Building homes, independence and aspirations

Reports and Financial Statements for the year ended 31 March 2023

Contents

Registered Office

Home Group Limited
One Strawberry Lane
Newcastle upon Tyne
NE1 4BX

Co-operative and Community Benefit Society No: 22981R

Regulator of Social Housing Registered No: L3076

Chairman's Introduction

It is with great pleasure that I introduce the financial statements for the year ended 31 March 2023.

External forces, to a lesser or greater degree, will always have an impact on your business, especially one the size of ours with a £454 million turnover. We saw it a little while back with Brexit, and then again with Covid.

This year other external circumstances have hampered our progress, but I'm pleased to say not enough to throw us off track. Several factors, including in no short measure the war in Ukraine, have this past year led to rising costs, a challenging labour market and rising interest rates. All of which has had an impact on us, and others.

One consequence was we saw our viability status regraded to V2 by the Regulator of Social Housing, having been at V1 for many years. It was a similar story for a large proportion of housing associations.

Over the last year we have taken action to mitigate a lot of the risks that we are facing from the external environment. For example, we took the decision, like a lot of providers in the sector, to reduce our development plans because it doesn't make sense to continue borrowing as much in order to develop when interest rates are this high.

We made changes in other parts of the organisation to keep our strategy on track. In all, we are managing the risks that we face and doing the right thing for our customers and the business. It's worth noting that V2 is still a compliant grade, it just reflects that we have additional risks to manage.

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

Last year, we housed over 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 192 local authority areas with 50% of stock within 17 local authorities, primarily affordable tenures.

Our surplus before tax for the year ended 31 March 2023 was £24.9 million – £3.3 million down from last year but understandable given the circumstances.

Costs increased above what we had budgeted due to rising inflation and interest rates across the year. We were able to offset this to some extent through increased sales activity, increasing new build sales surplus by £2.4 million and surplus on sale of existing properties by £7.9 million.

The tough economic environment looks set to continue, and we have done a huge amount of work this year to understand what this is likely to mean for us going forward and reprioritise areas of spend so we can continue to deliver our strategy.

We have also worked hard to support our customers as they too felt the impact of rising costs. Last year, for example, our Financial Inclusion Team supported 2,149 customers, maximising their income by £5.7 million.

In 2022/23 we entered the first year of our five-year strategy. And despite the numerous challenges we faced last year we are still well on track to achieve the aims within our strategy and to meet our mission to 'build homes, independence, and aspirations'.

We invested heavily last year across the business, building new homes and ensuring our existing ones are fit for purpose.

We invested £179.6 million to deliver 1,098 homes across England and Scotland, 685 of those being social housing.

In January, we started work on a major regeneration project in the London borough of Barnet. The Douglas Bader Park estate will benefit from 392 new, energy efficient, affordable homes, replacing 272 homes that were much in need of change. They will be complemented by 361 homes for sale in an overall mix of tenure blind apartment blocks, maisonettes, and houses.

We also invested £152 million last year improving and maintaining our customers' homes – an increase of £42 million on the previous year. This included £15 million on building safety works.

We expanded our inhouse repairs service after the successful pilot in North East England. The Home Group Repairs Service is also now operating in the south-east. The benefit is that we can be more flexible and responsive to customers' needs.

These were all serious investments, and ones which were supported by our partners. For example, we extended our sustainability linked loan from Lloyds last year from £125 million to £200 million.

Indeed, our work in greening our homes and communities has increased significantly over the past year and promises to grow even further this year.

Chairman's Introduction (continued)

Since we launched our 30-year sustainability road map three years ago we have laid the foundation on which to achieve our longer-term goals. However, we are already seeing tangible results that have impacted our customers, our partners, suppliers, and our business. We have some way to go to achieve our goals, but our returns so far give us confidence moving forward.

This year we finished our first major retrofit project. After securing funding from the Government's Social Housing Decarbonisation Fund (SHDF) we retrofitted 90 homes in Cumbria which had low EPC ratings. We used the project as a test bed to ensure we would be in a strong position to retrofit at scale in the near future.

The outcomes were excellent. Not only that, but our customers are also now reaping the rewards of greener and more energy efficient homes, which has brought a range of benefits, particularly cost saving ones.

The success of the project led us to apply for Wave 2 of the SHDF in November last year and our successful application will allow us to retrofit 1,000 homes over the next two years.

The submission was part of a wider bid with our partners in the Greener Futures Partnership (GFP). Made up of some of the UK's largest housing associations – Abri, Anchor, Home Group, Hyde Group and Sanctuary – we were successful in securing funding to retrofit 5,500 homes, with a combined investment of close to £100 million.

Greener Futures Partnership have 600,000 customers in over 300,000 homes with a turnover of £2.3 billion. They represent around 10% of all social housing. Earlier this year GFP established a £1.5 billion procurement framework to support its retrofit plans.

All our investment, time, and energy, be it on our own or with our partners, has one clear goal - to ensure what we do benefits our customers.

You will regularly hear organisations saying that customers are at the heart of everything they do. In our case this is literally true. Our customer involvement programme is a national exemplar. We have customers involved across all parts of the business, scrutinising our activity, and ensuring what we do meets their needs.

They are involved in everything from recruitment panels, procurement, and scrutiny panels to deciding on maintenance contracts, as well as sitting on Home Group's board.

This allows our customers to hold us to account and ensure we deliver on our customer promise. Sometimes we fall a little short of expectations. One example this year has been in our communication with customers. They tell us we need to improve in this area. We are now looking at ways to do that.

Our inclusive approach to involvement allows our customers tell us exactly what they think. They tell us when we are doing a good job, but they also remind us that we aren't perfect. We probably won't ever be, but by involving customers in our operations and crucially, listening to them we aim to get to a place where they are satisfied overall.

It is a similar approach taken with colleagues. We have an open and inclusive environment where colleagues can freely share their thoughts and ideas on our operation, suggest changes and challenge decisions being taken.

Their contribution this year, and every year, is simply outstanding. I'm so proud to work with such amazing people. The skill, passion, and commitment they show to support each other, and our customers is inspiring.

It is with this skill, passion, and commitment, from every level of colleague, that gives me great confidence that we will deliver on plans for the coming year.

John Cridland
Chairman
Home Group

Strategic Report

Board

John Cridland, CBE (Home Group Chairman)

Helen Meehan (from 8 June 2022)

Rhona Bradley (Clinical Governance Committee Chair)

Linda Cullen (Health and Safety Governance Committee Chair from 17 July 2022)

Duncan Cumberland (from 1 January 2023)

Susan Deacon, CBE (Home Scotland Chair)

Ken Gillespie (Development Committee Chair)

Mark Henderson

Zoe Hingston (from 1 October 2022)

John Hudson (until 7 June 2022)

Myriam Madden (Audit Committee Chair)

Bharat Mehta, CBE (Governance Committee Chair) (until 1 January 2023)

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

Indra Mudie

Chris Vallis (Senior Independent Member, and Governance Committee Chair from 1 January 2023)

Brian Walsh (from 1 October 2022)

Executive (key management personnel)

Mark Henderson
Chief Executive

Rachael Byrne
Executive Director – Models of Care

Helen Meehan
Chief Financial Officer
(from 8 June 2022)

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

Nusheen Hussain
Executive Director – Customer and Communities

Paul Walker
Executive Director – Maintenance
(from 17 October 2022)

Joe Cook
Executive Director – Building Safety (until 8 November 2022)

Matt Forrest
Executive Director – Operations
(until 23 November 2022)

John Hudson
Chief Financial Officer
(until 7 June 2022)

Advisors

Bankers:
Barclays Bank plc
Barclays House
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NE1 2BH

Independent Auditor:
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One Trinity Gardens
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Newcastle upon Tyne
NE1 2HF

Solicitors:
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30 Finsbury Circus
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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 over 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 social and 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 2023 marked one year since we launched our new five-year strategy. The challenging economic environment has continued to impact our customers and the cost of living remains a key concern.

Our current strategy is an 'evolution not revolution' of the previous five years, continuing our mission of building homes, independence and aspirations. The new strategic goals focus on customer outcomes rather than the pursuit of core targets. Although we do have clear key performance indicators, which ensure colleagues are accountable and commercial in line with our values.

We care about our customers, and we know it is important to feel safe and supported in good quality, affordable homes. Getting the basics right and consistently delivering all aspects of our Customer Promise continues to be a key measure of our success, demonstrating respect and maintaining trust.

We are working in partnership with customers to embed the Tenant Satisfaction Measures and gain further insight into how the delivery of our services is measured and perceived, identifying opportunities for continuous improvement.

We've continued to build digital capability and are critically reviewing our processes to improve customer experience, making it easier to log a repair, or even make a complaint, we strive to further improve communication across our channels this coming year.

Our customers' aspirations are often modest and we're developing community plans to focus on local issues that matter in each locality, such as tackling anti-social behaviour or providing more financial inclusion support to sustain tenancies, maintain wellbeing and a decent quality of life.

The collaborative development of the Home Group Standard is reassuring customers that we have long term investment plans to build new homes to a high standard and decarbonise our existing homes while prioritising those at highest risk of fuel poverty, following the recent instability in the global energy markets.

We've continued to upskill our colleagues and have seen success in our 'grow our own' programme across all levels of the organisation. We have also achieved the National Equality Standard upon our first attempt and have a robust action plan to retain our status as an equality, diversity and inclusion exemplar.

In the last year our Home Group Fund has provided £356,000 support to nearly 5,000 customers and our financial inclusion activities have maximised income by £5.7 million for 2,149 customers.

Strategy (continued)

Our strategic goals

Our 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. We will create new 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 within those 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 measure performance for the strategic goals are discussed further in the Strategic Performance and Value for Money section of this report at page 18.

In addition, we work closely with our customers to ensure their voices are heard at all levels throughout the organisation. We undertake qualitative assessments of how we are delivering the customer promise across our communities and neighbourhoods. Customers are involved in recruitment and scrutinising our responses to complaints. Our overall performance is regularly challenged by our Customer Forum who feedback directly to our Board.

Business model and structure

Business model

Home Group is not-for-profit and any surplus is reinvested back into the business. Underlying our strategy is the need to ensure we remain financially viable and are able to continue to invest in both our existing homes and in developing new build homes. For this reason we seek to achieve annual surpluses that allow us to fulfil our programme of investments whilst achieving value for money for our customers.

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. Homes for rent / Homes for sale	We provide care and support services to customers living in our supported housing.
Main income stream:	• Rent and service 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 four business units:

- Customer and Communities: The delivery of services to our rented and supported customers
- Maintenance and Building Safety: Delivery of repairs and maintenance services
- Development and Asset: Design and delivery of our new build homes, regeneration and strategic asset management
- 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, facilities, communications, marketing, strategy, finance and procurement, human resources, information systems, legal services and governance.

Business model and structure (continued)

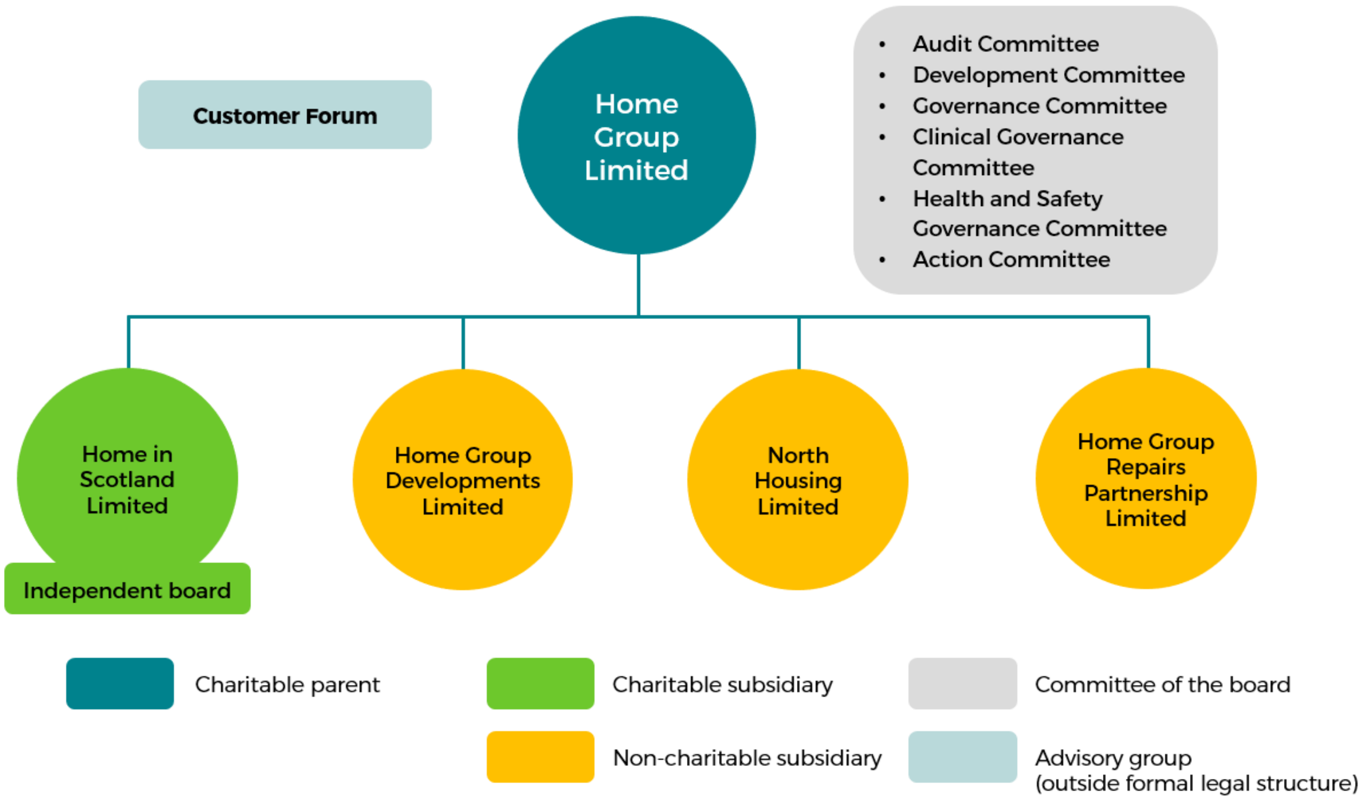
Group structure

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 as a Registered Social Landlord, 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.
- Home Group Repairs Partnership Limited (HGRP), a private non-charitable company which provides repairs and maintenance services to HGL. Previously named Live Smart @ Home Limited, this company was dormant other than intergroup financing until partway through the year.

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 external 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 Russia's invasion of Ukraine and the mini budget in September.

Through the year CPI inflation averaged 10.0% and interest rates increased from 0.5% to 4.25%. We have been impacted by rising costs in a number of areas, most significantly impacting the cost of delivering repairs and maintenance services to our properties. The increase in interest rates has also impacted us to some extent, although the majority of our borrowings are on fixed rate terms.

Labour supply challenges have continued, making recruitment difficult particularly in our supported and care businesses. We have also seen employment costs increase as we made a one-off cost of living payment to over 2,500 colleagues and also implemented the Living Wage Foundation Rate changes as early as possible.

The economic environment has also affected the property market, and although we saw little impact on shared ownership sales, there has been lower demand for outright sale homes meaning our joint ventures are underperforming against expectation.

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 we know is impacting our customers. We provide a wide range of financial and non-financial support to our customers, particularly through our financial inclusion team.

As we enter a new financial year, cost inflation remains high, and interest rates continue to rise. In addition to this, rent increases were capped at 7% (below inflation) in the upcoming year. We have responded to these factors by making changes to our business plan to mitigate risks.

The factors discussed above are reflected in our financial modelling and stress testing, discussed further in our going concern assessment on pages 44-45.

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
Changes in government policy or regulation may impact our ability to achieve our strategy.	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.	C Critical
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.	C Critical
Our financial health and liquidity is insufficient to allow us to deliver our strategy and 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. As inflation and interest rates continued to rise over the last year, we have implemented a number of plans to mitigate against these cost pressures and enable us to continue to deliver our strategy. We maintain a prioritised list of mitigations, tested to ensure they are actionable, should further mitigatory action be required. Regular forecasting continues to take place, including consideration of covenant compliance and future financing requirements.	H High
We may be exposed to data losses or restricted system access as a result of a cyber security or data 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. The frequency of attempted cyber security attacks is increasing, and 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 in response to these.	H High
We are unable to attract, recruit, develop and retain the right skills and talent to enable delivery of the strategy. This is a particular challenge within our Supported and Care parts of the business.	Our employer of choice offer builds on 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. Our continued 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
We fail to comply with statutory health and safety, building safety, fire safety and environmental legislation, leading to an impact on the welfare of customers, members of the public, colleagues or contractors.	Our customers' health, safety, wellbeing and satisfaction is paramount. We have a strategic health and safety plan in place which details processes, programmes and initiatives for continual improvement. This includes defined health and safety accountabilities and competencies. We have a full suite of health and safety policies and procedures in place, to support colleagues. These are regularly reviewed and updated. The Health and Safety Governance Committee have oversight of our framework and programme of compliance reviews, and provide additional scrutiny in this area. 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.	It is important we protect the health, safety, and well-being of vulnerable customers. The care we provide must be high quality and delivered by competent and experienced practitioners, and we have policies and procedures in place to support colleagues in doing so. 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
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. Although the inherent risk has increased in the current economic climate, we have further mitigated this risk by introducing new models of delivering repairs and maintenance services, bringing some in-house.	H High
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 to understand new requirements and assess any gaps that we may have.	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 followed by EPC B by 2032 in Scotland, and a roadmap to meet the challenge of net zero by 2045 (Scotland) and 2050 (England).

At 31 March, the average energy efficiency rating (SAP) of our homes was 71.8 (2022: 71.8). During the year we carried out works to over 3,425 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.

During the year we used Social Housing Decarbonisation Fund wave 1 funding to target our off gas properties in Cumbria in a whole house retrofit project. This has resulted in reduced carbon emissions, improved insulation and ventilation, and reduced energy bills for the customers living there. The project helped us further develop our approach in delivering a fabric first approach to sustainability. The installation of low carbon technology is focused on homes currently heated by solid fuel, where we know improvements in the fabric of the property will have a positive impact on customers' bills. Whilst we keep a keen eye on developing technology, we only consider installing tried and tested technology so we can be sure any works carried out will be beneficial to the customer and can be efficiently maintained moving forward.

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, assessing 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 766 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. Of the 676 new build homes, 2% were built to an EPC A rating, 93% were built to an EPC B rating, and 5% 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.

In December 2022 we completed our project to build a new head office for the organisation. It was important to us that the new building met high sustainability standards, and it has received Smartscore certification, an accreditation that recognises cutting edge technology and high standards of sustainability.

The contractor appointed for the fit out of the building had, through the procurement process, demonstrated their experience of low carbon fit outs and considering environmental impact in their site set up and waste management approach. As a result, environmental impact was considered throughout the project and we were able to demonstrate that for every £1 of spend, £1.97 was put back into the local economy.

Underpinning our approach to sustainability is the certification of our ISO 14001:2015 Environmental Management System. To achieve this we maintain an effective and efficient environmental management system which monitors our environmental footprint and analyses our performance.

Environmental, social and governance (ESG) reporting

We have adopted the Sustainability Reporting Standard for Social Housing (SRS), and publish an annual ESG report. The SRS is 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/environmental-social-and-governance

Business environment (continued)

Equality, diversity and inclusion

As an organisation with a strong social mission, we are absolutely committed to equality, diversity and inclusion in the workplace as this reflects the customers and communities we exist to serve. Being an exemplar in equality, diversity and inclusion is a key strand of our strategy.

In March 2023 we achieved the National Equality Standard, a government backed, industry recognised national standard for equality and diversity. This is an external benchmark which is independently assessed, and the assessment process has provided us with feedback and recommendations for further improvements which we will be able to take forwards as part of our strategic goal to become an exemplar for equality, diversity and inclusion.

In terms of colleague gender we have a ratio of 62% females to 38% males and at senior level, 44% of our executive and senior management team are women. We are ranked 1st 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/our-approach-to-pay

Our broad efforts to attract, recruit and retain an overall diverse workforce, have led to promising results with our multicultural representation currently at 16.3%, LGB+ at 6.8% and disability presenting at 7.3%. 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%).

Our 'Grow our Own' programme, to develop colleagues' skills and progression routes, plays a crucial part in enabling us to retain talent within the organisation, but it is equally important to be a strong employer of choice across all underrepresented groups for us to attract diverse talent and ensure our employer value proposition is aligned to support us with this. We continue with our extended Rooney Rule approach (interviewing where possible, at least one candidate from a multicultural background) for all senior roles across the organization at the same time as building diverse talent pipelines both internally and externally.

Last year our annual colleague survey (carried out by the external company, Great Place to Work) placed us 7th in the UK for large organisations, with 85% of our colleagues agreeing that Home Group is a great place to work. We also achieved a ranking of 9th in the UK for best organisations for colleague 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, most stay in jobs with Home Group at the end of their apprenticeship.

At 31 March 2023, we had 163 apprentices in post (2022: 144).

Modern Slavery

We have a zero tolerance approach to modern slavery and are committed to acting ethically and with integrity in all our business dealings and relationships.

Through a proactive risk-based approach within our sourcing and contract management processes we have mechanisms to ensure that our suppliers share our values and are assessing and managing the risk of modern slavery in their own supply chains.

Business environment (continued)

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 as well as procurement, recruitment and tenancy allocation policies, procedures and auditing procedures.

We also have policies, procedures and associated resources in place relating to managing conflicts of interest (including acceptance of gifts and hospitality), anti-money-laundering and confidential reporting (whistle-blowing).

Supply chain management

We expect our partners and suppliers to take sustainability seriously and share our values in this regard. As an organisation we have a big challenge ahead to move towards net zero and we recognise that our supply chain will play a key part in our achievement of this goal. Our sustainable procurement policy is regularly reviewed to ensure continuous improvement in the reduction of the environmental impact of our business activities.

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.

When tendering, we assess the environmental policies of applicants and will frequently qualitatively assess their sustainability experience and proposed approach to the contract in question. 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.

Taxation – our contribution to the UK tax system

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

	2023 £m	2022 £m
Irrecoverable VAT	32.0	24.7
Employer's national insurance	8.5	7.1
Corporation tax	0.2	(0.3)
Stamp duty land tax	-	0.2
Total	40.7	31.7

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 £32.0 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 recognised a credit in relation to corporation tax in 2022, as during the year HGDL made a gift aid payment to HGL of £10.4 million, reducing the group's corporation tax liability for 2022 by £2.0 million.

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

Financial review

We have continued to experience significant change in external factors over the last financial year, which has impacted our financial performance. Cost inflation remained high throughout the year, leading to a series of interest rate rises.

We have been impacted by rising costs in a number of areas, most significantly impacting the cost of delivering repairs and maintenance services to our properties. We also experienced disruption when one of our repairs and maintenance contractors terminated their contract early. This led to delays to carrying out repairs for some customers and increases in cost as we put emergency and then new arrangements into place at short notice.

The labour market has remained challenging, making recruitment difficult particularly in our supported and care businesses. We have used a higher proportion of agency and temporary workers than we have historically.

We also recognise the challenges of increasing cost of living for our colleagues, and made a one-off cost of living payment to over 2,500 colleagues, followed by implementing the Living Wage Foundation Rate changes earlier than usual.

The rise in interest rates has also led to increased interest costs. Although the majority of our borrowings are on fixed rate terms, we do have some borrowings on variable rates.

Despite these challenges we report an increased operating surplus of £68.6 million (2022: £66.2 million), the main driver of which was increased surplus on disposal of housing properties. We also implemented some cost saving measures to offset the impact of rising costs as we continue to invest in our properties.

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 £24.9 million (2022: £28.1 million). Significant movements are discussed further below.

Summary statement of comprehensive income	2023 £m	2022 £m
Turnover	**453.8**	420.0
Other operating income	**6.8**	-
Cost of sales	**(76.9)**	(68.0)
Operating expenditure	**(334.5)**	(297.3)
Surplus on disposal of housing properties	**19.4**	11.5
Operating surplus	**68.6**	66.2
Share of profit in joint ventures and associates	**2.4**	3.8
Net finance costs	**(46.1)**	(41.9)
Surplus before tax	**24.9**	28.1

Turnover

Group turnover increased by £33.7 million to £453.8 million in the year ended 31 March 2023, a 8.0% increase. The main driver of this increase was an increase in income from social housing lettings of £22.9 million (8.1%) reflecting the 4.1% rent increase implemented on 1 April 2022 and the addition of new homes for rent.

Turnover from new build sales also increased by £19.0 million (26.5%), with an increase in sales numbers to 421 (2022: 352).

Other operating income

The amount of £6.8m recognised as other operating income relates to damages awarded to us in relation to a breach of contract. In May 2022 one of our maintenance contractors repudiated their contract by terminating their services in breach of the contracted terms. To ensure continuity of service to our customers we instigated a number of mitigations and sought to recover the cost of these from the contractor. We followed an adjudication process to successfully prove the repudiatory breach and to have damages awarded to us. Following a High Court enforcement order the contractor made the full payment in August 2023,

Cost of sales

Cost of sales has increased by £8.9 million as a result of the increase in sales. The margin we achieve on new build sales varies between schemes and has increased slightly this year (17.3% to 17.8%, excluding Build to Rent).

Operating costs

Our operating costs increased by £37.2 million, a 12.5% increase. The main driver of this was increased expenditure on repairs and maintenance. In addition to cost inflation pressures, we incurred additional costs following the early exit of one of our contractors.

We continue to increase planned maintenance as we invest in improving our properties, particularly in regard to building safety. Planned maintenance and major works expenditure increased by £8.2 million this year.

Financial review (continued)

Surplus on disposal of housing properties
The surplus from sale of our existing housing properties (not new build properties built for sale) increased by £7.9 million, a 69.0% increase. This was partly due to an increase in staircasing by shared owners, but mainly sales on the open market of properties where we have made the strategic decision to dispose.

Share of profit in joint ventures and associates
Our joint ventures were impacted by the downturn in the property market this year, reducing our profit share by £1.4 million (35.7%).

Net finance costs
Net finance costs increased by £4.2 million (10.1%). This was due to an increase in interest payable on our variable rate borrowings as interest rates rose.

Financial strength

The Group's balance sheet remains strong, with net assets increasing by £51.8 million during the year. Gearing remains low, at 42.2% (2022: 41.8%). Significant movements in the balance sheet are discussed further below.

Summary statement of financial position	2023 £m	2022 £m
Housing properties	**2,727.9**	2,629.4
Other fixed assets and investments	**130.0**	100.7
Properties and assets held for sale	**122.2**	132.0
Cash and cash equivalents	**48.2**	47.9
Debtors	**41.9**	26.7
Total assets	**3,070.2**	2,936.8
Borrowings (bonds and third-party loans)	**(1,198.3)**	(1,147.5)
Grant	**(915.8)**	(841.9)
Other liabilities	**(173.0)**	(201.7)
Pension provision	**-**	(14.3)
Total liabilities	**(2,287.1)**	(2,205.5)
Net assets	**783.1**	**731.3**

Housing properties
The net book value of our housing properties increased by £98.5 million during the year as we continue to invest in delivering new affordable homes and improvements to our existing homes. We spent £112.9 million developing new affordable homes and spent a further £45.7 million on capitalised improvement works on our existing homes.

Other fixed assets and investments
The £29.3 million increase was driven by an increase of £16.8 million in the pension asset following actuarial review of the position at the year end. The main defined benefit scheme (HGPLAS) moved from a net liability position to a net asset position, mainly due to an increase in the discount rate applied. This does not impact the funding position.

We also saw smaller increases of £6.2 million in other fixed assets in relation to the fit out of our new head office building and a further £5.7 million increase in loans to our joint venture and associate investments as we invest in new development.

Properties held for sale
Properties held for sale (which includes work in progress on developments) decreased by £9.8 million during the year as a result of lower work in progress and fewer completed homes held for sale on both shared ownership properties and outright sale properties, reducing to 97 homes held for sale (2022: 172 homes).

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

Debtors
Debtors increased by £15.2 million, mainly due to an increase in accrued income. £6.8 million of this relates to a one-off contractual settlement.

Borrowings
Our largest liability remains borrowings (bonds and third party loans). Borrowings increased by £50.9 million, as discussed in the cash flow review on the following page.

Deferred capital grant
Deferred capital grant increased by £73.8 million during the year as we received additional grant to fund our development of affordable housing.

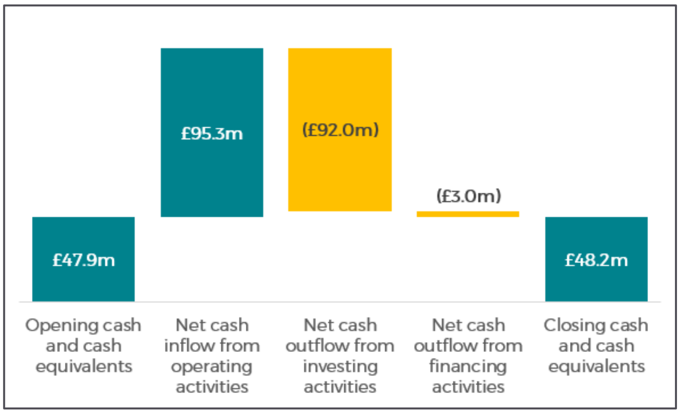
Other liabilities
Other liabilities decreased by £28.7 million. The majority of this relates to a decrease of £30.6 million in social housing grant received in advance in relation to our Homes England Strategic Partnership. This balance reduces as grant is allocated to schemes or repaid.

Pension provision
The pension provision decreased by £14.3 million as the HGPLAS defined benefit scheme moved into a net asset position as discussed above.

Financial review (continued)

Cash flows

Cash inflows and outflows for the year ended 31 March 2023 are detailed in the Group Cash Flow Statement on page 43.



Cash inflow from operating activities decreased to £95.3 million (2022: £132.2 million) as costs increased, particularly on repairs and maintenance.

Cash outflow from investing activities increased to £92.0 million (2022: £87.4 million) as we increased our investment in housing properties – both development of new homes and improvements to our existing homes. We also increased our investment in joint ventures and associates to fund further development. A proportion of this was funded through increases in sale of housing properties and capital grants received.

Cash outflow from financing activities decreased to £3.0 million (2022: £51.5 million) as we drew down more new secured loans compared to the prior year. Cash and cash equivalents increased by £0.3 million.

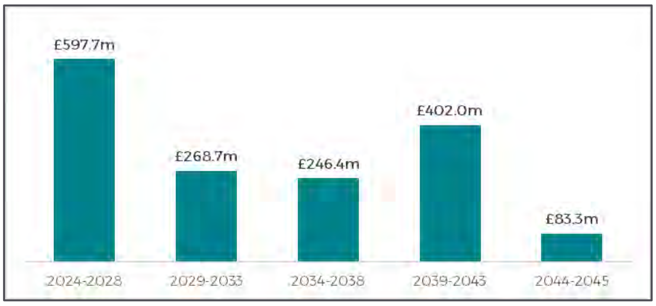
Capital structure and treasury policies

As at 31 March 2023, the Group has committed borrowing facilities of £1.5 billion (2022: £1.6 billion) of which £1.2 billion is drawn (2022: £1.1 billion). Our borrowing enables us to continue to invest in our development programme and existing properties in line with our asset management plans.

As at 31 March 2023 we have £369.3 million (2022: £367.8 million) of undrawn facilities, including £75.0 million in the process of being secured.

Debt is secured by specific charges against properties. 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 78.9% (2022: 82.5%) 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 we were marginally above the target range at 31 March 2022 due to lower utilisation of revolving credit facilities.

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 2023, 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?

During the first year of our new strategy (2023-2027), we have developed new performance indicators to measure performance against our strategic goals. We set annual and longer term targets for these, and report on performance to the Board regularly.

The VfM metrics set out by the Regulator of Social Housing are driven by our financial performance and development plans. The Board consider these as part of the annual business planning process, and we set annual targets for these indicators which are in line with our business plan and strategic goals.

The Board also receive a semi-annual update on VfM performance 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 and we will develop improvement plans to address this if we consider it to be underperformance. However, if we have chosen to follow a specific course of action in pursuit of our strategic goals and direction which results in performance below the sector or peer group, 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 29-32.

Our performance on our key performance indicators, including the VfM metrics set out by the Regulator of Social Housing, is shown on the following pages. Where new indicators have been developed during the year, linked to our new strategy, these did not have targets in place for 2023.

Benchmarking information is also shown for key performance indicators where available, the benchmark being the median average within our peer group. This information is for the year ended 31 March 2022, as 2023 results are not yet available.

Delivering for our customers and communities

Our longer term strategic targets for this goal are linked to the Tenant Satisfaction Measures (TSMs) introduced by the Regulator of Social Housing from 1 April 2023. In particular we are focussed on the following which are measured through customer perception surveys:

- Satisfaction that the home is safe;
- Satisfaction with repairs;
- Agreement that the landlord treats tenants fairly and with respect;
- Satisfaction that the landlord makes a positive contribution to neighbourhoods.

As surveys of customers in line with the TSMs methodology have not begun until the new financial year, we have used the results from our customer promise survey which asks similar questions and was designed with input from customers (scored out of 10).

Customer satisfaction

New measure	2024 Target	2023 Result
Safe place to live	7.2	**7.0**
Reliable repairs service	6.0	**5.8**
Care about you	6.2	**6.0**
Help communities grow	7.6	**7.4**

Strategic performance and value for money (continued)

We also continue to report on the proportion of complaints responded to within 10 days (the target set by the Ombudsman) as we have an ongoing improvement plan in place.

Complaints responded to within 10 days

2024 Target	2023 Target	2023 Result	2022 Result
80%	80%	**58%**	64%

We did not achieve our complaints target. We were impacted by rising levels of complaints, particularly towards the end of the year, meaning we were unable to deal with complaints as quickly as we would like.

Improvement plans put in place to address this have already resulted in an improving performance in the new financial year.

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.	**Action completed:** Complaints data is now held on our incident reporting system with dashboard reporting in place.
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.	System improvements now allow us to more easily group complaints and during the year we have completed thematic reviews on damp and mould; heating and hot water; and permissions.

New actions added

- Conduct a review of processes and collaboration to identify efficiencies and improve the customer experience.
- Improve visibility of complaints levels and performance across the business.
- Root cause analysis of complaints themes and identify learnings and improvements to be shared across the organisation.

Target: 80% of complaints responded to within 10 days

Providing the right homes in the right places

In addition to continuing to build new affordable homes (linked to both the social housing reinvestment and new supply – social metrics reported on page 21), improving the energy efficiency of our existing homes is a key strand of this strategic goal.

We have a plan for all our homes to achieve an Energy Performance Certificate (EPC) rating of C or above by 2030 and are tracking our progress towards this.

New measure	2024 Target	2023 Result
EPC C or above	70.9%	**68.8%**

Strategic performance and value for money (continued)

Evolving our model of care and support

Our key measure of the quality of our Care Quality Commission (CQC) registered services is that we achieve a 'good' or 'outstanding' overall rating.

New measure	2024 Target	2023 Result
CQC good or outstanding	90%	**94%**

We also use the Warwick-Edinburgh mental wellbeing scale and HACT social value framework to measure social value outcomes for our supported services.

Our key outcome measures are of the improvement in mental wellbeing and in quality of life during a customer's time with us. On average, the increase in wellbeing our customers report equates to a social value of over £5,000 per person.

New measure	2024 Target	2023 Result
Mental wellbeing	31%	**31%**
Quality of life	34%	**34%**

Creating a vibrant customer focussed organisation

As part of improving our efficiency, we continue to develop our digital capability and channels, and have targeted an increased level of digital interactions. Our social housing cost per unit (reported on page 21) is also a key indicator of efficiency.

We also want Home Group to be a great place to work for our colleagues, measured through our colleague survey score (externally benchmarked).

New measure	2024 Target	2023 Result
Digital interactions	60%	**55%**
Great Place to Work score	>80%	**85%**

We also continue to track arrears as a measure of efficiency as we have an ongoing improvement plan in place.

Arrears

2024 Target	2023 Target	2023 Result	2022 Result
7.1%	7.7%	**8.1%**	8.1%

We failed to meet our arrears target which was based on a reduction in current arrears to £9.6 million. This was set at the beginning of the year before the cost of living crisis worsened which led to increasing levels of arrears.

Once we understood the impact of this a revised target was set to bring arrears back down to 2022 levels by the end of the year, which we met.

We continue to benchmark slightly higher than average within our peer group (7.3% in 2022), and continue to target improvements.

Arrears Improvement Plan	
Action	**Update**
Develop learning offer for colleagues on income protection and debt collection	Our training offer continues to develop, although other essential training has had to be prioritised during the year. Collections training is to be launched shortly.
Reduce the number of customers in arrears through referral to our financial inclusion team	The number of customers in arrears increased during the year, but reduced back to 39% at the end of March (2022: 39%). The financial inclusion team now promote the service proactively but continue to work with customers referred due to financial difficulties.
Review and improve former tenants arrears collection process	**Action completed:** Processes and reporting have been completely reworked with the work now carried out by our specialist income collections team.

New actions added

- Launch the cost of living fund for customers, targeted at those who have had the most significant increase in service charges during the year, which should help mitigate the impact on our arrears.
- Target our collections activity where it will make a positive impact on bad debt, improving our bottom line.

Target: Reduce current rented arrears to £10.5 million (7.1% overall)

Strategic performance and value for money (continued)

The Regulator of Social Housing's VfM metrics

VfM indicator	2024 Target	2023 Target	2023 Result	2022 Result	2022 Benchmark
Operating margin – Overall	13.2%	10.8%	**10.7%**	13.0%	19.9%
Operating margin – Social housing lettings	20.6%	15.2%	**17.7%**	19.0%	25.7%
Social housing reinvestment	8.3%	8.8%	**6.0%**	5.9%	5.8%
New supply – Social	1.3%	1.4%	**1.4%**	1.2%	1.4%
New supply – Non-social	0.6%	1.0%	**0.4%**	0.3%	0.2%
Social housing cost per unit	£6,385	£6,105	**£6,153**	£5,039	£4,127
Gearing	40-55%	40-55%	**42.2%**	41.8%	42.9%
Interest cover	107%	114%	**97%**	160%	131%
Return on capital employed (ROCE)	2.5%	2.4%	**2.5%**	2.6%	2.6%

How we performed against target

Overall we achieved our targets for four of the nine VfM metrics. A number of the metrics where we missed our target were directly impacted by the challenging external environment and/or a deliberate decision to change our plans in response to this.

We did not meet our targets for operating margin – overall, social housing cost per unit and interest cover. There were two main drivers of this:

- Cost challenges due to rising inflation, and issues with contractors who were also affected by higher costs.
- Increasing interest costs as rates rose above our expectation.

We took actions to make cost savings to mitigate against this, resulting in us being able to control our financial performance as close to targets as possible.

The increased cost of borrowing led to a strategic decision to slow down our future development programme, and we did not progress on some uncommitted development spend during the year. This resulted in us not meeting the original target for social housing reinvestment or new supply – non-social.

We have considered whether or not we met our target, and the reasons for this, when determining whether or not improvement plans should be put in place. Although our budget for the upcoming year includes targets for improvement on a number of indicators, we do not consider a formal improvement plan to be necessary other than for operating margin. Improvements in this indicator will drive improvements in several other financial measures.

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 indicators, allowing for some year to year fluctuation.

We did not fall into the bottom quartile for any of the indicators, however are closest to the bottom quartile on operating margin (both overall and social housing lettings).

Our 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.

We analyse the margin in each segment of the business, and if we look solely at general needs operating margin, this is 17.8% (2022: 19.4%). Whilst this is still low for the sector and compared to our peer group, we know that one of the main drivers of this is lower rent levels in the north of England where 58% of our homes are.

Supported housing costs more to deliver than general needs housing, and this is one of the drivers behind our social housing cost per unit being higher than the peer group benchmark. We analyse cost per unit to understand the differences between tenure type and what each area of the business contributes to our cost per unit. If we look solely at general needs cost per unit this is £3,797 (2022: £3,244) which is in line with the peer group average.

Although there are reasons why our overall margins are lower, actions can 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 is reflected in the improvement plan we have put in place, and in our business planning.

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.	Monthly management reporting is now split into operating segments, to provide better understanding of the performance of different parts of the business and enable tracking of improvement actions.
New actions added	
➢ Targeted improvement actions in place to improve underlying margin in specific operating segments.	
Target: Overall operating margin 13.2%; Social housing lettings margin 20.6%	

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 improving performance on those indicators.

We continue to consider how we can deliver better Value for Money for our customers and as we begin to embed the new Tenant Satisfaction Measures, we expect that these will deliver increased insight into what our customers find important.

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 Chairman
21 September 2023

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 various committees, 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 LLP, 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 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.

Governance (continued)

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.

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

Corporate governance

Home Group has been rated as G1:V2 for governance and financial viability by the Regulator of Social Housing following its latest stability check in November 2022 (previously G1:V1). This regrade reflects the financial pressures placed upon the sector in the current economic climate.

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. Home Group has assessed its compliance with the Code of Governance and has complied in full with its provisions throughout the year.

During the year the group's code of conduct has been reviewed and refreshed. This is consistent with both the National Housing Federation's Code of Conduct 2022 and the Scottish Federation of Housing Associations' Model Code of Conduct 2021.

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.

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 (2022: 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 2023 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*											5	4
John Cridland	6^	6^					7	7	3	3		
Linda Cullen	6	6			4	4					5^	5^
Duncan Cumberland	2	2					7	7				
Susan Deacon**	6	4							3	3		
Ken Gillespie	6	6	4	4			7^	7^			5	4
Zoe Hingston	3	2										
Lara Joisce			4	4								
Gavin MacKenzie*			2	2								
Myriam Madden	6	6	4^	4^					2	2		
Bharat Mehta	4	4			3	3			2^	2^	3	3
Leslie Morphy	1	1			1	1			1	1		
Indra Mudie	6	6									5	5
Chris Vallis#	6	6			4	4			1^	1^		
Brian Walsh	3	3			4	4						
Executives												
Mark Henderson	6	6										
John Hudson	1	1										
Helen Meehan	5	5										

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, and subsequently to the Home Group Board on 1 January 2023.
- Zoe Hingston was appointed to the Home Group Board on 1 October 2022.
- Gavin MacKenzie was appointed to the Audit Committee on 23 August 2022.
- Bharat Mehta resigned from the Home Group Board, the Clinical Governance Committee, the Health and Safety Governance Committee, and as Chair of the Governance Committee, on 1 January 2023.
- Leslie Morphy resigned from the Home Group Board, and as Chair of the Health and Safety Governance Committee on 17 July 2022.
- Chris Vallis was appointed as the Chair of the Governance Committee on 1 January 2023.
- Brian Walsh was appointed to the Home Group Board on 1 October 2022.
- John Hudson resigned from the Home Group Board on 7 June 2022.
- Helen Meehan was appointed to the Home Group Board on 8 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 2022 up to the date of approval of the Financial Statements.

This process is set out in the Group's Risk Management Framework, which includes the organisation's defined risk appetite, 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

This year has given colleagues additional pressures around the cost of living challenge and we've worked to support this where we can. In September we made a one-off cost of living support payment to 2,575 colleagues, and then implemented the Living Wage Foundation Rate changes earlier than usual, which further benefitted 1,609 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, LGBTQ+, neurodiversity 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.

John Cridland

J Cridland, CBE
Home Group Chairman
21 September 2023

Alternative performance measures

In this report, we have used alternative performance measures ('APMs') to assess our 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 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.

	2023 £000	2022 £000	
Routine maintenance	**62,922**	48,609	Note 2b
Add: Planned maintenance	**24,674**	22,212	Note 2b
Add: Major repairs expenditure	**18,729**	13,018	Note 2b
Add: Capitalised works	**45,695**	26,368	Note 11
Subtotal: Planned maintenance and improvement works	**89,098**	61,598	
Amount spent on improving and maintaining customers' homes	**152,020**	110,207	

Amount spent on delivering new homes

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

	2023 £000	2022 £000	
Additions to housing properties	**112,891**	124,782	Note 11
Add:			
Properties held for sale – closing balance	**122,185**	132,023	Note 15
Add: Cost of sales	**76,890**	67,979	SOCI
Less: Properties held for sale – opening balance	**(132,023)**	(154,774)	Note 15
Subtotal: Additions to properties held for sale	**67,052**	45,228	
Amount spent on delivering new homes	**179,943**	170,010	

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.

	2023 £000	2022 £000	
Additions to housing properties	**112,891**	124,782	Note 11
Add: Capitalised interest	**4,260**	3,293	Note 11
Add: Capitalised works	**45,695**	26,368	Note 11
Subtotal: Housing properties reinvestment	**162,846**	154,443	
Divided by: Housing properties – Net book value	**2,727,863**	2,629,350	Note 11
Social housing reinvestment	**6.0%**	5.9%	

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.

	2023 £000	2022 £000	
Housing loans from third parties	**18,273**	18,402	Note 18
Add: Housing loans from third parties	**663,759**	618,519	Note 19
Add: Discounted bonds	**516,312**	510,542	Note 19
Less: Cash and cash equivalents	**(48,222)**	(47,931)	SOFP
Subtotal: Net debt	**1,150,122**	1,099,532	
Divided by: Housing properties – Net book value	**2,727,863**	2,629,350	Note 11
Gearing	**42.2%**	41.8%	

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.

	2023 £000	2022 £000	
Operating surplus	**68,631**	66,243	Note 2a
Less: Surplus on sale of social housing properties	**(19,412)**	(11,487)	Note 2a
Less: Surplus on sale of non-social housing properties	-	-	Note 2a
Subtotal: Operating surplus as defined by RSH	**49,219**	54,756	
Divided by:			
Turnover	**453,786**	430,051	Note 2a
Other operating income	**6,805**	-	Note 2a
Subtotal: Turnover as defined by RSH	**460,591**	420,051	Note 2a
Operating margin – Overall	**10.7%**	13.0%	

Operating margin – Social housing lettings (RSH)

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

	2023 £000	2022 £000	
Social housing lettings - Operating surplus	**55,513**	53,733	Note 2a
Divided by:			
Social housing lettings - Turnover	**305,947**	283,007	Note 2a
Social housing lettings – Other operating income	**6,805**	-	Note 2a
Subtotal: Total income from social housing lettings	**312,752**	283,007	Note 2b
Operating margin – Social housing lettings	**17.7%**	19.0%	

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.

	2023 £000	2022 £000	
Operating surplus as defined by RSH	**49,219**	54,756	As above
Add: Depreciation of housing properties	**51,269**	51,283	Note 9
Add: Depreciation of other fixed assets	**2,599**	2,234	Note 9
Add: Amortisation of intangible fixed assets	**3,071**	3,940	Note 9
Add: Interest receivable	**2,830**	2,064	Note 7
Less: Amortised government grants	**(9,212)**	(8,910)	Note 2b
Less: Revenue grants	**(390)**	(706)	Note 2b
Less: Capitalised works	**(45,695)**	(26,368)	Note 11
EBITDA MRI	53,691	78,293	

Interest cover (RSH)

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

	2023 £000	2022 £000	
EBITDA MRI	**53,691**	78,293	As above
Divided by:			
Interest payable and financing costs	**48,922**	43,936	SOCI
Add: Interest capitalised on property development	**6,169**	5,005	Note 8
Subtotal: Gross interest payable	**55,091**	48,941	
Interest cover	**97%**	160%	

Return on capital employed (RSH)

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

	2023 £000	2022 £000	
Operating surplus	**68,631**	66,243	SOCI
Add: Share of profit in joint ventures	**3,782**	4,196	SOCI
Add: Share of loss in associates	-	(438)	SOCI
Subtotal: Surplus before interest and tax	**72,413**	70,001	
Divided by: Total assets less current liabilities	**2,884,370**	2,730,609	SOFP
Return on capital employed	**2.5%**	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.

	2023 £000	2022 £000	
Social housing lettings – Operating expenditure	**257,239**	229,274	Note 2a
Less: Depreciation of housing properties	**(49,673)**	(49,884)	Note 2b
Less: Impairment of housing properties	**3,181**	(1,157)	Note 2b
Less: Rent losses from bad debts	**(2,677)**	(2,580)	Note 2b
Add: Other social housing activities – Operating expenditure	**63,272**	57,371	Note 2a
Less: Shared ownership first tranche sales – Operating expenditure	**(1,878)**	(2,852)	Note 2a
Add: Capitalised works	**45,695**	26,368	Note 11
Subtotal: Social housing costs	**315,159**	256,540	
Divided by: Total social housing units	**51,220**	50,908	Note 4
Social housing cost per unit	**6,153**	5,039	

Arrears

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

	2023 £000	2022 £000	
Rental and service charges receivable	**23,600**	22,268	Note 16
Divided by: Net rents receivable	**291,255**	273,391	Note 2b
Arrears	**8.1%**	8.1%	

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 of the association's affairs as at 31 March 2023 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 group and association statement of comprehensive income;
- the group and association statement of financial position;
- the group and association statements of changes in reserves;
- the group 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 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 matter	The key audit matter that we identified in the current year was: • Impairment of property and other assets (including work in progress).
Materiality	The materiality that we used for the group financial statements was £4.54m which was determined on the basis of approximately 1% of turnover.
Scoping	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of misstatement at the group level. We have performed full scope audits over the association and two of its four consolidated subsidiaries achieving coverage of 99.9% of the group's turnover and total net assets.
Significant changes in our approach	In the current period we have reduced the number of subsidiaries on which we have performed full scope audits.

4. Conclusions relating to going concern

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

Our evaluation of the Board's assessment of the group'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 the Board, and supporting five-year and thirty-year business plans;
- consideration of current macroeconomic conditions;
- assessing accuracy of forecasts by comparing actual performance against budget in the current and previous financial year;
- evaluating the financing facilities and borrowings, including historic and forecast compliance with relevant covenants; and
- considering the current regulatory judgements published by the Regulator for Social Housing.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter description	The group has a significant development programme which includes social housing, shared ownership properties and mixed tenure schemes. The total cost of the assets in the scope of this key audit matter (as shown in Notes 11 and 15) are: • Housing properties under construction £151.0m (2022: £173.8m); • Shared ownership properties under construction £26.5m (2022: £49.2m); • Shared ownership properties work in progress £9.5m (2022: £14.2m); and • Outright sales properties work in progress £108.0m (2022: £108.8m). As set out in Note 1, on an annual basis management carries out a review for indicators of impairment of housing properties. 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 prepares 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 evaluated 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 involved our property valuation and financial instrument valuation specialists, to challenge the assumptions used, such as management costs, lifecycle costs, discount rate, rental yields and assumed values, 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 our work performed, we are satisfied that the carrying value of properties under construction (including work in progress) is fairly stated.

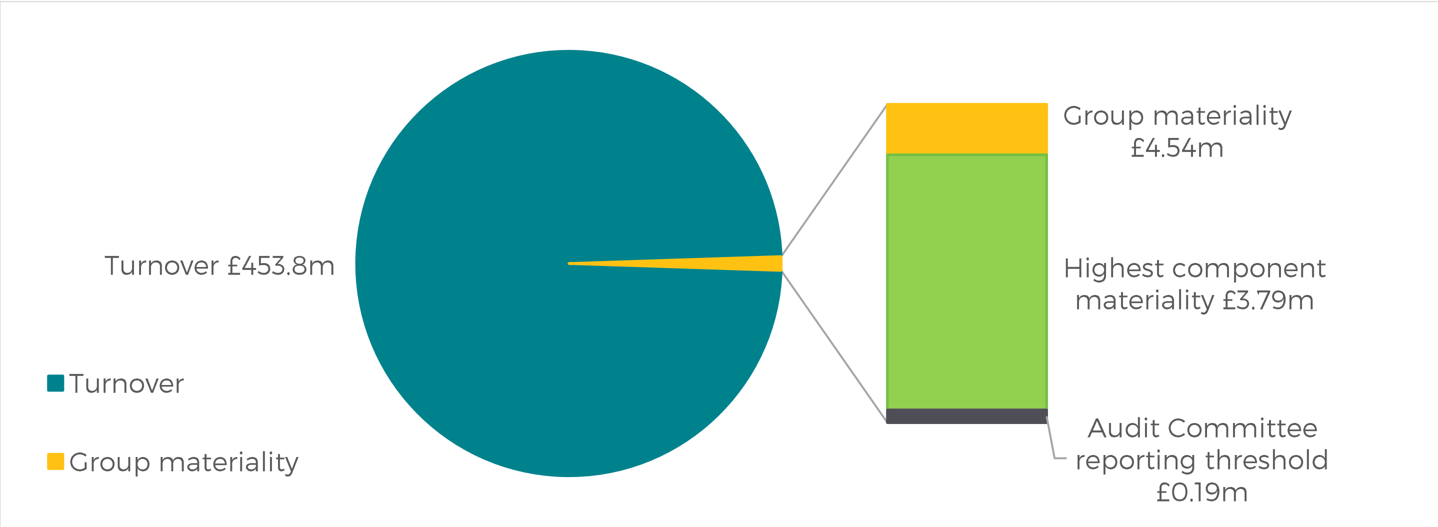
6. Our application of materiality

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	£4.54m (2022: £4.20m)	£3.79m (2022: £3.51m)
Basis for determining materiality	Approximately 1% of turnover (2022: 1% of turnover)	
Rationale for the benchmark applied	We used turnover as the benchmark for determining materiality as 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% (2022: 65%) of group materiality	65% (2022: 65%) 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's 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 £0.19m (2022: £0.18m), 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 in scope, is performed by the group audit engagement team.

At the group level, we also tested the consolidation process. Full scope audits were performed on the association and two of its subsidiaries covering 99.9% of the group's turnover (2022: 100%), and 99.9% of the group's total net assets (2022: 100%). These were performed at the individual component materiality levels and ranged from £0.78m to £3.79m (2022: £0.03m to £3.51m). In the prior year, we included all four subsidiaries in the scope of the group audit.

7.2. Our consideration of the control environment

In the current period, we have tested and relied on the key controls around journal entries. As part of our work we have involved our IT specialists to test the general IT controls of Oracle EBS, Linux OS, Last Pass and the Windows Active Directory.

7.3. Our consideration of climate-related risks

Management has considered climate change risks as part of their risk assessment process when considering the principal risks and uncertainties facing the group as explained in their Business Environment section of their Annual Report. We have:

- completed risk assessment procedures, including assessing whether the risks identified by management are complete and consistent with our understanding of the group; and
- read the climate risk disclosures in the Business Environment section of the Annual Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

9. Responsibilities of the Board

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

In preparing the financial statements, the Board is responsible for assessing the group's and the association's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the association or to cease operations, or 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 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, including those that are specific to the group's sector;
- 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;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, 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 areas: impairment of properties under construction (including working 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. These 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 to you 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 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ending 31 March 2021 to 31 March 2023.

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

Nicola Wright (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle upon Tyne, United Kingdom
26 September 2023

Statement of Comprehensive Income for the year ended 31 March 2023

	Notes	GROUP		ASSOCIATION	
		2023	2022	**2023**	2022
		£000	£000	**£000**	£000
Turnover	2	**453,786**	420,051	**378,617**	350,808
Other operating income	2	**6,805**	-	**6,805**	
Cost of sales	2	**(76,890)**	(67,979)	**(30,810)**	(25,978)
Operating expenditure	2	**(334,482)**	(297,316)	**(314,367)**	(280,581)
Surplus on disposal of housing properties	3	**19,412**	11,487	**19,298**	11,148
Operating surplus		**68,631**	66,243	**59,543**	55,397
Share of profit in joint ventures	14	**3,782**	4,196	-	-
Share of loss in associates	14	-	(19)	-	-
Impairment of loan to associate	14	**(1,466)**	(419)	-	-
Interest receivable	7	**2,830**	2,064	**645**	202
Interest payable and financing costs	8	**(48,922)**	(43,936)	**(46,744)**	(41,891)
Gift aid receipt		-	-	**10,372**	10,123
Surplus before taxation	9	**24,855**	28,129	**23,816**	23,831
Taxation	10	**(212)**	290	**(24)**	202
Surplus for the year		**24,643**	28,419	**23,792**	24,033
Actuarial gain relating to pension schemes	24	**27,007**	18,378	**27,007**	18,378
Total comprehensive income for the year		**51,650**	46,797	**50,799**	42,411

All activities are continuing.

The notes on pages 44 to 86 form part of the financial statements.

The financial statements on pages 40 to 86 were approved by the Board on 21 September 2023 and were signed on its behalf by:

J Cridland, CBE
Home Group Chairman

C Vallis
Senior Independent Member

C Burnham
Company Secretary

Statement of Financial Position as at 31 March 2023

	Notes	GROUP 2023 £000	GROUP 2022 £000	ASSOCIATION 2023 £000	ASSOCIATION 2022 £000
Fixed assets					
Housing properties	11	**2,727,863**	2,629,350	**2,489,690**	2,421,876
Other fixed assets	12	**13,815**	7,599	**13,815**	7,599
Intangible fixed assets	13	**17,738**	17,018	**17,738**	17,018
Investment in subsidiaries	14	-	-	**116,948**	111,798
Investment in joint ventures	14	**36,605**	44,002	-	-
Investment in associates	14	**33,372**	20,276	-	-
Other investments	14	**7,516**	7,585	**7,079**	7,150
Homebuy loans receivable		**682**	682	**682**	682
Pension asset	24	**20,322**	3,566	**20,322**	3,566
		2,857,913	2,730,078	**2,666,274**	2,569,689
Current assets					
Properties held for sale	15	**122,185**	132,023	**55,018**	70,935
Debtors	16	**41,724**	26,731	**40,477**	25,936
Investments	17	**172**	-	**172**	-
Cash and cash equivalents		**48,222**	47,931	**36,465**	35,006
		212,303	206,685	**132,132**	131,877
Creditors: amounts falling due within one year	18	**(185,846)**	(206,154)	**(159,924)**	(183,586)
Net current assets / (liabilities)		**26,457**	531	**(27,792)**	(51,709)
Total assets less current liabilities		**2,884,370**	2,730,609	**2,638,482**	2,517,980
Creditors: amount falling due after more than one year	19	**(2,101,276)**	(1,985,024)	**(1,995,317)**	(1,911,474)
Pension provision	24	-	(14,333)	-	(14,333)
Net assets		**783,094**	731,252	**643,165**	592,173
Capital and reserves					
Non-equity share capital	25	-	-	-	-
Restricted reserve		**849**	652	**849**	652
Income and expenditure reserve		**782,245**	730,600	**642,316**	591,521
Total capital and reserves		**783,094**	731,252	**643,165**	592,173

The notes on pages 44 to 86 form part of the financial statements.

The financial statements on pages 40 to 86 were approved by the Board on 21 September 2023 and were signed on its behalf by:

J Cridland, CBE
Home Group Chairman

C Vallis
Senior Independent Member

C Burnham
Company Secretary

Statement of Changes in Reserves for the year ended 31 March 2023

GROUP	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 2021	683,791	671	684,462
Total comprehensive income for the year	46,797	-	46,797
Transfer from income and expenditure reserve	12	(12)	-
Movement in restricted income	-	(7)	(7)
As at 31 March 2022	730,600	652	731,252
Total comprehensive income for the year	51,650	-	51,650
Transfer to income and expenditure reserve	(5)	194	189
Movement in restricted income	-	3	3
As at 31 March 2023	**782,245**	**849**	**783,094**

ASSOCIATION	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 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
Total comprehensive income for the year	50,799	-	50,799
Transfer from income and expenditure reserve	(4)	194	190
Movement in restricted income	-	3	3
As at 31 March 2023	**642,316**	**849**	**643,165**

The notes on pages 44 to 86 form part of the financial statements.

Group Cash Flow Statement for the year ended 31 March 2023

	Notes	2023	2022
		£000	£000
Net cash inflow from operating activities	26	95,345	132,183
Cash flow from investing activities			
Purchase of housing properties, other fixed assets and intangible assets		(173,630)	(157,686)
Investment in joint ventures		(15,075)	(8,229)
Repayments from joint ventures		27,901	29,529
Investment in associates		(15,345)	(3,192)
Repayments from associates		1,165	-
Additions to other investments		69	(137)
Disposals of other investments		-	2,520
Net proceeds from sale of housing properties and other fixed assets		33,563	27,155
Capital grants received		49,102	22,713
Capital grants repaid		(588)	(130)
Interest received		801	35
Net cash outflow from investing activities		(92,037)	(87,422)
Cash flow from financing activities			
Interest paid		(46,906)	(41,980)
New secured loans		68,500	9,000
Repayment of borrowings		(24,629)	(18,727)
Withdrawal from deposits		(172)	236
Payment into / (repayment from) restricted reserve		190	-
Net cash outflow from financing activities		(3,017)	(51,471)
Net change in cash and cash equivalents		291	(6,710)
Cash and cash equivalents at the beginning of the year		47,931	54,641
Cash and cash equivalents at the end of the year		48,222	47,931

The notes on pages 44 to 86 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 £24.9 million was below our 2023 budget (£28.1 million), driven by rising cost inflation and contractor issues. At the balance sheet date the amount of cash and undrawn committed facilities available to the Group was £396.3 million.

The most significant external factor that has impacted us during the year has been the impact of persistently high inflation which has directly impacted the business as well as our customers. This is considered as one of the business's principal risks, as discussed on page 10. The impact it 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 2023 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 to 31 March 2025 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 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
- Economic downturn – high inflation and continued cost of living crisis
- Regulatory breach without Government support
- Perfect storm (combination of all stress tests)

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. The scenarios above combine multiple stresses and without mitigation all lead to a breach of loan covenants with the exception of the regulatory breach scenario. Our work shows that 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 £90.3 million (2022: £90.8 million).

Turnover

Rental income is recognised on a straight line basis, in accordance with the terms of the tenancy agreement, on an accrual basis. Revenue arising from the sale of property is recognised on legal completion. Revenue from contracts for support services is recognised in line with the contractual terms when the services are rendered. Revenue from shared ownership sales is recognised on the legal completion of the first tranche disposal. Revenue from government grants is recognised in line with the accounting policy set out on page 46.

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 and amortisation is charged on a straight line basis over the useful life of the asset. The annual amortisation charge is included within operating expenditure in the Statement of Comprehensive Income. 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 2023. 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 The carrying 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 46 and 47.

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. Impairment charges and write backs identified have been included in the SOCI and 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. We initially calculate value in use which takes into account costs incurred to date and forecast future cash flows including those generated from rental income. If this value is higher than the carrying value we then compare the scheme's carrying value to its EUV-SH which we obtain from an independent valuer. Any impairment expense is the difference between the carrying amount and the higher of value in use and EUV-SH.

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% uplift in 2024/25 costs across all active sites would lead to a £1.0 million increase; a 5% uplift would mean a £1.7 million increase; and a 10% uplift a £3.5 million increase. 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 £8.0 million in 2024/25.

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 surplus across all defined benefit pension schemes as at 31 March 2023 was £20.3 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 -/+ 3% (-/+£6.1m)
Inflation rate	A +/- 0.25% change in inflation linked assumptions would change the obligation by between +3% and -2% (+£6.1m / -£4.1m)
Life expectancy	An increase in average life expectancy by one year would increase liabilities by 3.% (£6.1m)

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

GROUP – YEAR ENDED 31 MARCH 2023	Note	Turnover £000	Other operating income £000	Cost of sales £000	Operating expenditure £000	**Operating surplus / (deficit) £000**
Income and expenditure from social housing lettings	2b	305,947	6,805	-	(257,239)	**55,513**
Other social housing activities						
Care and support services		42,454	-	-	(44,732)	**(2,278)**
Shared ownership first tranche sales		20,036	-	(15,631)	(1,878)	**2,527**
Community investment		-	-	-	(3,345)	**(3,345)**
Development and marketing		-	-	-	(5,052)	**(5,052)**
Surplus on sale of social housing properties	3					**19,412**
Reversal of impairment of properties held for sale		-	-	-	815	**815**
Housing partnership		6,100	-	-	(5,046)	**1,054**
Other social housing		747	-	-	(4,034)	**(3,287)**
		69,337	-	(15,631)	(63,272)	**9,846**
Non-social housing activities						
Properties developed for outright sale		70,328	-	(61,259)	(2,158)	**6,911**
Mid- market rent - lettings		4,037	-	-	(3,535)	**502**
Leasehold and commercial rent		3,203	-	-	(3,106)	**97**
Impairment of properties held for sale		-	-	-	(1,565)	**(1,565)**
Other non-social housing		934	-	-	(3,607)	**(2,673)**
		78,502	-	(61,259)	(13,971)	**3,272**
Total		**453,786**	**6,805**	**(76,890)**	**(334,482)**	**68,631**

GROUP – YEAR ENDED 31 MARCH 2022	Note	Turnover £000	Other operating income £000	Cost of sales £000	Operating expenditure £000	**Operating surplus / (deficit) £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**

There are no individually material amounts in Other.

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

	Note	Turnover	Other operating income	Cost of sales	Operating expenditure	Operating surplus / (deficit)
ASSOCIATION – YEAR ENDED 31 MARCH 2023		£000	£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	285,650	6,805	-	(243,592)	**48,863**
Other social housing activities						
Care and support services		42,454	-	-	(44,731)	**(2,277)**
Shared ownership first tranche sales		20,036	-	(15,631)	(1,878)	**2,527**
Community investment		-	-	-	(3,178)	**(3,178)**
Development and marketing		-	-	-	(4,966)	**(4,966)**
Surplus on sale of social housing properties	3					**19,298**
Reversal of impairment of properties held for sale		-	-	-	844	**844**
Impairment of other fixed assets		-	-	-	-	-
Housing partnership		6,100	-	-	(5,046)	**1,054**
Other social housing		2,771	-	-	(4,034)	**(1,263)**
		71,361	-	(15,631)	(62,989)	**12,039**
Non-social housing activities						
Properties developed for outright sale		15,433	-	(15,179)	(495)	**(241)**
Impairment of properties held for sale		-	-	-	(79)	**(79)**
Mid-market rent - lettings		871	-	-	(630)	**241**
Leasehold and commercial rent		3,083	-	-	(2,996)	**87**
Other non-social housing		2,219	-	-	(3,586)	**(1,367)**
		21,606	-	(15,179)	(7,786)	**(1,359)**
Total		**378,617**	**6,805**	**(30,810)**	**(314,367)**	**59,543**

	Note	Turnover	Other operating income	Cost of sales	Operating expenditure	Operating surplus / (deficit)
ASSOCIATION – YEAR ENDED 31 MARCH 2022						
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**

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	**2023 Total**	2022 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	220,091	18,261	12,106	**250,458**	238,228
Service charges income	10,251	28,986	1,560	**40,797**	35,163
Net rents receivable	230,342	47,247	13,666	**291,255**	273,391
Amortised government grants	7,130	1,484	598	**9,212**	8,910
Revenue grants	388	2	-	**390**	706
Other income	9,827	767	1,301	**11,895**	-
Total income from social housing lettings	247,687	49,500	15,565	**312,752**	283,007
Expenditure					
Service charge costs	11,102	25,309	2,169	**38,580**	30,555
Management	48,728	8,244	3,715	**60,687**	57,547
Routine maintenance	59,478	3,288	156	**62,922**	48,609
Planned maintenance	23,676	911	87	**24,674**	22,212
Major repairs expenditure	14,698	3,506	525	**18,729**	13,018
Rent losses from bad debts	1,804	877	(4)	**2,677**	2,580
Property lease charges	1,452	914	97	**2,463**	3,438
Depreciation of housing properties	44,441	3,539	1,693	**49,673**	49,884
Impairment of housing properties	(1,785)	87	(1,483)	**(3,181)**	1,157
Other costs	13	2	-	**15**	274
Total expenditure on social housing lettings	203,607	46,677	6,955	**257,239**	229,274
Operating surplus on social housing lettings	**44,080**	**2,823**	**8,610**	55,513	53,733
Rent losses from voids	4,170	4,910	34	**9,114**	7,860

Total income from social housing lettings includes an amount of £6,805,000 within other income which is disclosed as other operating income in Note 2a and the Statement of Comprehensive Income. This relates to a settlement in relation to breach of contract by a maintenance contractor.

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

ASSOCIATION	General needs housing accommodation	Supported housing and housing for older people	Shared ownership	2023 Total	2022 Total
	£000	£000	£000	£000	£000
Income					
Rent receivable net of identifiable service charges	200,527	18,261	12,030	**230,818**	219,913
Service charges income	9,134	28,986	1,559	**39,679**	34,253
Net rents receivable	209,661	47,247	13,589	**270,497**	254,166
Amortised government grants	7,937	1,484	592	**10,013**	9,576
Revenue grants	52	2	-	**54**	321
Other income	9,823	767	1,301	**11,891**	-
Total income from social housing lettings	227,473	49,500	15,482	**292,455**	264,063
Expenditure					
Service charge costs	10,011	25,301	2,166	**37,478**	29,677
Management	46,710	8,245	3,713	**58,668**	55,843
Routine maintenance	55,776	3,288	155	**59,219**	45,502
Planned maintenance	21,960	912	87	**22,959**	20,777
Major repairs expenditure	13,310	3,400	523	**17,233**	12,324
Rent losses from bad debts	1,505	877	(4)	**2,378**	2,330
Property lease charges	1,359	914	97	**2,370**	3,367
Depreciation of housing properties	41,368	3,539	1,685	**46,592**	46,317
Impairment of housing properties	(1,837)	-	(1,483)	**(3,320)**	22
Other costs	13	2	-	**15**	272
Total expenditure on social housing lettings	190,175	46,478	6,939	**243,592**	216,431
Operating surplus on social housing lettings	**37,298**	**3,022**	**8,543**	**48,863**	47,632
Rent losses from voids	4,031	4,910	34	**8,975**	7,696

Total income from social housing lettings includes an amount of £6,805,000 within other income which is disclosed as other operating income in Note 2a and the Statement of Comprehensive Income. This relates to a settlement in relation to breach of contract by a maintenance contractor.

3. Surplus on disposal of properties

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Social housing properties				
Sales proceeds	**35,000**	25,491	**34,681**	24,900
Cost of sales	**(10,631)**	(4,408)	**(10,426)**	(4,156)
Capital grant recycled	**(4,957)**	(9,596)	**(4,957)**	(9,596)
Total	**19,412**	11,487	**19,298**	11,148

4. Housing stock

GROUP	At 1 April 2022	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2023
General needs – social					
Owned and managed	34,420	223	(120)	(65)	34,458
Owned but not managed	4	-	-	-	4
Managed but not owned	16	-	(7)	-	9
General needs – affordable					
Owned and managed	7,250	175	(9)	(35)	7,381
Managed but not owned	-	1	-	-	1
Total general needs units	**41,690**	**399**	**(136)**	**(100)**	**41,853**
Housing for older people – social					
Owned and managed	1,585	-	(48)	7	1,544
Housing for older people – affordable					
Owned and managed	74	65	-	254	393
Total housing for older people units	**1,659**	**65**	**(48)**	**261**	**1,937**
Supported housing – social					
Owned and managed	3,275	8	(125)	(3)	3,155
Owned but not managed	623	-	(17)	86	692
Managed but not owned	199	16	(21)	2	196
Supported housing – affordable					
Owned and managed	244	72	-	(207)	109
Total supported housing units	**4,341**	**96**	**(163)**	**(122)**	**4,152**
Low cost home ownership					
Owned and managed	2,980	161	(40)	(107)	2,994
Managed but not owned	13	28	-	-	41
Total low cost home ownership units	**2,993**	**189**	**(40)**	**(107)**	**3,035**
Care homes – bed spaces					
Owned and managed	29	-	-	1	30
Owned but not managed	84	-	-	-	84
Total care home units	**113**	**-**	**-**	**1**	**114**
Other social housing					
Owned and managed	112	17	-	-	129
Total other social housing	**112**	**17**	**-**	**-**	**129**
Total social housing					
Owned and managed	49,969	721	(342)	(155)	50,193
Owned but not managed	711	-	(17)	86	780
Managed but not owned	228	45	(28)	2	247
Total social housing	**50,908**	**766**	**(387)**	**(67)**	**51,220**
Leasehold units	4,347	152	(26)	88	4,561
Market and mid-market rent units	419	-	-	-	419
Total non-social housing	**4,766**	**152**	**(26)**	**88**	**4,980**
Total social and non-social housing	**55,674**	**918**	**(413)**	**21**	**56,200**

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

4. Housing stock (continued)

ASSOCIATION	At 1 April 2022	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2023
General needs – social					
Owned and managed	30,458	148	(82)	(65)	30,459
Owned but not managed	4	-	-	-	4
Managed but not owned	16	-	(7)	-	9
General needs – affordable					
Owned and managed	7,250	175	(9)	(35)	7,381
Managed but not owned	-	1	-	-	1
Total general needs units	**37,728**	**324**	**(98)**	**(100)**	**37,854**
Housing for older people – social					
Owned and managed	1,585	-	(48)	7	1,544
Housing for older people – affordable					
Owned and managed	74	65	-	254	393
Total housing for older people units	**1,659**	**65**	**(48)**	**261**	**1,937**
Supported housing – social					
Owned and managed	3,275	8	(125)	(3)	3,155
Owned but not managed	623	-	(17)	86	692
Managed but not owned	199	16	(21)	2	196
Supported housing – affordable					
Owned and managed	244	72	-	(207)	109
Total supported housing units	4,341	96	(163)	(122)	4,152
Low cost home ownership					
Owned and managed	2,957	161	(40)	(107)	2,971
Managed but not owned	13	28	-	-	41
Total low cost home ownership units	2,970	189	(40)	(107)	3,012
Care homes – bed spaces					
Owned and managed	29	-	-	1	30
Owned but not managed	84	-	-	-	84
Total care home units	113	-	-	1	114
Other social housing					
Owned and managed	112	17	-	-	129
Total other social housing	112	17	-	-	129
Total social housing					
Owned and managed	45,984	646	(304)	(155)	46,171
Owned but not managed	711	-	(17)	86	780
Managed but not owned	228	45	(28)	2	247
Total social housing	**46,923**	**691**	**(349)**	**(67)**	**47,198**
Leasehold units	4,347	152	(26)	88	4,561
Market and mid-market rent units	419	-	-	-	419
Total non-social housing	4,766	152	(26)	88	4,980
Total social and non-social housing	**51,689**	**843**	**(375)**	**21**	**52,178**

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

	2023	2022
	£000	£000
R Bradley	12	12
J Cridland	26	23
L Cullen	12	10
D Cumberland (from 1 January 2023)	5	-
S Deacon	12	7
K Gillespie	12	12
Z Hingston (from 1 October 2022)	6	-
M Madden	12	12
B Mehta (resigned 1 January 2023)	9	12
L A Morphy (resigned 17 July 2022)	4	12
I Mudie	11	1
N W Salisbury (resigned 18 July 2021)	-	4
C Vallis	15	10
B Walsh (from 1 October 2022)	7	-
	143	115

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.

	2023	2022
	£000	£000
Emoluments paid to the directors (including pension contributions and benefits in kind)	1,370	1,260
Emoluments paid to the highest paid director (excluding pension contributions)	258	254

	Remuneration	Benefits	Pension contributions	2023 Total	2022 Total
	£000	£000	£000	£000	£000
R M Byrne	194	9	18	221	217
J Cook (until 8 November 2022)	95	3	10	108	199
M Forrest (until 23 November 2022)	113	6	10	129	208
W Gardner (from 4 April 2022)	169	5	4	178	-
M G Henderson	250	8	16	274	269
J Hudson (until 7 June 2022)	41	1	3	45	200
N Hussain	162	7	10	179	167
H Meehan (from 8 June 2022)	137	4	8	149	-
P Walker (from 17 October 2022)	78	3	6	87	-
Total	1,239	46	85	1,370	1,260

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:

	2023 Number	2022 Number
£60,000 - £70,000	**60**	48
£70,001 - £80,000	**31**	18
£80,001 - £90,000	**11**	21
£90,001 - £100,000	**15**	13
£100,001 - £110,000	**7**	7
£110,001 - £120,000	**7**	3
£120,001 - £130,000	**1**	3
£130,001 - £140,000	**1**	1
£140,001 - £150,000	**1**	1
£150,001 - £160,000	**3**	-
£160,001 - £170,000	-	1
£170,001 - £180,000	**2**	-
£180,001 - £190,000	-	-
£190,001 - £200,000	-	2
£200,001 - £210,000	-	1
£210,001 - £220,000	-	1
£220,001 - £230,000	**1**	-
£260,001 - £270,000	-	1
£270,001 - £280,000	**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	
	2023 Number	2022 Number	**2023 Number**	2022 Number
Office colleagues	**1,674**	1,584	**1,601**	1,531
Wardens, caretakers, care workers and cleaners	**1,285**	1,172	**1,285**	1,172
Maintenance	**118**	69	**99**	69
	3,077	2,825	**2,985**	2,772

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
Employee costs (for the above persons):	**£000**	£000	**£000**	£000
Wages and salaries	**93,948**	81,802	**91,433**	79,825
Social security costs	**9,088**	7,679	**8,815**	7,473
Other pension costs	**5,351**	5,060	**5,210**	4,926
	108,387	94,541	**105,458**	92,224

In addition to the employee costs above, there were £9,235,000 (2022: £6,295,000) in Group, and £9,218,000 (2022: £6,295,000) in Association for temporary staff employed through an agency. These costs are included within operating expenditure in the Statement of Comprehensive Income.

7. Interest receivable

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Interest receivable from other Group companies	**-**	-	**241**	168
Interest receivable from bank and building society deposits	**384**	21	**371**	20
Other interest receivable	**2,446**	2,043	**33**	14
	2,830	2,064	**645**	202

8. Interest payable and financing costs

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Interest payable on bank loans and overdrafts	**17,743**	12,941	**16,306**	12,052
Interest payable on other loans	**37,109**	35,392	**35,672**	34,111
Other financing costs on defined benefit pension schemes	**239**	608	**239**	608
	55,091	48,941	**52,217**	46,771
Less: Interest capitalised on housing property development	**(6,169)**	(5,005)	**(5,473)**	(4,880)
	48,922	43,936	**46,744**	41,891
Average rate applicable to capitalised interest	**3.3%**	2.7%	**3.3%**	2.7%

Included within interest payable and financing costs are amounts for indexation and deferred interest totalling £6,039,687 (2022: £5,262,722).

9. Surplus on ordinary activities before taxation

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Surplus on ordinary activities before taxation is stated after charging / (crediting):				
Depreciation:				
- Housing properties	**51,269**	51,283	**47,355**	46,985
- Other fixed assets	**2,599**	2,234	**2,599**	2,234
Amortisation of intangible assets	**3,071**	3,940	**3,071**	3,940
Impairment:				
- Housing properties	**(3,181)**	1,157	**(3,319)**	22
- Other fixed assets	**-**	1,120	**-**	1,120
- Fixed asset investment	**1,466**	419	**-**	-
- Properties held for sale	**750**	385	**765**	-
Grant amortisation	**(9,742)**	(9,427)	**(10,416)**	(9,972)
External auditor's remuneration for audit services	**219**	219	**167**	167
External auditor's remuneration for other assurance services	**20**	20	**20**	20
Operating lease rentals	**4,076**	2,708	**3,973**	2,559

The fixed asset investment impairment of £1,466,000 in 2023 (2022: £419,000) relates to the write down of Home Group Development's loan to an associate, Evolution Morpeth LLP.

10. Taxation

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Current tax				
UK corporation tax	**2,038**	1,934	**24**	224
Adjustments in respect of prior years' UK corporation tax	**(1,877)**	(2,324)	**-**	(426)
Total current tax	**161**	(390)	**24**	(202)
Deferred tax				
Current period	**51**	117	**-**	-
Prior year adjustment	**-**	-	**-**	-
Effect of tax rate change on opening balance	**-**	(17)	**-**	-
Total deferred tax	**51**	100	**24**	-
Tax on surplus on ordinary activities	**212**	(290)	**24**	(202)

The Group and Association's current tax charges for the period are lower (2022: lower) than the standard rate of corporation tax in the UK (19%). The differences are explained below:

Total tax reconciliation	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Surplus on ordinary activities before taxation	**24,855**	28,129	**23,816**	23,831
Current UK Corporation tax on above at 19% (2022: 19%)	**4,722**	5,345	**4,525**	4,528
Effects of:				
Expenses not deductible for tax purposes	**279**	-	**-**	-
Consolidation adjustment not deductible	**174**	248	**-**	-
Gift aid income not taxable	**1,971**	-	**(1,971)**	(1,923)
Surplus exempt from tax due to charitable exemptions	**(5,073)**	(3,514)	**(2,530)**	(2,381)
Adjustments to tax charge in respect of previous periods	**(1,877)**	(2,324)	**-**	(426)
Other permanent differences	**(20)**	(24)	**-**	-
Difference between current and deferred tax rates on profits of joint ventures and associates to be taxed in future years	**(223)**	136	**-**	-
Unrecognised deferred tax movement	**259**	(140)	**-**	-
Effect of increased deferred tax rate on opening balances	**-**	(17)	**-**	-
Total tax charge	**212**	(290)	**24**	(202)

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. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023. The deferred tax asset has therefore been recognised at 25% as at 31 March 2023 (2022: 25%).

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 2022	2,707,553	173,799	280,045	49,169	3,210,566
Additions	-	98,406	-	14,485	112,891
Capitalised interest	-	2,999	-	1,261	4,260
Capitalised works	45,695	-	-	-	45,695
Transfer to completed schemes	124,217	(124,217)	38,447	(38,447)	-
Transfer to other tangible fixed assets	(361)	-	-	-	(361)
Disposals	(12,235)	-	(7,352)	-	(19,587)
At 31 March 2023	**2,864,869**	**150,987**	**311,140**	**26,468**	**3,353,464**
Depreciation					
At 1 April 2022	560,527	4,744	13,507	2,438	581,216
Charge for year	49,725	-	1,544	-	51,269
Impairment	(1,467)	(317)	(496)	(901)	(3,181)
Eliminated in respect of disposals	(3,384)	-	(319)	-	(3,703)
At 31 March 2023	**605,401**	**4,427**	**14,236**	**1,537**	**625,601**
Net book value at 31 March 2023	**2,259,468**	**146,560**	**296,904**	**24,931**	**2,727,863**
Net book value at 31 March 2022	2,147,026	169,055	266,538	46,731	2,629,350

Total accumulated impairment at 31 March 2023 is £13,474,218 (2022: £16,655,353).

The current year impairment charge is a net credit of £3.2 million due to the reversal of impairment losses. The reversal of impairment losses are largely the result of the impairment indicators under which a significant housing scheme had previously been impaired no longer being applicable and the application of additional grant to a development scheme. The current year impairment charge primarily relates to six schemes with an aggregate carrying value of £17.3m prior to the reversal of impairment losses.

	2023 £000	2022 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,500,029**	2,330,739
Long leaseholds	**56,283**	81,095
Short leaseholds	**60**	1,730
	2,556,372	2,413,564
Works to existing properties in the year:		
Components capitalised	**45,695**	26,368
Amounts charged to expenditure in respect of major and planned repairs	**43,403**	35,230
	89,098	61,598

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 2022	2,535,844	124,994	280,597	42,040	2,983,475
Additions	-	65,682	-	14,485	80,167
Capitalised interest	-	2,303	-	1,261	3,564
Capitalised works	44,168	-	-	-	44,168
Transfer to completed schemes	111,417	(111,417)	38,436	(38,436)	-
Transfer to other fixed assets	(361)	-	-	-	(361)
Disposals	(12,029)	-	(7,352)	-	(19,381)
At 31 March 2023	**2,679,039**	**81,562**	**311,681**	**19,350**	**3,091,632**
Depreciation					
At 1 April 2022	542,726	3,958	13,367	1,548	561,599
Charge for year	45,821	-	1,534	-	47,355
Impairment	(1,442)	(394)	(496)	(987)	(3,319)
Eliminated in respect of disposals	(3,374)	-	(319)	-	(3,693)
At 31 March 2023	**583,731**	**3,564**	**14,086**	**561**	**601,942**
Net book value at 31 March 2023	**2,095,308**	**77,998**	**297,595**	**18,789**	**2,489,690**
Net book value at 31 March 2022	1,993,118	121,036	267,230	40,492	2,421,876

Total accumulated impairment at 31 March 2023 is £11,465,634 (2022: £14,785,670).

The current year impairment charge is a net credit of £3.3 million due to the reversal of impairment losses. The reversal of impairment losses are largely the result of the impairment indicators under which a significant housing scheme had previously been impaired no longer being applicable and the application of additional grant to a development scheme. The current year impairment charge primarily relates to five schemes with an aggregate carrying value of £11.2m prior to the reversal of impairment losses.

	2023 £000	2022 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,331,291**	2,172,171
Long leaseholds	**61,552**	86,447
Short leaseholds	**60**	1,730
	2,392,903	2,260,348
Works to existing properties in the year:		
Components capitalised	**44,168**	25,018
Amounts charged to expenditure in respect of major and planned repairs	**40,192**	33,101
	84,360	58,119

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 2022	13,103	3,739	2,459	58,056	77,357
Transfer from housing properties	-	-	-	361	361
Additions	-	9,493	71	446	10,010
Disposals	(10,399)	-	(823)	-	(11,222)
At 31 March 2023	**2,704**	**13,232**	**1,707**	**58,863**	**76,506**
Depreciation					
At 1 April 2022	10,170	2,950	1,812	54,826	69,758
Charge for year	204	433	187	1,775	2,599
Impairment	-	-	-	-	-
Eliminated in respect of disposals	(9,160)	-	(506)	-	(9,666)
At 31 March 2023	**1,214**	**3,383**	**1,493**	**56,601**	**62,691**
Net book value at 31 March 2023	**1,490**	**9,849**	**214**	**2,262**	**13,815**
Net book value at 31 March 2022	2,933	789	647	3,230	7,599
ASSOCIATION					
Cost					
At 1 April 2022	13,103	3,739	2,372	58,054	77,268
Transfer from housing properties	-	-	-	361	361
Additions	-	9,493	71	446	10,010
Disposals	(10,399)	-	(823)	-	(11,222)
At 31 March 2023	**2,704**	**13,232**	**1,620**	**58,861**	**76,417**
Depreciation					
At 1 April 2022	10,170	2,950	1,725	54,824	69,669
Charge for year	204	433	187	1,775	2,599
Impairment	-	-	-	-	-
Eliminated in respect of disposals	(9,160)	-	(506)	-	(9,666)
At 31 March 2023	**1,214**	**3,383**	**1,406**	**56,599**	**62,602**
Net book value at 31 March 2023	**1,490**	**9,849**	**214**	**2,262**	**13,815**
Net book value at 31 March 2022	2,933	789	647	3,230	7,599

13. Intangible fixed assets

GROUP AND ASSOCIATION	Software
	£000
Cost	
At 1 April 2022	37,567
Additions	3,791
Disposals	-
At 31 March 2023	**41,358**
Depreciation and impairment	
At 1 April 2022	20,549
Charge for year	3,071
Eliminated in respect of disposals	-
At 31 March 2023	**23,620**
Net book value at 31 March 2023	**17,738**
Net book value at 31 March 2022	17,018

14. Fixed asset investments

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Shares in Group undertakings				
At 1 April	-	-	**108,848**	108,848
Issued in the year	-	-	-	-
Write down in investment	-	-	-	-
At 31 March	-	-	**108,848**	108,848
Loans to Group undertakings				
At 1 April	-	-	**2,950**	3,000
Additions	-	-	**15,356**	13,300
Repayments	-	-	**(10,206)**	(24,350)
Transfer from / (to) current asset investments	-	-	-	11,000
At 31 March	-	-	**8,100**	2,950
Interests in joint ventures				
At 1 April	**11,892**	7,701	-	-
Reclassification	-	-	-	-
Share of results	**3,782**	4,196	-	-
Additions	-	-	-	-
Disposals	-	(5)	-	-
At 31 March	**15,674**	11,892	-	-
Interest in associates				
At 1 April	**6,878**	5,229	-	-
Reclassification	-	-	-	-
Share of results	-	(19)	-	-
Additions	**11,166**	1,668	-	-
At 31 March	**18,044**	6,878	-	-

14. Fixed asset investments (continued)

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Loans to joint ventures				
At 1 April	**32,110**	51,758	-	-
Reclassification	-	-	-	-
Additions	**16,722**	9,881	-	-
Repayments	**(27,901)**	(29,529)	-	-
At 31 March	**20,931**	32,110	-	-
Loans to associates				
At 1 April	**13,398**	11,911	-	-
Reclassification	-	-	-	-
Additions	**4,561**	1,906	-	-
Repayments	**(1,165)**	-	-	-
Impairment	**(1,466)**	(419)	-	-
At 31 March	**15,328**	13,398	-	-
Other investments				
At 1 April	**7,585**	9,968	**7,150**	7,250
Additions	**29**	137	**27**	58
Disposals	**(98)**	(2,520)	**(98)**	(158)
At 31 March	**7,516**	7,585	**7,079**	7,150
Total fixed asset investments	**77,493**	71,863	**124,027**	118,948

The write down in the loan to associate in 2023 (£1,466,000) relates to the impairment of HGDL's loan to Evolution Morpeth LLP.

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 2023 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
Home Group Repairs Partnership 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 – Pavilion 6, 321 Springhill Parkway, Glasgow Business Park, Baillieston, Glasgow, G69 6GA
- All others – One Strawberry Lane, Newcastle upon Tyne, Tyne and Wear, NE1 4BX

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			
Ptarmigan Planning 4 Limited	England	Property development	50%
CT UK Residential Real Estate Limited	England	Property development	46.0%
(formerly known as BMO UK Residential Real Estate Limited)	England	Property development	31.41%

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.

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
- CT 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 £3,782,000 (2022: £4,196,000) and a loss from interests in associates of £nil (2022: £19,000 loss).

15. Properties held for sale

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Shared ownership properties:				
- Completed	**4,759**	3,674	**4,752**	3,669
- Work in progress	**9,471**	14,227	**8,467**	11,988
Outright sale properties:				
- Completed	**-**	5,303	**-**	4,348
- Work in progress	**107,955**	108,819	**41,799**	50,931
	122,185	132,023	**55,018**	70,935

The total value of properties held for sale for the Group is stated net of impairment charges of £0.8m. The total value of properties held for sale for the Association is stated net of reversal of impairment charges of £0.8m.

16. Debtors

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Rental and service charges receivable	**23,600**	22,268	**21,738**	20,363
Less: Provision for bad debts	**(11,602)**	(10,348)	**(10,696)**	(9,327)
Net rental debtors	**11,998**	11,920	**11,042**	11,036
Prepayments	**7,821**	4,533	**7,429**	4,497
Accrued income	**11,526**	2,258	**11,297**	2,219
Corporation tax debtor	**1,843**	1,348	**349**	1,348
Other amounts due from Group undertakings	-	-	**2,256**	1,433
Leasehold debtors	**2,525**	1,413	**2,448**	1,338
Other debtors	**6,011**	5,259	**5,656**	4,065
	41,724	26,731	**40,477**	25,936
Loans to employees included in other debtors	**134**	111	**134**	111

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	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Other investments	**172**	-	**172**	-
	172	-	**172**	-

18. Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Housing loans from third parties	**18,273**	18,402	**16,111**	16,240
Trade creditors	**18,610**	13,548	**10,878**	11,344
Social Housing Grant in advance	**34,730**	65,299	**34,730**	65,299
Deferred capital grant	**12,284**	9,750	**10,453**	10,434
Other taxation creditors	**787**	2,330	**730**	334
Accruals	**39,864**	36,507	**35,102**	30,687
Accrued interest payable	**6,839**	6,945	**6,524**	6,648
Deferred income	**15,843**	13,654	**13,763**	12,850
Other amounts due to Group undertakings	-	-	**995**	2,964
Leasehold creditors	**21,127**	19,112	**21,127**	19,112
Retentions	**9,935**	9,341	**3,630**	4,136
Other creditors	**7,554**	11,266	**5,881**	3,538
	185,846	206,154	**159,924**	183,586

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 decrease in "other creditors" due to a non-recurring amount within the 2022 financial statements that has been settled during the year – this was a £6.6 million balance in HGDL relating to a flexi scheme (Hughes House, London Road) that hadn't hit golden brick at 31 March 2022 (the point HMRC designates that a building has become 'residential' for tax purposes). Golden brick was achieved during the year and the income and cost were released to the SOCI (no margin).

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

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Housing loans from third parties	**663,759**	618,519	**575,645**	547,317
Discounted bonds	**516,312**	510,542	**516,312**	510,542
Deferred capital grant	**903,497**	832,208	**885,691**	829,860
Recycled Capital Grant Fund	**17,026**	23,073	**16,987**	23,073
Homebuy grant	**682**	682	**682**	682
	2,101,276	1,985,024	**1,995,317**	1,911,474

20. Debt analysis

GROUP AND ASSOCIATION	2023	2022
	£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	**33,908**	39,145
Charged to SOCI	**(5,770)**	(5,237)
At 31 March	**28,138**	33,908
Net value at 31 March	**516,312**	510,542
Market value at 31 March	**433,999**	559,754

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 2023 was £8.5 million.

The Group housing loans and discounted bonds are stated net of unamortised issue costs of £6.2 million (2022: £6.8 million). The Association housing loans and discounted bonds are stated net of unamortised issue costs of £5.8 million (2022: £6.3 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	
	2023	2022	**2023**	2022
	£	£	£	£
Net book value of housing properties	**1,015,768,749**	1,023,227,197	**855,747,274**	858,452,787
Fixed asset investments	**5,059,382**	5,030,565	**4,622,571**	4,595,086
Current asset investments	**171,670**	-	**171,670**	-
Cash and cash equivalents	-	617,913	-	617,913

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 2023 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	-	-	-	516,312	516,312
Housing loans					
- fixed	1,360	6,086	73,067	348,196	428,709
- floating	15,200	13,673	31,250	189,865	249,988
- index-linked	1,713	1,622	-	-	3,335
At 31 March 2023	**18,273**	**21,381**	**104,317**	**1,054,373**	**1,198,344**
ASSOCIATION					
Discounted bonds	-	-	-	516,312	516,312
Housing loans					
- fixed	599	4,724	67,467	300,103	372,893
- floating	13,800	12,874	(1,024)	189,879	215,529
- index-linked	1,712	1,622	-	-	3,334
At 31 March 2023	**16,111**	**19,220**	**66,443**	**1,006,294**	**1,108,068**

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**

20. Debt analysis (continued)

Terms of repayment

At 31 March 2023 the Group had £1,198.3 million loans drawn:

- £516.3 million relates to the Association's three loan stock issues which mature as bullet repayments in 2027, 2037 and 2043.
- £259.4 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 £422.6 million are bilateral loan facilities from various banks, building societies and sector-specific funders that are repaid in a variety of ways either over the term of the loan or as a bullet repayment on maturity. These loan payments are due at various future dates ranging from one to 21 years.

Undrawn, committed facilities

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

	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Expiring within one year	**5,000**	5,000	**5,000**	5,000
Expiring between one and two years	**80,000**	5,000	**80,000**	5,000
Expiring between two and five years	**198,000**	283,000	**190,000**	256,000
Expiring in more than five years	**11,272**	74,772	**11,272**	74,772
	294,272	367,772	**286,272**	340,772

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	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Fixed rate borrowings	**945,021**	946,910	**889,206**	890,945
Floating rate borrowings	**253,323**	200,553	**218,862**	183,154
	1,198,344	1,147,463	**1,108,068**	1,074,099

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% (2022: 4.70%), Association 4.80% (2022: 4.80%) and are fixed for a weighted average period of 15 years (2022: 16 years), Association 15 years (2022: 16 years). Interest rates on Group fixed rate borrowings range between 0% and 11.42% (2022: 0% to 11.42%) and Association fixed rate borrowings range between 2.89% and 11.42% (2022: 2.89% to 11.42%).

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	
	2023	2022	**2023**	2022
	%	%	**%**	%
Discounted bonds	**5.1**	5.0	**5.1**	5.0
Housing loans				
- fixed	**4.2**	4.3	**4.4**	4.5
- floating	**4.4**	0.9	**4.4**	0.9
- 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 78.9% (2022: 82.5%) 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 £629,000 per annum based on the variable rate debt held at 31 March 2023.

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 2023, Home Group had £294.3 million (2022: £367.8 million) committed and undrawn facilities, all of which were immediately available for drawdown. In addition to this, Home Group had £75m committed and undrawn facilities, currently being secured. The Group continues to have a large pool of unencumbered properties (2023: £1,358.4million, 2022: £1,606.1 million) available as security for future borrowings to support its growth strategy.

Financial assets measured at amortised cost	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Fixed asset investments:				
- Loans to Group undertakings	-	-	**8,100**	2,950
- Loans to joint ventures	**20,931**	32,110	-	-
- Loans to associates	**15,328**	13,398	-	-
- Other investment	-	-	-	-
	36,259	45,508	**8,100**	2,950
Other financial assets:				
- Short term debtors	**29,235**	22,198	**28,047**	21,439
- Cash and cash equivalents	**48,222**	47,931	**36,465**	35,006
	77,457	70,129	**64,512**	56,445
Total financial assets	**113,716**	115,637	**72,612**	59,395

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 2024
- £10 million loan facility to Home Scotland maturing in May 2025
- £20 million loan facility to Home Scotland maturing June 2028

21. Financial instruments (continued)

As at 31 March 2023, HGDL had drawn nothing (2022: £7.0 million) and Home Scotland had drawn £8.1 million (2022: £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	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Borrowings:				
Discounted bonds	**516,312**	510,542	**516,312**	510,542
Housing loans				
- fixed	**428,709**	436,368	**372,893**	380,404
- floating	**249,988**	196,170	**215,529**	178,771
- index-linked	**3,335**	4,382	**3,334**	4,382
Total borrowings	**1,198,344**	1,147,462	**1,108,068**	1,074,099
Other short-term liabilities	**101,434**	96,719	**81,768**	78,429
Total financial liabilities	**1,299,778**	1,244,181	**1,189,836**	1,152,528

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	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
At 1 April	**841,958**	826,289	**840,294**	847,765
Grant received in the year	**90,616**	31,238	**73,317**	8,643
Released to income in the year	**(9,742)**	(9,427)	**(10,416)**	(9,972)
Disposals	**(7,051)**	(6,142)	**(7,051)**	(6,142)
At 31 March	**915,781**	841,958	**896,144**	840,294
Amount due to be released within one year	**12,284**	9,750	**10,453**	10,434
Amount due to be released in more than one year	**903,497**	832,208	**885,691**	829,860
	915,781	841,958	**896,144**	840,294

23. Analysis of Recycled Capital Grant Fund

GROUP AND ASSOCIATION	2023 £000	2022 £000
At 1 April	23,073	15,745
Inputs:		
- Grants recycled	4,957	9,596
- Interest accrued	528	43
Recycling:		
- New build	(10,944)	(2,181)
Repayment of grant to Greater London Authority	(588)	(130)
At 31 March	17,026	23,073
Amounts three years or older where repayment to Homes England / Greater London Authority may be required	-	1,763

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 2023 was £1,410,000 (2022: £1,415,000) in respect of current service costs within operating expenditure and a charge of £239,000 (2022: £608,000) within interest payable and financing costs. The aggregate surplus across the three defined benefit pension arrangements is £20.3 million (2022: £10.8 million deficit).

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. This related to three individuals. Payments have been made to two of the three individuals who were due a top-up, and they totalled less than £1,000. The remaining top up payable is estimated to be less than £100 and therefore no explicit allowance has been made in the year. The top-up due on pre 2011 transfers is yet to be calculated. For those, the defined benefit obligation as at 31 March 2023 includes an allowance of 0.1% of the estimated transfer values paid between 1990 and 2011. This totals £5,000.

Home Group Pension and Life Assurance Scheme (HGPLAS)

The Group operates the HGPLAS, a UK registered trust based pension scheme that provides defined benefits. 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 3 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 Company agreed to pay annual contributions of at least 27.2% pa 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 Company agreed to pay £4.5m pa, increasing at 4.5% pa each 1 April from 1 July 2021 to 31 March 2025, with the first increase on 1 April 2022. In addition, the Company will pay £0.4m pa to cover administration expenses.

The Company therefore expects to pay £5.7m to the Scheme during the accounting year beginning 1 April 2023.

The next triennial actuarial valuation of the Scheme as at 31 March 2023 is currently underway. As part of this valuation, a new Schedule of Contributions may be agreed. Therefore, the contributions required by the Company during the accounting year beginning 1 April 2023 may differ from those set out above.

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. Scheme liabilities have been based on liability information as at 30 September 2021 updated to 31 March 2023 by a qualified actuary, independent of the Scheme's sponsoring employer.

The actuarial valuation completed on the Scheme as at 30 September 2021 showed a surplus of £1,549,000. The Employer has agreed with the trustee that it will pay contributions in respect of the cost of accruing benefits and will meet expenses and levies to the Pension Protection Fund as documented in the Schedule of Contributions.

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 2022. 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 2023. Scheme assets are stated at their market value at 31 March 2023.

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 2023

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%]	114% of S3PXA CMI_2021 [1.5%]	107% S3PA CMI_2021_[2.0%]
Females	105% S3PMA_All CMI_2021 [1.25%]	114% of S3PXA CMI_2021 [1.25%]	100% S3PA CMI_2021_[2.0%]

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

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	21.6	21.4	21.9
Member aged 45 (life expectancy at 65)	22.9	23.1	23.3
Females:			
Member aged 65 (current life expectancy)	23.5	23.9	24.2
Member aged 45 (life expectancy at 65)	25.0	25.3	26.0

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

	HGPLAS	TPT	CLGPS
Discount rate	4.7%	4.7%	3.8%
Retail Price Index inflation	3.2%	3.2%	N/A
Consumer Price Index inflation	2.8%	2.8%	3.2%
Rate of increase of pensions in deferment	2.8%	3.2%	3.2%
Rate of increase of pensions in payment	3.2%	2.7%	3.2%
Salary increases	3.2%	3.2%	N/A

Amounts recognised in the SOCI

	HGPLAS 2023 £000	TPT 2023 £000	CLGPS 2023 £000	Total 2023 £000
Current service cost	(482)	(177)	(57)	(716)
Expenses	(513)	(180)	(1)	(694)
Amounts charged to operating expenditure	**(995)**	**(357)**	**(58)**	**(1,410)**
Interest income	4,342	2,340	829	7,511
Interest expense	(4,681)	(2,137)	(729)	(7,547)
Interest on effect of asset ceiling	-	(203)	-	(203)
Amounts (charged) / credited to interest payable and financing costs	**(339)**	-	**100**	**(239)**
Actuarial losses on scheme assets	(13,486)	(25,542)	(2,233)	(41,261)
Actuarial gains on scheme liabilities	38,966	21,553	8,295	68,814
Effects of changes in the amount of surplus that is not recoverable – gain	-	4,054	(4,600)	(546)
Actuarial gains recognised in other comprehensive income	**25,480**	**65**	**1,462**	**27,007**

24. Pension obligations (continued)

Amounts recognised in the SOFP

	HGPLAS 2023 £000	TPT 2023 £000	CLGPS 2023 £000	Total 2023 £000
Present value of funded obligations	(130,013)	(56,153)	(18,124)	(204,290)
Fair value of scheme assets	145,265	59,581	27,794	232,640
Effect of asset ceiling	-	(3,428)	(4,600)	(8,028)
Surplus	**15,252**	-	**5,070**	**20,322**
Opening scheme liabilities	(170,054)	(77,630)	(26,415)	(274,099)
Current service cost	(482)	(177)	(57)	(716)
Interest cost	(4,681)	(2,137)	(729)	(7,547)
Contributions by employees	(112)	(33)	(10)	(155)
Actuarial gains	38,966	21,553	8,295	68,814
Benefits paid	6,350	2,271	792	9,413
Closing scheme liabilities	**(130,013)**	**(56,153)**	**(18,124)**	**(204,290)**
Opening fair value of scheme assets	155,721	84,909	29,981	270,611
Employer contributions	5,439	292	-	5,731
Interest income	4,342	2,340	829	7,511
Contributions by employees	112	33	10	155
Actuarial losses	(13,486)	(25,542)	(2,233)	(41,261)
Benefits paid	(6,350)	(2,271)	(792)	(9,413)
Expenses	(513)	(180)	(1)	(694)
Closing fair value of scheme assets	**145,265**	**59,581**	**27,794**	**232,640**

Actual return on scheme assets

Actual return	(9,144)	(23,202)	(1,404)	(33,750)

Analysis of scheme assets

Equities and property	22.0%	13.3%	44.2%
Bonds and gilts	77.3%	10.1%	16.9%
Other	0.1%	72.7%	36.1%
Cash	0.6%	3.9%	2.8%

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%]

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)	21.6	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 2022 £000	TPT 2022 £000	CLGPS 2022 £000	Total 2022 £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 (losses) / gains recognised in other comprehensive income	**15,543**	**599**	**2,236**	**18,378**

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)**

24. Pension obligations (continued)

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%

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 2023, there were ten non-executive board members who each held a share in the Association.

Allotted, issued and fully paid:	£
At 1 April 2022	10
Issued during the year	3
Surrendered during the year	(3)
At 31 March 2023	**10**

The shares issued and surrendered during the year correlate to movement in non-executive board members during the year. The total number of non-executive board members during the year remains unchanged.

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

	2023 £000	2022 £000
Surplus for the year	**24,643**	28,419
Adjustments for:		
Taxation	**212**	(290)
Depreciation of housing properties	**51,269**	51,283
Depreciation of other fixed assets	**2,599**	2,234
Amortisation of intangible fixed assets	**3,071**	3,940
Reversal of impairment of housing properties	**(6,413)**	(134)
Impairment of housing properties	**2,304**	-
Impairment of other fixed assets	-	1,120
Impairment of loan to associate	**1,466**	419
Decrease in properties held for sale	**12,675**	25,754
(Increase) in debtors	**(14,498)**	(998)
Increase in trade and other creditors	**10,533**	8,861
Surplus on disposal of housing properties	**(19,412)**	(11,487)
(Gain) / loss on disposal of other fixed assets	**(644)**	1
Pension costs less contributions payable	**(4,321)**	(3,960)
Share of profit before tax in joint ventures	**(3,782)**	(4,196)
Share of loss before tax in associates	-	19
Adjustments for investing or financing activities:		
Government grants utilised in the year	**(9,742)**	(9,427)
Interest payable	**48,922**	43,936
Interest receivable	**(2,830)**	(2,064)
Corporation tax paid	**(707)**	(1,247)
Net cash inflow from operating activities	**95,345**	132,183

27. Analysis of changes in net debt

GROUP	At 1 April 2022 £000	Cash flows £000	Other non-cash changes £000	At 31 March 2023 £000
Cash and cash equivalents	47,931	291	-	**48,222**
Debt due within one year:				
- Housing loans from third parties	(18,402)	24,128	(23,999)	**(18,273)**
Debt due after one year:				
- Housing loans from third parties	(618,519)	(67,999)	22,759	**(663,759)**
- Discounted bonds	(510,542)	-	(5,770)	**(516,312)**
Total net debt	**(1,099,532)**	**(43,580)**	**(7,010)**	**(1,150,122)**

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

GROUP	2023 £000	2022 £000
(Decrease) / increase in cash in the period	**291**	(6,710)
Cash inflow from increase in debt	**(43,871)**	9,727
Change in net debt resulting from cash flows	**(43,580)**	3,017
Non-cash changes	**(7,010)**	(6,291)
Movement in net debt in the period	**(50,590)**	(3,274)
Opening net debt	**(1,099,532)**	(1,096,258)
Closing net debt	**(1,150,122)**	(1,099,532)

29. Capital commitments

	GROUP		ASSOCIATION	
	2023 **£000**	2022 £000	**2023** **£000**	2022 £000
Capital expenditure that has been contracted for but not provided for in the financial statements	**363,490**	426,523	**303,370**	279,846
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**188,824**	377,630	**159,479**	263,136

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 2023, the Group had £396.3 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

At the year end the total contractual payments under non-cancellable operating leases were as follows:	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Less than one year	**4,119**	2,080	**4,072**	2,036
Between one and five years	**6,705**	2,526	**6,703**	2,525
More than five years	**41,093**	15,363	**41,093**	15,363
	51,917	19,969	**51,868**	19,924

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.

During 2022/23 the Association moved into its new headquarters in Newcastle city centre, which we have occupied on the basis of a long term operating lease. The increase in future commitments relates to this lease.

31. Contingent liabilities and assets

Within the SOCI, £6.8 million has been recognised as other operating income which relates to an adjudicator's award to Home Group following breach of contract by a maintenance contractor. In addition to this £6.8 million, additional compensation will be payable to Home Group in respect of interest and fees. No additional compensation has been recognised during the financial year, as the amount is not certain as it is dependant on the number of days taken to pay the adjudicator's award.

32. Grant and financial assistance

The total accumulated government grant and financial assistance received or receivable at 31 March:	GROUP		ASSOCIATION	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Held as deferred capital grant	**915,781**	841,958	**896,144**	840,294
Recognised as income in the SOCI	**153,326**	145,606	**189,196**	180,793
Grant within cost on properties at fair values at acquisition	**237,452**	237,452	-	-
	1,306,559	1,225,016	**1,085,340**	1,021,087

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:

	2023	2022
	£000	£000
Invoiced to jointly controlled entities and associates in respect of interest charges	2,411	2,029
Purchase of housing property from jointly controlled entities and associates	-	1,706
Amounts owed from jointly controlled entities and associates at the year-end	36,259	45,508

Association

The Association recharged its subsidiaries (2023: £3,246,000 2022: £1,949,000) 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 £64,000 (2022: £130,000).

The Association has purchased housing properties from HGDL based on the construction cost plus a margin (2023: £24,102,000, 2022: £47,375,000).

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:

	2023	2022
	£000	£000
Interest payable by subsidiaries on borrowings from the Association	242	168
Amounts owed to subsidiaries	771	2,645
Amounts owed from subsidiaries	10,356	4,717
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:

	2023	2022
	£	£
Charges to customer board members in respect of rent and service charges	8,379	7,768
Amounts owed to customer board members at the year-end	740	595
Amounts owed from customer board members at the year-end	97	280

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 2023, the Group had four operating segments. These operating segments undertake different activities and services, which are managed separately. The Group's operating segments are outlined below.

- Customers & Communities – 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.

- Maintenance & Building Safety – this is a cost centre which includes the group's repairs and maintenance activities, both in-house and outsourced. Also within this segment are costs relating to building safety including survey works and the minor and major follow on works arising from them.

- 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.

- Care – this includes 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 assurance, compliance and risk, communications, marketing, strategy, finance and procurement, human resources, information systems, legal services and governance.

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 and the Support Functions business unit. 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 2023

	Customers & Communities £000	Maintenance & Building Safety £000	Development & Asset £000	Care £000	Other £000	Group £000
Income	337,842	8,213	3,162	7,138	1,314	357,669
Employment costs	(61,754)	(16,004)	(5,908)	(9,978)	(15,842)	(109,486)
Maintenance costs	(325)	(75,754)	(384)	(22)	(513)	(76,998)
Building safety works	-	(18,614)	-	-	(180)	(18.794)
Other operating expenditure	(39,604)	(6,301)	(10,629)	(401)	(14,945)	(71,880)
Operating expenditure	(101,683)	(116,673)	(16,921)	(10,401)	(31,480)	(277,158)
Operating contribution	**236,159**	**(108,460)**	**(13,759)**	**(3,263)**	**(30,166)**	**80,511**
New build property sales	-	-	13,474	-	-	13,474
Existing property sales	(15)	-	15,764	-	3,663	19,412
Share of profit from JVs & associates	-	-	2,316	-	-	2,316
EBITDA	**236,144**	**(108,460)**	**17,795**	**(3,263)**	**(26,503)**	**115,713**
Grant amortisation	-	-	-	-	9,742	9,742
Depreciation and impairment	(53)	(9)	(148)	-	(54,298)	(54,508)
Interest	35	-	2	-	(46,129)	(46,092)
Surplus before tax	**236,126**	**(108,469)**	**17,649**	**(3,263)**	**(117,189)**	**24,855**

34. Operating segments (continued)

Income and expenditure account – year ended 31 March 2022

	Customers & Communities £000	Maintenance & Building Safety £000	Development & Asset £000	Care £000	Other £000	Group £000
Income	316,227	628	1,633	3,277	4,807	326,572
Employment costs	(54,361)	(12,067)	(6,166)	(6,925)	(14,172)	(93,691)
Maintenance costs	(191)	(66,127)	(576)	(4)	(599)	(67,497)
Building safety works	(1,912)	(8,275)	(640)	-	-	(10,827)
Other operating expenditure	(34,121)	(3,745)	(10,440)	(379)	(13,796)	(62,481)
Operating expenditure	(90,585)	(90,214)	(17,822)	(7,308)	(28,567)	(234,496)
Operating contribution	**225,642**	**(89,586)**	**(16,189)**	**(4,031)**	**(23,760)**	**92,076**
New build property sales	-	-	12,954	-	-	12,954
Existing property sales	(22)	(1)	11,509	-	-	11,486
Share of profit from JVs & associates	-	-	4,177	-	-	4,177
EBITDA	225,620	(89,587)	12,451	(4,031)	(23,760)	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	**225,097**	**(89,587)**	**9,459**	**(4,031)**	**(112,809)**	**28,129**

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

Reconciliation to SOCI

	2023 £000	2022 £000
Turnover and other operating income (SOCI)	**460,591**	420,051
Less: Grant amortisation	**(9,742)**	(9,427)
Less: New build sales proceeds	**(90,364)**	(80,933)
Add: Bad debts	**(1,350)**	(2,700)
Add: Impairment of loan to associate	**(1,466)**	(419)
Income (segmental analysis)	**357,669**	326,572
Cost of sales (SOCI)	**(76,890)**	(67,979)
Add: New build sales proceeds	**90,364**	80,933
New build property sales (segmental analysis)	**13,474**	12,954
Operating expenditure (SOCI)	**(334,482)**	(297,316)
Less: Depreciation and impairment	**55,974**	60,119
Less: Bad debts	**1,350**	2,700
Operating expenditure (segmental analysis)	**(277,158)**	(234,496)
Depreciation and impairment (Note 9)	**(55,974)**	(60,538)
Less: Impairment of loan to associate	**1,466**	419
Depreciation and impairment (segmental analysis)	**(54,508)**	(60,119)