which increased by £7.3 million as we recycled grant following the sale of previously rented properties.

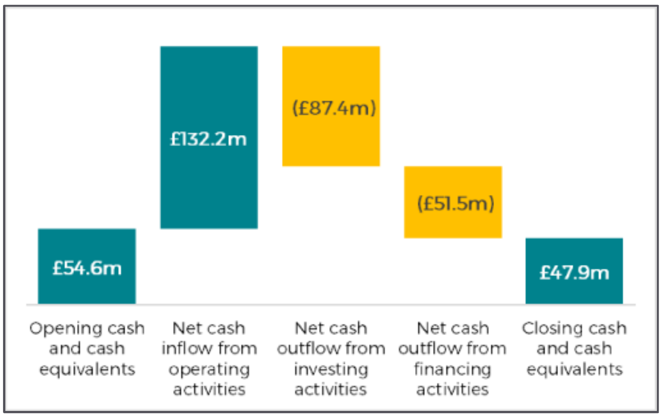
Pension provision

Decreased by £19.6 million following actuarial review of the position at the year end. The main driver of this was an increase in the discount rate applied to the scheme liabilities, which does not impact the funding position.

Financial review (continued)

Cash flows

Cash inflows and outflows for the year ended 31 March 2022 are detailed in the Group Cash Flow Statement on page 40.



Cash inflow from operating activities decreased slightly compared to the prior year as we increased our expenditure on planned maintenance.

Cash outflow from investing activities increased compared to the prior year as we increased our investment in housing properties – both development of new homes and improvements to our existing homes.

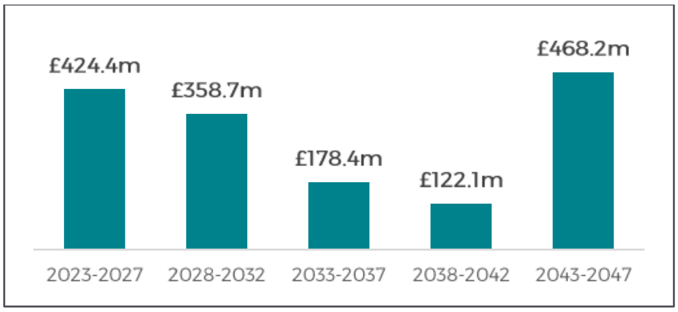
Cash outflow from financing activities decreased compared to the prior year. We repaid more of our borrowings in 2021 following a bond issue. Borrowings decreased by £3.4 million, while cash and cash equivalents decreased by £6.7 million.

Capital structure and treasury policies

As at 31 March 2022, the Group has committed borrowing facilities of £1.6 billion (2021: £1.6 billion) of which £1.1 billion is drawn (2021: £1.2 billion). £367.8 million (2021: £376.8 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.

The maturity profile of our current facilities (including undrawn and available facilities) is shown below:



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 82.5% (2021: 80.6%) 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 remain marginally above the target range.

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.

As at 31 March 2022, 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

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, and we may decide not to pursue a particular target if our priorities change.

How do we measure our performance?

We measure our performance against the strategic goals via defined performance indicators for which we set clear annual targets.

Performance against our targets is 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.

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.

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 84-87.

Our performance on our key performance indicators, including the VfM metrics set out by the Regulator of Social Housing, against the 2022 target is shown on the following pages.

Benchmarking information is also shown for key performance indicators where available. This information is for the year ended 31 March 2021, as 2022 results are not yet available.

Building the right homes in the right place

Homes delivered

2022 Target	2022 Result	2021 Result	2020 Result
1,485	**1,047**	1,019	1,179

During the year we delivered 514 new homes for affordable rent (2021: 359) and a further 109 for affordable home ownership (2021: 195). We also completed 172 new homes for outright sale (2021: 307). A further 252 homes were delivered by our joint ventures (2021: 158).

Profit from new build sales and joint ventures

2022 Target	2022 Result	2021 Result	2020 Result
£13.5m	**£11.3m**	£9.2m	£10.0m

There were a number of schemes this year where we did not commence work as early as intended, so have not achieved the first handovers this year. This impacted on both new homes delivered and profit from new build sales. We were able to compensate for this to some extent by accelerating sales at other sites.

Delivering our customer promise

Average time to attend an emergency repair

2022 Target	2022 Result	2021 Result	2020 Result
6 hours	**5.7 hours**	4.0 hours	6.4 hours

We met our targets on average repair times, although not all repair jobs meet these targets and we continue to work to improve our performance on repairs as this is something which is important to our customers.

Average time to complete a standard repair

2022 Target	2022 Result	2021 Result	2020 Result
14 days	**9 days**	10 days	11 days

We benchmark better than the average on our standard repair time, which was 12 days for our peer group in 2021 (compared to our Housemark peer group).

Strategic performance and value for money (continued)

Customer satisfaction

2022 Target	2022 Result	2021 Result	2020 Result
93%	**92%**	91%	95%

Our customer satisfaction improved slightly compared to the prior year, although remains behind our target.

The sector has experienced a drop in customer satisfaction since the pandemic and has not yet seen a return to pre-pandemic levels. We can't benchmark this measure directly, however are aligning our methodology with the expected direction of the RSH's tenant satisfaction measures expected to be introduced in the future.

Complaints responded to within 10 days

2022 Target	2022 Result	2021 Result	2020 Result
80%	**64%**	67%*	81%*

* We revised our complaints policy last year, so the results from 2021 and 2020 show the percentage of complaints responded to within 20 working days.

We did not achieve our complaints target. Although this is an aspirational target, we were also impacted by an increased volume of complaints and lack of reporting capability as detailed in our improvement plan update below.

Complaints Improvement Plan	
Action	**Update**
Implementation of new housing system to improve quality of data held on complaints and launch dashboard to be used throughout the business.	We implemented our updated housing system in July 2021, however experienced issues using this system to log and monitor complaints. Data requiring manual intervention to obtain reporting meant that we were unable to launch the complaints dashboard. We have since moved complaints reporting to a new system with effect from 1 April. A dashboard will be developed for use across the business, promoting accountability and adherence to the complaints handling code.
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.	Despite challenges on reporting we have been able to use anecdotal information and Housing Ombudsman reports to pull out themes and implement lessons learned, for example on damp and mould. The new system will enable further work and more detailed analysis to be done in this area.
Target: 80% of complaints responded to within 10 days	

Becoming market leaders in new models of care

Value of new business won

2022 Target	2022 Result	2021 Result	2020 Result
£34.1m	**£32.9m**	£46.6m	£27.7m

We saw a decrease in activity compared to the previous year, but were still able to come close to our target for new contract wins.

Strategic performance and value for money (continued)

20% more efficient

Occupancy

2022 Target	2022 Result	2021 Result	2020 Result
99.5%	**99.5%**	99.4%	98.9%

We benchmark better than the average occupancy level for the sector, which was 99.2% in 2021 (sector scorecard median).

We achieved our target on occupancy, despite this having been a challenging year with delays in completing void works due to contractor staffing shortages.

Although we strive for continuous improvement, we no longer consider a specific improvement plan to be necessary. An update on the improvement plan actions from last year is set out below.

Occupancy Improvement Plan	
Action	**Update**
Develop efficient and collaborative void management practices and codes	We have conducted a full review and updated processes to ensure these are collaborative, robust and efficient. We have clear definitions of our void codes which align to regulatory definitions and sub- statues which allow us to track, monitor and manage voids through a suite of reports. Action closed
Review long-term and hard to let voids and estates, identifying the worst performing and developing bespoke solutions	This is an on-going piece of work which will be embedded as business as usual from this year. We hold regional strategic development meetings which bring various teams together to discuss issues like these. Action closed

Arrears

2022 Target	2022 Result	2021 Result	2020 Result
7.7%	**8.1%**	7.9%	8.4%

We benchmark poorly compared to our peer group of comparable housing providers, which has a median arrears level of 5.1% in 2021, although the range was from 2.9% to 9.3%.

We failed to meet our arrears target, which included a reduction in current arrears of £834,000 – we achieved a £332,000 reduction. However we have seen a decrease in arrears from a peak in 2020.

We continue to target further improvements, although expect this to remain a challenging area given the impact of cost of living on our customers. We may also see some impact as the pause by the Department for Work and Pensions on managed migration to Universal Credit is lifted.

Arrears Improvement Plan	
Action	**Update**
Develop learning offer for colleagues on income protection and debt collection	Our learning offer for rented has been developed, and this is in the process of being extended to leasehold.
Reduce the number of customers in arrears through referral to our financial inclusion team	Financial inclusion work continues to have a positive impact; 39% of customers were in arrears at the end of March (reduced from 42% a year ago). We are expanding the size of the team, with resource focussed on proactive campaign work in our communities to reach those who are struggling the most and may not be digitally engaged or enabled.
Review and improve former tenants arrears collection process	A separate team focusing on former tenant arrears collection has been set up within service delivery.
Target: Reduce current rented arrears to £9.6 million	

Strategic performance and value for money (continued)

Overheads

2022 Target	2022 Result	2021 Result	2020 Result
12.2%	12.0%	13.1%	13.5%

Overheads mainly relate to the cost of our support services functions, and we have been able to reduce this cost relative to the group's turnover.

We benchmark better than average compared to our peer group, which had median overheads of 12.3% in 2021 (sector scorecard median).

The Regulator of Social Housing's VfM metrics

VfM indicator	2022 Target	2022 Result	2021 Result	2020 Result	2021 Benchmark
Operating margin – Overall	14.4%	13.0%	13.8%	16.0%	22.8%
Operating margin – Social housing lettings	20.7%	19.0%	21.7%	23.6%	29.2%
Social housing reinvestment	9.5%	5.9%	4.4%	6.5%	4.4%
New supply – Social	1.9%	1.2%	1.0%	2.4%	1.0%
New supply – Non-social	0.4%	0.3%	0.4%	0.3%	0.3%
Social housing cost per unit	£5,451	£5,039	£4,484	£4,405	£4,218
Gearing	40-55%	41.8%	43.2%	46.0%	43.5%
Interest cover	131%	160%	171%	155%	151%
Return on capital employed (ROCE)	2.6%	2.6%	2.6%	3.3%	3.4%

How we performed against target

We failed to meet our targets for some of these measures. There were two main drivers of this:

- We made the decision to increase our building safety works expenditure beyond what had been budgeted for. This directly impacted operating margin (both overall and social housing lettings).
- Some development schemes were delayed, and we made the decision not to compensate for this by accelerating others or pursuing other opportunities. This directly impacted social housing reinvestment and new supply (both social and non-social), whilst protecting our gearing and interest cover.

We may make decisions during the year which impact our ability to meet targets, particularly to respond to changing circumstances in the external environment.

How we compare to our peer group benchmark

Our peer group consists of a small group of comparable housing providers. We benchmark at around the average for the majority of measures, allowing for some year to year fluctuation.

Our margins (both overall and social housing lettings) are lower than the majority of our peer group. Margins are impacted to some extent by the mix of activities we carry out. For example we have a higher proportion of both supported housing and new build sales than the average within our peer group. Both of these activities deliver lower margins than our core general needs social housing lettings.

Although there are reasons why our margins are lower, actions could be taken to improve these. While acknowledging that strategic decisions that are right for the business, for example investing in building safety, may drive a deterioration in margin, we should put mitigations in place to protect our margin where possible. This has been reflected by extending the improvement plan from social housing lettings margin to include overall margin, as set out on the next page.

Strategic performance and value for money (continued)

Operating margin – Improvement Plan	
Action	Update
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.	Benchmarking analysis of component parts of social housing lettings has been carried out. and margin analysis will be made more widely available to improve visibility across the business. Our targets for next year are based on our latest business plan, which shows a decreasing margin in the upcoming year, before delivering a steady growth as we begin to deliver more complex care and grow our supported business.
Target: Overall operating margin 10.8%; Social housing lettings margin 15.2%	

Performance and Value for Money conclusions

The external environment continues to be challenging, and although we delivered the majority of our improvement plan actions, this did not necessarily lead to us achieving our targets.

We continue to consider how we can deliver better Value for Money for our customers and we have developed operational delivery plans across all areas of the business which set out how we can deliver continuous improvement. Each plan includes a number of actions to help us to achieve our strategic goals.

We consider it necessary to have three formal improvement plans in place this year – on complaints, arrears and operating margin. Progress on these 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 Chair
28 July 2022

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 auditor, Deloitte, and monitors the provision of non-audit services undertaken by the external auditor, 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 (continued)

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.
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 26.

Governance (continued)

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, and reconfirmed through a stability check in December 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 the National Housing Federation's Code of Governance 2020 from 1 April 2021. During the year we have worked to ensure full compliance with the Code, which involved making some changes to our governance processes. As a result there were some areas of non-compliance initially, but we can confirm full compliance at 31 March 2022.

In order to comply with the new Code, our Chair of Home Scotland, (Myriam Madden) who was also a member of our Group Audit Committee stood down from the position of Chair of Home Scotland to take up the position of Chair of our Audit Committee. The previous Chair of the Group Audit Committee (Nick Salisbury) retired on 18 July 2021 and Myriam took up the Audit Chair position on 24 August 2021 (once she had stood down from her position on Home Scotland Board). Between 18 July 2021 and 24 August 2021 there was no designated Chair of the Audit Committee, during which time there was one Action Committee of the Audit Committee the Committee appointed Ken Gillespie as Chair for that meeting.

The Board has adopted and is compliant with the National Housing Federation's Code of Conduct 2012. During the upcoming year we will identify any changes needed in order to transition to the recently published Code of Conduct 2022.

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 year.

Executive and non-executive appraisal and remuneration

A system of non-executive Board member appraisal is in place, under which the Chair 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 Chair 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. The total remuneration of non-executive board members represents 0.03% of Group turnover (2021: 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 2022 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	6	6	4	4	4^	4^						
Ian Campbell*											4	2
John Cridland	6^	6^					7	6	3	3		
Linda Cullen	6	6			4	4						
Duncan Cumberland							1	1				
Susan Deacon**	4	4							1	1		
Ken Gillespie	6	6	4	4			7^	7^			4	4
Lara Joisce			4	4								
Myriam Madden**	6	6	4^	4^					3	3		
Bharat Mehta	6	6			4	3			3^	3^	4	4
Leslie Morphy	6	6			4	4			3	3	4^	4^
Indra Mudie	6	5									4	3
Nick Salisbury#	2	2	2^	2^			3	3	1	1		
Chris Vallis#	6	6			4	4						
Brian Walsh					4	4						
Executives												
Mark Henderson	6	6										
John Hudson	6	6										

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

- Linda Cullen was appointed as Chair of the Health and Safety Governance Committee on 17 July 2022.
- Duncan Cumberland was appointed to the Development Committee on 10 March 2022.
- Susan Deacon was appointed as Chair of Home Scotland Board and to the Home Group Board on 24 August 2021, and to the Governance Committee on 27 January 2022.
- Myriam Madden resigned as Chair of Home Scotland Board, and was appointed Chair of the Audit Committee on 24 August 2021.
- Leslie Morphy resigned from the Home Group Board, and as Chair of the Health and Safety Governance Committee on 17 July 2022.
- Indra Mudie was appointed to the Health and Safety Governance Committee on 28 July 2021.
- Nick Salisbury resigned from the Home Group Board, as Chair of the Audit Commitee and as Senior Independent Member on 18 July 2021.
- Chris Vallis was appointed as Senior Independent Member on 19 July 2021.
- John Hudson resigned from the Home Group Board on 7 June 2022

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 2021 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, Tax Evasion and Bribery Prevention, Detection and Response Policy.
- Detailed policies and procedures in each area of the Group's operations.
- An Assurance Services team 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 2022.

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. We have vibrant colleague networks with strong ally support that cover gender, multicultural, LGBTQplus and people with disabilities.

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.

Other information (continued)

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.

Auditor

A resolution to reappoint Deloitte LLP as auditor 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 Chair
28 July 2022

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 2022 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 2022.

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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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 £4.20m which was determined on the basis of 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	There have been no significant changes in our approach in the current period.

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 directors 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: £173.8m (2021: £136.9m) • Shared ownership properties under construction: £49.2m (2021: £47.7m) • Shared ownership properties work in progress: £14.2m (2021: £17.9m) • Outright sale properties work in progress: £108.8m (2021: £108.9m) 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. 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.

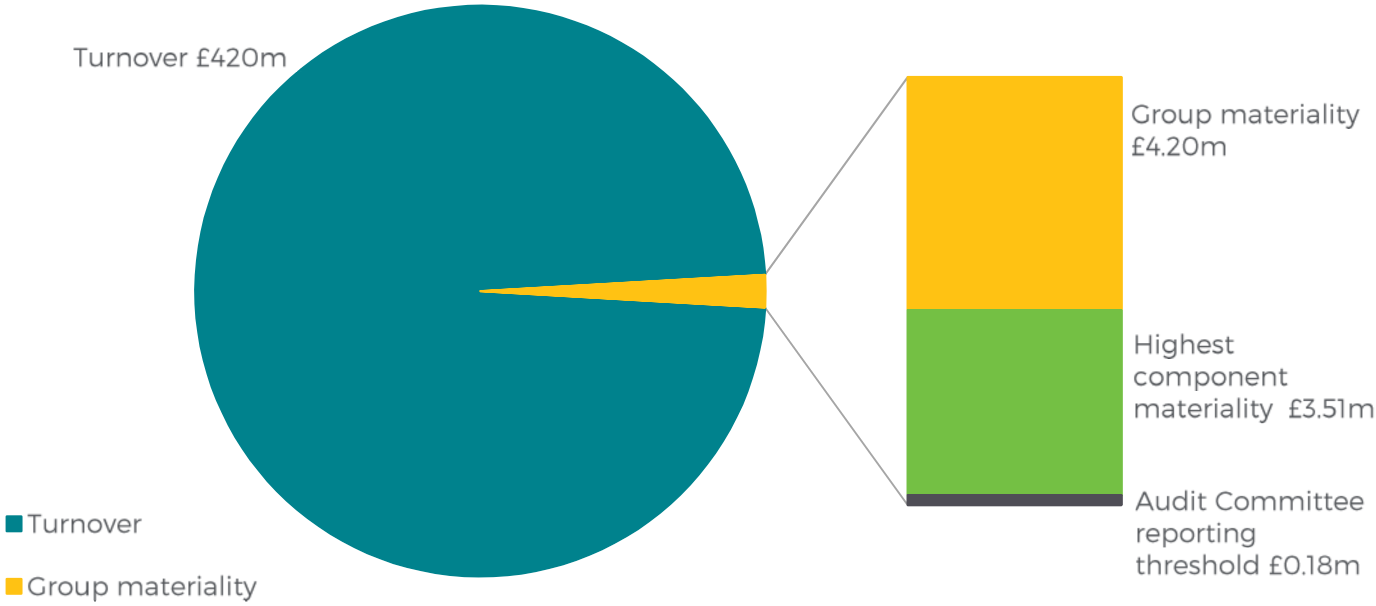
6. Our application of materiality

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	£4.20m (2021: £4.30m)	£3.51m (2021: £3.65m)
Basis for determining materiality	1% of turnover (2021: 1% of turnover)	
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	65% (2021: 60%) of group materiality	65% (2021: 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; and b. the low number of corrected and uncorrected misstatements identified in the previous year audit.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.18m (2021: £0.22m), 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

7.1. Identification and scoping of components

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 (2021: 100%), and 100% of the group's total net assets (2021: 100%). These were performed at the individual component materiality levels and ranged from £0.03m to £3.51m (2021: £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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 have 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 directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and 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;

  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, pensions and IT 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 area: impairment of properties under construction (including work in progress). 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 2022.

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 in-house 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; 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

12.1. Adequacy of explanations received and accounting records

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 ending 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ending 2021 to 2022.

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Nicola Wright (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle upon Tyne, United Kingdom
15 September 2022

Statement of Comprehensive Income for the year ended 31 March 2022

		GROUP		ASSOCIATION	
	Notes	2022	2021	2022	2021
		£000	£000	£000	£000
Turnover	2	420,051	429,893	350,808	365,096
Cost of sales	2	(67,979)	(93,196)	(25,978)	(56,730)
Operating expenditure	2	(297,316)	(277,271)	(280,581)	(267,067)
Surplus on disposal of housing properties	3	11,487	9,520	11,148	9,488
Operating surplus		66,243	68,946	55,397	50,787
Share of profit in joint ventures	14	4,196	1,108	-	-
Share of loss in associates	14	(19)	(170)	-	-
Impairment of loan to associate	14	(419)	-	-	-
Interest receivable	7	2,064	2,728	202	444
Interest payable and financing costs	8	(43,936)	(43,843)	(41,891)	(41,701)
Gift aid receipt		-	-	10,123	-
Surplus on ordinary activities before taxation	9	28,129	28,769	23,831	9,530
Taxation	10	290	(2,302)	202	(452)
Surplus for the year		28,419	26,467	24,033	9,078
Actuarial gain / (loss) relating to pension schemes	24	18,378	(7,856)	18,378	(7,856)
Total comprehensive income for the year		46,797	18,611	42,411	1,222

All activities are continuing.

The notes on pages 41 to 83 form part of the financial statements.

The financial statements on pages 37 to 83 were approved by the Board on 28 July 2022 and were signed on its behalf by:

J Cridland, CBE
Home Group Chair

C Vallis
Board Member

R Hall
Company Secretary

Statement of Financial Position as at 31 March 2022

	Notes	GROUP 2022 £000	GROUP 2021 £000	ASSOCIATION 2022 £000	ASSOCIATION 2021 £000
Fixed assets					
Housing properties	11	**2,629,350**	2,539,561	**2,421,876**	2,352,151
Other fixed assets	12	**7,599**	9,768	**7,599**	9,768
Intangible fixed assets	13	**17,018**	18,230	**17,018**	18,230
Investment in subsidiaries	14	-	-	**111,798**	111,848
Investment in joint ventures	14	**44,002**	59,459	-	-
Investment in associates	14	**20,276**	17,140	-	-
Other investments	14	**7,585**	9,968	**7,150**	7,250
Homebuy loans receivable		**682**	682	**682**	682
Pension asset	24	**3,566**	1,358	**3,566**	1,358
		2,730,078	2,656,166	**2,569,689**	2,501,287
Current assets					
Properties held for sale	15	**132,023**	154,774	**70,935**	87,896
Debtors	16	**26,731**	24,385	**25,936**	34,571
Investments	17	-	236	-	7,202
Cash and cash equivalents		**47,931**	54,641	**35,006**	51,404
		206,685	234,036	**131,877**	181,073
Creditors: amounts falling due within one year	18	**(206,154)**	(205,786)	**(183,586)**	(185,110)
Net current assets / (liabilities)		**531**	28,250	**(51,709)**	(4,037)
Total assets less current liabilities		**2,730,609**	2,684,416	**2,517,980**	2,497,250
Creditors: amount falling due after more than one year	19	**(1,985,024)**	(1,966,099)	**(1,911,474)**	(1,913,626)
Pension provision	24	**(14,333)**	(33,855)	**(14,333)**	(33,855)
Net assets		**731,252**	684,462	**592,173**	549,769
Capital and reserves					
Non-equity share capital	25	-	-	-	-
Restricted reserve		**652**	671	**652**	671
Income and expenditure reserve		**730,600**	683,791	**591,521**	549,098
Total capital and reserves		**731,252**	684,462	**592,173**	549,769

The notes on pages 41 to 83 form part of the financial statements.

The financial statements on pages 37 to 83 were approved by the Board on 28 July 2022 and were signed on its behalf by:

J Cridland, CBE
Home Group Chair

C Vallis
Board Member

R Hall
Company Secretary

Statement of Changes in Reserves for the year ended 31 March 2022

GROUP	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 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
Total comprehensive income for the year	46,797	-	46,797
Transfer to income and expenditure reserve	12	(12)	-
Movement in restricted income	-	(7)	(7)
As at 31 March 2022	**730,600**	**652**	**731,252**

ASSOCIATION	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 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
Total comprehensive income for the year	42,411	-	42,411
Transfer from income and expenditure reserve	12	(12)	-
Movement in restricted income	-	(7)	(7)
As at 31 March 2022	**591,521**	**652**	**592,173**

The notes on pages 41 to 83 form part of the financial statements.

Group Cash Flow Statement for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Net cash inflow from operating activities	26	132,183	138,343
Cash flow from investing activities			
Purchase of housing properties, other fixed assets and intangible assets		(157,686)	(108,843)
Investment in joint ventures		(8,229)	(5,378)
Repayments from joint ventures		29,529	19,018
Investment in associates		(3,192)	(2,707)
Repayments from associates		-	1,090
Additions to other investments		(137)	(183)
Disposals of other investments		2,520	404
Net proceeds from sale of housing properties and other fixed assets		27,155	23,105
Net proceeds from sale of other fixed assets held for sale		-	5,806
Capital grants received		22,713	27,903
Capital grants repaid		(130)	-
Interest received		35	78
Net cash outflow from investing activities		(87,422)	(39,707)
Cash flow from financing activities			
Interest paid		(41,980)	(42,413)
New secured loans		9,000	127,395
Repayment of borrowings		(18,727)	(163,381)
Withdrawal from deposits		236	(236)
Net cash inflow from financing activities		(51,471)	(78,635)
Net change in cash and cash equivalents		(6,710)	20,001
Cash and cash equivalents at the beginning of the year		54,641	34,640
Cash and cash equivalents at the end of the year		47,931	54,641

The notes on pages 41 to 83 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 2022 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.

The presentation currency of these financial statements is British pound sterling. All amounts in the financial statements have been rounded to the nearest £1,000, unless otherwise specified.

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, and 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 £28.1 million was below our 2022 budget (£34.3 million), driven by a deliberate and considered increase in building safety costs (£6.0 million above budget). At the balance sheet date the amount of cash and undrawn committed facilities available to the Group was £395.8 million.

The most significant external factor that has impacted us during the year has been recovery from the Covid-19 pandemic as detailed on page 9. The impact of this, as well as the ongoing fallout of Brexit, the cost of living crisis and the war in Ukraine has had on our financial performance and position is detailed on page 15 in our financial review.

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

Looking forwards

As part of our 2022 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 2024 we expect group liquidity to remain robust 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 are currently operating in a volatile economic environment and this risk has been reflected in our stress testing.

1. Principal accounting policies (continued)

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

- Property market crash
- Rising unemployment and cost of living
- Cost inflation
- Supply chain disruption
- Economic downturn leads to severely restricted lender credit
- Competition to attract talent leads to an increase in staff costs
- Regulatory downgrade resulting in increased lending rates
- Non-compliance with regulation or legislation leading to fine and/or litigation
- Early termination of contracts or inability to win new business
- Rent increase limited by Government policy
- Reduction in grant funding

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. Three stress tests scenarios would mean our loan covenants are breached in an unmitigated scenario: a property market crash (gearing and interest cover); a combined scenario reflecting our policy/regulatory risks i.e. the final four bullets above (gearing); and the perfect storm – a combined scenario of all risks (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 £90.8 million (2021: £91.3 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 43.

Care and support services

Income in respect of contracts for care and support services received is accounted for as care and support services in the turnover in Note 2 to the financial statements. The related costs of delivering these services 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
Specialist equipment	5 - 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 usually between three to five years. Specific intangible assets may be assigned longer useful lives. Specific lives will be in line with the Information Service team's "roadmap" which outlines the lifecycle of the software.

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 2022. 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.

Gift aid

Profits from non-charitable subsidiaries might be distributed to Home Group in a tax-efficient manner as a donation which is eligible for corporation tax relief under the gift aid rules, provided it is made during the relevant reporting period or during the following nine months. An expected gift aid payment shall not be accrued unless a legal obligation to make the payment exists at the reporting date. A board decision to make a gift aid payment to a parent charity, that has been taken prior to the reporting date, is not sufficient to create a legal obligation.

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.

1. Principal accounting policies (continued)

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.

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 judgements and estimates

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 43 and 44.

The value of a property may be impaired if it's not providing the social benefit for which it is held and is therefore unable to fulfil its service potential. 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 properties have been vacated pending major works, or whether they have been void for an extended period of time. Charges identified and included in the SOCI are set out in Notes 9 and 11 of the financial statements.

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.

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 in the following table:

1. Principal accounting policies (continued)

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 £0.9 million impairment; a 5% increase would mean a £1.9 million impairment; and a 10% increase a £5.8 million 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 20 to 25% reduction in sales prices. In this scenario we would expect to record an impairment of approximately £12.4 million in 2022/23.

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 2022 was £10.8 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 4.3% (£11.7 million)
Inflation rate	A 0.25% change in inflation linked assumptions would change the obligation by 3.7% (£10.0 million)
Life expectancy	An increase in average life expectancy by one year would increase liabilities by 3.6-4.2% (£9.9-£11.5 million)

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

	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus / (deficit)
GROUP – YEAR ENDED 31 MARCH 2022		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	283,007	-	(229,274)	53,733
Other social housing activities					
Care and support services		38,813	-	(38,718)	95
Shared ownership first tranche sales		16,931	(13,092)	(2,852)	987
Community investment		-	-	(2,646)	(2,646)
Development and marketing		-	-	(4,043)	(4,043)
Surplus on sale of social housing properties	3	-	-	-	11,487
Impairment of properties held for sale		-	-	(263)	(263)
Impairment of other fixed assets		-	-	(1,120)	(1,120)
Housing partnership		5,940	-	(4,696)	1,244
Other social housing		2,724	-	(3,033)	(309)
		64,408	(13,092)	(57,371)	5,432
Non-social housing activities					
Properties developed for outright sale		54,477	(45,951)	(2,513)	6,013
Sale of land		9,526	(8,936)	-	590
Mid- market rent - lettings		3,838	-	(2,555)	1,283
Leasehold and commercial rent		3,520	-	(2,317)	1,203
Impairment of properties held for sale		-	-	(122)	(122)
Other non-social housing		1,275	-	(3,164)	(1,889)
		72,636	(54,887)	(10,671)	7,078
Total		**420,051**	**(67,979)**	**(297,316)**	**66,243**
GROUP – YEAR ENDED 31 MARCH 2021					
Income and expenditure from social housing lettings	2b	280,382	-	(219,484)	60,898
Other social housing activities					
Care and 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					
Properties developed for outright sale		82,338	(71,301)	(5,053)	5,984
Mid-market rent - lettings		3,772	-	(2,416)	1,356
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**

There are no individually material amounts in Other.

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

	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus / (deficit)
ASSOCIATION – YEAR ENDED 31 MARCH 2022		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	264,063	-	(216,431)	47,632
Other social housing activities					
Care and support services		38,813	-	(38,718)	95
Shared ownership first tranche sales		16,931	(13,092)	(2,852)	987
Community investment		-	-	(2,534)	(2,534)
Development and marketing		-	-	(3,847)	(3,847)
Surplus on sale of social housing properties	3	-	-	-	11,148
Impairment of other fixed assets		-	-	(1,120)	(1,120)
Housing partnership		5,940	-	(4,696)	1,244
Other social housing		3,704	-	(3,033)	671
		65,388	(13,092)	(56,800)	6,644
Non-social housing activities					
Properties developed for outright sale		14,748	(12,886)	(835)	1,027
Mid-market rent - lettings		824	-	(575)	249
Leasehold and commercial rent		3,412	-	(2,279)	1,133
Other non-social housing		2,373	-	(3,661)	(1,288)
		21,357	(12,886)	(7,350)	1,121
Total		**350,808**	**(25,978)**	**(280,581)**	**55,397**
ASSOCIATION – YEAR ENDED 31 MARCH 2021					
Income and expenditure from social housing lettings	2b	262,516	-	(207,710)	54,806
Other social housing activities					
Care and 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					
Properties developed for outright sale		36,856	(34,834)	(3,323)	(1,301)
Mid-market rent - lettings		511	-	(424)	87
Impairment of property 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**

There are no individually material amounts in Other.

2b. Income and expenditure from social housing lettings

GROUP	General needs housing accommodation	Supported housing and housing for older people	Shared ownership	**2022 Total**	2021 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	210,826	16,512	10,890	**238,228**	229,813
Service charges income	8,683	25,147	1,333	**35,163**	32,970
Net rents receivable	219,509	41,659	12,223	**273,391**	262,783
Amortised government grants	6,969	1,505	436	**8,910**	9,035
Other grant income	686	20	-	**706**	8,564
Total income from social housing lettings	227,164	43,184	12,659	**283,007**	280,382
Expenditure					
Service charge costs	8,411	20,550	1,594	**30,555**	29,604
Management	47,193	6,826	3,528	**57,547**	66,322
Routine maintenance	45,528	3,042	39	**48,609**	46,426
Planned maintenance	21,035	1,116	61	**22,212**	17,960
Major repairs expenditure	11,358	1,616	44	**13,018**	3,775
Rent losses from bad debts	1,839	874	(133)	**2,580**	2,603
Property lease charges	1,468	1,951	19	**3,438**	2,559
Depreciation of housing properties	45,427	3,150	1,307	**49,884**	43,859
Impairment of housing properties	573	-	584	**1,157**	5,070
Other costs	245	24	5	**274**	1,306
Total expenditure on social housing lettings	183,077	39,149	7,048	**229,274**	219,484
Operating surplus on social housing lettings	**44,087**	**4,035**	**5,611**	**53,733**	60,898
Rent losses from voids	3,600	4,232	28	**7,860**	8,158

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

ASSOCIATION	General needs housing accommodation	Supported housing and housing for older people	Shared ownership	2022 Total	2021 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	192,592	16,505	10,816	**219,913**	211,970
Service charges income	7,776	25,145	1,332	**34,253**	32,117
Net rents receivable	200,368	41,650	12,148	**254,166**	244,087
Amortised government grants	7,641	1,505	430	**9,576**	10,131
Other grant income	301	20	-	**321**	8,298
Total income from social housing lettings	208,310	43,175	12,578	**264,063**	262,516
Expenditure					
Service charge costs	7,548	20,538	1,591	**29,677**	28,791
Management	45,582	6,814	3,447	**55,843**	64,752
Routine maintenance	42,433	3,030	39	**45,502**	43,495
Planned maintenance	19,602	1,114	61	**20,777**	16,175
Major repairs expenditure	10,866	1,414	44	**12,324**	2,540
Rent losses from bad debts	1,589	874	(133)	**2,330**	2,422
Property lease charges	1,415	1,933	19	**3,367**	2,485
Depreciation of housing properties	41,868	3,150	1,299	**46,317**	40,855
Impairment of housing properties	22	-	-	**22**	4,911
Other costs	244	24	4	**272**	1,284
Total expenditure on social housing lettings	171,169	38,891	6,371	**216,431**	207,710
Operating surplus on social housing lettings	**37,141**	**4,284**	**6,207**	**47,632**	54,806
Rent losses from voids	3,438	4,230	28	**7,696**	7,968*

*This figure is restated as the prior year financial statements incorrectly included a total of £40,652,000.

3. Surplus on disposal of properties

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Social housing properties				
Sales proceeds	**25,491**	23,201	**24,900**	23,146
Cost of sales	**(4,408)**	(5,511)	**(4,156)**	(5,488)
Capital grant recycled	**(9,596)**	(8,174)	**(9,596)**	(8,174)
	11,487	9,516	**11,148**	9,484
Non-social properties				
Sales proceeds	-	5,805	-	5,805
Cost of sales	-	(5,801)	-	(5,801)
	-	4	-	4
Total	**11,487**	9,520	**11,148**	9,488

4. Housing stock

GROUP	At 1 April 2021	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2022
General needs – social					
Owned and managed	34,493	156	(121)	(108)	34,420
Owned but not managed	-	4	-	-	4
Managed but not owned	30	-	(14)	-	16
General needs – affordable					
Owned and managed	7,150	136	(23)	(13)	7,250
Total general needs units	**41,673**	**296**	**(158)**	**(121)**	**41,690**
Housing for older people – social					
Owned and managed	1,581	-	(1)	5	1,585
Housing for older people – affordable					
Owned and managed	3	-	-	71	74
Total housing for older people units	**1,584**	-	**(1)**	**76**	**1,659**
Supported housing – social					
Owned and managed	3,302	76	(181)	78	3,275
Owned but not managed	640	-	(26)	9	623
Managed but not owned	170	45	(21)	5	199
Supported housing – affordable					
Owned and managed	44	144	(1)	57	244
Total supported housing units	**4,156**	**265**	**(229)**	**149**	**4,341**
Low cost home ownership					
Owned and managed	2,840	119	(34)	55	2,980
Managed but not owned	43	13	(20)	(23)	13
Total low cost home ownership units	**2,883**	**132**	**(54)**	**32**	**2,993**
Care homes – bed spaces					
Owned and managed	155	-	(14)	(112)	29
Owned but not managed	95	1	-	(2)	84
Managed but not owned	5	-	-	(5)	-
Total care home units	**255**	**1**	**(14)**	**(129)**	**113**
Other social housing					
Owned and managed	-	13	-	99	112
Total other social housing	-	**13**	-	**99**	**112**
Total social housing					
Owned and managed	49,568	644	(375)	132	49,969
Owned but not managed	735	5	(26)	(3)	711
Managed but not owned	248	58	(55)	(23)	228
Total social housing	**50,551**	**707**	**(456)**	**106**	**50,908**
Leasehold units	4,352	37	(9)	(33)	4,347
Market and mid-market rent units	489	-	(3)	(67)	419
Total non-social housing	**4,841**	**37**	**(12)**	**(100)**	**4,766**
Total social and non-social housing	**55,392**	**744**	**(468)**	**6**	**55,674**

Other movements mainly represent changes in tenure, ownership or management.

4. Housing stock (continued)

ASSOCIATION	At 1 April 2021	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2022
General needs – social					
Owned and managed	30,580	80	(94)	(108)	30,458
Owned but not managed	-	4	-	-	4
Managed but not owned	18	-	(2)	-	16
General needs – affordable					
Owned and managed	7,150	136	(23)	(13)	7,250
Total general needs units	**37,748**	**220**	**(119)**	**(121)**	**37,728**
Housing for older people – social					
Owned and managed	1,581	-	(1)	5	1,585
Housing for older people – affordable					
Owned and managed	3	-	-	71	74
Total housing for older people units	**1,584**	-	**(1)**	**76**	**1,659**
Supported housing – social					
Owned and managed	3,302	76	(181)	78	3,275
Owned but not managed	640	-	(26)	9	623
Managed but not owned	170	45	(21)	5	199
Supported housing – affordable					
Owned and managed	44	144	(1)	57	244
Total supported housing units	**4,156**	**265**	**(229)**	**149**	**4,341**
Low cost home ownership					
Owned and managed	2,838	119	(34)	34	2,957
Owned but not managed	2	-	-	(2)	-
Managed but not owned	-	13	-	-	13
Total low cost home ownership units	**2,840**	**132**	**(34)**	**32**	**2,970**
Care homes – bed spaces					
Owned and managed	155	-	(14)	(112)	29
Owned but not managed	95	1	-	(12)	84
Managed but not owned	5	-	-	(5)	-
Total care home units	**255**	**1**	**(14)**	**(129)**	**113**
Other social housing					
Owned and managed	-	13	-	99	112
Total other social housing	-	**13**	-	**99**	**112**
Total social housing					
Owned and managed	45,653	568	(348)	111	45,984
Owned but not managed	737	5	(26)	(5)	711
Managed but not owned	193	58	(23)	-	228
Total social housing	**46,583**	**631**	**(397)**	**106**	**46,923**
Leasehold units	4,352	37	(9)	(33)	4,347
Market and mid-market rent units	168	-	-	(67)	101
Total non-social housing	**4,520**	**37**	**(9)**	**(100)**	**4,448**
Total social and non-social housing	**51,103**	**668**	**(406)**	**6**	**51,371**

Other movements mainly represent changes in tenure, ownership or management.

5. Emoluments of the Board, directors and senior colleagues

Analysis of non-executive Board members' emoluments

	2022	2021
	£000	£000
R Bradley	12	12
J Cridland	23	23
L Cullen (appointed 2 June 2020)	10	9
S Deacon (appointed 24 August 2021)	7	-
K Gillespie	12	12
M Madden	12	12
B Mehta	12	12
L A Morphy	12	12
I Mudie (appointed 30 July 2020)	1	-
N W Salisbury (resigned 18 July 2021)	4	16
C Vallis (appointed 19 July 2021)	10	-
	115	108

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 2022. This consists of the executive directors.

	2022	2021
	£000	£000
Emoluments paid to the directors:		
Emoluments (including pension contributions and benefits in kind)	1,260	1,236
Highest paid director:		
Emoluments (excluding pension contributions)	254	246

	Remuneration	Benefits	Pension contributions	2022 Total	2021 Total
	£000	£000	£000	£000	£000
R M Byrne	191	9	17	217	207
J Cook	175	9	15	199	193
M Forrest	188	8	12	208	200
M G Henderson	246	8	15	269	261
J Hudson	176	9	15	200	215
N Hussain	151	7	9	167	160
Total	1,127	50	83	1,260	1,236

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:

	2022 Number	2021 Number
£60,000 - £70,000	**48**	46
£70,001 - £80,000	**18**	23
£80,001 - £90,000	**21**	22
£90,001 - £100,000	**13**	8
£100,001 - £110,000	**7**	6
£110,001 - £120,000	**3**	7
£120,001 - £130,000	**3**	1
£130,001 - £140,000	**1**	2
£140,001 - £150,000	**1**	1
£160,001 - £170,000	**1**	1
£190,001 - £200,000	**2**	2
£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	
	2022	2021	**2022**	2021
	Number	Number	**Number**	Number
Office colleagues	**1,584**	1,535	**1,531**	1,485
Wardens, caretakers, care workers and cleaners	**1,172**	1,029	**1,172**	1,029
Maintenance	**69**	23	**69**	23
	2,825	2,587	**2,772**	2,537

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
Employee costs (for the above persons):	**£000**	£000	**£000**	£000
Wages and salaries	**81,802**	77,761	**79,825**	75,928
Social security costs	**7,679**	7,115	**7,473**	6,927
Other pension costs	**5,060**	3,811	**4,926**	3,687
	94,541	88,687	**92,224**	86,542

The increase in "other pension costs" is mainly due to the release of a historical provision in the prior year (£833,000), as well as the increase in employee numbers.

In addition to the employee costs above, there were £6,295,000 (2021: £4,721,000) in Group, and £6,295,000 (2021: £4,684,000) in Association for temporary staff employed through an agency.

7. Interest receivable

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Interest receivable from other Group companies	**-**	-	**168**	369
Interest receivable from bank and building society deposits	**21**	62	**20**	59
Other interest receivable	**2,043**	2,666	**14**	16
	2,064	2,728	**202**	444

8. Interest payable and financing costs

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Interest payable on bank loans and overdrafts	**12,941**	13,196	**12,052**	12,268
Interest payable on other loans	**35,392**	34,697	**34,111**	33,431
Other financing costs on defined benefit pension schemes	**608**	666	**608**	666
	48,941	48,559	**46,771**	46,365
Less: Interest capitalised on housing property development	**(5,005)**	(4,716)	**(4,880)**	(4,664)
	43,936	43,843	**41,891**	41,701
Average rate applicable to capitalised interest	**2.7%**	2.7%	**2.7%**	2.7%

Included within interest payable and financing costs are amounts for indexation and deferred interest totalling £5,262,722 (2021: £4,809,894).

9. Surplus on ordinary activities before taxation

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Surplus on ordinary activities before taxation is stated after charging / (crediting):				
Depreciation:				
- Housing properties	**51,283**	45,655	**46,985**	42,006
- Other fixed assets	**2,234**	6,933	**2,234**	6,933
Amortisation of intangible assets	**3,940**	2,145	**3,940**	2,145
Impairment:				
- Housing properties	**1,157**	5,070	**22**	4,911
- Other fixed assets	**1,120**	2,394	**1,120**	2,394
- Fixed asset investment	**419**	-	**-**	5,853
- Properties held for sale	**385**	435	**-**	435
Grant amortisation	**(9,427)**	(9,600)	**(9,972)**	(10,581)
External auditor's remuneration for audit services	**219**	219	**167**	167
External auditor's remuneration for other assurance services	**20**	45	**20**	45
Operating lease rentals	**2,708**	3,839	**2,559**	3,696

The fixed asset investment impairment in 2022 (£419,000) relates to the write down of Home Group Development's loan to an associate, Evolution Morpeth LLP. The fixed asset investment impairment in 2021 (£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	
	2022	2021	2022	2021
	£000	£000	£000	£000
Current tax				
UK corporation tax	1,934	2,324	224	426
Adjustments in respect of prior years' UK corporation tax	(2,324)	33	(426)	26
Total current tax	(390)	2,357	(202)	452
Deferred tax				
Current period	117	(55)	-	-
Prior year adjustment	-	-	-	-
Effect of tax rate change on opening balance	(17)	-	-	-
Total deferred tax	100	(55)	-	-
Tax on surplus on ordinary activities	(290)	2,302	(202)	452

The Group and Association's current tax charges for the period are lower (2021: lower) than the standard rate of corporation tax in the UK (19%). The differences are explained below:

Total tax reconciliation	GROUP		ASSOCIATION	
	2022	2021	2022	2021
	£000	£000	£000	£000
Surplus on ordinary activities before taxation	28,129	28,769	23,831	9,530
Current UK Corporation tax on above at 19% (2021: 19%)	5,345	5,466	4,528	1,811
Effects of:				
Expenses not deductible for tax purposes	-	3	-	-
Consolidation adjustment not deductible	248	(912)	-	-
Gift aid income not taxable	-	-	(1,923)	-
Surplus exempt from tax due to charitable exemptions	(3,514)	(2,287)	(2,381)	(1,385)
Adjustments to tax charge in respect of previous periods	(2,324)	33	(426)	26
Other permanent differences	(24)	-	-	-
Difference between current and deferred tax rates on profits of joint ventures and associates to be taxed in future years	136	-	-	-
Unrecognised deferred tax movement	(140)	(1)	-	-
Effect of increased deferred tax rate on opening balances	(17)	-	-	-
Total tax charge	(290)	2,302	(202)	452

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, and this was substantively enacted on 10 June 2021. The deferred tax asset has therefore been recognised at 25% as at 31 March 2022 (2021: 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 2021	2,627,491	136,913	259,338	47,731	3,071,473
Additions	-	101,489	-	23,293	124,782
Capitalised interest	-	2,441	-	852	3,293
Capitalised works	26,368	-	-	-	26,368
Transfer to completed schemes	67,044	(67,044)	22,707	(22,707)	-
Disposals	(13,350)	-	(2,000)	-	(15,350)
At 31 March 2022	**2,707,553**	**173,799**	**280,045**	**49,169**	**3,210,566**
Depreciation					
At 1 April 2021	514,552	4,037	11,469	1,854	531,912
Charge for year	48,985	-	2,298	-	51,283
Impairment	(134)	707	-	584	1,157
Eliminated in respect of disposals	(2,876)	-	(260)	-	(3,136)
At 31 March 2022	**560,527**	**4,744**	**13,507**	**2,438**	**581,216**
Net book value at 31 March 2022	**2,147,026**	**169,055**	**266,538**	**46,731**	**2,629,350**
Net book value at 31 March 2021	2,112,939	132,876	247,869	45,877	2,539,561

Total accumulated impairment at 31 March 2022 is £16,655,353 (2021: £15,497,763).

	2022 £000	2021 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,330,739**	2,212,702
Long leaseholds	**81,095**	143,636
Short leaseholds	**1,730**	4,471
	2,413,564	2,360,808
Works to existing properties in the year:		
Components capitalised	**26,368**	16,234
Amounts charged to expenditure in respect of major and planned repairs	**35,230**	21,735
	61,598	37,969

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 2021	2,456,991	112,743	259,852	40,233	2,869,819
Additions	-	76,812	-	23,700	100,512
Capitalised interest	-	2,316	-	852	3,168
Capitalised works	25,018	-	-	-	25,018
Transfer to completed schemes	66,877	(66,877)	22,745	(22,745)	-
Disposals	(13,042)	-	(2,000)	-	(15,042)
At 31 March 2022	**2,535,844**	**124,994**	**280,597**	**42,040**	**2,983,475**
Depreciation					
At 1 April 2021	500,816	3,958	11,346	1,548	517,668
Charge for year	44,704	-	2,281	-	46,985
Impairment	22	-	-	-	22
Eliminated in respect of disposals	(2,816)	-	(260)	-	(3,076)
At 31 March 2022	**542,726**	**3,958**	**13,367**	**1,548**	**561,599**
Net book value at 31 March 2022	**1,993,118**	**121,036**	**267,230**	**40,492**	**2,421,876**
Net book value at 31 March 2021	1,956,175	108,785	248,506	38,685	2,352,151

Total accumulated impairment at 31 March 2022 is £14,785,670 (2021: £14,763,477).

	2022 £000	2021 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,172,171**	2,051,162
Long leaseholds	**86,447**	149,049
Short leaseholds	**1,730**	4,471
	2,260,348	2,204,682
Works to existing properties in the year:		
Components capitalised	**25,018**	15,732
Amounts charged to expenditure in respect of major and planned repairs	**33,101**	18,715
	58,119	34,447

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 2021	13,103	3,532	2,347	57,192	76,174
Additions	-	207	115	864	1,186
Disposals	-	-	(3)	-	(3)
At 31 March 2022	**13,103**	**3,739**	**2,459**	**58,056**	**77,357**
Depreciation					
At 1 April 2021	8,761	2,544	1,581	53,520	66,406
Charge for year	289	406	233	1,306	2,234
Impairment	1,120	-	-	-	1,120
Eliminated in respect of disposals	-	-	(2)	-	(2)
At 31 March 2022	**10,170**	**2,950**	**1,812**	**54,826**	**69,758**
Net book value at 31 March 2022	**2,933**	**789**	**647**	**3,230**	**7,599**
Net book value at 31 March 2021	4,342	988	766	3,672	9,768

ASSOCIATION					
Cost					
At 1 April 2021	13,103	3,532	2,260	57,190	76,085
Additions	-	207	115	864	1,186
Disposals	-	-	(3)	-	(3)
At 31 March 2022	**13,103**	**3,739**	**2,372**	**58,054**	**77,268**
Depreciation					
At 1 April 2021	8,761	2,544	1,494	53,518	66,317
Charge for year	289	406	233	1,306	2,234
Impairment	1,120	-	-	-	1,120
Eliminated in respect of disposals	-	-	(2)	-	(2)
At 31 March 2022	**10,170**	**2,950**	**1,725**	**54,824**	**69,669**
Net book value at 31 March 2022	**2,933**	**789**	**647**	**3,230**	**7,599**
Net book value at 31 March 2021	4,342	988	766	3,672	9,768

13. Intangible fixed assets

GROUP AND ASSOCIATION	Software
	£000
Cost	
At 1 April 2021	34,839
Additions	2,728
Disposals	-
At 31 March 2022	**37,567**
Depreciation and impairment	
At 1 April 2021	16,609
Charge for year	3,940
Eliminated in respect of disposals	-
At 31 March 2022	**20,549**
Net book value at 31 March 2022	**17,018**
Net book value at 31 March 2021	18,230

14. Fixed asset investments

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Shares in Group undertakings				
At 1 April	-	-	**108,848**	114,701
Issued in the year	-	-	-	-
Write down in investment	-	-	-	(5,853)
At 31 March	-	-	**108,848**	108,848
Loans to Group undertakings				
At 1 April	-	-	**3,000**	20,095
Additions	-	-	**13,300**	17,800
Repayments	-	-	**(24,350)**	(27,895)
Transfer from / (to) current asset investments	-	-	**11,000**	(7,000)
At 31 March	-	-	**2,950**	3,000
Interests in joint ventures				
At 1 April	**7,701**	6,236	-	-
Reclassification	-	143	-	-
Share of results	**4,196**	1,108	-	-
Additions	-	214	-	-
Disposals	**(5)**	-	-	-
At 31 March	**11,892**	7,701	-	-
Interest in associates				
At 1 April	**5,229**	170	-	-
Reclassification	-	2,561	-	-
Share of results	**(19)**	(170)	-	-
Additions	**1,668**	2,668	-	-
At 31 March	**6,878**	5,229	-	-

14. Fixed asset investments (continued)

	GROUP		ASSOCIATION	
	2022	2021	**2021**	2021
	£000	£000	**£000**	£000
Loans to joint ventures				
At 1 April	**51,758**	63,471	-	-
Reclassification	-	(143)	-	-
Additions	**9,881**	7,448	-	-
Repayments	**(29,529)**	(19,018)	-	-
At 31 March	**32,110**	51,758	-	-
Loans to associates				
At 1 April	**11,911**	15,157	-	-
Reclassification	-	(2,561)	-	-
Additions	**1,906**	405	-	-
Repayments	-	(1,090)	-	-
Impairment	**(419)**	-	-	-
At 31 March	**13,398**	11,911	-	-
Other investments				
At 1 April	**9,968**	10,189	**7,250**	7,566
Additions	**137**	183	**58**	53
Disposals	**(2,520)**	(168)	**(158)**	(167)
Transfer to current asset investments	-	(236)	-	(202)
At 31 March	**7,585**	9,968	**7,150**	7,250
Total fixed asset investments	**71,863**	86,567	**118,948**	119,098

The write down in the loan to associate in 2022 (£419,000) relates to the impairment of HGDL's loan to Evolution Morpeth LLP. The write down in the investment in Group undertakings in 2021 (£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 2022 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

*Total share capital of £10,701,000 was written down by £5,853,000 in 2020/21.

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

14. Fixed asset investments (continued)

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

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 five wholly owned subsidiaries; Ptarmigan Berinsfield Limited, Ptarmigan Birchington Limited, Ptarmigan Thatcham Limited, Ptarmigan North Weston Limited and Ptarmigan Radley Limited. HGDL sold its 25% shareholding (with no voting rights attached) in Ptarmigan Land Projects Limited in March 2022.

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 £4,196,000 (2021: £1,108,000) and a loss from interests in associates of £19,000 (2021: £170,000 loss).

15. Properties held for sale

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Shared ownership properties:				
- Completed	**3,674**	12,454	**3,669**	12,430
- Work in progress	**14,227**	17,887	**11,988**	15,104
Outright sale properties:				
- Completed	**5,303**	15,564	**4,348**	9,150
- Work in progress	**108,819**	108,869	**50,931**	51,212
	132,023	154,774	**70,935**	87,896

16. Debtors

	GROUP		ASSOCIATION	
	2022	2021	2022	2021
	£000	£000	£000	£000
Amounts falling due within one year:				
Rental and service charges receivable	22,268	20,839	20,363	19,121
Less: Provision for bad debts	(10,348)	(9,148)	(9,327)	(8,284)
Net rental debtors	11,920	11,691	11,036	10,837
Prepayments	4,533	3,899	4,497	10,084
Accrued income	2,258	1,106	2,219	735
Corporation tax debtor	1,348	-	1,348	-
Other amounts due from Group undertakings	-	-	1,433	8,691
Leasehold debtors	1,413	895	1,338	850
Other taxation debtors	-	1,897	-	40
Other debtors	5,259	4,897	4,065	3,334
	26,731	24,385	25,936	34,571
Loans to employees included in other debtors	111	138	111	138

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.

17. Current asset investments

	GROUP		ASSOCIATION	
	2022	2021	2022	2021
	£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	
	2022	2021	2022	2021
	£000	£000	£000	£000
Housing loans from third parties	18,402	17,760	16,240	15,599
Trade creditors	13,548	16,564	11,344	12,142
Social Housing Grant in advance	65,299	71,643	65,299	71,643
Deferred capital grant	9,750	9,756	10,434	10,400
Corporation tax creditor	-	189	-	124
Other taxation creditors	2,330	958	334	905
Accruals	36,507	38,874	30,687	30,370
Accrued interest payable	6,945	7,044	6,648	6,735
Deferred income	13,654	13,784	12,850	12,865
Other amounts due to Group undertakings	-	-	2,964	-
Leasehold creditors	19,112	16,530	19,112	16,530
Retentions	9,341	8,290	4,136	4,112
Other creditors	11,266	4,394	3,538	3,685
	206,154	205,786	183,586	185,110

The reduction in trade creditors and increase in other taxation creditors and leasehold creditors are all driven by the timing of payments around year-end. The increase in "other creditors" is due to a £6.6 million balance in HGDL relating to a flexi scheme (Hughes House, London Road) that hasn't hit golden brick (the point HMRC designates that a building has become 'residential' for tax purposes). Once it does, the income and cost will be released to the SOCI (no margin).

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

	GROUP		ASSOCIATION	
	2022	2021	2022	2021
	£000	£000	£000	£000
Housing loans from third parties	618,519	627,834	547,317	554,529
Discounted bonds	510,542	505,305	510,542	505,305
Deferred capital grant	832,208	816,533	829,860	837,365
Recycled Capital Grant Fund	23,073	15,745	23,073	15,745
Homebuy grant	682	682	682	682
	1,985,024	1,966,099	1,911,474	1,913,626

20. Debt analysis

GROUP AND ASSOCIATION	2022	2021
	£000	£000
Discounted bonds		
Issued:		
8.75% guaranteed loan stock 2037	100,000	100,000
3.125% guaranteed loan stock 2043	350,000	350,000
Zero coupon loan stock 2027	94,450	94,450
In issue at 31 March	544,450	544,450
Less: Deferred interest and issue costs:		
At 1 April	39,145	58,073
Premium amount / new issue costs	-	(14,072)
Charged to SOCI	(5,237)	(4,856)
At 31 March	33,908	39,145
Net value at 31 March	510,542	505,305
Market value at 31 March	559,754	606,705

Housing loans and discounted bonds

The premium on issuance of the 2043 loan stock is being amortised to the SOCI on a straight line interest basis over the remaining life of the bond. The outstanding premium as at 31 March 2022 was £8.9 million.

The Group housing loans and discounted bonds are stated net of unamortised issue costs of £6.8 million (2021: £6.9 million). The Association housing loans and discounted bonds are stated net of unamortised issue costs of £6.3 million (2021: £6.4 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	
	2022	2021	2022	2021
	£	£	£	£
Net book value of housing properties	1,023,227,197	1,071,381,334	858,452,787	900,366,428
Fixed asset investments	5,030,565	5,012,621	4,595,086	4,579,069
Current asset investments	-	235,986	-	201,532
Cash and cash equivalents	617,913	587,193	617,913	587,193

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 2022 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	-	-	-	510,542	510,542
Housing loans					
- fixed	1,620	3,194	37,627	393,927	436,368
- floating	15,340	14,370	45,376	121,084	196,170
- index-linked	1,442	1,583	1,358	-	4,383
At 31 March 2022	**18,402**	**19,147**	**84,361**	**1,025,553**	**1,147,463**
ASSOCIATION					
Discounted bonds	-	-	-	510,542	510,542
Housing loans					
- fixed	1,459	2,432	32,665	343,848	380,404
- floating	13,340	12,970	31,357	121,104	178,771
- index-linked	1,441	1,583	1,358	-	4,382
At 31 March 2022	**16,240**	**16,985**	**65,380**	**975,494**	**1,074,099**

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**

20. Debt analysis (continued)

Terms of repayment

At 31 March 2022 the Group had £1,147.5 million loans drawn:

- £510.5 million relates to the Association's three loan stock issues which mature as bullet repayments in 2027, 2037 and 2043.
- £273.2 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 remaining £363.8 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 23 years.

Undrawn, committed facilities

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

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Expiring within one year	**5,000**	-	**5,000**	-
Expiring between one and two years	**5,000**	255,000	**5,000**	255,000
Expiring between two and five years	**283,000**	42,000	**256,000**	15,000
Expiring in more than five years	**74,772**	79,772	**74,772**	79,772
	367,772	376,772	**340,772**	349,772

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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Fixed rate borrowings	**946,910**	927,794	**890,945**	896,595
Floating rate borrowings	**200,553**	223,105	**183,154**	178,838
	1,147,463	1,150,899	**1,074,099**	1,075,433

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 4.70% (2021: 4.67%), Association 4.80% (2021: 4.77%) and are fixed for a weighted average period of 16 years (2021: 17 years), Association 16 years (2021: 18 years). Interest rates on Group fixed rate borrowings range between 0% and 11.42% (2021: 0% to 12.00%) and Association fixed rate borrowings range between 2.89% and 11.42% (2021: 2.89% to 12.00%).

Floating rate borrowings bear interest rates based either on SONIA plus Credit Adjustment Spread 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	
	2022	2021	**2022**	2021
	%	%	**%**	%
Discounted bonds	**5.0**	5.0	**5.0**	5.0
Housing loans				
- fixed	**4.3**	4.3	**4.5**	4.5
- floating	**0.9**	0.4	**0.9**	0.4
- 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 82.5% (2021: 80.6%) 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 £495,000 per annum based on the variable rate debt held at 31 March 2022.

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 2022, Home Group had £367.8 million (2021: £376.8 million) committed and undrawn facilities, all of which were immediately available for drawdown. The Group continues to have a large pool of unencumbered properties (2022: £1,606.1 million, 2021: £1,485.6 million) available as security for future borrowings to support its growth strategy.

Financial assets measured at amortised cost	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Fixed asset investments:				
- Loans to Group undertakings	-	-	**2,950**	3,000
- Loans to joint ventures	**32,110**	51,758	-	-
- Loans to associates	**13,398**	11,911	-	-
- Other investment	-	2,243	-	-
	45,508	65,912	**2,950**	3,000
Current asset investments:				
- Loans to Group undertakings	-	-	-	7,000
	-	-	-	7,000
Other financial assets:				
- Short term debtors	**22,198**	20,486	**21,439**	24,487
- Cash and cash equivalents	**47,931**	54,641	**35,006**	51,404
	70,129	75,127	**56,445**	75,891
Total financial assets	**115,637**	141,039	**59,395**	85,891

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

Loan facilities provided to Group undertakings comprise:
- £15 million loan facility to HGDL with a term of five years maturing in June 2026
- £10 million 364 day loan facility to HGDL maturing in June 2022
- £10 million loan facility to Home Scotland maturing in May 2025
- £20 million loan facility to Home Scotland maturing May 2023

21. Financial instruments (continued)

As at 31 March 2022, HGDL had drawn nothing (2021: £7.0 million) and Home Scotland had drawn £3.0 million (2021: £3.0 million) from the Association. The loan facilities attract interest charged at SONIA plus Credit Adjustment Spread and margin.

Financial liabilities measured at amortised cost

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Borrowings:				
Discounted bonds	**510,542**	505,305	**510,542**	505,305
Housing loans				
- fixed	**436,368**	422,489	**380,404**	391,290
- floating	**196,170**	217,596	**178,771**	173,329
- index-linked	**4,382**	5,509	**4,382**	5,508
Total borrowings	**1,147,462**	1,150,899	**1,074,099**	1,075,432
Other short-term liabilities	**96,719**	91,696	**78,429**	73,574
Total financial liabilities	**1,244,181**	1,242,595	**1,152,528**	1,149,006

Other short-term liabilities comprise trade creditors, accruals, other amounts due to Group undertakings, leasehold creditors, retentions and other creditors. The 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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
At 1 April	**826,289**	813,579	**847,765**	848,122
Grant received in the year	**31,238**	28,638	**8,643**	16,552
Released to income in the year	**(9,427)**	(9,600)	**(9,972)**	(10,581)
Disposals	**(6,142)**	(6,328)	**(6,142)**	(6,328)
At 31 March	**841,958**	826,289	**840,294**	847,765
Amount due to be released within one year	**9,750**	9,756	**10,434**	10,400
Amount due to be released in more than one year	**832,208**	816,533	**829,860**	837,365
	841,958	826,289	**840,294**	847,765

23. Analysis of Recycled Capital Grant Fund

GROUP AND ASSOCIATION	2022 £000	2021 £000
At 1 April	15,745	9,569
Inputs:		
- Grants recycled	9,596	8,174
- Interest accrued	43	13
Recycling:		
- New build	(2,181)	(2,011)
Repayment of grant to Greater London Authority	(130)	-
At 31 March	23,073	15,745
Amounts three years or older where repayment to Homes England / Greater London Authority may be required	1,763	2,211

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 2022 was £5,060,000 (2021: £3,811,000) in respect of current service costs within operating expenditure and a charge of £608,000 (2021: £666,000) within interest payable and financing costs. The aggregate deficit across the three defined benefit pension arrangements is £10.8 million (2021: £32.5 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 were required to make an allowance for the increase in the defined benefit obligation that they expected as a result of GMP equalisation. This increase in the defined benefit obligation was 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 was estimated and included as a past service cost in the SOCI (HGPLAS: £6,000, TPT: £24,000).

In March 2022, the trustees of HGPLAS agreed to GMP equalise all transfers paid since 2011 that had not been GMP equalised as part of the original transfer value calculation. The administrator is currently tracing the individuals who are due a top-up. The total top-up payable to these members is estimated to be £970 plus interest. The top-up due on pre 2011 transfers is yet to be calculated. The defined benefit obligation as at 31 March 2022 includes an allowance of £1,000 for transfers paid since 2011 plus 0.1% of the estimated transfer values paid between 1990 and 2011. This results in an allowance of £6,000. Although the method for calculating this year's reserve for past transfers is slightly different to last year's approach (i.e. this year takes account of the actual top-up due to transfers paid since 2011 rather than just an approximation), the resulting reserve in monetary terms is unchanged. There will therefore be no past service cost in the SOCI in 2022.

Home Group Pension and Life Assurance Scheme (HGPLAS)

The Group operates the HGPLAS, a UK registered trust based pension scheme that provides defined benefits. 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.

24. Pension obligations (continued)

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 agreed to pay annual contributions of at least 27.2% of members' pensionable salaries each year to meet the cost of future service accrual and death in service premiums. 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. The Group therefore expects to pay £5.5 million to the scheme during the accounting year beginning 1 April 2022.

The results of the most recent formal actuarial valuation as at 31 March 2020 have been updated to 31 March 2022 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 carried out at 30 September 2021 and the preliminary results of this have been updated to 31 March 2022 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. 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.

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 2022. Scheme assets are stated at their market value at 31 March 2022.

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 2022

Assumptions

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

	HGPLAS	TPT	CLGPS
Males	105% S3PMA_All CMI 2021 [1.25%]	110% S2PMA CMI 2021 [1.5%]	99% S3PA CMI 2021 [1.75%]
Females	105% S3PFA_Middle CMI 2021 [1.25%]	110% S2PFA CMI 2021 [1.25%]	88% S3PA CMI 2021 [1.75%]

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

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	21.6	21.6	22.6
Member aged 45 (life expectancy at 65)	22.8	23.2	24.1
Females:			
Member aged 65 (current life expectancy)	23.4	24	25.3
Member aged 45 (life expectancy at 65)	24.9	25.5	27.1

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

	HGPLAS	TPT	CLGPS
Discount rate	2.8%	2.8%	2.8%
Retail Price Index inflation	3.7%	3.6%	N/A
Consumer Price Index inflation	3.3%	3.4%	3.4%
Rate of increase of pensions in deferment	3.3%	3.6%	3.5%
Rate of increase of pensions in payment	3.7%	3.2%	3.5%
Salary increases	3.7%	3.6%	4.9%

Amounts recognised in the SOCI

	HGPLAS	TPT	CLGPS	Total
	2022	2022	2022	2022
	£000	£000	£000	£000
Current service cost	(582)	(183)	(56)	(821)
Expenses	(464)	(129)	(1)	(594)
Amounts charged to operating expenditure	**(1,046)**	**(312)**	**(57)**	**(1,415)**
Interest income	2,953	1,721	581	5,255
Interest expense	(3,576)	(1,735)	(552)	(5,863)
Amounts (charged) / credited to interest payable and financing costs	**(623)**	**(14)**	**29**	**(608)**
Actuarial gains on scheme assets	5,270	2,793	2,112	10,175
Actuarial losses on scheme liabilities	10,273	5,085	124	15,482
Effects of changes in the amount of surplus that is not recoverable - gain	-	(7,279)	-	(7,279)
Actuarial gains recognised in other comprehensive income	**15,543**	**599**	**2,236**	**18,378**

24. Pension obligations (continued)

Amounts recognised in the SOFP

	HGPLAS 2022 £000	TPT 2022 £000	CLGPS 2022 £000	Total 2022 £000
Present value of funded obligations	(170,054)	(77,630)	(26,415)	(274,099)
Fair value of scheme assets	155,721	84,909	29,981	270,611
Effect of asset ceiling	-	(7,279)	-	(7,279)
(Deficit) / Surplus	**(14,333)**	-	**3,566**	**(10,767)**
Opening scheme liabilities	(180,860)	(84,230)	(26,645)	(291,735)
Current service cost	(582)	(183)	(56)	(821)
Interest cost	(3,576)	(1,735)	(552)	(5,863)
Contributions by employees	(121)	(33)	(9)	(163)
Actuarial losses	10,273	5,085	124	15,482
Benefits paid	4,812	3,466	723	9,001
Closing scheme liabilities	**(170,054)**	**(77,630)**	**(26,415)**	**(274,099)**
Opening fair value of scheme assets	147,755	83,480	28,003	259,238
Employer contributions	4,898	477	-	5,375
Interest income	2,953	1,721	581	5,255
Contributions by employees	121	33	9	163
Actuarial gains	5,270	2,793	2,112	10,175
Benefits paid	(4,812)	(3,466)	(723)	(9,001)
Expenses	(464)	(129)	(1)	(594)
Closing fair value of scheme assets	**155,721**	**84,909**	**29,981**	**270,611**
Actual return on scheme assets				
Actual return	8,223	4,514	2,693	15,430
Analysis of scheme assets				
Equities and property	71.8%	18.9%	44.2%	
Bonds and gilts	26.8%	52.1%	16.9%	
Other	0.1%	27.7%	36.1%	
Cash	1.3%	1.3%	2.8%	

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%]

24. Pension obligations (continued)

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 2021 £000	TPT 2021 £000	CLGPS 2021 £000	Total 2021 £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)**

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)**

24. Pension obligations (continued)

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)**

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

Actual return	30,728	5,552	4,488	40,768

Analysis of scheme assets

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%

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 2022, there were ten non-executive board members who each held a share in the Association.

Allotted, issued and fully paid:	£
At 1 April 2021	10
Issued during the year	1
Surrendered during the year	(1)
At 31 March 2022	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

	2022 £000	2021 £000
Surplus for the year	28,419	26,467
Adjustments for:		
Taxation	(290)	2,302
Depreciation of housing properties	51,283	45,655
Depreciation of other fixed assets	2,234	6,933
Amortisation of intangible fixed assets	3,940	2,145
(Reversal of impairment) / impairment of housing properties	(134)	5,505
Impairment of other fixed assets	1,120	2,394
Impairment of loan to associate	419	-
Decrease in properties held for sale	25,754	26,860
(Increase) / decrease in debtors	(998)	9,581
Increase / (decrease) in trade and other creditors	8,861	(4,098)
Surplus on disposal of housing properties	(11,487)	(9,520)
Loss on disposal of other fixed assets	1	374
Pension costs less contributions payable	(3,960)	(5,226)
Share of profit before tax in joint ventures	(4,196)	(1,108)
Share of loss before tax in associates	19	170
Adjustments for investing or financing activities:		
Government grants utilised in the year	(9,427)	(9,600)
Interest payable	43,936	43,843
Interest receivable	(2,064)	(2,728)
Corporation tax paid	(1,247)	(1,606)
Net cash inflow from operating activities	132,183	138,343

27. Analysis of changes in net debt

GROUP	At 1 April 2021 £000	Cash flows £000	Other non-cash changes £000	At 31 March 2022 £000
Cash and cash equivalents	54,641	(6,710)	-	**47,931**
Debt due within one year:				
- Housing loans from third parties	(17,760)	17,762	(18,404)	**(18,402)**
Debt due after one year:				
- Housing loans from third parties	(627,834)	(8,035)	17,350	**(618,519)**
- Discounted bonds	(505,305)	-	(5,237)	**(510,542)**
Total net debt	**(1,096,258)**	**3,017**	**(6,291)**	**(1,099,532)**

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

GROUP	2022 £000	2021 £000
(Decrease) / increase in cash in the period	**(6,710)**	20,001
Cash inflow from increase in debt	**9,727**	35,985
Change in net debt resulting from cash flows	**3,017**	55,986
Non-cash changes	**(6,291)**	(5,729)
Movement in net debt in the period	**(3,274)**	50,257
Opening net debt	**(1,096,258)**	(1,146,515)
Closing net debt	**(1,099,532)**	(1,096,258)

29. Capital commitments

	GROUP		ASSOCIATION	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Capital expenditure that has been contracted for but not provided for in the financial statements	**426,523**	496,860	**279,846**	257,210
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**377,630**	281,437	**263,136**	109,923

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 2022, the Group had £367.8 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 17.

30. Financial commitments

	GROUP		ASSOCIATION	
At the year end the total contractual payments under non-cancellable operating leases were as follows:	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000
Less than one year	**2,080**	2,324	**2,036**	2,247
Between one and five years	**2,526**	3,245	**2,525**	3,238
More than five years	**15,363**	10,265	**15,363**	10,265
	19,969	15,834	**19,924**	15,750

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 2020/21 the Association sold land for our planned new headquarters in Newcastle city centre, which are in development. We will be leasing the property back from the developer during 2022/23, so we expect there to be an increase in financial commitments shown in next year's financial statements.

31. Contingent liabilities and assets

In the previous year we recorded an impairment against one of our completed affordable housing schemes (Riverside Place) of £3,656k. The buildings in the scheme require remedial safety works to be performed and have been decanted in anticipation of this work. At the date of signing these financial statements the work is still pending. Our legal team are continuing to determine 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:	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000
Held as deferred capital grant	**841,958**	826,289	**840,294**	847,765
Recognised as income in the SOCI	**145,606**	137,746	**180,793**	172,367
Grant within cost on properties at fair values at acquisition	**237,452**	237,452	-	-
	1,225,016	1,201,487	**1,021,087**	1,020,132

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:

	2022	2021
	£000	£000
Invoiced to jointly controlled entities and associates in respect of interest charges	2,029	2,650
Purchase of housing property from jointly controlled entities and associates	1,706	2,866
Management fee income from jointly controlled entities	-	29
Amounts owed from jointly controlled entities and associates at the year-end	45,508	69,255

Association

The Association recharged its subsidiaries (2022: £1,949,000 2021: £1,817,000) 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 £130,000 (2021: £232,000).

The Association has purchased housing properties from HGDL based on the construction cost plus a margin (2022: £47,375,000, 2021: £28,374,000).

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

	2022	2021
	£000	£000
Interest payable by subsidiaries on borrowings from the Association	168	369
Amounts owed to subsidiaries	2,645	-
Amounts owed from subsidiaries	4,717	18,691
Investment in subsidiaries	108,848	108,848

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:

	2022	2021
	£	£
Charges to customer board members in respect of rent and service charges	7,768	6,701
Amounts owed to customer board members at the year-end	595	245
Amounts owed from customer board members at the year-end	280	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 the year ended 31 March 2022, 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.

- Development & Asset – 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, and sales of our existing housing properties. It also includes management of our housing properties and other fixed assets (e.g. offices). It includes the activity of Home Group Developments and North Housing.

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. 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, and Procurement.

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 surplus before tax.

Income and expenditure account – year ended 31 March 2022

	Operations	Development & Asset	Other	Group
	£000	£000	£000	£000
Income	316,855	1,633	8,084	326,572
Employment costs	(66,396)	(6,166)	(21,128)	(93,690)
Maintenance costs	(68,395)	(580)	(603)	(69,578)
Building safety works	(8,110)	(636)	-	(8,746)
Other operating expenditure	(37,862)	(10,440)	(14,181)	(62,483)
Operating expenditure	(180,763)	(17,822)	(35,912)	(234,497)
Operating contribution	**136,092**	**(16,189)**	**(27,828)**	**92,075**
New build property sales	-	12,954	-	12,954
Existing property sales	(23)	11,510	-	11,487
Share of profit from JVs & associates	-	4,177	-	4,177
EBITDA	**136,069**	**12,452**	**(27,828)**	**120,693**
Grant amortisation	-	-	9,427	9,427
Depreciation and impairment	(523)	(2,992)	(56,604)	(60,119)
Interest	-	-	(41,872)	(41,872)
Surplus before tax	**135,546**	**9,460**	**(116,877)**	**28,129**

34. Operating segments (continued)

Income and expenditure account – year ended 31 March 2021

	Operations	Development & Asset	Other	Group
	£000	£000	£000	£000
Income	304,924	1,881	1,931	308,736
Employment costs	(59,721)	(6,592)	(18,959)	(85,272)
Maintenance costs	(65,076)	(818)	520	(65,374)
Other operating expenditure	(36,972)	(13,231)	(11,098)	(61,301)
Operating expenditure	(161,769)	(20,641)	(29,537)	(211,947)
Operating contribution	**143,155**	**(18,760)**	**(27,606)**	**96,789**
New build property sales	-	15,653	16	15,669
Existing property sales	-	9,520	-	9,520
Share of profit from JVs & associates	-	938	-	938
EBITDA	**143,155**	**7,351**	**(27,590)**	**122,916**
Grant amortisation	-	-	9,600	9,600
Depreciation and impairment	(511)	(1,988)	(60,133)	(62,632)
Interest	-	-	(41,115)	(41,115)
Surplus before tax	**142,644**	**5,363**	**(119,238)**	**28,769**

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

Reconciliation to SOCI

	2022	2021
	£000	£000
Turnover (SOCI)	**420,051**	429,893
Less: Grant amortisation	**(9,427)**	(9,600)
Less: New build sales proceeds	**(80,933)**	(108,865)
Add: Bad debts	**(2,700)**	(2,692)
Add: Impairment of loan to associate	**(419)**	-
Income (segmental analysis)	**326,572**	308,736
Cost of sales (SOCI)	**(67,979)**	(93,196)
Add: New build sales proceeds	**80,933**	108,865
New build property sales (segmental analysis)	**12,954**	15,669
Operating expenditure (SOCI)	**(297,316)**	(277,271)
Less: Depreciation and impairment	**60,119**	62,632
Less: Bad debts	**2,700**	2,692
Operating expenditure (segmental analysis)	**(234,497)**	(211,947)
Depreciation and impairment (Note 9)	**(60,538)**	(62,632)
Less: Impairment of loan to associate	**419**	-
Depreciation and impairment (segmental analysis)	**(60,119)**	(62,632)

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.

	2022 £000	2021 £000	
Routine maintenance	**48,609**	46,426	Note 2b
Add: Planned maintenance	**22,212**	17,960	Note 2b
Add: Major repairs expenditure	**13,018**	3,775	Note 2b
Add: Capitalised works	**26,368**	16,234	Note 11
Subtotal: Planned maintenance and improvement works	**61,598**	37,969	
Amount spent on improving and maintaining customers' homes	**110,207**	84,395	

Amount spent on delivering new homes

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

	2022 £000	2021 £000	
Additions to housing properties	**124,782**	92,148	Note 11
Add:			
Properties held for sale – closing balance	**132,023**	154,774	Note 15
Add: Cost of sales	**67,979**	93,196	SOCI
Less: Properties held for sale – opening balance	**(154,774)**	(181,207)	Note 15
Subtotal: Additions to properties held for sale	**45,228**	66,763	
Amount spent on delivering new homes	**170,010**	158,911	

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.

	2022 £000	2021 £000	
Additions to housing properties	**124,782**	92,148	Note 11
Add: Capitalised interest	**3,293**	3,244	Note 11
Add: Capitalised works	**26,368**	16,234	Note 11
Subtotal: Housing properties reinvestment	**154,443**	111,626	
Divided by: Housing properties – Net book value	**2,629,350**	2,539,561	Note 11
Social housing reinvestment	**5.9%**	4.4%	

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.

	2022 £000	2021 £000	
Housing loans from third parties	**18,402**	17,760	Note 18
Add: Housing loans from third parties	**618,519**	627,834	Note 19
Add: Discounted bonds	**510,542**	505,305	Note 19
Less: Cash and cash equivalents	**(47,931)**	(54,641)	SOFP
Subtotal: Net debt	**1,099,532**	1,096,258	
Divided by: Housing properties – Net book value	**2,629,350**	2,539,561	Note 11
Gearing	41.8%	43.2%	

Profit from new build sales and joint ventures

This shows total profits earned from our development activities.

	2022 £000	2021 £000	
Shared ownership first tranche sales – Operating surplus	**987**	2,240	Note 2a
Add: Properties developed for outright sale – Operating surplus	**6,013**	5,984	Note 2a
Add: Sale of land	**590**	-	Note 2a
Add: Share of profit in joint ventures	**4,196**	1,108	SOCI
Add: Share of loss in associates	**(438)**	(170)	SOCI
Profit from new build sales and joint ventures	11,348	9,162	

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.

	2022 £000	2021 £000	
Operating surplus	**66,243**	68,946	Note 2a
Less: Surplus on sale of social housing properties	**(11,487)**	(9,516)	Note 2a
Less: Surplus on sale of non-social housing properties	-	(4)	Note 2a
Subtotal: Operating surplus as defined by RSH	**54,756**	59,426	
Divided by: Turnover	**420,051**	429,893	Note 2a
Operating surplus – Overall	13.0%	13.8%	

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.

	2022 £000	2021 £000	
Social housing lettings - Operating surplus	**53,733**	60,898	Note 2a
Divided by: Social housing lettings - Turnover	**283,007**	280,382	Note 2a
Operating margin – Social housing lettings	19.0%	21.7%	

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.

	2022 £000	2021 £000	
Operating surplus as defined by RSH	**54,756**	59,426	As above
Add: Depreciation of housing properties	**51,283**	45,655	Note 9
Add: Depreciation of other fixed assets	**2,234**	6,933	Note 9
Add: Amortisation of intangible fixed assets	**3,940**	2,145	Note 9
Add: Interest receivable	**2,064**	2,728	Note 7
Less: Amortised government grants	**(8,910)**	(9,035)	Note 2b
Less: Revenue grants	**(706)**	(8,564)	Note 2b
Less: Capitalised works	**(26,368)**	(16,234)	Note 11
EBITDA MRI	78,293	83,054	

Interest cover (RSH)

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

	2022 £000	2021 £000	
EBITDA MRI	**78,293**	83,054	As above
Divided by:			
Interest payable and financing costs	**43,936**	43,843	SOCI
Add: Interest capitalised on property development	**5,005**	4,716	Note 8
Subtotal: Gross interest payable	**48,941**	48,559	
Interest cover	160%	171%	

Return on capital employed (RSH)

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

	2022 £000	2021 £000	
Operating surplus	**66,243**	68,946	SOCI
Add: Share of profit in joint ventures	**4,196**	1,108	SOCI
Add: Share of (loss)/profit in associates	**(438)**	(170)	SOCI
Subtotal: Surplus before interest and tax	**70,001**	69,884	
Divided by: Total assets less current liabilities	**2,730,609**	2,684,416	SOFP
Return on capital employed	2.6%	2.6%	

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.

	2022 £000	2021 £000	
Social housing lettings – Operating expenditure	**229,274**	219,484	Note 2a
Less: Depreciation of housing properties	**(49,884)**	(43,859)	Note 2b
Less: Impairment of housing properties	**(1,157)**	(5,070)	Note 2b
Less: Rent losses from bad debts	**(2,580)**	(2,603)	Note 2b
Add: Other social housing activities – Operating expenditure	**57,371**	44,888	Note 2a
Less: Shared ownership first tranche sales – Operating expenditure	**(2,852)**	(2,392)	Note 2a
Add: Capitalised works	**26,368**	16,234	Note 11
Subtotal: Social housing costs	**256,540**	226,682	
Divided by: Total social housing units	**50,908**	50,551	Note 4
Social housing cost per unit	5,039	4,484	

Arrears

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

	2022 £000	2021 £000	
Rental and service charges receivable	**22,268**	20,839	Note 16
Divided by: Net rents receivable	**273,391**	262,783	Note 2b
Arrears	8.1%	7.9%