



Delivering our vision

Annual Report and
Group Financial Statements
2020-21

Southern Housing Group is a not-for-profit housing association. We are a business with social objectives, which means we invest every penny we make and more in providing good quality homes and services.

The consolidated financial statements of:

Southern Housing Group Limited
Southern Home Ownership Limited
Southern Space Limited
Southern Development Services Limited
Spruce Homes Limited
Southern Housing Construction Limited
Rosemary Simmons Memorial Housing Association Limited
The Fellowship Houses Trust
Hewitt Homes

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Alan Townshend
Group Chief Executive

Welcome to our Annual Report and Group Financial Statements 2020-21.

"We're immensely proud of what we achieved in such a time. We prioritised keeping residents safe, completing 100% of gas boiler services, and maintaining emergency repairs with only a small reduction in the percentage that were completed in 24 hours."

Looking back on 2020-21, it has been a year in which there has been so much hardship as well as so much hope.

We would like to thank residents, colleagues, contractors and staff in the NHS and our local authority partners for everything that they have done to manage the impact of the pandemic in what has been a life-changing year for many.

We would also like to thank our residents and colleagues for their patience and tenacity during a year when we all had to make significant adjustments to the way we live, work and support each other.

We're immensely proud of what we achieved in such a time. We prioritised keeping residents safe, completing 100% of gas boiler services, and maintaining emergency repairs with only a small reduction in the percentage that were completed in 24 hours.

We kept all emergency and health and safety services running, and our cleaning and gardening teams ensured that schemes were regularly cleaned so that residents could enjoy outdoor spaces.

By summer 2020, we were able to remobilise services like lettings and start getting properties to those that needed them again, ending the year with an average time to re-let empty homes of 29 days.

As we publish this annual review, there is cause for some optimism nationally, and as an organisation we can reflect on an impressive response to the pandemic. We contacted more than 2,700 vulnerable residents and kept every critical health and safety and emergency repair service going throughout. We have also been humbled by the pandemic, and continue to learn lessons as we adapt, for the long term, to supporting residents and operating in an environment that can change so rapidly.

Indeed, adapting to digital and remote working this year has brought both challenges and benefits.

One of the areas in which it has made a positive difference is enabling our residents' scrutiny and involvement forums and groups to continue to meet, feedback to us and scrutinise the services that we provide. This has further underpinned the commitment we have made to ensuring that we listen to residents, act on what they tell us, and put things right when they go wrong.

Another area where we've seen change is the reduction in the use of offices and the number of miles our colleagues and contractors have covered on the road this year. This made a real difference to the carbon emitted from our operations.

We will be taking the learning from our experiences this year to help shape our pathway to net zero carbon and embed sustainability in our long-term strategy.

Alan Townshend
Group Chief Executive

Our social purpose is to provide high-quality homes, services and care for those in housing need, and to make our customers' and their communities' lives better. Our vision for the future is clear – we want to be a trusted, caring landlord that listens to residents and builds high-quality homes in places people are proud to live.

Initially set up as a charitable trust to provide housing in London in 1901, the Group now owns and manages over 30,000 homes in London and the South East for around 77,000 residents and customers. We offer a range of housing products for rent and sale, and provide care and support and community investment services. We invest every penny we make and more into good quality homes and services.

Non-Financial

88%

repairs satisfaction

£5.3m

income generated for the
benefit of residents

Top 100

Best Companies

£131m

invested in developing, maintaining
and improving new and existing homes

4,389

people benefitted from Group grants

Read more about our strategic progress:
– Corporate Plan 2020-23 on pages 28-51.

Over

30,000

homes

2,617

new households created 2020-21

77,000

residents across London
and the South East

1,042

colleagues working in
a diverse range of roles

£1.5m

invested in communities 2020-21

Financial

Turnover

£212m

(2020: £236m)

Operating surplus

£61m

(2020: £62m)

Gearing

41%

(2020: 40%)

Operating margin

28.8%

(2020: 26.3%)

Net assets

£711m

(2020: £634m)

Credit rating

A3 Moody's

(2020: A3)

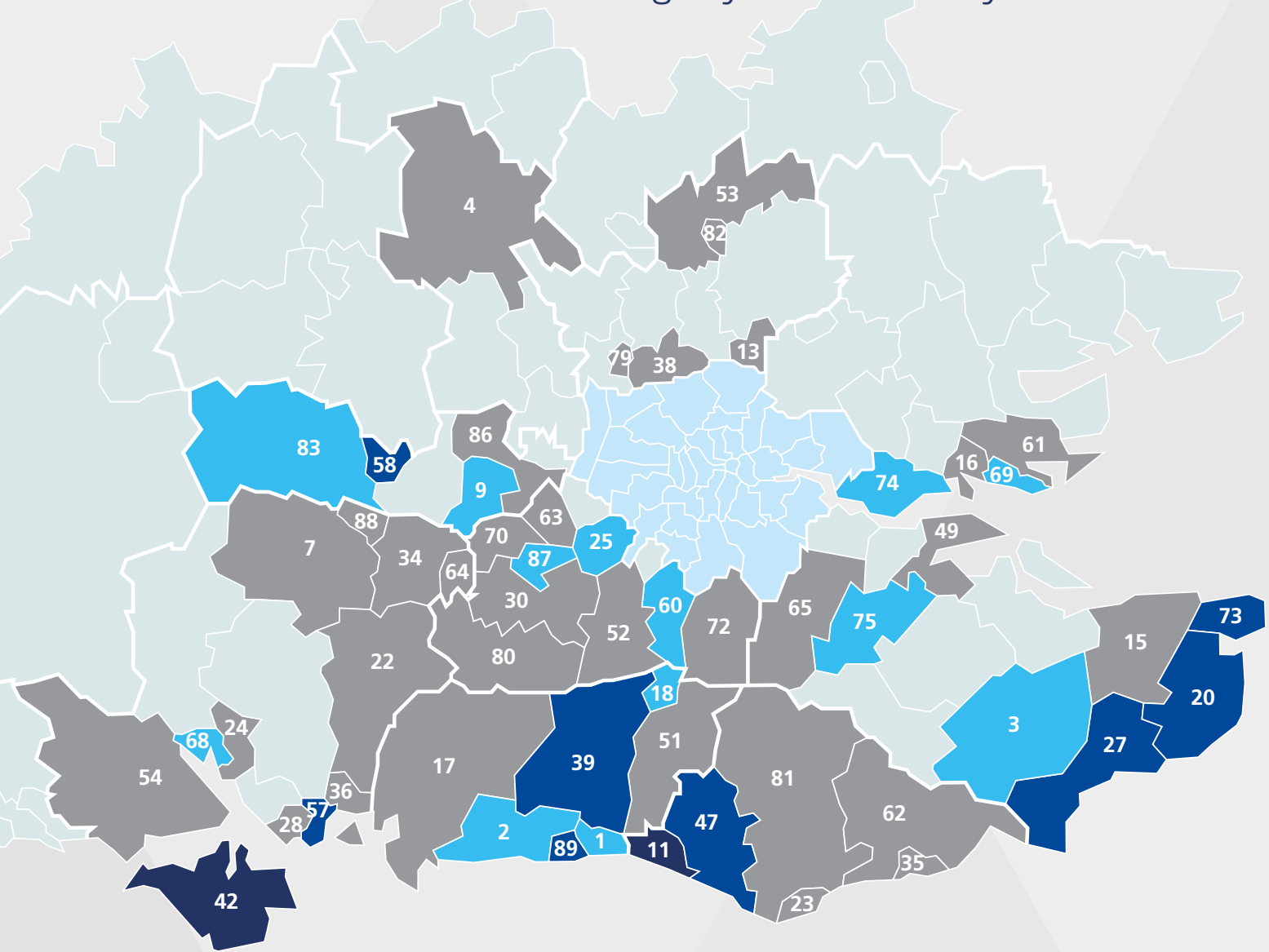
Regulatory rating

G2, V2

(2020: G2, V2)

 **Read more:**
- Financial review on pages 52-61.

Homes we own or manage by local authority.



Local authorities

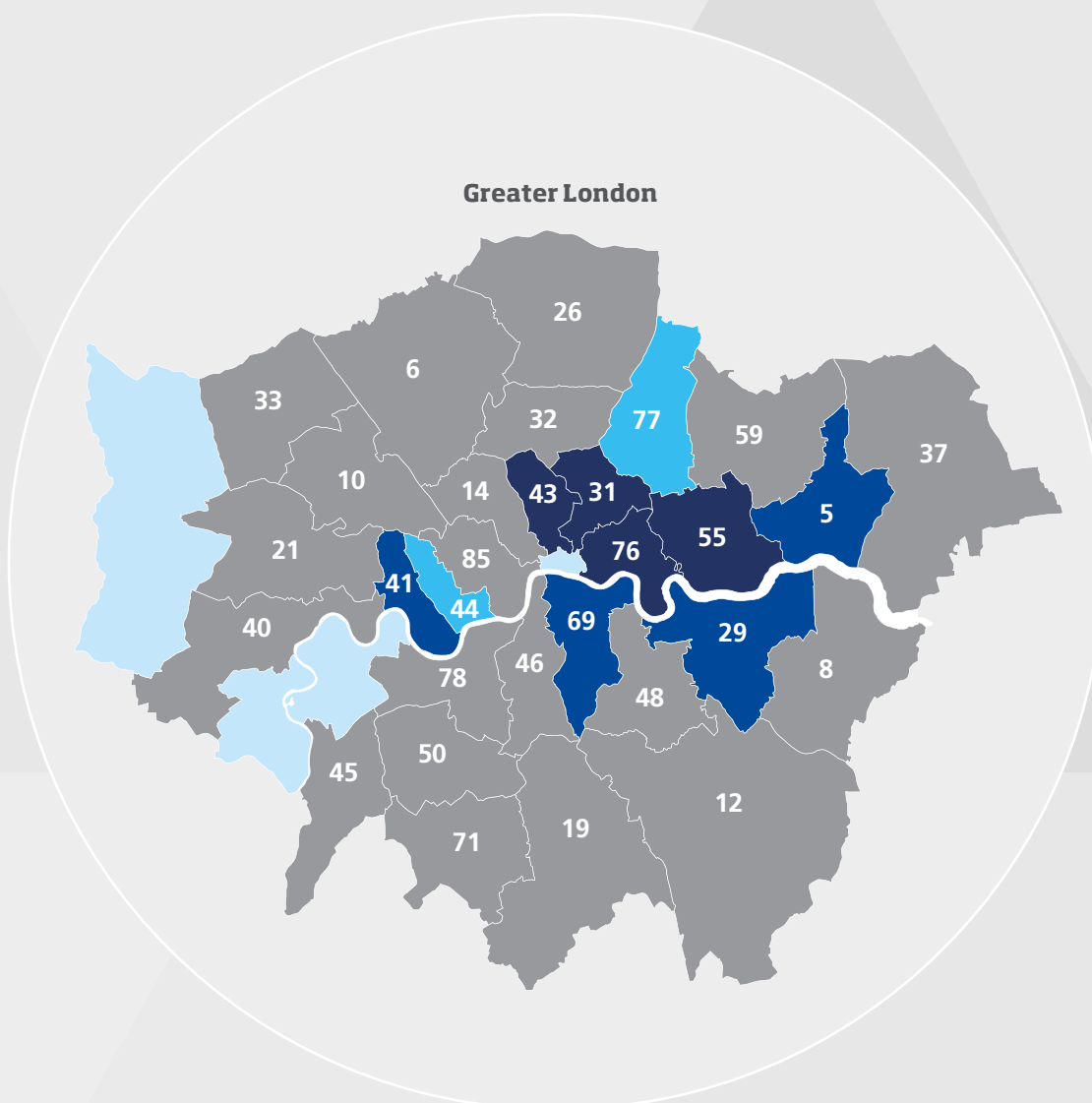
01. Adur – West Sussex
02. Arun – West Sussex
03. Ashford – Kent
04. Aylesbury Vale – Bucks
05. Barking and Dagenham – Greater London
06. Barnet – Greater London
07. Basingstoke and Deane – Hants
08. Bexley – Greater London
09. Bracknell Forest – Berks
10. Brent – Greater London
11. Brighton & Hove – East Sussex
12. Bromley – Greater London
13. Broxbourne – Herts
14. Camden – Greater London
15. Canterbury – Kent

16. Castle Point – Essex
17. Chichester – West Sussex
18. Crawley – West Sussex
19. Croydon – Greater London
20. Dover – Kent
21. Ealing – Greater London
22. East Hampshire – Hants
23. Eastbourne – East Sussex
24. Eastleigh – Hants
25. Elmbridge – Surrey
26. Enfield – Greater London
27. Folkestone and Hythe – Kent
28. Gosport – Hants
29. Greenwich – Greater London
30. Guildford – Surrey

31. Hackney – Greater London
32. Haringey – Greater London
33. Harrow – Greater London
34. Hart – Hants
35. Hastings – East Sussex
36. Havant – Hants
37. Havering – Greater London
38. Hertsmere – Herts
39. Horsham – West Sussex
40. Hounslow – Greater London
41. Hammersmith & Fulham – Greater London
42. Isle of Wight – IoW
43. Islington – Greater London
44. Kensington & Chelsea – Greater London
45. Kingston upon Thames – Greater London

Stock size

- 1-249
- 250-499
- 500-999
- 1000+



46. Lambeth – Greater London
 47. Lewes – East Sussex
 48. Lewisham – Greater London
 49. Medway – Kent
 50. Merton – Greater London
 51. Mid Sussex – West Sussex
 52. Mole Valley – Surrey
 53. N Hertfordshire – Herts
 54. New Forest – Hants
 55. Newham – Greater London
 56. Norwich – Norfolk*
 57. Portsmouth – Hants
 58. Reading – Berks
 59. Redbridge – Greater London
 60. Reigate and Banstead – Surrey

61. Rochford – Essex
 62. Rother – East Sussex
 63. Runnymede – Surrey
 64. Rushmoor – Hants
 65. Sevenoaks – Kent
 66. Sheffield – South Yorkshire*
 67. Southampton – Hants
 68. Southend-on-Sea – Essex
 69. Southwark – Greater London
 70. Surrey Heath – Surrey
 71. Sutton – Greater London
 72. Tandridge – Surrey
 73. Thanet – Kent
 74. Thurrock – Essex
 75. Tonbridge and Malling – Kent

76. Tower Hamlets – Greater London
 77. Waltham Forest – Greater London
 78. Wandsworth – Greater London
 79. Watford – Herts
 80. Waverley – Surrey
 81. Wealden – East Sussex
 82. Welwyn Hatfield – Herts
 83. West Berkshire – Berks
 84. West Suffolk – Suffolk*
 85. Westminster – Greater London
 86. Windsor Maidenhead – Berks
 87. Woking – Surrey
 88. Wokingham – Berks
 89. Worthing – West Sussex

* Not shown on map.

Board KPIs 2020-21

1. Rent arrears %

4.65

Target 2020-21: 4.00%
Performance 2019-20: 3.97%

2. Void turnaround time Days

29

Target 2020-21: 17
Performance 2019-20: 16

3. Emergency repairs completed in 24 hours %

93

Target 2020-21: 85%
Performance 2019-20: 93%

4. Gas servicing %

100

Target 2020-21: 100%
Performance 2019-20: 100%

5. Overall customer satisfaction with service %

74

Target 2020-21: 85%
Performance 2019-20: 83%

6. Communal electrical safety %

100

Target 2020-21: 100%
Performance 2019-20: 99%

7. Overdue FRA Inspections

1

Target 2020-21: 0
Performance 2019-20: 1

8. Overdue FRA P0 Actions

0

Target 2020-21: 0
Performance 2019-20: 0

9. Overdue FRA P1 actions

175

Target 2020-21: 100
Performance 2019-20: n/a

10. Overdue NOD Actions

3

Target 2020-21: 0
Performance 2019-20: 3

11. Staff participating in survey %

75

Target 2020-21: 72%
Performance 2019-20: n/a

12. Cases where Ombudsman found maladministration

6

Target 2020-21: 0
Performance 2019-20: n/a

13. Reinvestment

%

5.8

Target 2020-21: 9.5%
Performance 2019-20: 12.9%

14. New supply (Social)

%

1.4

Target 2020-21: 0.3%
Performance 2019-20: 1.2%

15. New supply (Non-Social)

%

0.0

Target 2020-21: 0.0%
Performance 2019-20: 1.0%

16. Gearing

%

40.7

Target 2020-21: 42.7%
Performance 2019-20: 40.4%

17. EBITDA MRI

%

38.7

Target 2020-21: 25.5%
Performance 2019-20: 61.2%

18. Social Housing Cost per unit

£

5,759

Target 2020-21: 6,130
Performance 2019-20: 5,620

19. Operating margin (social housing)

%

18.0

Target 2020-21: 11.0%
Performance 2019-20: 16.2%

20. Operating margin (overall)

%

28.8

Target 2020-21: 24.5%
Performance 2019-20: 26.3%

21. Return on capital employed

%

2.5

Target 2020-21: 2.1%
Performance 2019-20: 2.6%

22. Social Housing Lettings interest cover

%

65.1

Target 2020-21: 46.2%
Performance 2019-20: 57.9%

Definitions for the above metrics can be found in the Value for Money statement starting on page 57.

Read more about our strategic progress:
- Corporate Plan 2020-23 on pages 28-51.

The landscape for social housing is evolving at pace

In a year dominated by the global response to the coronavirus pandemic, we are proud of the way we have lived our values and made progress towards our aims for better building safety, and stronger resident involvement and scrutiny.

This annual review considers the progress we have made towards our vision of being a trusted, caring landlord that listens to residents and builds high-quality homes in places people are proud to live. We believe we have made significant strides towards this in spite, or perhaps, in some ways, accelerated by, the way we have worked together during the pandemic.

Building safety

£14.5m

invested in building safety in 2020-21

Putting building and fire safety first

Building and fire safety is a clear area of focus for us. This year, we achieved high health and safety standards and established a new Building Safety Team to take this work forwards. At the same time, we continued to perform strongly against our key health and safety performance targets, such as gas servicing and fire risk assessment inspections – both of which were 100% compliant at year-end.

The Group's Building Safety Programme

As a responsible landlord, we have an ongoing programme in place to check our buildings and carry out any work required to ensure that they comply with the government's guidance.

How we planned our Building Safety Programme in 2020-21

Phase 1

Prioritising our tall buildings over 18 metres

We surveyed all our buildings over 18 metres and we have an EWS1 form in place for each building where possible. Where remedial work has been identified we are moving ahead with this in a planned programme. The surveys of all our tall buildings are complete.

Phase 2

Prioritising buildings under 18 metres using a risk based analysis

Our risk assessment has highlighted nearly 230 buildings that we need to prioritise in this next phase of work.

How have we chosen these buildings?

We have identified which buildings should fall into Phase 2 of the programme by carrying out a risk analysis based on what we already know about our buildings and our residents living in them. We looked at factors like building height, known construction type and materials, the number of vulnerable residents living there and the existing evacuation policy and fire safety measures.

Supporting our customers

Our initial response to the pandemic saw us focus on maintaining emergency and critical services, and supporting vulnerable residents. However, over the course of a few months, we re-mobilised core services for all residents while our workforce shifted to agile and remote working. This gave us the opportunity to work and think differently, develop stronger relationships with our residents, and focus on the ways we can listen, empower and be more efficient by embracing digital ways of working.

103,948

customer enquiries processed by phone, email, webchat and portal in 2020-21

Over
2,700

vulnerable residents contacted and offered support during the pandemic

£250k
hardship fund created

Back to Work 2020-21 employment scheme

Due to the coronavirus pandemic, some residents have lost their job and they reached out to the Group for employment advice and support.

How have we helped?

Since the initial lockdown, we've developed our digital support and we now offer more online and over-the-phone services to our customers.

Our Back to Work 2020-21 employment scheme is open to all residents regardless of their age, location or background.

We've organised:

- Weekly Zoom webinars with employment specialists
- Help with costs around employment and upskilling
- Use of a professional online job searching tool with links to training, CV support and skills assessments
 - Signposting to local employment services for continued support

One of our residents, said:
"My Employment Skills Officer helped me to look at my transferable skills and highlighted them on my CV. She also listened to the issues that affected me around my own physical and mental health situations and has been very supportive. I am now undertaking new courses and upskilling which is really focusing my mind."

Another resident said
"Southern 360* has helped me massively on my road to a new career. I needed a PC to do my study on and got one from the Employment Team (via their Working Opportunities Fund). As a single mum with a disability, I just couldn't afford one myself. Now I am looking at a brighter future, with the means to go for my dreams."

*Southern 360 is a part of Southern Housing Group and has been created to strengthen our ongoing commitment to help improve the lives of our residents across all ages and communities.

Looking after our people

During the pandemic, colleagues across the Group have had to adapt quickly to Covid-safe working practices. From working from home through to looking after our residents in our care homes, we have all been affected. That's why looking after the wellbeing of our colleagues this year has been even more important than usual.

£155k*

on maintaining safe staffing levels, increased infection control measures and additional PPE required for safe working in our care homes and supported housing schemes.

All offices set up for

Covid-safe

working practices

Technology, equipment and

wellbeing

support to enable home working

*£120k contribution from local authority funds relates to care home and supported housing schemes services

Wellbeing support

World Mental Health Day on 10 October 2020 was launch day for the Group's renewed approach to taking care of colleagues' wellbeing.

We made wellbeing information available for everyone via a free app – Unmind – which has been developed by expert mental health professionals.

We shared information, guidance and signposting on a dedicated area of our Wellbeing intranet site.

We also launched 'Wellbeing Wednesdays' to promote positive mental health and general wellbeing every week. We encourage colleagues to take a 'Quiet Quarter' and spend 15 minutes every Wednesday to focus on their own wellbeing and what they can do to support it, including:

- Listening to a podcast on the Unmind app
- Doing some yoga or stretching exercises in the work space
- Going out for a walk in the fresh air



Looking to the future

Our Corporate Plan 2021-24

While we report against the strategic priorities of our Corporate Plan 2020-23 in this review, we recognise that the external operating environment has changed even since 2019. As a result, we have updated our strategic response, adapting it to the challenges we now face.

Much remains the same, but we have created a new Group Corporate Plan 2021-24.

This updated strategy sets out how we will meet the major challenges facing us: making homes compliant with new building safety regulations; and delivering our contribution to the UK's target to be a net zero carbon nation by 2050 – while remaining financially resilient as a business. Achieving all this will require significant investment in our homes and technology over the next decade.

Our strategic priorities

Our strategic priorities for 2021-24 are:



Strengthen our finances



Build greater trust, transparency and accountability



Invest in our homes, strengthen our communities



Listen to our residents



Empower our people

Each of these priorities has been shaped by, and is a response to, the rapidly changing environment we find ourselves in, together with our residents.

Despite the many changes we have faced and which continue to challenge us, we remain true to our purpose and vision to provide high-quality homes, services and care for those in housing need, and to make our customers' and their communities' lives better.



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Alan Townshend
Group Chief Executive



Arthur Merchant
Chair of the Board

This year, 2021, marks 120 years since the Group was founded. The world has evolved into a hugely different place since those early days, but we remain committed to our core purpose of providing homes for those in housing need.

Notwithstanding the huge challenges placed on us and our residents this year, we have continued to adapt and grow, focusing on supporting residents, maintaining services as near to normal as possible and increasing the opportunities for our residents' voices to be heard.

Safety, value for money and efficiency, robust governance and serving our customers' needs are the strategic threads which run through our whole operation as we aim to improve our performance and deliver against our financial and service improvement targets.

Our financial performance

Overall, the Group has reported a net surplus for the year of £81.6m (2019-20: £23.5m). In total, we invested £129m (2019-20: £290m) in developing, maintaining and improving new and existing homes.

Building safety

We invested £14.5m in building safety this year, and this continues to be a key priority for the Group. Following a significant piece of work, we have completed external wall system (EWS) surveys for all our buildings over 18 metres and there are some ongoing remedial work programmes in place. We are now fixing our sights on the next tranche of priority buildings.

The work of our Building Safety Programme is long term and a significant number of our residents are affected by this national issue. We understand how frustrating and concerning this is for residents who are waiting for the completion of EWS surveys and we hear every day from residents wanting answers. Working through the Building Safety Programme and carrying out any necessary remedial work is a clear focus for us.

Crown Simmons

We were delighted to welcome Crown Simmons to the Group on the first day of the new financial year. Crown Simmons is a well-respected local housing association in Surrey. Bringing more than 600 homes into the Group, its strong local presence has bolstered the Group's position in the county. Together our two organisations have integrated successfully over the course of the year. We are looking forward to continuing working together to provide a growing number of high-quality homes for people in need and investing together in the Surrey communities we serve. We have received positive feedback from residents since Crown Simmons became part of the Group. I'd like to thank Al Dankis, the former chair of the Crown Simmons Board who retired from the Group's Board this year, for his hard work in bringing our two organisations together.

Our digital strategy and cyber security

The Group's ability to digitise and provide alternatives to face-to-face services is not just for the pandemic. It has become part of our longer-term strategy to make it easier for our colleagues to work effectively and for all customers to access our services. We recognise that our colleagues having the right digital tools to do their jobs, fully integrated systems and access to good data goes hand-in-hand with providing the right digital services for residents. This year we finalised our investment in a new omni-channel communications system and launched our new online repairs service for residents. This was followed by a new online customer portal in the new year, with the implementation of technology and systems in a very short space of time to enable fully agile working for office-based colleagues.

Protecting our business from cyber threats and attacks has remained a key priority for us. In August 2020, we obtained Cyber Essentials accreditation – the government-backed scheme which certifies that we have covered all the essential actions our business should take to protect ourselves from cyber-attacks. This ensures that we have the right controls, processes and systems in place to effectively protect our assets. We will continue to deliver improvements in this area to stay protected.

Customer service and resident involvement

Understandably, it has been a challenging year for customer services. Our customer service centre remained open throughout the year and saw an increase in the volume of calls, emails and other contact. Our strategy has been to focus on safety and we are proud of our teams for delivering 100% compliant gas servicing and communal electrical safety despite the pandemic.

We value our residents' input and feedback and our dedicated Resident Involvement Team has worked with members of our Customer Scrutiny Panel to create new opportunities for our residents' voices to be heard and influence our decision-making and ensure we are accountable to those for whom we exist. We are committed to ensuring this continues.

Supporting communities

The urgent need to invest in our communities has never been so evident and this year we invested £1.5m in supporting residents where they live. We've seen an increase in the numbers of residents claiming Universal Credit. Food bank usage has risen sharply. As the economic effects of the pandemic continue to bite, we expanded our food pantry concept and supported food banks on the Isle of Wight. We launched a £250,000 hardship fund for residents in need due to the pandemic, and over 100 colleagues volunteered to support vulnerable residents with phone calls and shopping for essentials or collecting prescriptions.

£1.5m

invested in supporting residents where they live

We're proud that even with the backdrop of all this upheaval, our colleagues still found the time and energy to raise £34,000 for our chosen charities this year, through sponsored activities, competitions, events and fundraising quizzes.

Thank you

On behalf of the Board, committee members and the Executive Management Team ('EMT'), we would like to extend our thanks to all colleagues across the Group for the way you have worked together with dedication and goodwill. To all our residents, thank you for your patience and understanding as we face the challenges of maintaining services under such difficult circumstances.

Our thoughts are with the families and loved ones of all those who have lost their lives to Covid-19.

Our strategic focus

In this financial year (2020-21) we launched a Corporate Plan to cover the period 2020-23. We reiterated our commitment to provide high-quality homes, services and care for those in housing need. We exist to make our residents' and our communities' lives better, working as a business with social objectives.

Looking ahead, we have recognised the need to adapt our business again and have agreed a Corporate Plan for 2021-24. This updated strategy sets out how we will meet the major challenges facing us: making homes compliant with new building safety regulations; and delivering our contribution to the UK's target to be a net zero carbon nation by 2050, while remaining financially resilient as a business. This is going to require significant investment in our homes and technology over the next decade.

We are emerging from this last year having learned lessons and adapted how we work. This will serve us well in the coming years as we renew our commitment to improving the lives of our residents and the communities in which they live.

Alan Townshend
Group Chief Executive

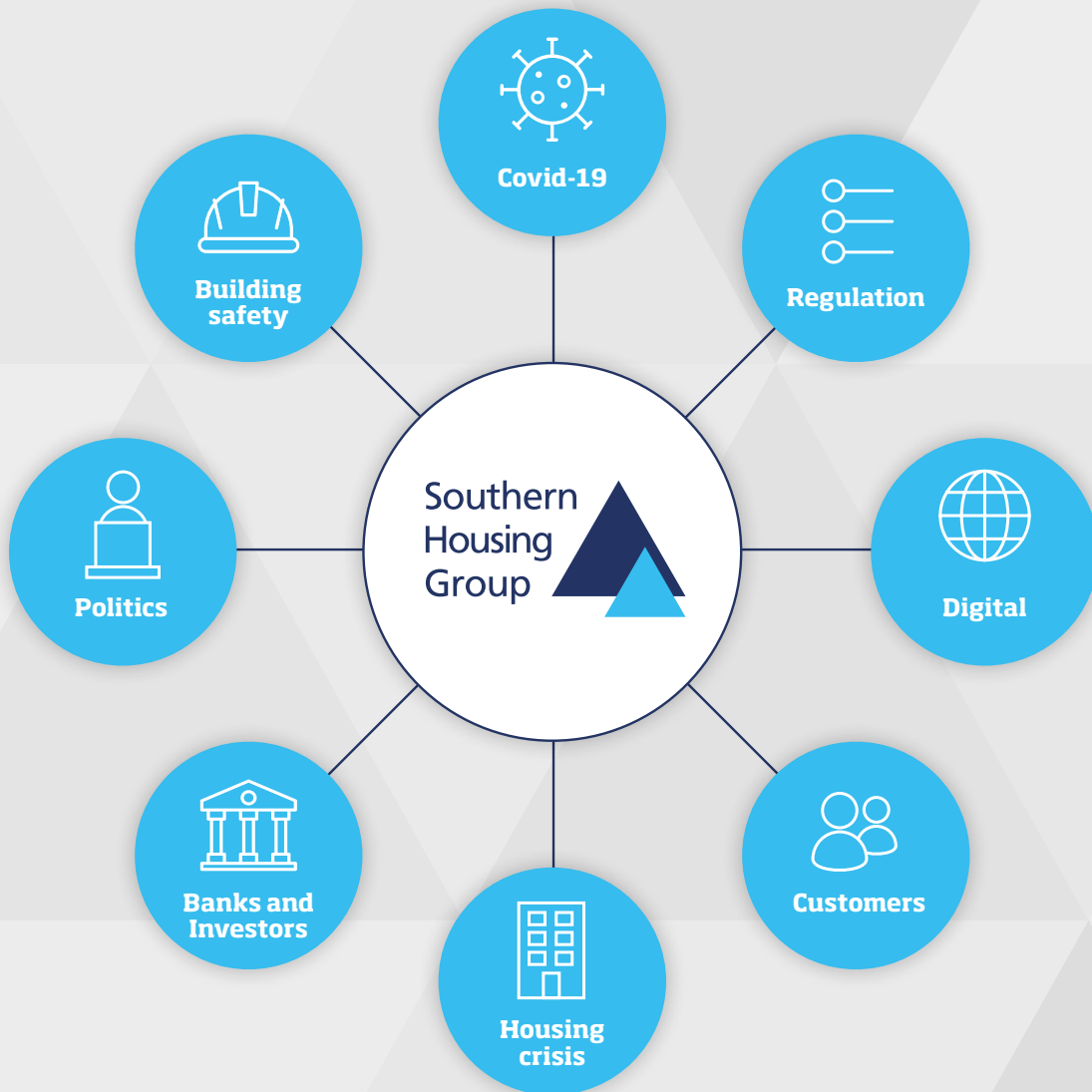
Arthur Merchant
Chair of the Board

Read more:

- Building safety on pages 11, 12 and 34.
- Customer service and resident involvement on pages 38-41.
- Supporting communities on pages 42-49.
- Financial review on pages 52-61.

Our external environment

In the 120 years since Southern Housing Group was founded, the world has changed beyond recognition. We have adapted, and continue to do so.



The pace of change around us all has accelerated and, as a nation, we face significant immediate and long-term challenges. At the forefront is figuring out how we live in a post-Brexit, post-pandemic world while continuing to tackle the country's housing crisis and the climate emergency.

These external issues impact our business and inform our strategic response.

There are two significant and long-term trends which will shape where our investment is focused in the coming decades: making homes compliant with new building safety regulations; and making our contribution to the UK's target to be a net zero carbon nation by 2050.

Housing crisis

The amount of social housing in England and Wales has been in steady decline since the 1980s to the point where the country is facing a major housing crisis. It is particularly acute in London and the South East of England.

In 2019, the 2022-2032 Affordable Housing Funding Requirement for London report¹ found that for London alone, the grant required to deliver a new 2022-32 affordable homes programme of 22,750 social rent homes, 6,500 shared ownership homes and 3,250 intermediate rent homes is estimated to be £4.9bn per year. This is stated to be 48% of the estimated total cost of the grant-funded affordable homes, a figure that is lower than typical government grant rates prior to the financial crisis.

According to the G15, around 1.15 million people are on housing waiting lists across the country. Housing associations have a vital role in addressing this issue, but this cannot be done without increased government commitment.

Building and fire safety

Four years on from the Grenfell tragedy, the housing sector is seeing higher building safety standards translate into heightened awareness and diligence among all those involved in developing and providing homes. Specialised safety inspection skills and parts that meet new regulations are in high demand, with supply chains potentially being further disrupted by the pandemic and Brexit.

The cost of building safety works for housing associations inevitably places a constraint on the level of investment in new homes and other services. The cost of building safety works is also affecting some residents and without significant additional government intervention this will grow in the coming years, at an already challenging time for the nation economically.

Across the UK some residents, particularly shared owners and leaseholders, are being impacted by changing building regulations that make it difficult to re-mortgage or sell their home without the right building inspections having taken place and the right result being obtained from those inspections. The building safety programmes and the costs involved will be a significant call on the finances of landlords and residents affected for many years to come.

Resident voice – rebuilding trust

The lasting legacy of the tragedy at Grenfell Tower in 2017 has been to emphasise not only the importance of stronger building safety regulations, but also to highlight the relationship between residents and their landlord. The Social Housing White Paper in 2018 found that while some landlords did better than others, residents across the country were consistently not listened to, not respected and, at worst, stigmatised. The charter for social housing residents and the recommendations it outlines, affects the way housing associations work with their residents to rebuild trust and transparency.

We've always believed in listening to and empowering residents by working together, and we have been working with residents over the past two years to re-shape how residents' voices are involved in the decisions that affect their lives, and how we are held to account.

Climate change and environmental impact

Addressing the climate emergency and the environmental impact of building and running our homes is a growing strategic priority for the housing sector. The national target for rented properties is that they must all meet the nationally prescribed goal of Energy Performance Certificate 'C' and above by 2030. It is vital that housing associations set a clear pathway to becoming zero-carbon housing providers and developers and make our contribution towards the UK's target of being a net zero carbon economy by 2050.

Digitisation

Digital technology, greater connectivity, faster access to data and the vast potential of artificial intelligence and automation are part of a revolution in the way we live and the way we do business. Broadband and mobile connectivity were the catalysts and, today, the rapid pace of change is enabling businesses to find ways to better service customers' needs, more efficiently.

The social housing sector is part of this evolution. It is moving with the digital age: from the potential for intelligent connected housing systems, smart components and Building Information Management ('BIM'); through everyday online services that allow customers to self-serve and gain control over services like their repairs; to agile working colleagues able to access data and systems wherever they are.

Taking advantage of these digital opportunities requires significant investment in our homes and technology. It also means building excellent working partnerships between residents, colleagues and partners in national and local government.

To meet these challenges effectively, we will need to adopt and use the right digital technology to communicate effectively, manage our services and use data safely and wisely.

It will also depend on how we involve residents in service design and empower them with the information, capacity and forums to hold us to account for our progress and performance.

Read more about our approaches to:

- Our strategic priorities for 2021-24 on pages 28-29.
- Building safety on pages 11, 12 and 34.
- Resident involvement on page 41.
- Sustainability on pages 35-37.

¹ The 2022-2032 Affordable Housing Funding Requirement for London report <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/2022-2032-affordable-housing-funding-requirement-london>

What we do

Southern Housing Group Limited owns and manages high-quality homes in places people are proud to live. Our purpose is to make our residents' and our communities' lives better, working as a business with social objectives.

We offer homes to rent as well as homes to buy, or part buy, on a shared ownership basis.

We operate across London and the South East and serve customers living in over 30,000 homes.

We are a not-for-profit business with social objectives, which means that every penny we make and more is reinvested in providing homes for people in housing need.

▼ Preston Road, Brighton, East Sussex



How we do it

We work with our strategic partners to develop new homes where they are needed.

We have sought to grow the number and range of housing we can offer current and future residents. As a developer of homes, we are a strategic partner of Homes England and the Greater London Authority. Working in partnership, we are building 2,005 new affordable homes across the capital and the South East by 2025.

We manage our homes

We provide tenancy and property management and maintenance services to our residents, through our own housing management, estate care and Southern Maintenance Services teams, and by working with our partner contractors to deliver repairs and planned works to our residents' homes.

We provide care and support services

We provide care and support services through Southern 360, which brings together our Independent Living for Later Life schemes, our community investment activities and our Supporting Independence and Care services. Our Supporting Independence and Care services strive to provide person-centred care and support in our care homes and floating support provision.

We support our residents and their communities

Through Southern 360, we are also supporting our residents' health and wellbeing, and strengthening neighbourliness and communities. We are committed to improving the lives of our residents across all ages and communities.

We empower and support our colleagues

We could not do what we do without the dedication and expertise of our colleagues. We provide wellbeing support, career development and learning and development opportunities to enable colleagues to reach their full potential. We work hard to enable an equal, diverse and inclusive culture built on our core values: we work together, we do the right thing, and we get the job done.

Serving customers living in over

30,000
homes



▼ Bow River Village, Bromley-by-Bow, London

The value we create

A safe, decent home in a neighbourhood you're proud to live in is acknowledged to be of value not only to residents, but to residents' communities, as well as across wider society and the public sector.

This year we invested £1.5m in communities and making our residents' lives better. However, that is not the full extent of the value we create as a business with social objectives.

During 2020-21, in common with many housing associations, we have been exploring the various methods available to calculate the wider financial value of social housing tenancies, in terms of the positive impact on our society that a decent, safe, home has. These positive impacts include stable communities, thriving local economies, and savings to the public purse, such as the costs of health and social care, policing and education. In September 2020, our Community Investment and Care committee began to consider these technical approaches to attaching a financial value to the benefits our social housing brings.

We will continue to maximise the positive impact we make.

This annual report covers the period April 2020 to March 2021 and this strategic review is organised to reflect our Corporate Plan 2020-23 which was in operation during that period.

The Corporate Plan 2020-23 has been superseded by an updated strategy covering the period 2021-24 which expanded on the themes in the 2020 plan. We will report against the updated strategy in next year's annual report.

Our purpose

We exist to provide high-quality homes, services and care for those in housing need. Our purpose is to make our residents' and our communities' lives better, working as a business with social objectives.

Our vision for the future

We will be a trusted, caring landlord, listening to our residents, providing high-quality homes, services and care in places people are proud to live.

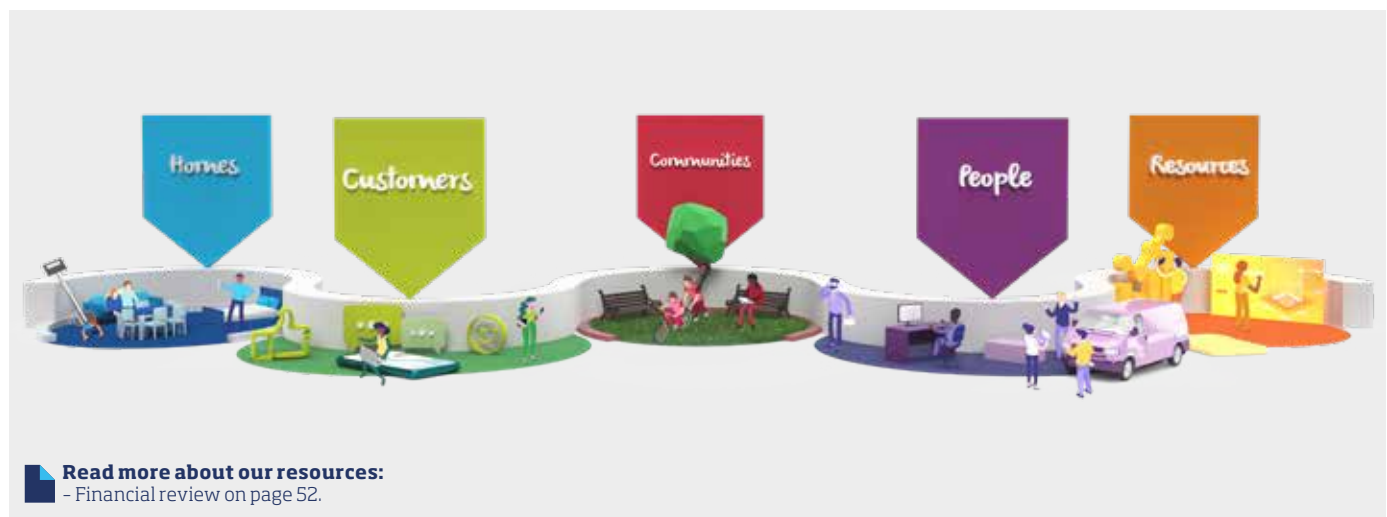
Our values

Our values let everyone know how we work to achieve our vision and strategic objectives. They are:

We work together, so that we can make it easy for our residents, colleagues, contractors and partners to achieve more than we could by working alone. By talking, listening and sharing, we work as a team.

We do the right thing, so that we can give value to our residents, customers and their communities, always focusing on how we can serve our social purpose. We challenge what we've always done to find a better way.

We get things done, by doing the basics brilliantly, doing what we say we will, finding solutions and making things happen.



Read more about our resources:
- Financial review on page 52.

Homes

Our objectives

- Ensure all our residents have a decent, safe home
- Invest more in maintaining and modernising our homes
- Provide more homes in the areas we work
- Ensure our homes are sustainable, affordable and energy-efficient.

Our commitments

- Deliver 7,000 homes over the next nine years
- Build on our increasing investment in planned works over the next three years
- Demonstrate the highest health and safety compliance standards
- Ensure every high-rise residential block (HRRB) has a tailored Building Safety Case plan in place by the end of 2022
- Continue to provide decent homes and increase investment in compliance
- Increase our investment in communities and estate care
- Increase overall investment in our properties, measured by our reinvestment KPI
- Increase our investment in proactive maintenance works, improving our ratio of responsive repairs to planned maintenance
- Improve the average energy efficiency of our homes and offices as measured by Standard Assessment Procedure (SAP) and Energy Performance Certificate (EPC) ratings, focusing on the least energy-efficient homes.

Our progress during 2020-21

The Group owns and manages over 30,000 homes across London and the South East. Our aim is to increase this number and the range of housing we can offer current and future residents. We are a strategic partner of Homes England and the Greater London Authority. Working in these partnerships, our plan is to build 2,005 new affordable homes across the capital and the South East by 2025.

Despite the challenging year, which forced a number of interruptions to development work, we handed over 93 new homes and began work on 139 more.

Key facts and figures

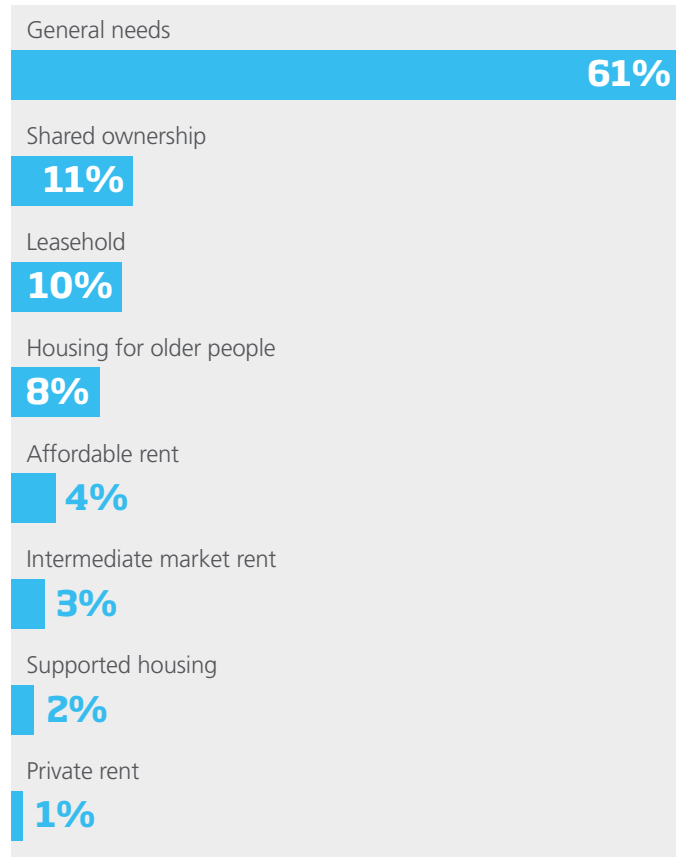
	2020-21	2019-20
New households created	2,617	3,088
Total homes in construction	883	802
New homes handed over	93	419
Total homes owned and managed by the Group	30,490	30,130

	Number of homes
New homes sales 2020-21	
Open market sale	17
Shared ownership	112
Total	129

We remain committed to providing more homes for people in housing need. However, the safety, wellbeing and support of our existing customers, staff and contractors is always our priority. During the pandemic, this has meant some development activities understandably had to progress more slowly than originally scheduled.

The impact of the first lockdown and social distancing restrictions, for example, resulted in considerable delays to completion, particularly at some of the Group's larger sites. Some sites which were due to complete in the year have experienced delays. The housing sector is undoubtedly facing many challenges. We remain committed to playing our part in overcoming both the housing crisis and the mounting climate emergency.

Tenure mix (existing)



Our priorities for the year ahead

Over the coming year we look forward to completing our programme of sites with Crest Nicholson, with homes forecast to handover on both the Cranleigh and Longcross sites.

Other sites due to complete, such as at Dace Road in Tower Hamlets, which is ahead of programme, and we anticipate starting a phased handover of the 144 homes and commercial space in that development later in the year.

It should be a busy year for two of our regeneration Hidden Homes programme sites, in Shoreham-by-Sea and Hackney, both of which are due to start on site in the first half of the year.

Also on the schedule for the year will be the start of the first phase of the exciting harbour regeneration in Shoreham-by-Sea, which should deliver 137 affordable homes, associated commercial space and high-quality landscaping and public amenity space.

Dace Road, Tower Hamlets:
phased handover of

144

homes and commercial space later in the year

Shoreham-by-sea:
first phase of

137

affordable homes, associated commercial space and public amenity space

Key development locations 2020-21

Vanston Place
Fulham

Samuel Square
Kensington

Rose Garden
Cranleigh, Surrey

The Hantons
Hove,
East Sussex

Preston Road
Brighton,
East Sussex

Focus on: Free Wharf

Shoreham-by-Sea

In March 2021, the Group took back possession of the site known as Free Wharf, in Shoreham-by-Sea. This was the culmination of over two years of complex decontamination and enabling works. These works included the construction of a new river wall, flood defences, decontamination, and other preparatory works that will facilitate the residential phases of the development.

The 7.5 acre site was purchased in 2015, and planning for 540 homes and 2,300m² of commercial space was agreed in the summer of 2018. The site is on the western arm of Shoreham Harbour, an area that has been zoned for regeneration by Adur District Council, with the objective to create “a new residential-led, mixed-use neighbourhood, with a reinvigorated and accessible waterfront, with a range of commercial opportunities to strengthen the overall offer of Shoreham-by-Sea”.

The site is prominently located within easy walking distance of the town centre and train station, and has potential for strong housing value growth, given that its location captures overspill from Brighton and Hove and is situated in the beautiful setting of the South Downs, on the banks of the River Adur.

The Group is currently preparing to bring forward the first residential phase of 137 much-needed affordable homes, consisting of 40 homes for affordable rent, 97 homes for shared ownership, and 1,300m² of commercial space. The site is viewed as an important catalyst to the wider regeneration of the harbour area, while this first phase will start creating a sense of place and help prospective purchasers to understand the development's ambition and vision.



▼ New public realm Free Wharf, Shoreham-by-Sea

First residential phase:

137

much-needed affordable homes consisting of:

40

homes for affordable rent

97

homes for shared ownership



▼ New pontoons and moorings, Free Wharf, Shoreham-by-Sea

▼ Free Wharf viewed from the South side of the Western Harbour Arm, Shoreham-by-Sea



Focus on: Preston Road Brighton

Situated on the outskirts of Brighton, this scheme of 28 homes, constituting 8 for affordable rent flats and 20 for shared ownership, completed in September 2020.

The site was acquired in January 2017, under a 155-year lease from Brighton and Hove. It sits in a conservation zone with planning restrictions and the grounds contain very mature trees that are the subject of Tree Preservation Orders.

The development comprised the conversion of two existing Victorian villas, from the late 1800s, into 14 spacious shared ownership flats. A link building between the two was replaced to accommodate 8 new affordable rent flats, with extensive landscaped grounds that also contain 6 shared ownership houses.

28

homes in total,
comprising:

8

new affordable
rent flats

14

spacious shared
ownership flats

6

shared ownership
houses



▼ Preston Road, Brighton, East Sussex

Focus on: The Group's Hidden Homes programme Regeneration

Hidden Homes is the Group's ongoing programme to assess all our stock with the aim of identifying 500 'hidden homes', through the use of under-developed land on existing estates or the regeneration of estates or blocks that are no longer fit for purpose or have become uneconomical to manage and maintain.

Over the last year, planning permission has been secured on 190 homes and we have focused on getting these schemes into contract and on to site.

We have made good progress on two of the larger schemes in the programme, the Kennaway Estate in London and the Mannings in West Sussex, working to relocate households appropriately to enable construction to commence on both sites during summer 2021.

The Resident Involvement Team engaged with residents from both estates in the contractor selection process. They helped evaluate tender returns, wrote interview questions, and were part of the assessment panel attending post-tender interviews. This enabled greater scrutiny and transparency and ensured the requirements of our residents were fully considered by the contractors.

We continue to evaluate further opportunities for development and are taking a pipeline of schemes through the evaluation and feasibility process. Included in this are several opportunities which have been brought to the Group through the Crown Simmons merger.



▼ Rose Garden, Cranleigh, Surrey

▼ **Kennaway Estate regeneration, Hackney, London**

It is hoped that work will commence on the Kennaway Estate in the summer of 2021. The development will deliver:

61

homes in total, comprising:

19

for social rent

12

for affordable rent

6

for shared ownership

24

for open market sale



Investing in safety

£14.5m invested in building safety in 2020-21

Safety is embedded at every level of our organisation. The Board oversees our risk appetite and risk management, and our Customer Safety Committee oversees all safety related matters whether buildings, staff or reportable incidents. Our Building Safety Directorate delivers the Group's Building Safety Programme, while our Customer Services, Sales Services and Communications Teams all actively engage with and support our residents.

Key facts and figures

Measure	2020-21	2019-20	2020-21 target
Gas servicing	100%	100%	100%
Communal electrical safety	100%	99%	100%
In-dwelling electrical programme	42%	28%	40%
Overdue FRA ¹ inspections	1 ⁵	n/a	0
Overdue FRA P0 ² actions	0	n/a	0
Overdue FRA P1 ³ actions	175	n/a	100
Overdue NOD ⁴ actions	3	n/a	0
Water (legionella testing)	100%	100%	100%
Asbestos survey	99% ⁶	99%	100%

1 Fire risk assessment: Type 1 Fire Risk Assessment (FRA) is a non-intrusive survey. It assesses all the common parts of a building, such as the lobby area in a shared block of flats, but not individual dwellings.

2 Priority 0: Action that poses an urgent risk to residents. Actions should be completed within 24 hours.

3 Priority 1: Action that poses a high risk to residents. Actions should be completed within a 30-day timeframe. Of the 175 actions identified at year-end, 142 remain outstanding. Every P1 action is tracked and monitored on a weekly basis by the Building Safety Team, which ensures progress is made and the appropriate interim additional safety precautions and mitigations are in place.

4 Notice of deficiency: identifies provisions and/or procedures that the Fire Authority considers as either lacking or not suitable and sufficient regarding the building. Work to close the three outstanding NODs is well advanced and progress is overseen by the Customer Safety Committee.

5 Outstanding FRA inspection completed on 1 April 2020.

6 One survey out of 1,445 was overdue on 31 March 2021. That survey was completed on 8 April 2021.

n/a = new Board KPI for 2020-21.

The Group's Building Safety Programme

The safety of our customers is our first priority.

As a responsible landlord, we have an ongoing programme in place to check our buildings and carry out any work required to ensure that our buildings comply with the government's guidance.

We have completed external wall system surveys (EWS surveys) on all our tall buildings and our programme to complete EWS surveys and intrusive Type 4 Fire Risk Assessments (FRAs) on the balance of our approximately 1,400 buildings is underway.

Alongside the Type 4 FRAs and EWS surveys on all the tall buildings we own, we have recruited Building Safety Managers, each of whom have a number of tall buildings to manage. Regular safety checks are being established and building information collated. This work will be developed into tailored building safety case plans, on which we are liaising with G15 peers, in line with regulatory requirements, as they become more defined.

This work is significant both in terms of our financial commitment – we invested £14.5m this year alone on building safety work – and in terms of our commitment to engage and support our residents. Many of them are deeply concerned about the national building safety crisis and the impact on them personally, both financially and on their wellbeing.

We are committed to completing our Building Safety Programme as efficiently and effectively as possible. We are using our procurement frameworks to ensure we deliver value for money in both the costs of surveys and in any remedial work that is needed as a result. Prioritising our buildings according to risk is the right thing to do but it does mean that some residents may have to wait for years before we can carry out EWS surveys on their buildings. We will support our residents with a range of measures as needed during this time.

Introducing Building Information Modelling (BIM)

In response to the Building Safety Bill and its requirement for a 'Golden Thread' of building data, the Group's Building Information Modelling (BIM) strategy was approved in July 2020. Its overarching aims are to ensure the Group meets the draft Bill's obligations and increases the quality of our new homes.

Our BIM related key objectives include:

- Creating and maintaining a suite of standard appointments and contract documents
- Pursuing 'software neutrality' to avoid dependence upon a single package or service provider
- Ensuring close collaboration with the Group's Asset Data Architecture and SharePoint Online projects
- Ensuring that in the future we are able to effectively use BIM for our current development programme portfolio.

Progress is being measured against two categories:

- **BIM implementation**, which tracks best practice and emerging regulator expectations, translating these findings into measurable actions and updating our standard contract documents, processes, and procedures, and
- **BIM delivery**, which reports on the usefulness of these new tools against some key performance indicators, such as BIM cost per project and speed of roll out.

Sustainability

We are committed to reducing our impact on the environment and to providing comfortable, energy-efficient homes with low running costs for our residents. We do this through our Environmental Sustainability Strategy and Policy as well as our Development and Asset Management strategies.

Our aim is to build high-quality, energy-efficient homes, helping to make progress towards the elimination of fuel poverty while reducing carbon emissions.

Our current strategy runs until 2022. During 2020-21, we began our research and analysis into a new strategy that will set out our pathway to net zero carbon and determine the best ways we can take forwards our work on energy efficiency, fuel poverty, biodiversity and waste reduction.

During the year, we launched the Biodiversity Toolkit for Housing Associations. The toolkit was developed in partnership with the UK Centre for Ecology & Hydrology following a successful 18-month pilot project at our estates in Bracknell, where we introduced wildflower meadows, more native plants, and bird, bat and bee boxes. The toolkit has been rolled out to our Estate Care teams to encourage simple shifts that support biodiversity. It is available to all online at www.shgroup.org.uk/about-us/sustainability/biodiversity.

Between 2019-20 and 2020-21, average Standard Assessment Procedure (SAP) ratings improved slightly for existing stock but fell slightly for new homes. Our goal is to sustain an overall SAP rating, which is one measure of the energy efficiency of a property, of at least 71 annually between 2018 and 2022. This is enabled by both our planned works programme and our new build development programmes.

	2020-21	2019-20
New homes SAP rating	84.0	84.7
Overall SAP rating (rented tenures)	72.6	72.4

Focus on the Biodiversity Toolkit

Working with Southern Housing Group, ecologists at the UK Centre for Ecology & Hydrology (UKCEH) launched the 'Biodiversity Toolkit' to enable housing providers and residents to support wildlife on their estates.

The toolkit provides a range of ways to improve biodiversity on housing estates. These options can be tailored according to housing density, budget available and the level of maintenance possible.

Available digitally, it includes more than 20 wildlife management options that are suitable for housing developments. It also provides a guide on how best to improve green spaces for wildlife, while involving residents in key decision-making.

UKCEH is encouraging other housing providers across the UK to use the toolkit to make changes in management practices on their estates. This will provide much-needed habitats for wildlife and improve their residents' health and wellbeing.

Jodey Peyton, UKCEH ecologist, said, "Urban development is one of the causes of habitat loss, deterioration and fragmentation of natural areas. This has led to significant declines in a wide range of animal and plant species, particularly over the past 50 years."

"Green spaces in urban habitats have great potential for supporting lots of wildlife and improving people's wellbeing. Our new toolkit advises housing providers and residents on measures they can implement themselves, offering a range of affordable and achievable wildlife management options to help reverse the long-term decline in biodiversity in urban areas."

We ran a pilot scheme introducing some wildlife-friendly measures on a Southern Housing Group estate in Bracknell last year. The variety of wildflowers was increased through both planting and by leaving a proportion of grassland unmown. Shelters for bees and other invertebrates, including so-called 'bug hotels', were distributed around the estate along with bird and bat nesting boxes on trees and buildings.

Patryk Szczerba, Southern Housing Group's Sustainability Manager at the time, said: "We were delighted to be involved with this project. As a business that develops land in both rural and urban settings, we're determined to encourage the return of wildlife to the built environment. It can be as simple as making a slightly different choice of plants for a hedgerow or grassy area. A commitment to biodiversity doesn't need to come with high financial or human resource investment."

UKCEH's work on the toolkit was funded by a grant from the Natural Environment Research Council.

Southern Housing Group Streamlined Energy and Carbon Reporting (SECR) 2020-21

Under changes introduced by the 2018 Regulations, large unquoted companies are obliged to report their UK energy use and associated greenhouse gas emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through their annual reports. Southern Housing Group has opted to voluntarily disclose its energy use on a similar basis.



Carbon Footprint in corporate offices, buildings and in communal areas

For the purpose of this SECR Carbon Report the Group has included gas and electricity usage for the financial year 2020-21 for the following offices, and included intensity ratios (kgCO₂e per office square metre) where available. Total CO₂e emissions for our offices from gas and electricity usage were 459.76 tnCO₂e. This was a 19.6% decrease compared to 2019-20 (571.87 tnCO₂e), due to the reduced office use during the coronavirus pandemic and the Group's adoption of increased remote working.

Office	Energy usage		Carbon Footprint tnCO ₂ e	Intensity ratio kgCO ₂ e/m ²
	Electric kWh	Gas kWh		
Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA	224,102	None	52.25	14.05
Spire Court, Albion Way, Horsham, West Sussex, RH12 1JW	676,548	388,225	229.11	32.06
The Courtyard, St Cross Business Park, Newport, Isle of Wight, PO30 5BF	71,915	37,653	23.69	25.67
The Oasts, Newnham Court, Bearsted Road, Maidstone, Kent, ME14 5LH	63,560	None	14.82	
Bow River Village, 2 Pintle Place, Hancock Road, London, E3 3UP	14,757	None	3.44	
Courtney King House, 169 Eastern Road, Brighton, East Sussex, BN2 0AP	45,717	638,740	128.10	
Hooper Court, 4 The Hard, Portsmouth, PO1 3PU	6,889	None	1.61	
Mount Pleasant, 251 Mount Pleasant Lane, Mount Lane, Bracknell, RG12 9AB	28,891	None	6.74	
Total emissions			459.76	

Energy efficiency actions taken

- Reduced use of offices with consequent reduction in energy consumption.

Methodology

- Carbon emissions from electricity = electricity usage in kWh x emission factor 0.23314 kgCO₂e
- Carbon emissions from gas = gas usage in kWh x emission factor 0.18387 kgCO₂e.

19.6%
reduction in office carbon emissions
compared to 2019-20

Carbon footprint from staff mileage

Total CO₂e emissions from staff mileage (for business use) was 213.19 tnCO₂e, that is 0.2932 kgCO₂e per mile. This represents a 44.4% reduction compared with the prior year, with the coronavirus pandemic having a significant impact on travel. Emissions are calculated by multiplying mileage x emissions factors and dividing the result by 1,000.

44.4%

reduction in staff mileage (for business use) compared to 2019-20

	2019-20			2020-21		
	CO ₂ e emission factor kg	Mileage Miles	CO ₂ e emissions tnCO ₂ e	CO ₂ e emission factor kg	Mileage Miles	CO ₂ e emissions tnCO ₂ e
Motorbike (125cc to 500cc) petrol	0.16559	1,712	0.28	0.16559	9,046	1.50
Staff Car (1.4L to 2.0L) petrol	0.30045	1,238,124	383.14	0.30029	704,958	211.69
Pedal Cycle	0	11,268	0	0	13,234	0
Total			383.42			213.19

Energy efficiency actions taken:

- Group-wide take up of remote working, including greater use of agile tools and software such as video calling and conferencing
- Reduction in travel between offices and sites as a result of the pandemic.

Total mileage fell from over 660,000 miles in 2019-20 to just under 157,000 miles in 2020-21 as a result of the coronavirus pandemic travel restrictions. No other energy efficiency or carbon reduction actions were taken.

Carbon footprint from fuel used in fleet vehicles and company cars

Total CO₂e emissions from fleet vehicles and company cars mileage was 53.48 tnCO₂e, that is 0.34 kgCO₂e per mile. This was calculated using the mileage and emissions factors below:

- Van Class I (up to 1.305 tonnes) petrol =
154,659 miles x 0.33923 kgCO₂e emission factor
- Company Car (type Executive) petrol =
2,775 miles x 0.36532 kgCO₂e emission factor.

Conversion factors

All the conversion factors used in this report accord with the Government's emission conversion factors for greenhouse gas company reporting, some of which change annually. Greenhouse gas reporting: conversion factors 2020 – GOV.UK (www.gov.uk)



Customers

Our objectives

- Listen to our customers, develop trusted relationships
- Be easy to do business with
- Excel at customer service
- Provide excellent care and support services to people that need them.

Our commitments

- Increase the opportunities for residents to scrutinise and shape how services are provided
- Increase resident involvement in the safety and improvement of our services, estates and neighbourhoods
- Increase the number of customers who find it easy to do business with us, feel listened to and would recommend us to friends and family
- Increase our overall customer satisfaction and reduce complaints by 10% year-on-year
- Maintain and seek to improve our Care Quality Commission (CQC) regulatory ratings.

Our progress during 2020-21

Key facts and figures

	2020-21	2019-20	2018-19
Customer enquiries processed by phone, email, webchat and portal	103,948	79,134	79,035
Customers surveyed per month	78	626	600
Incoming calls handled	190,789	224,963	212,000
Net Promoter Score	34*	42	26.1
Net Ease Score	27*	27	19.1
Overall Customer Satisfaction	74%**	83%	73%
Overall Satisfaction with Repairs	88%	83%	79%
Void turnaround time (days)	29	16	22
Emergency repairs completed within 24 hours	93%	93%	99%

* based on 100 respondents.

** based on 634 respondents (general needs, housing for older people and affordable rent residents).

Listening to our customers

Listening to our customers was more important than ever during the pandemic. That's why we paused our normal survey programme and instead, we directly consulted customers on the kinds of communications and activities they needed from us in a changing and unprecedented environment. This shaped our communication approach as we sought to keep customers updated on our services, which themselves were being adapted in response to evolving guidance from the government.

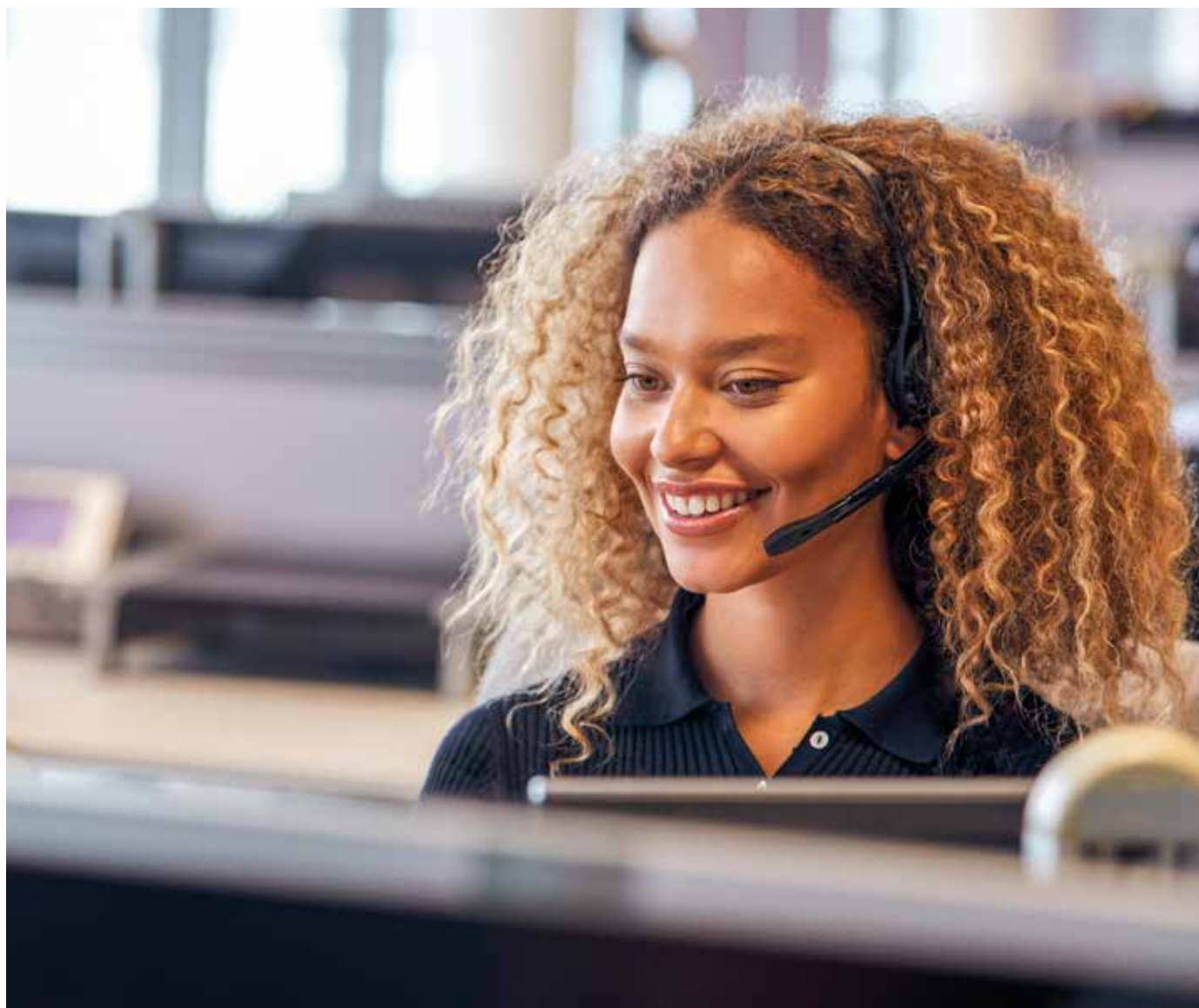
By December 2020, we had established a common thread in the pandemic feedback, and so reinstated our normal satisfaction surveys to ensure that a comparison could be made with prior years. Around a third of our usual survey volume was completed (720), with customer satisfaction reported at 74%, compared to the previous year's 83%. This, in part, was driven by the general dissatisfaction with life during the pandemic seen across all sectors of the economy. It also reflected the frustration felt by customers who experienced difficulties when accessing the Group's services.

Our ability to recover our customers' trust will depend on how well we can tackle backlogs built up during lockdown restrictions and our success in creating new digital services. Nevertheless, the score of 74% is not dissimilar to that achieved in the years 2016-19, which suggests the actions we took to increase satisfaction in 2019-20 were the right ones to prioritise as we return to a more normal way of working.

Service levels

By the end of March 2021, contact and work volumes in most areas were at a similar level to the year before, but the pattern was very different. The first quarter saw a big reduction in contact and some services – such as lettings – were completely stopped by pandemic restrictions. Services were reintroduced with great care over the summer and early autumn months, especially where sheltered residents were involved, many of whom were shielding. As we entered the winter months, through a combination of digitisation and adapting our ways of working, our teams began to deliver many services as normal, or at least very close to it.

In the run up to Christmas, demand began to pick up at the same time as we saw increased sickness and self-isolation absence among our colleagues. From the New Year, demand strongly resurged and complaint volumes rose accordingly, with customers demonstrating anxiety and frustration at the increased effort needed to access or receive our services. The learning from this experience is critical and our actions to ensure that we learn from complaints are set out later in the section, 'Learning from complaints'.



Making it easy to do business with us

The Group's ability to digitise and provide alternatives to face-to-face services is not just for the pandemic but has become part of our longer-term strategy to make it easier for all customers to access services.

The Group's customer contact centre remained open throughout the pandemic, although with reduced hours for phone calls to help staff manage the volumes of emails and portal messages. Taking calls, particularly where customers are frustrated or angry, is difficult for colleagues who are home working, particularly if their home set-up is not ideal or where they have had to share space with their children or parents. Priority was given to returning contact centre teams to the office whenever this was feasible within the restrictions at the time.

Transferring to a new, omni-channel platform in November greatly improved the team's capacity for digital contact, especially web chat, and from that point almost half of all customer contact came via channels other than the phone, showing a real demand from customers to engage with the Group digitally.

Looking forward

We have been improving our online customer services portal, gradually bringing our repair service online. We are excited to be working on many new services which will enable customers to self-serve on a platform that is available 24/7. Our ambition is to provide ready access to our services for digitally-engaged customers, without removing the phone service – or indeed written post service – that some customers continue to rely on.

Our ambition for the next 12 months is to rebuild the services that have been impacted by the pandemic with more digital options available to recover customer satisfaction and ensure that we are making it easy, whichever way our customers choose to contact us.

Learning from complaints

We know there will be times when we don't get our services quite right and residents may decide to complain about the service they have received. While we always want things to go right first time, complaints provide us with a valuable opportunity to listen, learn and make improvements to our services.

Last year the Housing Ombudsman introduced a new Complaint Handling Code as part of the revised ombudsman scheme. The new code set out to establish some best practices in handling complaints and covers areas such as making our complaints procedure easily accessible, suitable responses and improving by learning from complaints.

Our Complaints Handling Code and most recent self-assessment are available here: https://www.shgroup.org.uk/media/1023296/southern-housing-group-complaints-handling-code_final.pdf

Our Complaints Policy is here: <https://www.shgroup.org.uk/media/1023020/complaints-policy-dec-2020.pdf>

Our actions

We've been hard at work looking at how we learn from complaints and understanding the root causes of any dissatisfaction. We now have a dedicated team, and processes, to make sure that we learn from every single complaint we receive.

Our approach to learning from complaints is simple: we carry out a review of each complaint to understand the root cause and then work with colleagues and contractors to put it right. We also hold a quarterly Steering Group with colleagues and residents where we look at all the improvement themes and ensure we have a joined-up approach to improving our services. Together, we build an action plan and check back to make sure we're delivering against it.

The first of these Steering Group meetings took place at the end of April 2021 and we agreed to provide refresher training to employees on delivering great service. We are also looking at how we can better manage the replacement of boilers.

In addition to this, we have a number of operational improvements underway including how we manage missed appointments with contractors and how we keep residents updated effectively, every time.

It's important that we're open and transparent with our customers about how we're doing, so we publish a report and more information on how we learn from complaints on our website every month.

Further information can be found on our website here: <https://www.shgroup.org.uk/about-us/our-performance/learning-from-complaints/>



Resident involvement

Our Resident Involvement Team exists to proactively increase the opportunities for our residents to scrutinise and shape how our services are provided. The Group's resident involvement strategy has been revised and strengthened following the publication of the government's Charter for Social Housing Residents: Social Housing White Paper and the Housing Ombudsman Complaint Handling Code. The strategy prioritises communication, repairs, service, and respect.

Key facts and figures

355

actively involved residents

1,287

responses to involvement opportunities (residents taking part in multiple opportunities throughout the year)

64

projects completed

12,506

hours of dedicated involvement time

12%

of residents invited to participate responded

How our residents got involved

Online surveys	582 (40%)
Email	219 (15%)
Post	335 (23%)
Phone	154 (11%)
Face-to-face	17 (1%)
Virtual meeting	152 (10%)

Throughout the year, the Resident Involvement Team promoted opportunities to involve residents and explored avenues to reach out further to ensure the widest possible resident voice was heard.

This year we focused on the following resident involvement initiatives:

- The Steering Scrutiny Group and Resident Scrutiny Group undertook their first scrutiny exercise looking at the Complaint Handling Process including changes to the Policy to reflect the requirements of the Housing Ombudsman Complaints Handling Code. Recommendations from that scrutiny exercise are being actioned. Prior to the scrutiny review, residents from the wider involved list participated in focus groups that helped inform change to the Complaint Policy. Residents have also been involved in reviewing complaints communication.
- The Resident Involvement Team progressed with setting up a Homeowners Group. Homeowners interested in being part of this Group have provided feedback about the service they receive and what areas of this service they would like to see improved. This feedback has been shared with colleagues responsible for Housing Management, Section 20 consultation, and service charges. Communication has been identified as the priority and the Homeowners Group will help us to scope the next steps to improve this aspect of our service.
- In response to the pandemic, the team undertook a digital inclusion survey with involved residents to identify current access to digital engagement. The team supported residents to join online focus groups and engagement opportunities. To involve residents unable to access online meetings the team reviewed its offer to include telephone calls and one-to-one support. Residents who would like to be involved digitally but did not have equipment or skills were directed to Community Investment digital inclusion initiatives.
- Training has been provided to residents who expressed an interest in procurement and contract review. The trained residents have taken part in the Careline re-procurement, the tree work procurement, and the procurement of a large regeneration project. Four residents are now undertaking contract review roles relating to the Alliance Contract working closely with the Property Maintenance and Investment Team.
- Residents have been working with our Building and Fire Safety Teams to scrutinise how we meet our obligations to ensure that their homes and buildings are safe. This includes developing our Fire Safety Involvement Strategy.

Priorities for next year

The Resident Involvement Team have a busy year planned with their key priorities being to:

- Embed resident involvement further into the Group's governance structure to ensure that our resident voice has influence from the Board down
- Review our strategy to respond to the requirements of the Social Housing White Paper
- Work with our resident groups to obtain Resident Involvement Accreditation
- Support residents to engage in the ways they would like.

Thank you

We are very grateful for the time and effort our Customer Steering and Scrutiny Group members bring to helping us understand and improve our service.

Southern 360 care and support services for residents

We are proud that during this very challenging year for both the Group and our residents, we have been able to maintain our care and support services to some of the Group's most vulnerable residents in almost a business-as-usual capacity.

Working closely with our partners at the Isle of Wight Council and the Care Quality Commission we have supported our residents and colleagues with an absolute focus on health and safety and regulatory compliance, in Covid-safe working and living conditions. This has at times been a significant challenge for our residents as inevitably there have been limits and restrictions placed on how they can live. During this period, through detailed planning and with the utmost caution, we have also been able to let our brand new Extra Care Scheme at Ryde Village on the Isle of Wight. The service is transforming the lives of its new residents and, such is the local demand, we currently manage a waiting list for the scheme.

Support services

Our Southern 360 support services comprise hostel-based accommodation and support as well as 'housing first' type accommodation and support delivered across the Isle of Wight.

Homeless family service

In April 2020 we were awarded the new contract to deliver a Homeless Family Service across the Isle of Wight. We are contracted to house 26 families in different sized accommodation on assured shorthold tenancies which will convert to assured tenancies at the end of two years.

Single homeless pathway service

From 1 November 2020 the new Single Homeless Pathway Service was launched. This service was a result of the Isle of Wight Council commissioning a different approach to managing homelessness on the Isle of Wight. We work in partnership with the Isle of Wight Council and other support providers to create a pathway out of homelessness.

Learning disability – supported living and outreach

We deliver a supported living service to up to 25 individuals with learning disabilities and autism. The supported living accommodation is varied to suit the different preferences of individuals looking to live more independently. Our customers are a close-knit community and often socialise across the schemes.

We also provide an outreach service to people living in the community but not necessarily in our supported living schemes. On average we support approximately 60 people across the service.

Overall customer satisfaction levels with these services were 99% (2019-20: 93%) and all our registered care services were rated as 'outstanding' or 'good' by the Care Quality Commission (CQC).



Supporting Independence and Care



▲ Caddie, our resident disability dog, supporting our innovative approach to maximising residents' independence

Overall customer satisfaction levels with these services were

99%



Focus on: Caring on the front line

Care homes across the UK have been at the frontline of the pandemic. At the start of lockdown, the main aim of our care staff was to ensure that residents remained as safe as possible and had the least disruption to their daily lives.

However, as government guidelines changed, some of our care homes were able to introduce socially distanced visiting in the garden area where residents greeted visitors through open doors or windows. To support residents' wellbeing, staff also put together events and activities that were safe for residents to participate in.

Naomi Keyte, Head of Sheltered and Care Services, said, "I am extremely proud and humbled by the continued dedication and commitment of our staff to help our residents keep well and safe during this challenging time. One example is providing a safe space for residents to see their families. By using a dedicated room, specialist equipment and personal protective equipment, relatives and loved ones could keep in touch with residents which supports their physical and emotional wellbeing."

Emma Bound, Manager at 22 Argyll Street, said, "We managed to secure a private slot at the swimming pool. We have it once a week for one hour and they give us time to change afterwards, as they understand that this can take us some time due to our residents' physical needs. We are so pleased about this, as we have seen our residents' physical health deteriorate over the last few months because they haven't been able to access their usual activities."

Mike Janvrin, Senior Clerical Carer at Byrnhill Grove, said, "Here at Byrnhill Grove, we have reintroduced the hairdressing services and our local minibus tours. We've been following all guidelines to keep everyone safe."

And our colleagues' dedication and professionalism hasn't gone unnoticed by some of our supported care residents either. Kelly, one of our residents, said, "I want to thank you all for the service I have been getting these past months. Although, I have been with Southern Housing Group for over 18 years, I know the last eight months have been hardest for your staff."

Communities

Our objectives

- Invest more in creating sustainable estates and neighbourhoods that people are proud to live in
- Improve the lives of our residents and their communities
- Work with our local partners to improve our residents' communities

Our commitments

- Increase the number of customers we help with our financial inclusion and employment support services
- Maximise the income we help generate for customers through our interventions
- Increase our investment and impact in communities
- Increase awareness of our role in communities

Our progress during 2020-21

Southern 360 – community investment and care services

Making lives better, supporting independence and improving communities is at the heart of what we do as an organisation. Southern 360 is committed to making meaningful contributions to people's lives and helping local communities thrive.

Key facts and figures

£1.5m

invested in our communities

8,538

customers benefitted from our community investment support

£450k

Group-wide grant invested in residents and their communities

£5.3m

income generated for the benefit of customers

£691k

funding leveraged through partnerships

4,389

people benefitted from Group-wide grants

£215k

of social value gained from our supply chain

100+

Colleague volunteers supporting residents, communities and community projects

£24k

community grants to help charities cope with the impact of Covid-19 including to foodbanks with over 1,600 beneficiaries



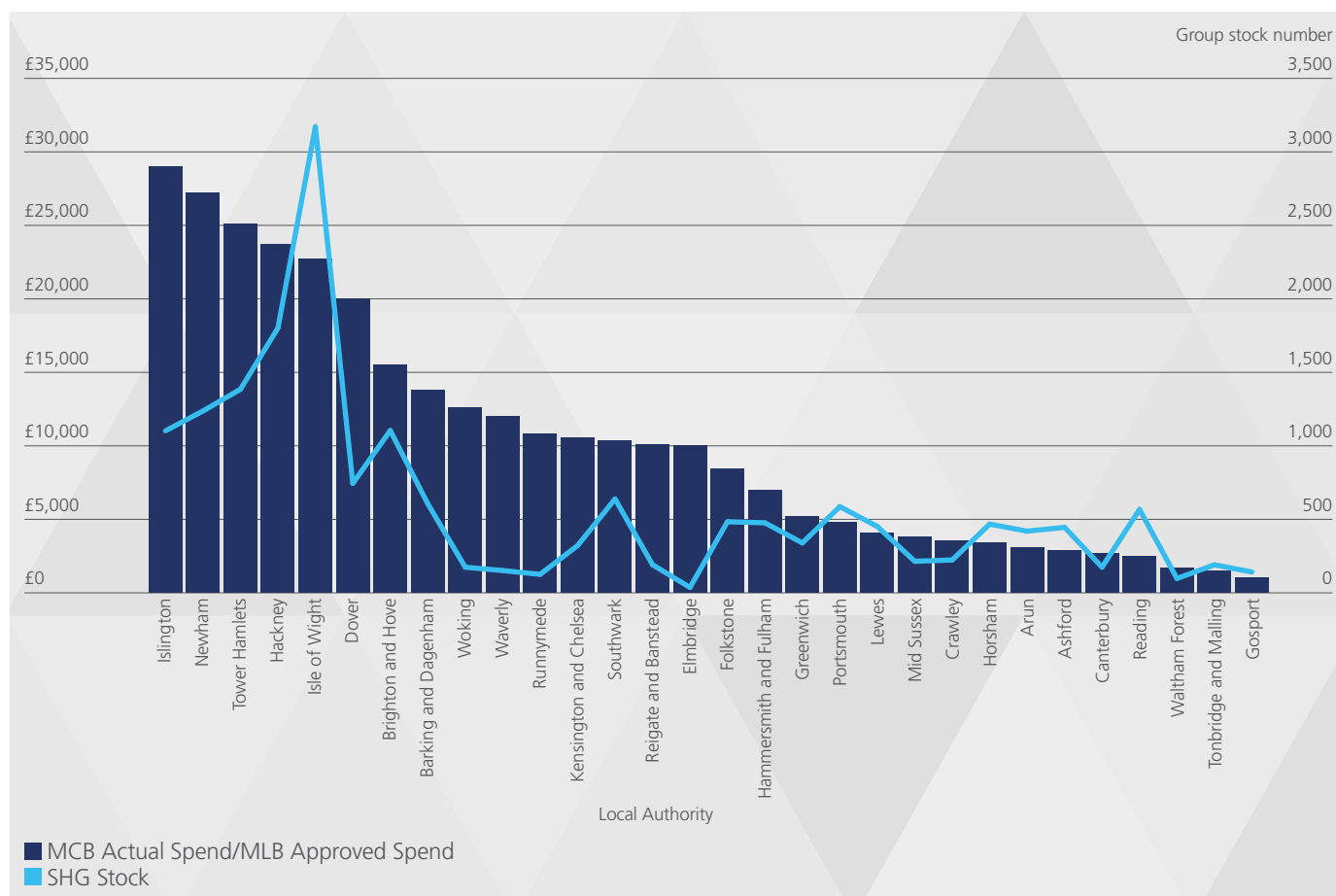
Southern 360 community investment services cover a range of different functions

- **Financial inclusion service** – a team of Financial Skills Officers delivering one-to-one tailored support
- **Southern 360 hotline** – a dedicated team triaging residents' needs and making onward referrals, the hotline is the first point of contact for any of our Southern 360 community investment services
- **Employment, skills and training** – a team of Employment Skills Officers, working in partnership with national, regional and local organisations to provide a range of opportunities to support residents with work and training related activities
- **Partnership working** – through a wide range of partnerships we are able to leverage funding to develop and sustain partnership projects to support our residents and their communities
- **Volunteering and paid work placements** – support for residents wanting to give something back to their communities and those who wish to develop their skills and confidence to help them secure work
- **Social value** – maximising our leverage through SHG contracts to support all aspects of our community investment activities
- **Grants programme** – individual and small group grants can be applied for through our Making Lives Better fund, supporting personal progression and small-scale community activities with grants up to £5,000. Large community grants and project funding over £5,000 can be funded from our Making Communities Better grant fund
- **Community centres** – we own 17 Centres, predominantly in and around London. These host a variety of community groups and activities that benefit local people and their communities
- **Digital skills** – through a joint programme with national training provider We Are Digital, we offer our residents up to six hours of free digital skills training and, where possible, access to free digital equipment.

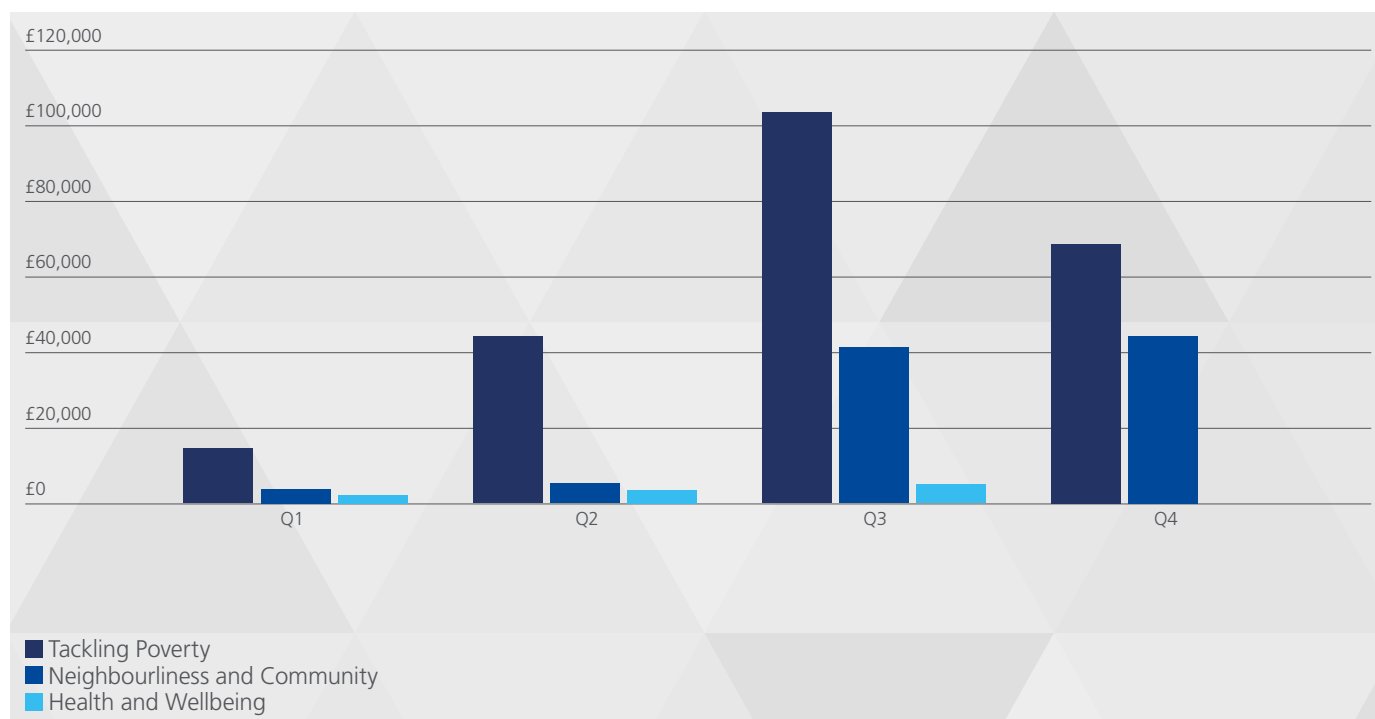
Grant spending

In 2020-21, we allocated over £450,000 in grants across 45 local authority areas.

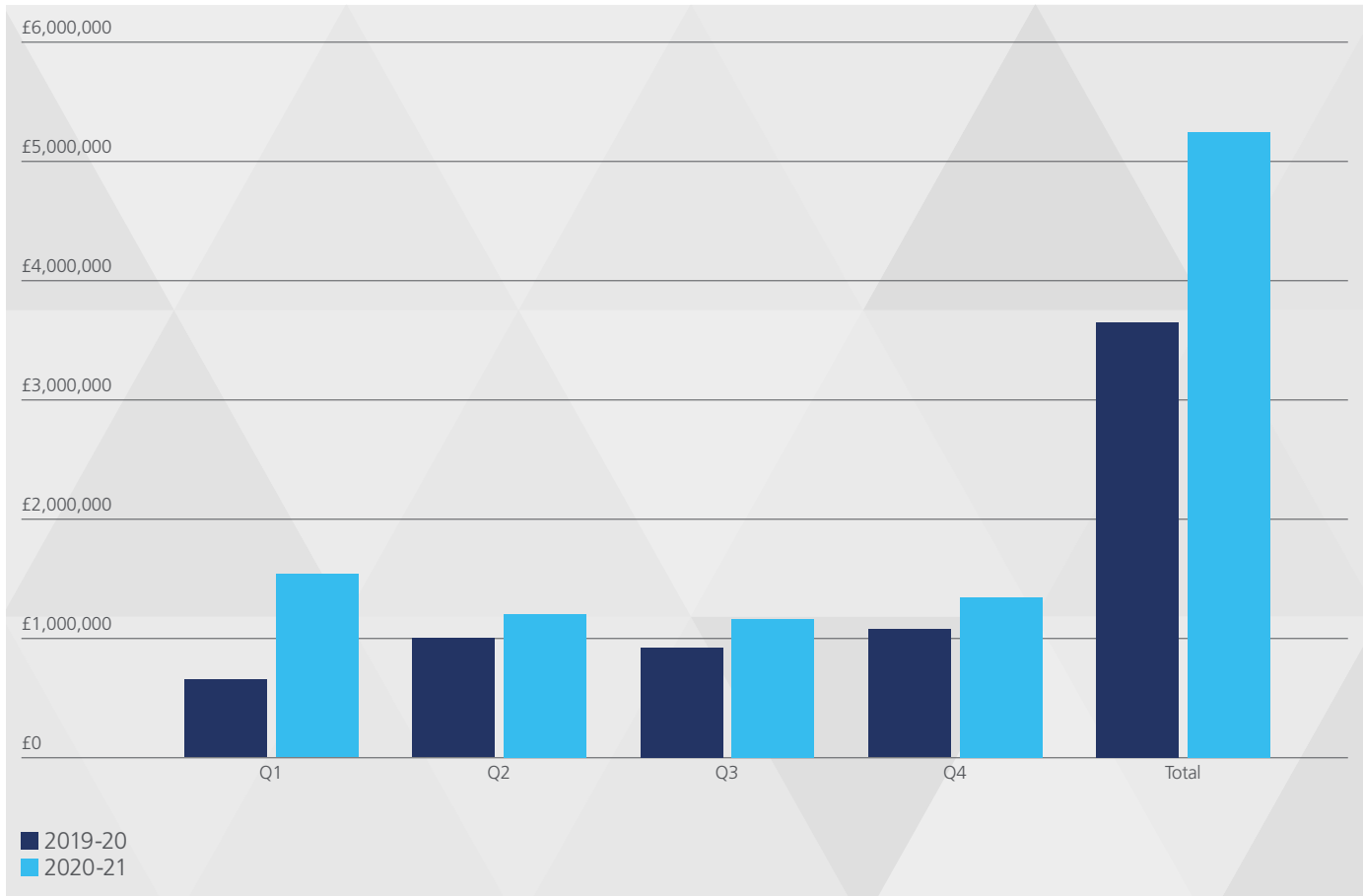
Grant spend by local authority area 2020-21



Approved grant spend by theme



Income granted 2020-21 and 2019-20



Total income generated during the year 2020-21 was £5,252,020, up by £1,607,549 from the previous year. External partnerships generated £180,679 of the overall total through projects such as the East End CAB debt advice service, Kennedy Scott and food pantries. The Southern 360 hotline contributed £443,776 to this income total, which is an increase of £20,000 on last year's performance.

We were able to access Family Action funding this year to support residents through Covid-19 related hardship and this represented £189,565 of the income generated.

Covid-19 related community support

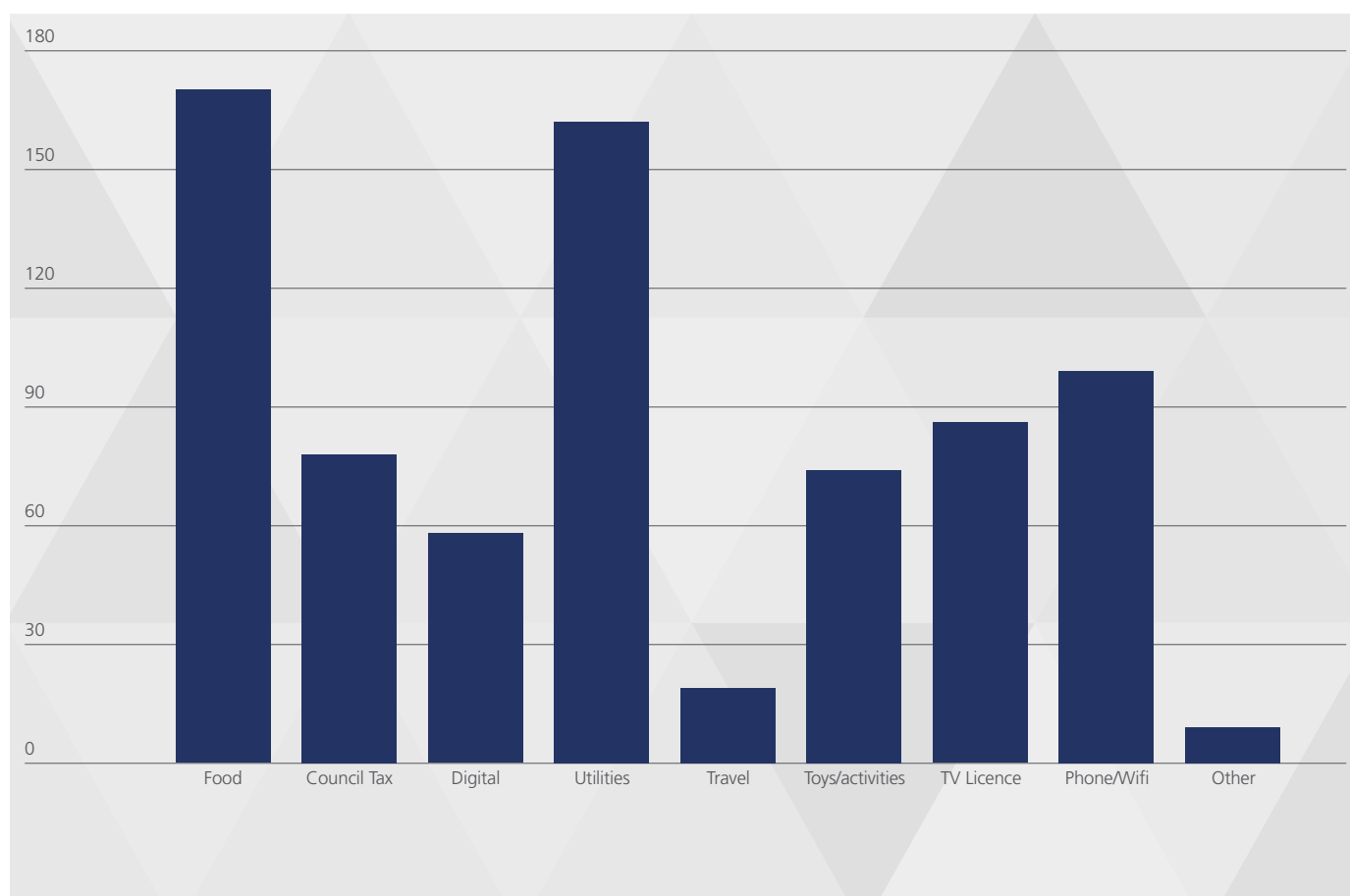
In November 2020, we formed a partnership with the Family Action Fund and became a registered referral partner. This allowed us to apply for emergency Covid-19 funding to help residents with a wide variety of needs as indicated in the table on the next page.

Frontline staff were encouraged to make applications on behalf of residents who had been impacted by Covid-19 and a tracking system was established to record and monitor our spend. Over the course of five months, we supported 175 households in accessing essential funds, providing many of them with a lifeline. Total funding secured for our residents was £182,905.

Total funding secured for our residents was

£182,905

Households supported by item



Community centres and the impact of Covid-19

Lockdown restrictions resulted in most of the Group's community centres being closed down, and almost all community centre activity being suspended.

A number of our centres were used as food distribution points during the crisis.

One centre which hosts a nursery in Hackney remained open to support a number of children with special needs.

Centres are now slowly starting to open to a wider range of activities and will continue to do so as lockdown eases over the coming months. All necessary safety measures and precautions are being taken to ensure the safety of residents, the public, contractors and Group colleagues.

We will be conducting a review of our centres over the coming months and creating a strategy to direct the future development of our community assets.

Focus on: Fighting food poverty

More than eight million people in the UK struggle to feed themselves and their families. This includes many working people and families with children, as well as some disabled people and people in later life.

Southern Housing Group has a strategy to help combat food poverty.

Food Pantry schemes

Food pantries are subsidised food shops supported through partnership initiatives with our contractors and other housing associations. Customers of the Group who fulfil the required criteria can apply for membership of the Pantry for a nominal cost per week, which allows them to fill their shopping baskets with donated, or vastly reduced priced, foodstuffs.

Last year, we set up the Ixworth Food Pantry in South Kensington in partnership with the St Giles Trust to tackle food poverty by giving vulnerable residents access to groceries for a nominal fee.

This year there has been an increased number of families living on reduced incomes. In response to this, the Group has stepped up to open further food pantries in partnership with our contractors – for example in Dover.

Rajvinder Kaur, Employment Skills and Development Officer said, "Social Value gifted [by our partners] makes all the difference and can save the Group valuable resources while improving the wellbeing of our residents and the wider community."

Bill Watts, Construction Director at Amber said, "We are delighted to complete the works in Dover, and we are looking forward to assisting in the Reading area once a location can be found... I truly feel this initiative will really make a difference and we thank the Group for the opportunity to play our part."



Supporting food banks

The pandemic has seen a dramatic increase in demand for foodbank services across the country, as many people's incomes have fallen during the crisis. Supporting community foodbanks is part of our wider food poverty strategy.

We provide food vouchers which can be redeemed at most major supermarkets through our hardship fund, enabling more residents to gain access to fresh produce not typically available at food banks.

A great example of our work supporting food banks involves Tower Hamlets' biggest foodbank, First Love Foundation. In recognition of the valuable service they provide across the local community, we donated £5,000 to the Foundation this year.

Keeping up with demand has been a challenge for First Love Foundation, which reported a 900% increase in people turning to its summer service during the pandemic. Tower Hamlets has the highest rate of child poverty in London with a staggering 44% of children living in inadequate conditions and without access to nutritious food. The foodbank's Love Summer Foundation scheme helped struggling parents throughout the holidays, providing a variety of advice, food, workshops and parental support.

First Love Foundation CEO and Co-Founder Denise Bentley said, "Our 'Love Summer 2020' campaign has been critical for children in the borough who live in poverty. Covid-19 has increased demand for our services, as children are unable to attend summer camps and parents struggle with increased economic pressure. The support from Southern Housing Group has been instrumental in ensuring we can continue to support children in the borough and make sure not only no child goes hungry, but that each family is fully and properly supported."

Over in Newham, the Group donated £5,000 towards Newham Food bank, in recognition of the valuable service they provide across the local community.

The Mayor of Newham, Rokhsana Fiaz OBE, said, "As many are aware, Newham has one of the highest rates of child poverty in London and a high rate of households in temporary accommodation. Organisations such as Newham Foodbank already provided an invaluable service for our community but have gone above and beyond during this time of crisis. Southern Housing Group's support will be a huge help in our fight against food poverty and our commitment to supporting families in the Newham community during Covid-19."

Anabel Palmer, Director of Community Investment and Care at Southern Housing Group, added, "Although foodbanks shouldn't be needed, we recognise the vital role they have played in our communities during these challenging times."

Focus on: Supporting community education

Tutors United is a small charity providing free English and Maths tuition to children in Primary school, Years 4, 5 and 6. They partner mainly with housing associations and provide small weekly classes on their estates. We started working with them several years ago on two estates. Feedback from parents has been very positive with children markedly improving in literacy and numeracy. We have since expanded the provision to five classes, four linked to estates and one virtual class which can take Southern Housing Group residents from anywhere in the Group.

At the start of lockdown the physical classes all moved online without a hitch, and we are currently in conversation with Tutors United about how and where to continue this model as lockdown eases, as it offers the opportunity for more universal provision across the Group.

Measuring outcomes - one student's story

In initial assessments, Anna*, received a grade of 3S in English, which was three years below where a Year 6 pupil should have been.

After support from Tutors United, Anna's maths' assessment score increased to 71%, just four percentage points away from being above average in the age group.

In English, Anna improved from the initial result by one whole year standard, achieving a 4S in midpoint grading.

* name changed.



Focus on: Charity fundraising 2020-21

Colleagues across the Group raised

£34,000

for the Group's chosen charities this year:

- The Foodbank, Isle of Wight
- Momentum Children's Charity - covering Sussex and London
- Air Ambulance Service for Kent, Sussex and Surrey
- Turning Tides - Sussex charity for the homeless.

People

Our objectives

- Be a place where colleagues are proud to work
- Be a supportive, inclusive, diverse and equal opportunity employer
- Create a high-performing culture that supports our people to grow.

Our commitments

- Increase our investment in staff training and development over the next three years
- Increase our employee engagement score year-on-year
- Increase the percentage of colleagues saying they are proud to work for the Group
- Reduce and eliminate any pay gaps among our diversity strands
- Ensure our workforce reflects the diversity of the communities we serve
- Continue to support the health, safety and wellbeing of our staff and reduce health and safety incidents.

Our progress during 2020-21

Although this has been a year like no other, we have kept on track with our People Strategy.

Following lockdown in March 2020, we were able to adapt quickly and equip all our office-based colleagues (around half of all colleagues) to continue working in a fully agile way – mostly from home.

Equality, Diversity and Inclusion

We have refreshed our Equality, Diversity and Inclusion strategy and agreed a series of actions over the next three years.

Our network groups have grown and developed and provide support, information and guidance to colleagues across the BAME, Age, LGBTQ+, Parents and Carers, Women and Disability strands.

Strengthened by the Black Lives Matter agenda, we have focused on leadership development for BAME colleagues. Working with other G15 organisations, we have created a specific leadership development programme for BAME colleagues. The G15 'Accelerate' initiative was launched in July 2020, with four Group colleagues taking part.

We continue to work with Future of London on their Emerging Talent programme. We also supported the Leadership NOW programme developed by UNIFY (the combined groups of the G15 BAME networks), which launched at the end of November and is supported by our BAME network chair.

Learning and development

We provide a comprehensive range of training and development initiatives and, this year, we launched the first step of our new performance and talent management approach. This will improve how we set expectations and objectives, explore development and individual aspirations, check in on wellbeing and formalise feedback on an annual basis.

Best Companies survey

We launched our Best Companies pulse survey in September which provided a good indication of how we are tackling the key issues that matter to colleagues across the Group.

Key results:

- 75% engagement (812 individuals) – target 72%
- Employee engagement score increased to 671 – we are a one-star company
- Increased scores in Leadership, My Manager, My Company, Wellbeing, Fair Deal and Giving Something Back
- Decreased scores in Personal Growth and My Team – the reasons for this are being explored in more detail with individual teams
- Fair pay: more than 95% of colleagues agreed they are paid fairly for the work they do relative to people in similar positions in similar organisations, and that they feel they receive fair pay for the responsibilities they have in their jobs. This improvement on the previous survey can be attributed to the implementation of the salary benchmarking review that took place this year.

Gender pay gap

We have continued to reduce our gender pay gap year-on-year to 15.2% in April 2020 (from 18.1% in April 2017).

Wellbeing

The individual wellbeing of our colleagues is a key priority for the Group.

How we support colleagues:

- Providing specific support for mental health issues (tackling stress and isolation)
- Offering sources of advice and guidance through our employee assistance programme, mental health first aiders, help from line managers or from HR colleagues
- Launched 'Wellbeing Wednesdays'
- Mental health awareness training (RESPOND) for all.

Reward and recognition

Throughout the year, we have recognised the achievements of colleagues across the Group and how they have gone the extra mile in spite of difficult circumstances.

This includes:

- Making corporate thank you payments to our frontline colleagues
- Individual 'All in A Day's Work' accolades awarded by the Chief Executive
- Holding our second annual OSCARS (Outstanding Southern Colleagues Achievement and Recognition Scheme) ceremony virtually in December and celebrating the successes of teams across the Group
- Reviewing our benefits offer.

Our priorities for the year ahead

Key areas of focus will include:

- The development of our talent management approach
- Encouraging our new hybrid agile way of working in a post-Covid environment
- Continue to manage the Group's employer brand and public profile through our recruitment strategy to attract new and diverse talent
- Develop our Equality, Diversity and Inclusion action plan
- Work to deliver the targets in place to double BAME representation at leadership and Board level as part of our commitment to our Leadership 2025 pledge.

Individual wellbeing remains firmly on our radar and we will continue to support our colleagues in this area as well as reduce any health and safety incidents.

Focus on: Supporting careers

Apprenticeships

Chelsea has been with the Group since May 2017 in her role as a Support Worker. She wanted to advance her skills and achieve a recognised qualification, so with the support of her manager, she applied to join the Group's apprentice scheme, which is part funded by the government's Apprenticeship Levy, and with contributions from the Group.

Her hard work paid off and Chelsea now has a Level 3 Diploma in Health and Social Care.

Other apprenticeships on offer range from housing and property management, business administration, care leadership, accountancy, plumbing and more. Currently, there are 28 Group employees on the apprenticeship programme.

Chelsea said, "Overall my apprenticeship was very good. I had lots of support throughout the whole experience from my team leaders Debbie Daniels, Support Team Leader, and Emma Venables-Smith, Wellbeing Manager, and from HTP Apprenticeship College on the Isle of Wight. I really would recommend doing an apprenticeship to other colleagues. It has helped me have more of an understanding of the different needs of our customers, from those with physical health problems and/or mental health needs. I also feel more confident in my role and it may help me make a career change within the Group in the future."

Nicky Marsh, Apprenticeship and Qualifications Co-ordinator said, "The aim is for all apprentices to be offered a permanent position within the Group on completion of their apprenticeship if they're not in a role already. Hopefully, the apprenticeship role is just the start of someone's successful career journey with us."



Resources

Our objectives

- Remain financially stable and well-governed
- Create financial capacity and use it to provide more homes
- Get fit for our digital future
- Provide value for money services to our customers.

Our commitments

- Continue to generate and prioritise resources to reinvest in our social purpose
- Continue to generate a positive return on our assets
- Maintain the public funding streams supporting our development programme
- Improve how we use resources, reducing overheads per unit and monitoring our 'value for money' metrics
- Ensure that we prioritise digital investment to help us to deliver our objectives.

Our progress during 2020-21

Highlights

Every penny of our surplus and more is reinvested in our existing homes and services as well as the provision of new homes, and we continue to use our capacity to meet growing housing needs. This year £87m was invested in the delivery of new-build homes and we invested a further £42m in enhancing the safety and quality of our existing homes. Our top priority remains the health, safety and wellbeing of our residents and along with £14.5m spent during the year on building safety, we invested £1.5m in our communities.

This level of investment is supported by the consistent generation of surpluses, grant receipts from our strategic partnerships with Homes England and the Greater London Authority and careful treasury management, which included the issuance of £100m of retained bonds in May 2019.

	2020-21 £m	2019-20 £m
Investment		
In existing homes	42	30
In new homes	87	260
In the business	6	5
Funding		
Surplus for the year	82	23
Treasury management	43	236
Grant and other	10	36

In April 2020 we welcomed Crown Simmons into the Group as a separate subsidiary, adding a further 625 units to our portfolio and generating a one-off accounting gain on acquisition of £58.8m. Crown Simmons operates in the Surrey area under its own Board and independent brand.

The year was dominated by the coronavirus pandemic and we mobilised quickly to support customers and colleagues. Our financial inclusion services ensured that customers had the support they needed to manage their finances during a very challenging time and more than 100 employees volunteered their free time to support customer wellbeing. This was a period of radical operational change and all our services, whether provided on the frontline or behind the scenes, had to be reengineered to ensure customer and colleague safety.



▲ The Mannings, Shoreham-by-Sea

Group financial performance

Turnover

Turnover for the year totalled £212.2m, £24.7m lower than the prior year. Social housing lettings continue to constitute the majority of turnover from operations at 80% (2020: 69%) and income from lettings totalled £168.4m (2020: £162.9m). We took the decision to increase rents by CPI +1% with effect from 1 April 2020, in line with the provisions of the Rent Standard 2020-2025 published by the Regulator of Social Housing. Lettings income was further increased with the addition of 625 homes to our rented housing stock during the year following the merger with Crown Simmons.

While shared ownership sales were higher than last year at £18.9m (2020: £15.2m), open market sales were lower totalling £10.4m (2020: £47.3m). The fluctuations in these figures reflect year-on-year tenure variations in our development programme and 2020 saw a particularly high volume of market sale units from the completion of our Featherstone, London Lane, Dalmeny Avenue and Bow River Village Phase 2 schemes.

	2020-21	2019-20	2018-19	2017-18	2016-17
Social housing lettings	80%	69%	70%	78%	78%
Other social housing activities	12%	9%	13%	16%	12%
Non-social housing activities	8%	22%	17%	6%	10%

Operating surplus

	2020-21 £m	2019-20 £m Restated ¹	2018-19 £m	2017-18 £m	2016-17 £m
Group financial performance					
Turnover	212.2	236.8	230.5	199.7	200.1
Cost of sales	(25.6)	(47.3)	(39.3)	(29.3)	(24.2)
Operating costs	(148.3)	(145.5)	(129.3)	(121.3)	(111.3)
Surplus on disposal of fixed assets	16.5	24.1	9.7	11.1	13.6
Investment property valuation	6.2	(5.9)	0.6	3.0	20.5
Operating surplus	61.0	62.2	72.2	63.3	98.8
Net funding costs	(38.1)	(38.4)	(32.8)	(22.0)	(31.9)
Gain on acquisition	58.8	–	–	–	–
Taxation and gift aid	(0.1)	(0.3)	(0.8)	3.6	(4.9)
Net surplus for the year	81.6	23.5	38.6	44.9	62.0
Pension scheme movements	(4.5)	0.2	(1.2)	6.1	(2.4)
Total comprehensive income	77.1	23.7	37.4	51.0	59.6

¹ See Note 32 of the Financial Statements – Prior year adjustment.

The Group's overall operating surplus was £61.0m compared with £62.2m in 2020 and the total operating margin increased from 26.3% to 28.8%. Overall operating costs are slightly higher than last year at £148.3m (2020: £145.5m). Increases attributable to the operating costs of the Group's new Crown Simmons subsidiary, as well as the additional costs associated with our response to the coronavirus pandemic, were offset by efficiencies generated from our underlying operations.

We have continued our strategic approach to asset management in the year, rationalising our areas of operation to increase the efficiency with which we deliver services to our customers. A total of 257 units were sold to another registered provider, completing a phased transaction that began in 2020 and generating a surplus of £7.8m in 2020-21 to be reinvested in new and existing homes. Demand from our residents for an increased ownership share in their homes remained strong, with our surplus from staircasing receipts totalling £8.5m during the year (2020: £10.2m).

Last year, the impact of economic uncertainty caused by both Brexit and Covid-19 were felt in our investment property valuations which experienced a net reduction of £5.9m. These losses have been reversed this year as markets have stabilised and we have

recognised a valuation gain of £6.2m. Excluding the impact of investment property revaluations, our underlying operating margin was 25.9% (2020: 28.7%). This slight decrease is attributable to the larger programme of strategic asset disposal undertaken in 2019-20.

Net surplus for the year includes the impact of the one-off accounting gain on acquisition of Crown Simmons of £58.8m, driving an overall net margin of 38.5% (2020: 10.0%). Excluding this one-off gain, the surplus for the year is in line with the prior year at £22.8m (2020: £23.5m) with a net margin of 11.0%.

Total comprehensive income has been significantly impacted by the movement on pensions which this year shows a £4.5m actuarial loss compared with a small gain last year of £0.2m. This has been caused by the accounting deficit acquired in respect of Crown Simmons members and changes in the assumptions used for the Group's existing defined benefit schemes, including a lower discount rate to reflect a significant reduction in yields on high-quality corporate bonds and an increase in long-term inflation expectations. These movements are partially offset by higher than expected asset returns.

Financial review (continued)

	2020-21 £m	2019-20 £m Restated	2018-19 £m	2017-18 £m	2016-17 £m
Surplus and margin by business line					
Social housing lettings:					
Operating surplus	30.2	26.4	37.1	39.8	48.4
Margin	18.0%	16.2%	23.2%	25.6%	30.9%
Other social housing activities:					
Operating surplus	0.6	0.9	3.6	3.0	7.4
Margin	2.3%	4.7%	12.3%	9.4%	34.0%
Non-social housing activities:					
Operating surplus	7.2	19.5	21.2	6.3	8.8
Margin	40.3%	36.2%	51.9%	52.4%	40.4%

Margins on social housing lettings have started to recover following successive years of reductions. Increased investment in building safety following the Grenfell fire and the cumulative impact of four years of government-mandated rent reductions had put significant downward pressure on our social housing lettings margins in recent years. In 2020-21, rents have been increased in line with the Rent Standard and have been favourably impacted by the growth in our social housing units following our merger with Crown Simmons. Social housing costs have increased slightly year-on-year to £138.2m (2020: £136.5m) reflecting the operating costs of the Crown Simmons units as well as additional expenditure from our response to the pandemic. Our Group-wide efficiencies programme has partially offset the impact of these increases and as a consequence margins have risen from 16.2% to 18.0%.

Other social housing margins have been negatively impacted by lower than expected sales of shared ownership arising from successive periods of national lockdown and tiered restrictions. Sales were also delayed while we obtained additional building safety certification to facilitate completions at some of our sites.

The fixed costs of supporting shared ownership sales, when attributed to lower turnover, have resulted in a small loss of 4.5% on first tranche shared ownership sales against a surplus of 8.8% last year. All the necessary building safety certification is now in place to satisfy mortgage lender requirements and sales are underway.

Margins on non-social housing remain strong, supported by consistent year-on-year performance in our commercial and private rent lettings and margins in excess of 40% on open market sales.

Group financial position

Net assets have increased by £77.0m to £711.5m during the year, further enhancing the Group's historically strong financial position. Long-term borrowing has marginally increased to £1,712.5m from £1,700.0m but gearing remains low relative to our peers at 40.7% (2020: 40.4%). The increase in financing has funded the development of 93 new homes during the year (2020: 419) and we are targeting the delivery of 199 more in 2021-22.

	2020-21 £m	2019-20 £m Restated ¹	2018-19 £m	2017-18 £m	2016-17 £m
Group financial position					
Non-current assets					
Property, plant and equipment	2,214.6	2,102.7	1,975.9	1,873.9	1,809.3
Investment properties	162.1	143.3	106.9	108.9	78.8
Other investments	19.1	19.0	19.2	24.3	22.2
Net current assets	49.6	81.5	92.2	31.7	130.0
Total assets less current liabilities	2,445.4	2,346.5	2,194.3	2,038.9	2,040.3
Long-term creditors	(1,712.5)	(1,700.0)	(1,564.4)	(1,445.6)	(1,496.4)
Deferred tax	(0.7)	–	–	–	–
Provisions	(7.5)	(3.5)	–	(1.4)	(0.2)
Pensions	(13.2)	(8.5)	(9.3)	(8.7)	(9.9)
Total net assets	711.5	634.5	620.6	583.1	533.8
Total reserves	711.5	634.5	620.5	583.1	533.8

¹ See Note 32 of the Financial Statements – Prior year adjustment.

Assets held for sale totalled £14.9m at the end of the year (2020: £22.1m) representing five unsold units for open market sale and 69 unsold shared ownership units. Of these, one open market and 37 shared ownership sales have subsequently completed. EWS1 forms have been obtained where required and sales are progressing.

Treasury and capital structure

The Group maintains a treasury management policy, the principal purpose of which is to monitor and control the cost and risk associated with our treasury management activities. This policy is an important element of our governance framework and prescribes our approach to the management and mitigation of liquidity risk, interest rate risk, credit and counterparty risk and any refinancing risk arising from the maturity profile of our debt portfolio. Compliance with loan covenants is regularly monitored by the Board. We have remained compliant with all our covenants during the year, and are forecasting continued compliance over the life of our long-term financial plan (a period of 30 years).

We draw our funding from a range of different sources to provide a diversified funding structure. Total facilities as at 31 March 2021 were £1.4bn, comprising a mix of loan facilities and bond finance. Of these facilities, £401.9m remained undrawn at the financial year-end, comprising revolving credit facilities capable of draw down within 72 hours. Refinancing risk is actively managed and at 31 March 2021 we had £620.4m (45%) of our loan portfolio expiring in the next five years, of which £480.7m relates to revolving credit facilities. We anticipate these facilities will be rolled forward as they fall due.

Cash balances totalled £35.7m at 31 March 2021 including £11.1m of ring-fenced cash deposits and balances. The treasury management policy requires us to maintain sufficient cash and committed loan facilities capable of immediate draw down to cover the next 18 months' committed cash flows, excluding any forecast sales income. At the financial year-end we had forward cover for these commitments significantly in excess of policy requirements.

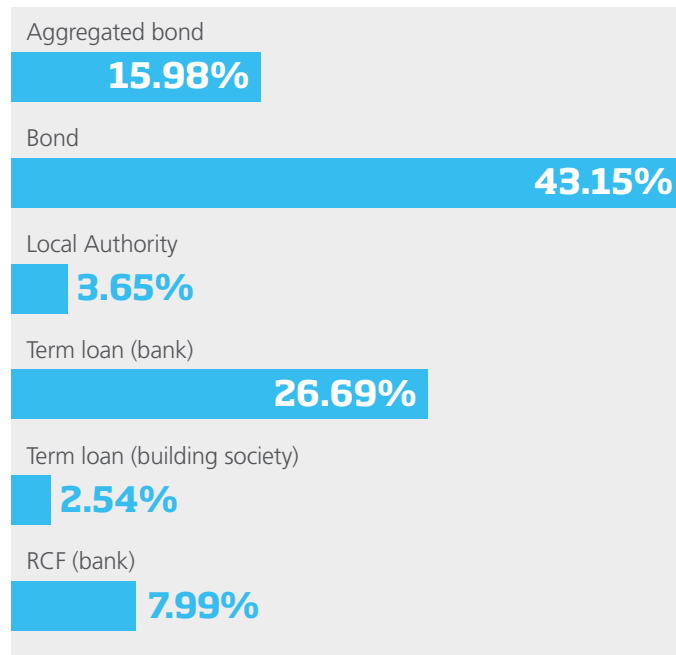
With the exception of local authority loans totalling £36m which are unsecured, all remaining facilities are fully secured on the Group's housing properties. In accordance with the annually approved treasury strategy, we actively manage levels of property security to optimise the use of the Group's assets in supporting our funding requirements. At the year-end, the Group had more than 9,000 unencumbered properties available as security.

Of £985.0m drawn debt at year-end, 81.1% was at fixed rates of interest and 18.9% at variable rates, well within the requirements of the treasury management policy. The weighted average cost of funds as at 31 March 2021 was 4.04%. The Group has no stand-alone derivatives or exchange rate exposure.

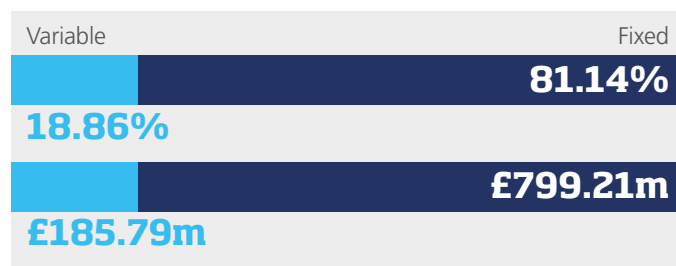
Our primary objective in relation to investments is the security of capital and this is prioritised over returns. The treasury management policy outlines the requirements relating to the long-term credit rating of any counterparty together with limits on the value of the sums invested.

The Group maintained its A3 credit rating with Moody's during the year.

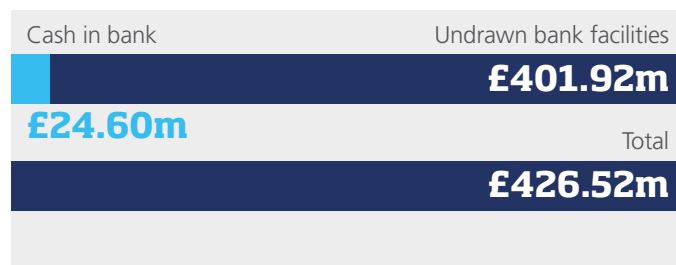
Funding mix (drawn debt)



Interest rate mix



Summary of the Group's liquidity



Group's liquidity management





▲ Baden Powell Close, Dagenham, Barking & Dagenham

Facility maturity

Within one year

£33.21m

2-5 years

£587.27m

6-10 years

£120.31m

10-20 years

£331.07m

>20 years

£315.05m

Average cost of funds

4.04%

Outlook

The social housing sector faces significant challenges in the coming years, not just from the costs to remediate fire safety issues but from reaching the government's net zero carbon emissions target by 2050. The precise costs of the latter are unknown at present but are likely to far exceed the building safety expenditure seen in the sector in recent years. In common with many of our developer peers, we are examining our future appetite for development growth in light of these emerging challenges.

Our improving operating performance will enable us to access significant untapped capacity to fund our growth and investment programmes. Coupled with our large balance sheet, high levels of liquidity and low levels of borrowing relative to our asset values, we are well-positioned to meet the current and future sector challenges with a business plan that is highly resilient to both acute and prolonged periods of stress.

Available facilities (million)

£401.92

We are committed to driving value for money in all our activities. That means maintaining our strategy to increase investment in new and existing homes and optimising the returns generated from all areas of our operations.

Value for money is explicitly embedded in our decision-making processes and we don't just measure our success by the cost of delivering services but by their outcome for our customers. Rather than maintaining a separate value for money strategy we embed value for money objectives in all our core business strategies which together support the delivery of our overall corporate plan.



Homes

- Ensure all our residents have a decent, safe home.
- Invest more in maintaining and modernising our homes.
- Provide more homes in the areas we work.
- Ensure our homes are sustainable, affordable and energy efficient.

Customers

- Listen to our customers, developing trusted relationships.
- Be easy to do business with.
- Excel at customer service.
- Provide excellent care and support services to people that need them.

Communities

- Invest more in creating sustainable estates and neighbourhoods that people are proud to live in.
- Improve the lives of our residents and their communities.
- Work with our local partners to improve our residents' communities.

People

- Be a place where colleagues are proud to work.
- Be a supportive, inclusive, diverse and equal opportunity employer.
- Create a high-performing culture that supports our people to grow.

Resources

- Remain financially stable and well-governed.
- Create financial capacity and use it to provide more homes.
- Get fit for our digital future.
- Provide value for money services to our customers.

Value for money (continued)

Homes

Maintaining and improving the safety of our homes and our residents remains our top priority. Our Customer Safety Committee oversees delivery against the Group's customer health and safety compliance obligations, including related asset management, and reports regularly to the Board.

We have used our surpluses to make significant investments in building safety during the year, spending more than £14.5m on building safety measures including surveys, inspections and remediation works over and above our standard compliance activities.

We remain committed to delivering the highest standards of building safety compliance. Gas servicing was 100% compliant at the year-end for the third consecutive year. This demonstrates the efficiency and effectiveness of our processes across multiple business areas including customer safety, housing management and estate care. Electrical certificates for communal areas were in place for 100% of our affected properties (2020: 99%). In 2019, we began a five-year programme to ensure that in-dwelling electrical certificates are in place across our homes and at the year-end 42% of this programme had been completed against a target of 40%.

We remain up to date with type 1 Fire Risk Assessments (FRA) and continue to work closely with our Primary Fire Authority (Hampshire Fire and Rescue Service). We have engaged a range of appropriately qualified consultants to support activity across our building safety programmes to complement our in-house Building Safety Team. All activity is overseen and monitored by the Customer Safety Committee and the Board.

These results are set against the backdrop of a year which saw multiple national lockdowns that limited access to our customers' homes and necessitated significant changes in our operational processes. We are pleased to have maintained the highest standards of compliance during a very challenging year.

Our corporate plan is explicit in its aim to provide homes of all tenure types to ensure that we meet a wide range of housing needs. During the year, we completed 93 new homes against a target of 116 and began work on 139 more across a wide range of tenure types including social and affordable rent, shared ownership and open market sale units, together with units

for private rent. Our overall tenure mix is detailed on page 29. Delivery slowed in the first national lockdown leading to a slight reduction in handovers compared with our target for the year.

We will continue to deliver a balanced programme using the cross-subsidy model from market-facing products to keep our social and affordable rents as low as possible. Our investment appraisal process ensures that schemes are designed to address local needs and options are subject to rigorous financial assessment against Board-approved internal thresholds, set within a governance framework that includes the Group's development committee and Board.

Value for money is a key component of our Development Strategy. We look to drive procurement efficiencies from our contractor and consultant frameworks, grow our in-house technical and commercial expertise and deliver homes to a higher construction standard with fewer defects. In addition, we recognise the strategic importance of opportunities that exist with properties and land we already own. Our Hidden Homes programme which started in 2017 is on track to deliver an additional 190 plots with an approximate land value of £13.7m.

Our in-house construction arm, Southern Housing Construction Limited, delivers construction services to the Group on smaller sites where cost-effective build services are harder to source. It is currently on site at two schemes, building a total of 73 new homes for affordable rent, shared ownership and open market sale.

Our Growth Strategy focuses on the consolidation of new homes, either constructed or acquired, within existing management areas to maximise the benefit of our established infrastructure and reduce our management cost per unit. A key element of this strategy is the rationalisation of our stock in areas where we don't have the presence to deliver the most cost-effective services to our customers. During the year, we sold 257 properties in non-strategic areas for the Group to another registered provider, generating a surplus of £7.8m to be reinvested in new and existing homes and services.

At year-end, approximately 70% of the Group's stock was rated at Energy Performance Certificate (EPC) standard 'C' or above and our long-term financial plan includes the investment necessary to bring all of the Group's rented homes to a minimum EPC 'C' rating by 2030 in line with the government's deadline.

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Gas servicing	100%	100%	100%	100%	100%	100%
Communal electrical safety	100%	99%	100%	100%	100%	100%
In-dwelling electrical programme	42%	28%	40%	60%	80%	100%
Overdue FRA ¹ inspections	1 ⁵	n/a	0	0	0	0
Overdue FRA P0 ² actions	0	n/a	0	0	0	0
Overdue FRA P1 ³ actions	175	n/a	100	100	100	100
Overdue NOD ⁴ actions	3	n/a	0	0	0	0
New homes delivered	93	419	116	199	788	614

1 Fire risk assessment: Type 1 Fire Risk Assessment (FRA) is a non-intrusive survey. It assesses all the common parts of a building, such as the lobby area in a shared block of flats, but not individual dwellings.

2 Priority 0: Action that poses an urgent risk to residents. Actions should be completed within 24 hours.

3 Priority 1: Action that poses a high risk to residents. Actions should be completed within a 30-day timeframe. Of the 175 actions identified at year-end, 127 remain outstanding. Every P1 action is tracked and monitored on a weekly basis by the Building Safety Team who ensure progress is made and the appropriate interim mitigations are in place.

4 Notice of deficiency: identifies provisions and/or procedures which the Fire Authority considers as either lacking or not suitable and sufficient regarding the building. Work to close the three outstanding NODs is well advanced and progress is overseen by the Customer Safety Committee.

5 Outstanding FRA inspection completed on 1 April 2020.

n/a = new Board KPI for 2020-21.

Customers

We are committed to listening to our customers and using their insight to improve our services. Our resident involvement strategy is centred on customer engagement to improve our understanding of customer needs and the quality of our service. Our Resident Scrutiny Group has a direct line to the Board and works in conjunction with the resident steering group to shape our services. During the year, these two groups have carried out a deep dive into our complaints processes to ensure that our implementation of the new Housing Ombudsman's Complaint Handling Code supports customers and provides them with the speediest redress. We have also co-produced a model that enables our Resident Scrutiny Group to oversee our learning from complaints, effectively holding the organisation to account.

Satisfaction with overall levels of service provided by the Group closed the previous year at 83%. The new financial year began a week into the first national lockdown and most of the year was spent under some form of tiered restriction or full lockdown. Emergency repair work and safety requirements such as gas servicing continued throughout but the prolonged periods of lockdown impacted significantly on our ability to access residents' homes and carry out non-emergency repairs. By the end of the year these delays had contributed to a fall in overall satisfaction levels to 74%, although it should be noted that this figure resulted from a limited number of surveys carried out in the last quarter of the year as survey activity was also suspended during the periods of lockdown. We are working collaboratively with our day-to-day repairs contractors to reduce the backlog of non-emergency repair work and have agreed targets and timescales in place.

Similarly, we have seen a material increase in the number of complaints during the year. Through the early months of 2020-21 complaint volumes remained low, with customers exhibiting patience and forbearance as we sought to provide services under the new restrictions. From the third quarter, however, volumes began to pick up. From quarter four, the new transparency and offer of choice being given to customers for making a formal or informal complaint (in accordance with the Housing Ombudsman

Service's Complaint Handling Code) contributed further to increased case volumes, as did the government's 'Make Things Right' campaign. Feedback from complaints indicates that customers are continuing to feel anxiety or frustration as a result of the ongoing pandemic and have found it harder to receive or access Group services over the past 12 months.

It is important to us that we make sure our empty homes are turned around quickly so they can be re-let to a new resident or family as soon as possible. This year has seen our average void turnaround time increase from an all-time low of 16 days in 2019-20 to 29 days at the end of 2020-21. We suspended letting activity in March 2020 in line with government guidance and resumed in June using a risk-based framework that prioritised the backlog of homes that had built up over the period.

Ongoing coronavirus restrictions continued to impact lettings for the rest of the year, despite the digitisation of processes adopted during the period. By the end of March 2021, the number of unlet homes had reduced to 131, broadly in line with pre-pandemic volumes, and we are now well placed to deliver much reduced turnaround times for the coming year.

The pandemic also affected levels of rent arrears which increased from 3.97% last year to 4.65%. The work of our financial inclusion teams has been instrumental in limiting the impact to our customers and in minimising the increase in overall Group arrears. The increased target for 2021-22 reflects the likely impact of higher unemployment figures and a reduction in government support via the furlough scheme.

93% of emergency repairs were completed within 24 hours against a target of 85%.

Our Corporate Plan commits to providing excellent care and support services to those who need them. Overall customer satisfaction levels with these services were 99% (2020: 93%) and all of our registered care services were rated as 'outstanding' or 'good' by the Care Quality Commission (CQC).

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target
Overall customer satisfaction	74%	83%	85%	85%	85%	85%
Void turnaround time (days)	29	16	17	16	15	15
Arrears	4.65%	3.97%	4.00%	4.50%	4.00%	4.00%
Emergency repairs completed within 24 hours	93%	93%	85%	86%	87%	88%
Complaints response within 10 working days ²	n/a	n/a	n/a	100%	100%	100%
Cases where HOS ¹ finds maladministration	6 ³	n/a	0	0	0	0

1 Housing Ombudsman Service.

2 New Board KPI for 2021-22.

3 30 HOS determinations were received regarding complaints. Of these, six included maladministration. A further 12 were adjudged to include service failure which under the new HOS Complaint Handling Code would be reported as minor maladministration.

n/a = new Board KPI for 2020-21.

Value for money (continued)

Communities

We remain committed to improving the lives of our residents and their communities and this work took on extra significance during the year as we mobilised to help our customers manage the impact of the coronavirus pandemic.

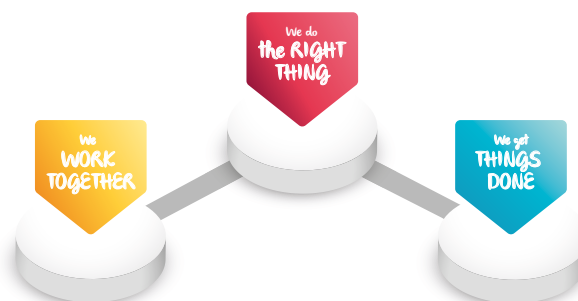
During the year, we invested £1.5m (2020: £1.1m) in community activities to help people sustain their tenancies and improve their own and their communities' quality of life. Our financial inclusion service responded to 3,763 enquiries and gave full support to 1,578 residents with advice on topics including transition to Universal Credit and navigating the complexities of the wider welfare benefits system. Our work enabled residents to benefit from a total of £5.25m in additional resources including the recovery of outstanding housing benefit. We also supported 240 residents (2020: 217) with employment and skills advice.

In addition, more than 100 colleagues from across the Group volunteered their time during the pandemic to make calls to vulnerable residents to alleviate loneliness and ensure that they were signposted to the right local support services where necessary. They also ensured that those impacted had access to food and other basic supplies. Through our partnership work we accessed £0.14m from Family Action to support residents impacted by hardship as a result of the pandemic.

We continued our work to tackle food poverty, prioritising support for food pantries including Dover and Ixworth Place, supplying food and basic necessities to many of our residents. We also supported a range of young people's projects including Tutors Unite which provides intensive catch-up learning, and Prospex Youth Support which engages with young people in some of our inner city, high-density neighbourhoods while reducing anti-social behaviour and its impact locally.

People

We are very proud of our culture across the Group and see lived experience of our values every day.



We are rated as one of the top 100 not-for-profit companies to work for in the UK according to Best Companies, entering the list at 83 out of 100 in our first year of participating in the survey (2019-20). In September 2020, we carried out a further pulse survey through Best Companies to check in with colleagues and gauge how they were feeling after a difficult and turbulent start to the year because of the pandemic. We were pleased to find that both participation and engagement levels had in fact increased compared with the prior year, with participation higher than the Board's target at 75% (2020: 67%; target 72%).

We invested £0.7m in responding to the pandemic, providing the necessary technology and office equipment to support homeworking for every member of non-frontline staff, making our offices Covid-secure and providing the proper levels of PPE to all affected staff. Our business continuity plans proved to be robust and we are very proud of our staff who provided uninterrupted services in spite of the challenges of lockdown, social distancing, increased sickness levels and high levels of customer demand.

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target
% of staff participating in engagement survey	75%	67%	72%	75%	75%	75%
Best Companies Index (BCI) score	671	662	–	–	–	–

Resources

Our Corporate Plan outlines our priorities for our homes, customers, communities, people and resources over the next three years. Value for money principles are embedded in each of these areas and the plan is explicit in its objective to improve how we use our resources to provide value for money services to our customers.

During the year, the Board received regular reporting on the Group's performance against its key performance indicators and these include the seven value for money metrics published by the Regulator of Social Housing. The table on the next page shows our performance against these regulatory measures compared with our sector peer group, the G15, which represents the largest London-based social landlords.

The table also shows our performance against the social housing lettings interest cover metric used by our credit rating agency, Moody's. This is a key measure for the Group and expresses the extent to which our interest bill is covered by the lowest risk part of our business.

Our loan covenants contain a different definition to both the Moody's and Regulator metrics, and we track our performance relative to our loan covenants on a fortnightly basis. We maintained significant headroom against our loan covenants during the year and are projected to do so for the duration of our long-term financial plan (a period of 30 years).

Measure	2020-21	2019-20	2020-21 target	2021-22 target	2022-23 target	2023-24 target	G15 median 2019-20
Reinvestment	5.8%	12.9%	9.5%	10.2%	12.9%	9.2%	5.1%
New supply (social)	1.4%	1.2%	0.3%	0.4%	4.8%	3.9%	1.5%
New supply (non-social)	0.0%	1.0%	0.0%	0.2%	0.2%	0.4%	0.8%
Gearing	40.7%	40.4%	42.7%	43.2%	44.8%	44.9%	46.1%
EBITDA MRI	38.7%	61.2%	25.5%	85.7%	121.3%	131.1%	107.2%
Social housing cost per unit	£5,759	£5,620	£6,130	£5,750	£5,430	£5,080	£4,995
Operating margin (social housing)	18.0%	16.2%	11.0%	16.0%	21.7%	28.3%	27.2%
Operating margin (overall)	21.0%	16.1% ¹	14.2%	21.5%	23.1%	25.3%	21.7%
Return on capital employed	2.5%	2.6%	2.1%	2.3%	3.1%	3.1%	2.6%
Social housing lettings interest cover	65.1%	57.9%	46.2%	67.6%	84.0%	104.9%	–

1 Restated to exclude surplus on disposal of fixed assets.

The Board set a minimum target of £3.4m of efficiency savings in 2020-21. This target was exceeded and operating margins in social housing lettings and overall have increased compared with the prior year, significantly outperforming forecast expectations. We have a comprehensive efficiencies programme in place for the next three years that is focused on the continual strengthening of our operating performance while driving improved outcomes for our customers.

The latter is supported by our commitment to user-led service design and customer engagement has been key in the development of our digital offer via our Repairs Online service. By the year-end customers could raise, schedule and track a repair online 24 hours a day, seven days a week from any device. In early May 2021, we launched our new Customer Portal enabling customers to log in from any device at any time to view their accounts and access our new payment platform seamlessly with a single sign-on. Ongoing investment in our digital services will drive further enhancements to the portal during 2021-22.

Social housing cost per unit is higher than the G15 median and increased compared with last year as levels of overall investment

in our existing stock increased. Capitalised major repairs were £42.6m compared with £30.0m in 2019-20. We expect cost per unit to decrease over the next three years as reduced management costs are a central focus of our efficiencies programme.

EBITDA MRI was also impacted by this higher level of stock investment and by a reduction in sales income in the year, the product of year-on-year tenure variations in the development programme.

We continue to maintain gearing well below our peer average, reflecting the size and strength of our balance sheet, and the achievement of our efficiencies target in 2020-21 has created a strong platform for the realisation of our longer-term programme. EBITDA MRI and social housing lettings interest cover are projected to rise consistently and sustainably over the next three years and for the duration of our long-term financial plan as operational efficiencies are embedded. Target efficiency savings for the coming year are embedded in Group budgets with performance tracked on a monthly basis and overseen by the Finance Committee and the Board.

VFM metric definitions

Reinvestment %	Investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held
New supply (social) %	The number of social housing units that have been acquired or developed in the year as a proportion of total social housing units owned
New supply (non-social) %	The number of new non-social housing units that have been acquired or developed in the year as a proportion of total social and non-social housing units owned
Gearing %	The amount of debt held over the value of housing assets
EBITDA MRI %	Earnings Before Interest, Tax, Depreciation, Amortisation (Major Repairs Included). Indicates the level of surplus generated compared to interest payable
Social housing cost per unit	Sum of social housing operating expenditure divided by the total number of units under management. It includes management costs, service charge costs, routine maintenance costs, planned maintenance costs, major repairs expenditure, capitalised major repairs expenditure, lease costs and other social housing lettings costs
Operating margin (social housing) %	Operating surplus from social housing lettings divided by turnover from social housing lettings
Operating margin (overall) %	Surplus from all operating assets before exceptional items are taken into account. Calculation excludes gain/(loss) on disposal of fixed assets
Return on capital employed	Operating surplus as a percentage of total assets less current liabilities
Social housing lettings interest cover	Operating surplus from social housing compared to net interest payable

Effective risk management is at the heart of our business and has an important part to play in ensuring we are able to deliver our purpose. Our Board and the Audit and Risk Committee (ARC) play key roles in our management of risk across the Group.

The Board has overall responsibility for ensuring the Group has an appropriate strategy and systems for managing risk, assesses our emerging and principal risks and sets our risk appetite and strategy for managing risks. The ARC supports the Board in undertaking detailed consideration of risk management systems and monitoring and gives the Board assurance that they are fit for purpose. The Board uses this opinion from the ARC as part of its assurance on the effectiveness of risk management arrangements.

During the year, we began a review of our risk and assurance framework. We did this as part of our strengthening of governance and control arrangements in response to the Regulator's in-depth assessment. The Board will be considering a revised risk and assurance framework in October 2021 following focused consideration by the ARC in September.

As a first step to renewing our approach, the Board has reviewed our risk appetite and our key strategic risks. The first step was to assess risk appetite in an externally facilitated workshop using four categories of risk:

1. Minimal

As little as reasonably possible. Preference for the ultra-safe option. Potentially limited reward. Avoiding risk is the key objective.

2. Cautious

Preference for safe options with low inherent risk, even if this gives limited potential reward.

3. Open

Willing to consider all potential options that also provide acceptable reward and Value for Money.

4. Seek

Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.

This exercise defined our common corporate understanding of risk and established our corporate appetite for risk. In each area the Board has balanced its appetite for risk with a desire to capitalise appropriately where opportunities arise. This can be seen most clearly in the results for our customer and housing services and in areas related to our people and our approach to technology, where the outcome balances careful risk management with innovation. The Board will use the revised risk appetite to facilitate the development of our overall corporate strategy for dealing with risk, together with a framework for effective risk management and assurance, reviewing and resetting our:

- Detailed strategies, processes and controls for addressing specifically identified business risks
- Control strategies for monitoring, managing and mitigating specifically identified business risks
- Risk mapping outputs, stages and reporting.

Key strategic risks

The Board has assessed our emerging and principal risks, their impact and our mitigations and these are set out in the table on the next page. They are arranged in order from the highest to lowest scoring strategic risk after mitigation, and the scores are a combination of the probability of a risk crystallising and its impact if it does.

Risk appetite results

	1. Minimal	2. Cautious	3. Open	4. Seek
Customer Service			3.0	
Care Services		2.0		
Homes – Housing Services			2.9	
Growth – Organic			2.7	
Growth – Inorganic				3.4
Communities			3.1	
People and HR				3.5
Financial Viability/Resources		2.2		
Health and Safety		1.4		
Compliance and Regulation	1.2			
Technology			3.3	
Data Quality and Security	1.1			
External Brand/Reputation		2.3		

Our key risks reflect our focus as a business – keeping our customers safe, making sure our business is financially stable and well-governed, and delivering high-quality, compliant homes and services.

The Board's review of key strategic risks during the year has resulted in a number of changes that have streamlined our strategic risk register. A single risk representing building safety and compliance has replaced the two previous risks, reflecting the equal importance of day-to-day building compliance across all health and safety strands and the specific threat posed by combustible cladding and other fire safety issues. Our Customer Safety Committee and Board oversee our performance across all health and safety areas. Our bespoke Building Safety Programme, in-house team of building safety managers and established Primary Authority are key components of our assurance framework.

Four financial risks have been consolidated into two strategic risks focused on the long-term financial viability of the Group and our access to liquidity. The latter is represented by a risk that considers unexpected funding challenges, reflecting the potential for volatility in the global financial markets as a result of the pandemic, together with more localised challenges posed by the UK's exit from the European Union.

Two risks related to business continuity and governance through the Covid-19 period have been removed from the strategic risk register following the Board's review. These were included at the beginning of the year as the pandemic escalated but our systems of control in business continuity management have proved to be extremely robust, with interim governance arrangements providing strong support for our underlying governance structures. Business continuity continues to be monitored closely at the operational level.

Two new risks have been added to the register. Our efficiencies programme is a very important part of improving our financial performance and driving further increases in value for money services to our residents. The strategic risk register recognises the risks associated with failing to deliver our portfolio of business change and summarises the governance in place to ensure that savings are generated and digital enhancements delivered. The register also acknowledges the risks associated with deteriorating levels of service delivery and quality, prompted by a number of changes in the Group's operating environment including the publication of the Social Housing White Paper and the Housing Ombudsman Service's new Complaint Handling Code. Our governance structure is a strong mitigation for risks in these areas as we benefit from the high levels of direct customer engagement from our resident scrutiny groups and their links to our Board.

Cyber security remains a significant risk across all sectors as threats become more prevalent and more sophisticated. During the year, we have obtained Cyber Essentials accreditation and established a security operations centre that monitors activity across our technology estate 24 hours a day, seven days a week. We recognise that human error remains the biggest single threat to combating a cyber-attack and we have a comprehensive programme of testing and training in place to ensure that our colleagues form a strong first line of defence.

In spite of the unprecedented challenges facing the Group and the nation in the past year, careful and active management of our key strategic risks has ensured that their likelihood and their impact has remained stable. New risks emerging as a result of the pandemic such as those affecting the Group's income levels have been managed effectively within our existing risk framework.

Strategic risk register

Homes are not safe or compliant with legislative requirements

Impact

- Risk of injury or death
- Poor customer service
- Financial and regulatory consequences
- Criminal and/or civil prosecution
- Reputational damage

How we manage the risk

- Rigorous landlord compliance regime in place
- Rigorous response to fire safety including proactive measures to improve the safety of high rise buildings and other homes that have increased fire risk
- Primary authority in place and active in partnership with Hampshire Fire and Rescue
- Independent compliance audits
- Quarterly performance reporting to and oversight from the Customer Safety Committee and Board
- Monthly oversight from the Executive Management Team

Security breach affects infrastructure and data

Impact

- Service disruption
- Data lost and/or corrupted and data protection compromised
- Fraudulent transactions lead to financial loss
- Regulatory consequences
- ICO fines/sanction
- Legal action
- Reputational damage

How we manage the risk

- Oversight from Audit and Risk Committee
- IT Security Board in place
- Cyber Essentials certification
- 24/7 network monitoring through Security Operations Centre
- Continual vulnerability assessment and remediation
- Ongoing data back-up and recovery
- Mandatory annual cyber security training for all staff

Financial viability is not fully protected

Impact

- Non-compliance with funding covenants
- Unable to deliver services
- Unable to deliver corporate plan commitments
- Regulatory consequences
- Reputational damage
- Negative impact on credit rating
- Reduced access to funding
- Reduced investment capacity

How we manage the risk

- Financial health indicators (FHI) in place that monitor financial viability, including financial covenant position
- FHI tested via the Board's approved stress testing regime
- FHI monitored fortnightly by the Executive Management Team and quarterly by Finance Committee
- Financial Risk Mitigation Policy and recovery plan in place with strong oversight and rapid decision-making by the Board

Unexpected funding challenges

Impact

- Insufficient liquidity to meet our obligations
- Unable to deliver services
- Unable to deliver corporate plan commitments
- Regulatory consequences
- Reputational damage
- Reduced investment capacity

How we manage the risk

- Treasury management policy in place
- Sufficient liquidity maintained at all times for at least 18 months' committed spend, excluding any capital receipts
- Short-term cash flows prepared on a weekly basis
- Liquidity forecasts monitored by the Executive Management Team fortnightly and quarterly by Finance Committee and the Board
- Active funder relationship management

Significant property market correction

Impact

- Reduced demand, income and surplus
- Increased asset holding costs
- Increased costs of programme delivery
- Asset impairment
- Regulatory consequences

How we manage the risk

- Regular monitoring of KPIs by the Executive Management Team and Development Committee
- Board oversight of market exposure through regular stress testing of the long-term financial plan
- Active management and marketing of unsold properties
- Conversion of sales units to private rent through Spruce subsidiary
- Conversion of sales units to other tenures
- Ability to slow development programme

Non-compliance with data protection legislation

Impact

- Adverse customer impact
- ICO fines/sanction
- Legal action
- Regulatory consequences
- Reputational damage

How we manage the risk

- Oversight of all data-related projects from Data and Information Governance Group
- Robust data protection processes and procedures in place
- Qualified corporate data protection team supports and monitors compliance across the business
- Mandatory annual data protection training for all staff

Business change portfolio not delivered

Impact

- Reduced customer service levels and satisfaction
- Efficiencies savings not achieved and value for money compromised
- No or poor return on technology investment
- Regulatory consequences
- Reputational damage
- Negative impact on credit rating
- Reduced access to funding
- Reduced investment capacity

How we manage the risk

- Efficiencies Coordinating Group in place to manage delivery of programme
- Service Charge Board in place to oversee delivery of service charge improvements
- Digital strategy in place to direct service redesign and digitisation of services
- Delivery of change portfolio tracked by Group Portfolio Management Office (GPMO)
- Oversight of performance against targets from the Finance Committee and Board

Deteriorating levels of service delivery and quality

Impact

- Customer dissatisfaction with potential for an increase in formal customer complaints
- Property condition deteriorates and becomes unsafe
- Reputational damage
- Regulatory scrutiny and action
- Housing Ombudsman sanction

How we manage the risk

- Customer service skills training for staff
- Customer oversight from Resident Scrutiny Group
- Robust processes for handling complaints with lessons learnt procedures in place
- KPIs monitored by the Executive Management Team and Board

Unable to attract and retain talented staff

Impact

- Poor customer service
- Increased customer dissatisfaction
- Loss of corporate memory
- High staff turnover impacts remaining staff negatively
- Increased recruitment and reward costs

How we manage the risk

- Talent management strategy in place
- Active succession planning
- Active leadership and management development
- Regular staff engagement surveys with feedback used to improve approach and offer
- Business continuity planning ensures no single person areas of dependency

The Group's business activities, its current financial position and factors that are likely to affect its future development are set out within the Strategic Review.

The Board's assessment of going concern is focused on the Group's liquidity and its compliance with loan covenants. The review period is 18 months from the signing of the financial statements.

The Group maintains its rigorous approach to financial planning, including the preparation of detailed budgets and forecasts for the next financial year. The Group's budget is approved by the Board and forms the first year of the 30-year business plan (the 'long-term financial plan') which sets out the long-term objectives of the Group.

The Board has considered the ongoing impact of Covid-19 on its short-term forecasts, applying stress tests to the early years of the long-term financial plan that reflect the potential for heightened financial risk stemming from the effects of the pandemic. The Board considers these tests to represent a severe yet plausible view of the risks that may impact the Group. The tests consider the impact of adverse movements in macroeconomic indicators, as well as sharp reductions in development sales income and significant above-inflationary increases in costs. Tenant rent arrears are presumed to almost double in the period under review with a conservative assumption on eventual recovery also modelled. The Group is able to withstand these stresses while remaining fully compliant with its loan covenants and without employing any mitigating actions.

In line with its treasury management policy, the Group continues to maintain sufficient resources to cover at least the next 18 months' committed cash flows, excluding sales receipts. This position is calculated net of any restricted cash. The Group's detailed liquidity position is set out on pages 55 to 56 and at the year-end undrawn facilities and cash investments totalled £426.5m with sufficient headroom forecast against the Group's liquidity policy.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the Group to continue as a going concern have been identified. On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the Group's consolidated financial statements.

The Board has assessed the viability of the Group over a five-year period, being the first five years of the Group's long-term financial plan.

This is consistent with prior years and represents the period over which cash flows associated with the Group's development and investment activities can reasonably be forecast. The viability assessment is supported by the Group's liquidity forecasts, its underlying long-term financial plan and consideration of the Group's principal risks and uncertainties.

The long-term financial plan sets out how the Group manages its resources to ensure long-term financial sustainability and the safeguarding of social housing assets. The plan includes a significant provision for ongoing building safety spend, with the majority of the spend forecast during the five-year viability assessment period and limited provision for recovery of this expenditure.

The plan represents the maximum financial risk that the Board will accept in pursuing its development and growth objectives and it is subjected to severe, but plausible stress tests designed to explore how the plan reacts to a range of risks that may arise from the Group's constantly evolving operating environment. Such risks are considered holistically and include the changing economic and political conditions that may result from the UK's exit from the European Union.

The Group adopts a multivariate approach to stress-testing. Twenty-nine individual sensitivities and five composite scenarios have been applied to test the Group's vulnerability to a wide range of stresses, which are presumed to affect the business simultaneously. The stress tests have been expanded to include specific consideration of the business's susceptibility to risks arising from Covid-19.

Key assumptions include:

- Significant, above-inflationary increases in capital and revenue expenditure while capping increases in index-linked income
- Material, unbudgeted increases to building safety works and the removal of any recovery of building safety spend
- Increases to the all-in rate of future debt capital market issuance of at least 100 basis points
- Delays in sales transactions, reflecting prolonged market disruption from building safety issues and related mortgage lender hesitation as well as the potential impact of Covid-19 on demand

- Reductions in sales values that are deeper than current analyst expectations, at 10% in 2022-23 with a further drop of 5% in 2023-24
- Extension to development periods as works are slowed to manage potential market sales exposure
- Increases in void costs to reflect a backlog of lettings caused by Covid-19
- A 50% increase in arrears from current levels which are in turn assumed to crystallise into higher levels of bad debt.

Under these stresses, the Group remains compliant with its financial covenants throughout the period under review, and for the duration of its long-term financial plan, with no changes assumed to the existing development plan and no mitigating actions employed. The Group also maintains sufficient liquidity to meet its obligations as they fall due. Under the perfect storm scenario specifically modelled to break the plan, a recovery plan has also been prepared.

The Group's current liquidity position is set out on pages 55 to 56 and at the year-end undrawn facilities and cash investments totalled £426.5m with forecast headroom against the Group's liquidity policy of £97.8m. £480.7m of the £620.4m loan facilities expiring within five years relate to revolving credit facilities which are expected to be rolled forward as they fall due.

Long-term liquidity forecasts are monitored on a fortnightly basis by the Executive Management Team and reported regularly to the Finance Committee and the Board, along with detailed short-term cash flow forecasts which include an analysis of variances between projected and actual cash flows. This ensures that the Group has the funds available to meet its short-term operational needs as well as supporting the Group's strategic objectives and safeguarding its long-term viability. All forecasts exclude restricted cash.

In April 2020, the Regulator of Social Housing published its viability rating for the Group following its in-depth assessment (IDA). The Group was re-graded from V1 to V2, retaining a compliant regulatory rating. The Group has maintained its V2 rating during the year.

Based on the results of the Group's long-term financial plan stress-testing and the Group's forecast liquidity position, together with the assurance of its regulatory assessment, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period under review. The Board is satisfied that the Group has the financial capacity to withstand a range of severe yet plausible adverse scenarios while maintaining continued compliance with its financial covenants, the requirements of the Regulator and the risk appetite of the Board.



Governance report

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Arthur Merchant
Chair of the Board

Governance highlights

I have had the privilege of chairing the Board of Southern Housing Group for five years now and this last year has certainly been one of the most demanding of my tenure.

Adapting to the pandemic

In common with all organisations adapting to working through a pandemic, our Board did not meet in person during this period. We did, however, convene virtually – 14 times – which is more than we would have done normally. This increased frequency reflected two concurrent themes: a need to maintain a close oversight of the business during the pandemic's rapidly evolving challenges while ensuring we flexed our strategic response appropriately; and a collective desire to focus on assurance and governance following the Regulator's IDA downgrade of the Group from G1 to G2 in early 2020. We have been working closely with the Regulator to address the issues that led to the downgrade and all the related actions have been completed.

Building greater trust, transparency and accountability

In 2019, we introduced some far-reaching changes to our governance structure, creating a Finance Committee to focus on financial and treasury matters and significantly increasing the focus on safety and resident involvement with a new Customer Safety Committee and Community Investment and Care Committee, together with the introduction of our Resident Scrutiny Group. This review reflected our understanding of the need to prioritise robust governance, safety and greater opportunities for resident involvement and scrutiny. Our objective for the Group's governance framework is to ensure that we operate to the highest standards. I have been impressed with the contribution and perspective our Resident Scrutiny Group has already been able to bring – for example to our procurement review.

Diversity and inclusion

Diversity and inclusion across the Group is important to us. For the Board and committees it is clear that we have made some progress towards our objectives but we still have some work to do to ensure that BAME representation is increased.

Focus on the future – strategic collaboration for better services, building safety and sustainability

A clear focus for the Board going forward is the need to build greater trust, transparency and accountability. We have made this one of our headline objectives for the Group and this will bring greater opportunities for us to listen to our residents and involve them in our decision-making and performance.

This year we were approached by Sanctuary Group to explore a possible business combination. Although we decided not to take our discussions further, what did come out of those conversations was the strategic value of partnership and local collaboration in contributing to the resilience and adaptability of our organisation.

As we move into the next few years in such a challenging environment, I believe that it will be through strategic collaboration between housing providers, residents and our stakeholders that we will succeed in continuing to provide much needed homes and support services, enable our focus on investing in building safety and set us on a clear path to carbon-neutrality.

Thank you

A final note from me. I'd like to thank the members of our Board and committees for their time, dedication and expertise in guiding the Group through this difficult year. The Group's senior leadership team have consistently demonstrated their high level of professionalism and resilience as we have adapted our business to unprecedented times and our thanks go out to everyone across the Group.

Arthur Merchant
Chair of the Board

Read more about our approaches to:

- Building safety on pages 11, 12 and 34.
- Sustainability on pages 35-37.
- Resident involvement on page 41.
- Equality, Diversity and Inclusion on page 50.

Statement of compliance with the regulatory standards

Our regulator, the Regulator of Social Housing (RSH), publishes a regulatory framework and regulatory standards. The regulatory standards comprise:

- The economic standards – the governance and financial viability, value for money and rent standards
- The consumer standards – tenant involvement and empowerment, home, tenancy and neighbourhood and community standards.

One of the core economic standards is governance and financial viability. This requires Registered Providers (RPs) to have effective governance arrangements in place that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. It also requires RPs to manage their resources effectively, to make sure their viability is maintained while ensuring that social housing assets are not put at undue risk.

As part of being regulated by the RSH, Southern Housing Group has been given a rating for governance, as assessed against the governance and financial viability standard. Following an in-depth assessment carried out by the RSH in 2019, Southern Housing Group was given a G2 governance and V2 financial

viability rating, both of which are compliant ratings, for the financial year ended 31 March 2020. These ratings were reconfirmed by the RSH in January 2021 following its routine stability checks. An in-depth assessment was not conducted during the year under review.

Each year the RSH requires RPs to assess their compliance with the governance and financial viability standard and provide assurance to customers and stakeholders that the RSH specific expectations are being complied with.

We have undertaken an annual review of compliance. The Board is assured that Southern Housing Group is compliant with the regulatory framework including the governance and financial viability standard and its accompanying code of practice.

The Board is committed to ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. Our modern slavery statement is available on our website at shgroup.org.uk/about-us/legal/modern-slavery-and-human-trafficking



▲ Pankhurst Avenue, Brighton

Compliance with the UK Corporate Governance Code

The Regulator of Social Housing requires all registered providers to adopt a code of governance. Southern Housing Group Board has chosen to adopt the UK Corporate Governance Code (the UK Code) on a 'comply or explain' basis.

Southern Housing Group's assessment of compliance against the principles of the UK Code has concluded that in the year ending 31 March 2021 it has complied with the main principles of the UK Code as they apply to the Group. The table below summarises the principles of the UK Code that are not applicable or are relevant only to listed companies.

Principle A – A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

As a Community Benefit Society and non-profit company we do not generate value for shareholders but generate public benefit to wider society.

Provision 3 – In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.

As a Community Benefit Society and non-profit company we do not have major shareholders with whom to engage and consult.

Provision 4 – When 20% or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.

As a Community Benefit Society and non-profit company we do not have shareholders with whom to engage and consult.

Provision 30 – In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

The Group is not a listed company and therefore is not required to publish half yearly financial statements, but does comply with the going concern basis of accounting while preparing its annual financial statements.

Provision 36 – Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

As a Community Benefit Society and non-profit company we do not have shareholders who hold shares in the sense set out in this section.

Governance structure

Committee structure, membership, roles and responsibilities

Committee structure with chairs and responsibilities



Division of responsibilities

Chair

The Chair of the Group Board provides overall leadership to the Group, in close co-operation with the Chief Executive, in a manner which maximises the contribution of board members and staff alike to enable them to fulfil their responsibilities for the overall governance and strategic direction of the Group. The Chair ensures that the Board functions effectively, that there is an agreed strategy that determines the Group's objectives, that the boundaries of management authority are clearly defined, and that external relations are maintained. The Chair is responsible for the annual appraisal of the Chief Executive.

Chief Executive

The Chief Executive reports directly to the Chair and is responsible for driving the strategy of the Group, ensuring that the objectives are achieved, and performance is reported to the Board. The Chief Executive is responsible for setting the tone of the business and ensuring the desired culture is embedded throughout the workforce.

The Chief Executive leads the Executive Management Team (EMT) in the day-to-day running of the business, including implementing the Board's decisions. The Chief Executive leads the EMT in ensuring the Group's policies and procedures are adhered to and that the Group's risks are monitored and managed within the Board's approved risk appetite.

Senior Independent Director

The Senior Independent Director (SID) adds value to the business of the Group by acting as a sounding board for the Chair and as an intermediary for other directors, contributing experience, expertise and insight to determine the overall business. The SID is available to other board members in cases of conflict acting as a conduit for other board members to raise concerns which have not been resolved through the normal channels regarding the Chair, the Chief Executive or other board members. The SID also meets with other board members, without the Chair present, to appraise the Chair's performance taking into account the views of executive directors.

The Board

The Group's Board is collectively responsible for the long-term success of the Group. To retain control of key decisions and to provide a clear division of responsibility between the running of the Board and the running of the business, the Group Board has identified reserved matters that only the Board can approve. Other matters have been delegated to the committees. Any matters outside of these delegations fall within the Chief Executive's responsibility and authority.

Matters reserved to the Group Board include:

- Determining the strategic direction of the Group and setting out its mission, vision and values
- Approving higher-level strategies, long-term plans and objectives to achieve the vision
- Financial control
- Risk appetite and management
- Governance and the system of delegation
- Monitoring the Group's performance
- Accountability to stakeholders

The Board, subsidiary boards and each committee receives sufficient, reliable, and timely information in advance of meetings and are provided with or are given access to all the necessary resources and expertise to enable them to undertake their duties in an effective manner.

The Board is scheduled to meet five times a year but also meets more frequently when needed. For example, during the coronavirus pandemic, it met 14 times for a formal Board meeting, and also met informally in between as needed. All meetings during the pandemic were conducted remotely. The Board also has two strategy setting events in spring and autumn.

Each Board meeting has a planned agenda, which allows enough time to discuss both strategic and operational matters and includes consideration of performance and risk management.

Committees

The Board delegates authority in certain matters, according to specific terms of reference, to six committees. Committee membership consists of both Group Board members and independent committee members. This mix strengthens the experience and different skills available to the organisation whilst ensuring that the Group Board remains a manageable size and provides value for money. This model enhances decision-making, providing a clear overview which helps to focus the Group's management on achieving its strategic objectives. Each committee meets at least four times a year.

Audit and Risk Committee

The Audit and Risk Committee recommends the appointment or reappointment of our external auditors, considers the audit approach taken and reviews findings. The appointment of the external audit firm is re-tendered at regular intervals. This Committee reviews the annual financial statements of the Group before recommending them to the Board for approval. The Committee also oversees accounting policy and consistency across the Group. It is responsible for reviewing the Group's internal controls and its risk management framework, and regularly reviews the Group's top risk register. It also regularly reviews all external and internal audit and similar reports and provides constructive challenge to the Executive Management Team (EMT) on external and internal audit findings and closely monitors their implementation.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is responsible for reviewing and recommending Board and Committee remuneration, together with succession planning, ensuring there is a plan for the orderly succession of new appointments to the Board(s) and committees to maintain an appropriate balance of skills and experience within the Group's governance structure. This Committee oversees the Group's pension strategy and arrangements and approves the Group's Pay Policy and Code of Conduct. It also ensures there is an appropriate induction and training framework in place for Board and Committee members. The Committee reviews the pay of executive members of the Board, giving due consideration to peer comparison, pay ratios and gaps assuring proportionality and alignment to the Group's culture. Executive directors are eligible to receive non-contractual rewards available to the Group's entire workforce at the discretion of the Remuneration and Nominations Committee in connection with organisational performance. The only executive director on the Group Board is the Chief Executive, whose pay is published in the financial statements.

Finance Committee

The Finance Committee oversees finance and treasury management within the Group, including: oversight of Group financial stability; budgets, forecasts and long-term financial planning; financial/budgetary performance and management accounts; financial strategy; treasury management strategy and arrangements; and intra-group lending.

Development Committee

The Development Committee considers matters relating to the development and investment strategy of all the Group's companies, including new property developments and stock reinvestment. This Committee is responsible for ensuring the proper assessment and regular monitoring of development risk. It is also responsible for reviewing the Group's sales strategy and recommending it to the Board for approval, as well as regularly reviewing and monitoring the Group's sales programme.

Customer Safety Committee

The Customer Safety Committee has the delegated authority for overseeing the Group's customer health and safety and compliance requirements and obligations, and asset management in respect of health and safety compliance.

It reviews strategies and policies, and internal audit reports where these are related to customer health and safety and safeguarding. It monitors and oversees all matters relating to customer health and safety and safeguarding compliance through risk and Key Performance Indicator analysis.

Community Investment and Care Committee

The Community Investment and Care Committee has the delegated authority for overseeing the Group's care and supporting independence, community investment and sheltered housing activities. It has responsibility for the oversight of associated policies and procedures, service level agreements with contractors and local authorities and Key Performance Indicators. It also has responsibility for oversight and support of the Group's resident engagement structure.

Resident Scrutiny Group

The scrutiny function consists of the Resident Scrutiny Group and supporting steering groups who engage with residents to help shape services and aim to hold the organisation to account for its performance. Board members attend scrutiny meetings: there is one permanent position and another rolling position. The Chair of the Resident Scrutiny Group is able to report directly to the Board on issues arising.

There is a Resident Engagement Strategy in place to ensure residents' voices are heard throughout the organisation.

Board membership and attendance 2020-21

The table below shows each Board member's attendance at meetings of the Board and any committees they are members of during the financial year.

	Board	Audit and Risk Committee	Development Committee	Community Investment and Care Committee	Customer Safety Committee	Finance Committee	Remuneration and Nominations Committee
Non-Executive Board Members							
Arthur Merchant	14/14	3/4	1/4	1/4	2/4	4/6	5/5
Carol Rosati	14/14	—	—	—	2/4	2/6	1/5
Robert Clark	14/14	—	4/4	—	—	3/6	—
Mary Watkins	14/14	—	—	4/4	—	—	—
Joanna Hawkes	12/14	—	1/4	—	—	6/6	—
Janet Collier	14/14	4/4	—	—	—	3/6	—
Abi Gray	14/14	—	—	—	—	—	5/5
David Lewis	14/14	—	—	—	4/4	—	1/5
Simone Buckley	14/14	—	—	—	4/4	1/6	—
Alfons Dankis	7/14	—	—	—	—	—	—
Executive Board Members							
Alan Townshend	14/14	3/4	4/4	2/4	4/4	5/6	5/5

■ Denotes Chair ■ Ex officio role ■ As observer

Our Board

All board members are independent members of the Board, other than the CEO who is an executive director.

One board seat is reserved for a resident board member who is appointed in the same way as all other members, is subject to the same tenure rules, receives the same remuneration, and is required to abide by the same codes of conduct including declaring any conflicts of interest.

To manage any conflicts of interest that may arise, all members complete and update their declaration of interests form annually. Any interests are recorded, and relevant interests are reported to the external auditors as part of their annual audit. Any interests arising during Board or Committee meetings are recorded in the minutes of each meeting.

Chair



Arthur Merchant

Arthur became Chair of the Group Board in July 2016. He is a former partner and Head of Housing for Grant Thornton UK PLC. He specialised in the provision of external and internal audit, business planning, governance and risk management services to the housing sector for over 20 years. His client portfolio also included the local authority, NHS and education sectors. He is a qualified accountant (CIPFA) serving as a member of CIPFA's housing association panel for over 10 years. Arthur is an experienced non-executive director having served on the boards of the Hertfordshire Chamber of Commerce, Mind and three other large housing providers. His experience includes chairing audit and treasury committees and being part of a non-executive working group/committee successfully achieving substantial renegotiation of loan covenants and refinancing at two housing associations.

Arthur is a regular speaker at major housing events and conferences.

Senior Independent Director



Carol Rosati OBE

Carol is the Board's Senior Independent Director (SID). She has over 25 years' experience of talent management and workforce development, focusing on diversity and inclusion. She is currently lead Equality, Diversity and Inclusion specialist at the Met Office. She is also a qualified executive coach and runs her coaching business v2 Coaching. Carol joined the Group Board in 2014 and chaired the Remuneration and Nominations Committee from 2016 to 2019, before being appointed as SID. She is Vice Chair of UN Women UK and chairs their Nominations Committee. In 2020, she also joined the Board of Alliance Homes based in Somerset. She was awarded an OBE in the Queen's 2015 Birthday New Year's Honours List for Services to Women in Business.

Members



Simone Buckley

Simone joined the Group Board in July 2015. She was previously Chair of the Group's South Region Resident Services Panel and a Customer Services Committee member. Simone is a member of the Group's Customer Safety Committee and provides a link with the Group's Resident Scrutiny Group. Simone has over 15 years' experience working within blue chip organisations both in the UK and Australia, specialising in change management, communications and business integration.



Joanna Hawkes

Joanna joined the Board in July 2017 and chairs the Group's Finance Committee. She has over 30 years' experience in the private sector having worked with a number of blue-chip companies in various sectors in corporate finance and treasury roles. This has included asset finance roles with Hilton International and treasurer of rolling stock lessor Angel Trains. She left her role of Group Treasurer of Marks and Spencer plc to take up a role as Director of Corporate Finance at Transport for London. She is a fellow of the Association of Corporate Treasurers and a qualified accountant. She is also Chair of the Finsatra DB pension scheme.

Members



Robert Clark

Robert has been a qualified member of RICS since 1974 and retired as CEO of Durkan Ltd in 2016. As Managing Director and CEO, Robert was responsible for the management of all construction projects, business planning and HR management. His board and committee experience has included joint venture companies, housing associations, construction skills training, The Housing Forum and The Hertfordshire Housing Conference.



Janet Collier

Janet chairs the Group's Audit and Risk Committee and the Crown Simmons subsidiary board, having joined the Group Board in September 2018. She is a CIPFA accountant with over 30 years' public sector experience. She has worked at a number of local authorities in both housing and corporate finance and was previously Deputy Chief Executive and Director of Finance at City West Homes. She has also worked as a consultant providing financial consultancy and training for public sector organisations, especially on social housing finance and value for money. She is an experienced non-executive having been a board member and Chair of Audit Committee at another housing association and is currently also a board member and Chair of Audit and Risk at Advance Housing and Support.

Members



Abi Gray

Abi joined the Board in September 2019 and chairs the Group's Remuneration and Nominations Committee, having served on the Committee for two years. Abi has 10 years' customer services experience, specialising in building customer-centric cultures by empowering employees to deliver excellent customer service. Abi is a qualified coach, counsellor and a specialist in employee engagement. Abi was previously also a member of the Customer Services Committee.



Alan Townshend

Alan has over 33 years of experience in the affordable housing sector, working with both public and private companies and running his own consultancy firm. Alan became Group Chief Executive in September 2018, having previously been Group Development Director for three years. Prior to joining the Group, Alan worked at Wandle Housing, initially joining as its Asset Investment Director before being appointed Interim Chief Executive Officer and overseeing the operational and strategic side of the business. His other roles include seven years at Circle Group as Group Regional Operations Director. Alan is a member of the Chartered Institute of Housing.

Members



David Lewis

David chairs the Group's Customer Safety Committee. He joined the Group Board in September 2019 and has over 25 years' asset management, regeneration and procurement experience in local government, Arm's Length Management Organisations (ALMOs) and housing associations. David has held both non-executive director and director positions for G15 housing associations and is a member of the Chartered Institute of Housing and RICS.



Mary Watkins, Baroness Watkins of Tavistock

Mary joined the Board in July 2018 and chairs the Group's Community Investment and Care Committee. She has extensive board experience in the housing and health and social care sectors and chaired the Quality and Governance Committee at South Western Ambulance Service Foundation NHS trust, where latterly she was Deputy Chair and Senior Independent Director. Her experience has involved significant changes to the businesses in which she has been a board member including the amalgamation of two NHS providers and two housing associations. She is a qualified nurse, has held a University Senior Deputy Vice Chancellor position and published extensively in the fields of health and social care. She is a Visiting Professor at King's College London. Mary was appointed a Crossbench Life Peer in 2015 and speaks regularly on housing issues.

Members who left the Board in 2020-21

Alfons Dankis retired from the Group Board in September 2020. He was formerly Chair of Crown Simmons.

Board evaluation

During the year, we commissioned highly experienced governance consultants, Altair, to carry out an external board evaluation and support board member appraisals, improving the effectiveness of our governance. The evaluation confirmed that our Board is made up of appropriately skilled and experienced independent directors who are appraised effectively on an annual basis. Development plans are developed as a result of appraisal feedback and are in place for directors as appropriate. Succession planning is effective and actively managed.

Board and committee diversity analysis

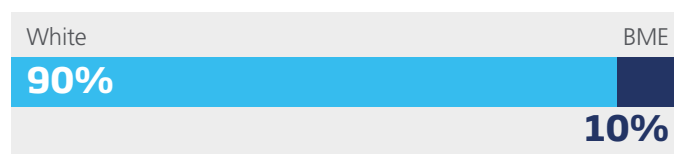
Each year, as part of our Board evaluation, we report on the Board's diversity across a number of characteristics to the Remuneration and Nominations Committee. This informs succession planning and board member recruitment. Improving diversity across our governance is integral to the way in which we embrace and promote diversity as an organisation. Our approach to diversity is set out in our Equality, Diversity and Inclusion strategy which has been developed in partnership with our Remuneration and Nominations Committee. As well as the Equality Act protected characteristic strands, we also include ensuring our residents' voice is strongly represented throughout our governance structure as part of our board diversity. During 2020-21 one board place was reserved for a resident board member. We will increase this representation as board positions become vacant.

Age

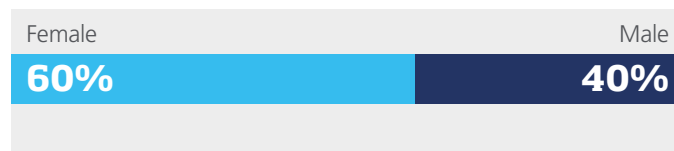
the average NED age is

58

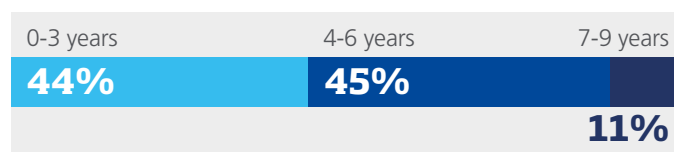
Ethnicity



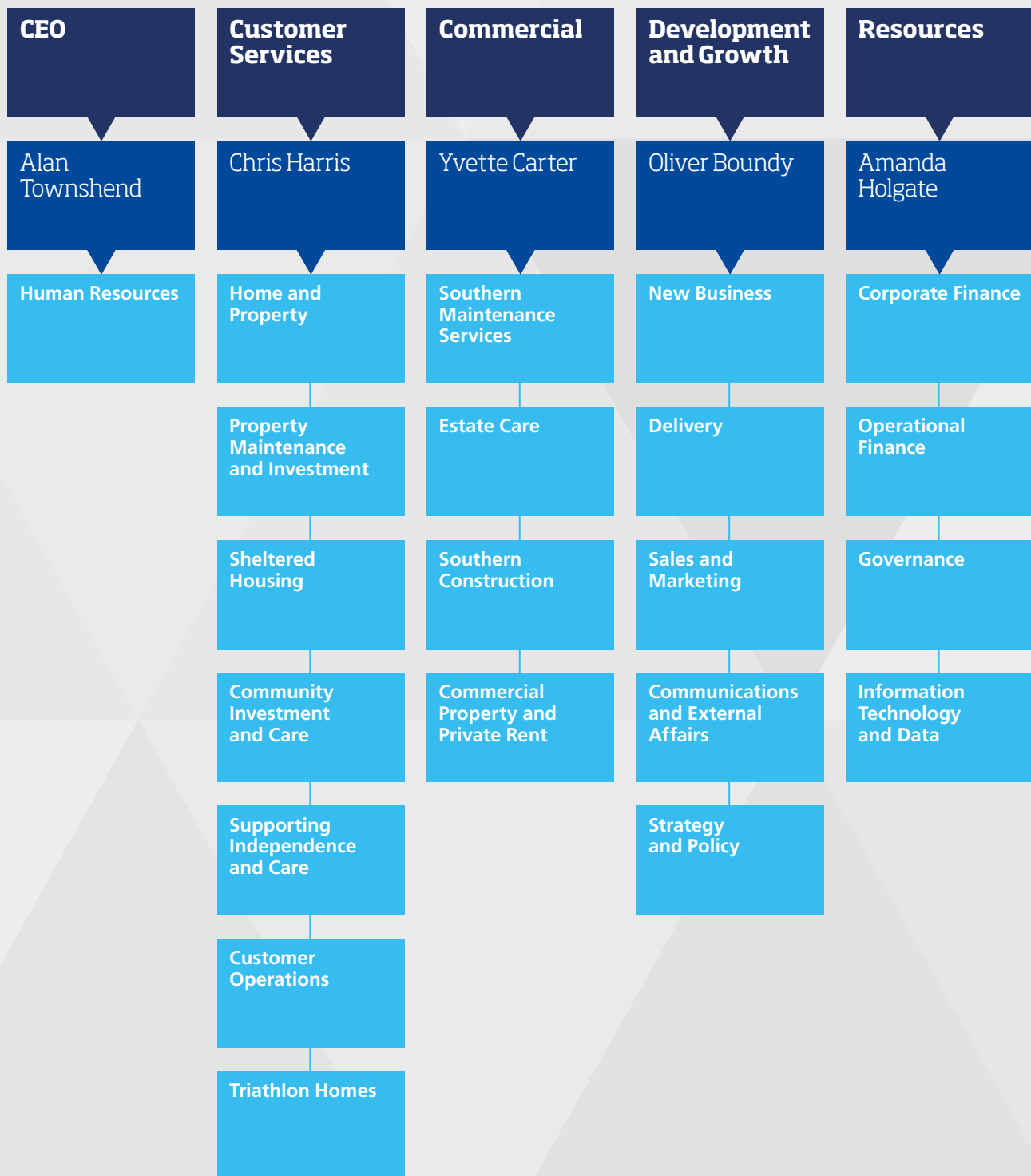
Sex



Tenure



Operating structure 2020-21



Executive biographies



Oliver Boundy
Executive Director
Development and Growth

Oliver has worked in the housing sector for over 15 years. After joining the Group as New Business Director in 2016, Oliver established and led a highly successful New Business Team and was instrumental in increasing delivery of new homes through site acquisition, partnership working and a strong new business pipeline. Oliver took over as Executive Director Development and Growth in September 2018.



Chris Harris
Executive Director Customer Services

Chris was Executive Director of Customer Services between 2016 and 2021. As a member of the Group's Executive Management Team, Chris was responsible for setting the strategic direction for customer services. During the year, Chris led the teams that provide customer, property, residential and care services, along with community, financial and employment and training support to a wide range of people.



Yvette Carter
Executive Director Commercial

Yvette joined the Group in 2019 to lead our newly created Commercial Directorate which covers Southern Maintenance Services (our in-house repairs and maintenance service), Spruce Homes (our private rent business), Southern Housing Construction (our in-house construction company), Estate Care (our in-house caretaking and estate maintenance service) and Commercial Property.

Yvette has previously worked with Mears Group PLC and has a breadth of experience at senior level across many sectors.



Amanda Holgate
Executive Director Resources

Amanda joined the Group in 2019 and is responsible for several departments including corporate and operational finance; governance; IT and data; and the Group's portfolio management office.

Amanda previously served as Finance Services Director at Peabody and Deputy Finance Director at Family Mosaic. Prior to joining the social housing sector in 2014 she gained more than 20 years' experience in financial, commercial and infrastructure support roles across a wide range of industry sectors including manufacturing and wholesale, technology consulting, retail and financial services.



Alan Townshend
Group Chief Executive

Alan leads the executive team and is a member of the Group Board. His biography can be viewed on page 78.

Remuneration & Nominations Committee report



Statement from Committee Chair – Abi Gray

Each year, the Remuneration and Nominations Committee undertakes an evaluation of its performance to provide assurance to the Group Board that it is fulfilling its terms of reference. On behalf of the Board I am pleased to present the Committee's annual report, confirming that, during the year, the Committee once again satisfied the remit delegated to it by the Board.

The membership of the Committee is made up of a maximum of five independent members plus the Group Chair as an ex officio member. Executive directors do not sit on the Committee but can attend at my invitation. The Chair of the Group Staff Forum is a co-opted member. Committee membership changed during the year with Diane Lennan joining Julie Blair, Debbie Mansfield and me in June 2020.

During 2020-21, we met on five occasions in April, June, September, November 2020, and in March 2021. As Committee Chair, I provided a summary of each of the Committee's meetings to the Group Board.

We undertook a range of work during the year, covering all items in our terms of reference. At each meeting we received comprehensive reports covering non-executive and staffing matters, and governance issues including governance contingency arrangements in response to the coronavirus pandemic.

Highlights for the year

Board evaluation

We supported the wider board and committee member appraisal process, ensuring that it was fit for purpose and that non-executive and independent member appraisals were carried out in a timely and effective way. We also supported the Group Board's Senior Independent Director in leading on the Group Chair's appraisal, making sure that non-executive and executive directors had an opportunity to give feedback.

Importantly, we played a key role in procuring a board and governance effectiveness review by external consultants, Altair, and in implementing elements of the resulting governance development plan that were within our remit. These activities formed part of the Group's response to the in-depth assessment by the Regulator of Social Housing.

Altair were asked to complete a review of the effectiveness of the Group's Board to evidence compliance with the regulatory standard and the UK Corporate Governance Code. The scope of the review covered Board's strategic focus and understanding, the effectiveness of risk management, relationships within the Board, with committees and with the executive team, meeting management and effectiveness, and member roles and responsibilities.

The review found that there is a positive and professional culture and supportive relationships between Board Members, including the Chairs, and with the executive team. The Board is well-balanced and functioning well with a good degree of openness and inclusivity. There is a good range of skills and experiences across the membership who feel able to actively contribute. Improved outcomes from the evaluation included further developing member training and development plans, a more dynamic skills matrix and succession plan plus better integrated agendas and improved forward planning. Induction processes for new members have also been strengthened. None of the recommendations were considered to be material and they do not impact the composition of the Board.

Altair also supported the Group to prepare for an in-depth assessment by the Regulator of Social Housing and in the preparation of the subsequent improvement plan. They have supported us in providing third-party assurance on implementation of the recommendations. They have no other connections with the business or with any of the directors.

As part of the governance development plan, we reviewed and approved a refreshed code of conduct and conflicts of interest policy and process.

Succession planning and appointments to the Board

On behalf of the Board, we oversaw succession planning, taking into account both the skills needed for effective governance, and the need to improve diversity on all boards and committees.

As part of our Group Equality, Diversity and Inclusion strategy, we have set a target to have 30% BAME membership on our boards and committees by 2025. We will achieve this through a diversity-positive approach to succession planning and member recruitment as opportunities arise.

We reviewed our skills matrix development and monitoring, receiving updates on our position at each of our meetings. We have ensured that our skills matrix covers the expertise needed to govern the business effectively and to reflect the requirements of our corporate strategy. We defined our key board skills to be:

- Strategic leadership and scrutiny
- Human resources and organisational management
- Information technology and data management
- Public relations and communications
- Housing management/service users' needs and aspirations
- Financial and treasury management
- Governance, risk, regulation, compliance and assurance
- Development, regeneration and sustainability
- Community investment and community development
- Government, community and stakeholder relationships.

As a result of the Board evaluation work, we focused on the implementation of key improvements to both succession planning and board skills development, including aligning our skills requirements to our latest strategy, and ensuring that succession planning and recruitment takes into account the changing skills gaps on the Board as members join and leave.

In addition, we ensured there was a programme of learning and development to support members in regularly updating their skills and knowledge, and familiarity with the Group.

Women earn

83p

for every £1 that men
earn when comparing
median hourly pay

Diversity and inclusion

In September, we considered the Group's revised Equality, Diversity and Inclusion strategy before recommending it to the Board. The strategy has three broad aims:

- Advance equality of opportunity by developing effective leadership that promotes equality, diversity and inclusion
- Eliminate discrimination and have an inclusive work environment where staff respect and value each other's and our customers' diversity and wellbeing
- Develop an excellent understanding of our customers to ensure services are delivered in a way that does not discriminate, promotes equality and inclusion and respects the diversity of our customers and the communities in which they live.

We were pleased to note that, as part of a range of performance measures on delivering the strategy, progress will be reported regularly to the executive team and the Group Board while this Committee will continue to monitor workforce representation quarterly.

We reviewed the Group's Gender Pay Gap information prior to publication of the data on the government portal. We also supported the development of ethnicity pay gap reporting for the Group and this will be published on the Group's website from 2021-22.

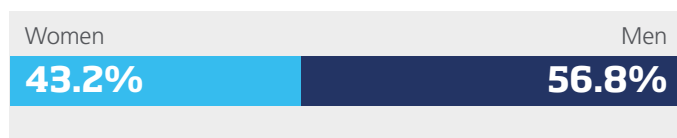
In line with our commitment for BAME representation at Board, the Committee was also pleased to support the aim to reach 30% BAME representation in executive roles by 2025. However, we are mindful of the importance of recognising the other protected characteristics and ensuring that we are considering all diversity strands during recruitment to these roles.

Gender pay gap key statistics:

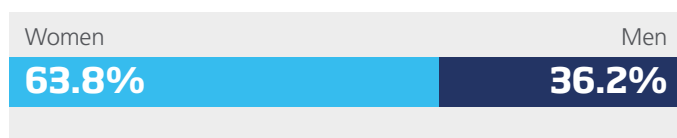
- Women earn 83p for every £1 that men earn when comparing median hourly pay. Their median hourly pay is 16.8% lower than men's
- When comparing mean (average) hourly pay, women's mean hourly pay is 15.2% lower than men's
- Women occupy 43.2% of the highest paid jobs and 70% of the lowest paid jobs.

Remuneration & Nominations Committee report (continued)

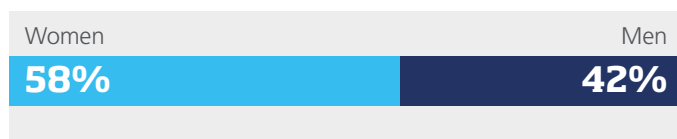
Upper hourly pay quarter (highest paid)



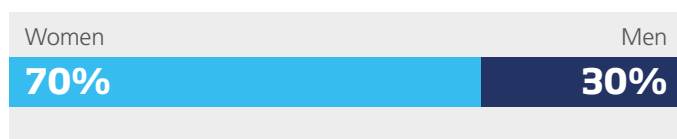
Upper middle hourly pay quarter



Lower middle hourly pay quarter



Lower hourly pay quarter (lowest paid)



Approach to remuneration

Southern Housing Group Limited's Board and committee members are paid for their services. This increases our ability to attract and retain high-calibre members and to improve mechanisms for their performance appraisal and development.

We carry out a triennial review of non-executive director remuneration but this did not fall due in 2020-21. We did look at non-executive director expenses and recommended a revised policy to Board. We also recommended a revised approach to board member recruitment and selection.

Current annual payment rates

Role	Salary
Group Chair	£25,000
Member and Chair of committee or subsidiary board	£12,000
Member	£10,000
Additional payment for Senior Independent Director	£2,000
Independent Committee Member	£3,000

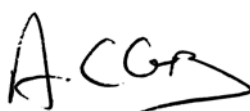
On the executive side, the Committee considered the staff pay policy in light of the need to attract and retain people while being mindful of the efficiencies agenda across the Group. Following discussions, we were able to recommend a robust pay policy to the Board. In keeping with our values as a business with a social purpose, we were pleased to recommend the continued adoption of the Living Wage principle. The pay policy operated as intended during the year.

The pay of executive directors is set by comparison with G15 peers, using a simple salary approach reflecting the strategy of the Group which balances both short- and long-term objectives whilst ensuring remuneration remains simple, transparent and provides value for money. In reviewing this area, the Committee gives due consideration to pay ratios and gaps assuring proportionality and alignment to the Group's culture. The remuneration of Executive Management Team directors (excluding the Chief Executive) is presented to the Committee by the Chief Executive.

Executive team remuneration was last reviewed in June 2020. The Chief Executive presented a paper to the Committee that confirmed that salaries continued to be in line with market rates. The Committee supported the recommendation that there would be no increase to salaries for any of the executive team during the pandemic. The Committee felt that this was the most appropriate action and was in line with the ethos and culture of the Group.

Executive directors are eligible to receive non-contractual rewards available to the Group's entire workforce at the discretion of the Committee and in connection with organisational performance. The only executive director on the Group Board is the Chief Executive, whose pay is published in these financial statements.

A formal workforce advisory panel, the Group Staff Forum, is in place to promote the views of the Group's employees. The Chief Executive and the Chair of the Group Board both attend the Group Staff Forum meetings and the Chair of the Group Staff Forum is an ex officio member of the Remuneration and Nominations Committee.



Abi Gray
Chair of the Remuneration and Nominations Committee



Statement from the Committee Chair – Janet Collier

2020-21 has been a challenging year for the Group. In common with the country and the sector, we have seen exceptional external challenges with ongoing uncertainty over future UK economic conditions following Brexit, and the devastating impact of the coronavirus pandemic. In addition, we have had more local challenges to respond to following a governance downgrade from the Regulator of Social Housing.

At times such as these, the Committee's work to provide the Board with assurance on the effectiveness of the risk management and internal control framework and processes is critical and helps to ensure that, as a business with social objectives, we can continue to invest in homes and communities, so people can thrive.

The Committee continues to oversee the financial reports prepared by management, and the audit and assurance work of our internal and external auditors, who themselves provide robust challenge and suggest areas of improvement within our internal control framework.

Introduction

The Audit and Risk Committee's members are independent directors. The Chair of the Committee is a member of the Group Board to facilitate the line of sight between the Board and the Committee. The Chair of the Committee is also Chair of the Group's subsidiary, Crown Simmons, and recuses herself from Audit and Risk Committee meetings when matters relating to Crown Simmons are under consideration.

Across the Committee membership, there is a diverse range of experience in business, finance, auditing, risk and controls, with particular depth of experience in housing. The Committee is also able to draw on the expertise of key advisors and control functions, including the internal and external auditors.

The Committee provides oversight and advice to the Board on the matters listed in its terms of reference which focus on the integrity of financial reporting and the external audit process, and the maintenance of a sound system of internal control and risk management, including internal audit. The Committee reviewed its terms of reference and found them to be fit for purpose and in line with the requirements of the UK Corporate Governance Code. Some minor changes were made to the terms of reference during the year to ensure there was clarity of oversight between its remit and the functions of the Finance Committee. The Chair of the Committee reports to the Board on matters arising after each meeting.

The Committee did not require independent advice during the year but did consider the work of corporate advisors as part of risk and audit work. At each meeting, the Committee had the opportunity to meet with the internal and external auditors without management present.

Preparation of the financial statements and external financial reporting

In considering the financial statements, the Committee discussed and considered in detail management's analyses, the external auditor's work, and conclusions on the main areas of judgement. Internal controls and risk management systems have been put in place to provide assurance over the preparation of the annual report and accounts. Information submitted for inclusion in the financial statements is attested by individuals with appropriate knowledge and experience.

The annual report and accounts are scrutinised throughout the process by relevant senior stakeholders. Subsequently, the Audit and Risk Committee, with the support of the Finance Committee, provides debate and challenge, before requesting board approval. Key controls in the process are subject to regular testing, the results of which are reported to the Committee.

The Audit and Risk Committee reviewed key audit and accounting matters and management judgements, with particular regard to property valuations, the prior year restatement relating to fixed assets, the accounting treatment applied to the merger with Crown Simmons and the going concern status and ongoing viability of the Group. Management judgements in respect of these matters were examined in detail and discussed with the Group's external auditors. The Committee considered in detail the management letter provided by the auditors, as well as management's responses.

Audit and Risk Committee report (continued)

The work of the Committee

Area of focus	Committee action
Annual report and statutory financial statements	<p>The Committee considered the annual report and financial statements at its meeting in July, following joint engagement on the content between the Committee and the Finance Committee. The Committee also reviewed evidence in support of the Group's going concern and viability assessments and was satisfied that it provided robust assurance of the ongoing viability of the Group.</p> <p>The Committee recommended approval of the Group's annual report and financial statements to the Board, giving assurance that, taken as a whole, the annual report and financial statements were fair, balanced and understandable, and provided the information needed to assess the Group's position and performance, business model and strategy.</p>
External audit	<p>The Committee considered the external audit plan for 2020-21 and monitored the implementation of the internal control findings highlighted by the external auditors in their report to the Committee for the year ended 31 March 2020. They met in camera with the external auditors during the year.</p> <p>The Committee considered the independence letter provided by the Group's external auditors, PricewaterhouseCoopers LLP, and was satisfied that the appropriate level of integrity, independence and objectivity had been maintained. The auditors did not provide any non-audit or additional services to the Group.</p> <p>The auditors reached the end of a nine-year uninterrupted engagement with the Group in 2020-21 and the external audit service will be re-tendered for the 2021-22 year.</p> <p>At their February meeting, the Committee approved the reappointment of Beever and Struthers as external auditors for the audit of the 2020-21 year for the Crown Simmons entities within the Group.</p>
Internal audit	<p>The Committee approved the internal audit programme for the year, ensuring it conformed to the Group's key areas of risk. They actively monitored the programme's fitness for purpose, modifying it to ensure it remained focused on key areas. The Committee also ensured alignment between the 2020-21 plan and the following year's plan to extract maximum value. The Committee received reports on the implementation of the internal audit programme at each of its meetings, reviewing progress against audit recommendations by management.</p>
Risk management	<p>The Committee received reports on risk management and reviewed the Group's top risk register at each of its meetings, recommending any changes to the Board as appropriate.</p>
IDA action plan	<p>The Committee monitored the IDA action plan updates at its meetings in September, December and February, reviewing the evidence provided by management to provide assurance to the Board that progress was on target. They worked jointly with the Group Board on the closure of items on the action plan. They received updates on the dialogue with the Regulator on their view of the Group's actions to improve the issues found by the IDA.</p>
Compliance with the UK Corporate Governance Code and regulatory standards	<p>The Committee reviewed the Group's compliance with the UK Code at its July meeting and provided assurance to the Group Board that the Group complied with all the provisions that applied to it. They also considered compliance with regulatory standards at the same meeting and similarly provided assurance to the Group Board on compliance.</p>
IT and data	<p>The Committee received regular reports on progress against key IT risks and audit recommendations, including IT security, cyber security, data quality and systems. The Committee also monitored progress in implementing data protection requirements and received update reports on any data breaches together with information on any reports to the ICO and their outcomes.</p> <p>The Committee considered data issues in regulatory returns and how to obtain assurance of the robustness of the Group's approach to its regulatory returns. An independent review of controls and governance for Group returns was requested and an internal audit of the financial returns has been scheduled for 2021-22 while a review of the Statistical Data Return was carried out by external consultants.</p>
Fraud register	<p>The Committee received reports on any fraud activity experienced by the Group.</p>
Business continuity	<p>The Committee received reports on the effectiveness of the Group's business continuity planning, and how the plans had been revised and improved following the real-time experience of the pandemic.</p>

Internal audit

The Committee has overseen the conclusion of an internal audit plan. The Committee works closely with the internal auditors, who report directly to the chair of the Audit and Risk Committee. Throughout the year, the Committee carefully monitored the progress of the internal audit function. The Audit and Risk Committee approves the work of internal audit annually and specifically approves any changes to the audit plan, through regular quarterly updates. The scope of work takes account of the function's own assessment of risks, the input of first and second line management, and the Audit and Risk Committee itself.

The Committee recognises the need to have ongoing dialogue with management in between the quarterly meetings. The objective is to provide the Committee oversight of audit outcomes, and to give the members sufficient time to review and comment on audit reports. Consequently, the Committee has agreed to receive audit reports and any ad hoc changes to the audit programme outside of the formal meetings. To maintain line of sight, any decisions and/or discussions that occur outside of formal meetings are reported to the next Audit and Risk Committee meeting.

The internal audit plan and strategy for the year identified the key matters which are considered below.

Key matter	Committee response
To ensure that the Group's internal audit programme considers and reflects the Group's strategy and objectives	The Committee agreed the audit programme following assurance that the Internal Audit and Assurance Manager had undertaken the necessary consultation in conjunction with the Risk Manager, directors and the internal auditors, Mazars, to ensure the Group's strategy aligned with the programme.
To ensure that a risk-based methodology, including risk horizon scanning, is used to devise the audit programme	The Committee mandated that the Social Housing White Paper should be considered and factored into the Group's risk profiling, which assisted with the creation of the risk-based audit programme.
To ensure that risks identified by the regulators and legalisation are identified	The Committee agreed that the audit plan should reflect regulatory outcomes, legislative compliance, and the Consumer Standards.
To identify and raise trends/risks arising from audit work	The Committee supported the provision of regular oversight on trends emerging, including regular updates from the service areas which included plans to address the risks in the future.



Janet Collier

Chair of the Audit and Risk Committee

Statement of the Board's responsibilities

The Board is responsible for preparing the Annual Report and the Group Financial Statements in accordance with applicable law and regulations. The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Private Registered Provider (PRP) and of the surplus or deficit for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the PRP will continue in business.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the PRP's transactions and disclose its financial position with reasonable accuracy at any time. This is designed to enable the Board to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2019, issued by the Regulator of Social Housing.

The Board is also responsible for safeguarding the assets of the PRP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Southern Housing Group Limited confirms that the annual report has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2018 Statement of Recommended Practice for registered social landlords.

The Regulator of Social Housing (the Regulator) carried out its routine in-depth assessment (IDA) of the Group during the 2019-20 year and published its regulatory judgement in April 2020. The Regulator assessed the Group's governance rating as G2 and its rating for financial viability as V2. These ratings were previously G1 and V1 respectively.

A G2 rating meets the Regulator's governance requirements but recognises that we need to improve some aspects of our governance arrangements to support continued compliance. A V2 rating meets the Regulator's viability requirements, providing assurance that we have the financial capacity to deal with a reasonable range of adverse scenarios, but we need to manage material risks in order to ensure continued compliance. The Board approved an improvement plan to return to a G1 rating for governance at the earliest available opportunity. All items in this plan have been completed and improvements have been embedded into our business as usual processes.

The Board confirms that an assessment of the Group's compliance with the Governance and Financial Viability Standard has been completed and certifies that the Group is compliant with this Standard. The board members who served during the year are listed and attendance at meetings is recorded on pages 75 to 79.

Statement of internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It provides reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates ongoing processes for identifying, evaluating and managing the significant risks that it faces. They have been in place for the year to 31 March 2021 and up to the date of the approval of the Annual Report and the Group Financial Statements. The Board and Audit and Risk Committee review processes at least quarterly.

Main policies in place to provide effective internal control

Risk assessment
The Group's objectives are established within the context of the Group's Corporate Plan. There is a process of cascading these objectives throughout the Group to each operational team and to individual staff member targets. Assessment of resultant risk is mapped for each area of business activity. The Group's risk management strategy includes requirements for formal risk assessments to be presented to the Board for discussion and approval. The Audit and Risk Committee fulfils this function.

Control environment

Authority, responsibility and accountability are set out in the following ways:

- Standing orders and delegated authorities
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Policies and procedures in all key areas
- Codes of conduct for Board and Committee members, and staff
- Staff job descriptions and supervisory procedures.

Information

There is a timely system for reporting progress in the Group, at many levels. The Boards and their sub-committees receive regular and extensive reports on all key areas of performance.

Monitoring

The Group has a comprehensive internal audit programme undertaken by Mazars LLP, chartered accountants, who report to the Audit and Risk Committee. They also meet regularly and independently with the Chair of the Audit and Risk Committee.

The internal audit programme is designed to review key areas of risk for the Group. Each audit assignment is sponsored by the relevant Executive Director who approves the scope of the work and takes responsibility for ensuring recommendations are acted upon. Group-wide progress on completing work on recommendations is monitored by the Internal Audit and Assurance Team. Both Mazars LLP and the Group's internal audit team report to each meeting of the Audit and Risk Committee on their recent and prospective activity.

The risk management process incorporates reviews of high-level strategic risks across the Group, including the identification of newly emerging risks. The external audit, internal audit and risk management activities incorporate follow-up reporting on actions identified for improving the Group's control environment.

Review of effectiveness

The Board has reviewed the effectiveness of the Group's internal controls through the work of the Audit and Risk Committee, which regularly reports to the Board. In addition, the Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the period under review and up to the date of approval of this report.

The Board confirms that no weaknesses were found in the internal controls for the year ended 31 March 2021 that might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

Independent auditors

A resolution is to be proposed at the annual general meeting for the position of Group's independent auditor to be retendered for the forthcoming year.

Statement on the annual report

Each individual who is a director at the date of approval of this report confirms that they consider the annual report and accounts as a whole to be fair, balanced and understandable, and that they provide the information necessary for stakeholders to assess the Group's performance, business model and strategy.

Statement as to disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware. They have taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.



Arthur Merchant
Chair of the Group Board

For and on behalf of the Board



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Independent auditors' report to the members of Southern Housing Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Southern Housing Group Limited's group financial statements and association financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the association's affairs as at 31 March 2021 and of the group's and association's surplus and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019.

We have audited the financial statements, included within the Annual Report and Group Financial Statements 2020/21 (the "Annual Report"), which comprise: the consolidated and association Statements of financial position as at 31 March 2021; the consolidated and association Statements of comprehensive income, the consolidated and association Statements of changes in reserves and the consolidated Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the association or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The group operates in England. It comprises nine trading entities and two joint venture entities.
- We conducted a full scope audit of six trading entities, while the remaining three trading entities were not significant from the perspective of the group.
- We engaged a component team to conduct a full scope audit of one joint venture entity, while the other joint venture entity was not significant from the perspective of the group.
- These audit procedures covered 98% of group turnover and 98% of group total assets.

Key audit matters

- Valuation of investment properties (group and association)
- Consideration of COVID-19 (group and association)

Materiality

- Overall group materiality: £2.1 million (2020: £2.4 million) based on 1% of turnover.
- Overall association materiality: £1.9 million (2020: £1.8 million) based on 1% of turnover.
- Performance materiality: £1.6 million (group) and £1.4 million (association).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties (group and association)</p> <p>See notes 1 and 11 to the financial statements for the group's and association's disclosures of the related accounting policies, judgements and estimates relating to the valuation of investment properties.</p> <p>Certain group properties are held for long-term investment or are rented at market rents. At 31 March 2021, these were valued at £162.1 million. These are initially recognised at cost (including purchase costs and directly attributable expenditure), and subsequently measured at fair value with any increases or decreases in fair value recognised within the surplus for the year. The group engages independent valuers with relevant qualifications to value their investment property portfolio.</p> <p>Valuing investment properties is complex, judgmental and requires the involvement of specialists. Investment properties are material to the group and their value can vary significantly due to the sensitivity of the calculations to input assumptions such as expected yields/discount rates and market growth assumptions, especially in the current COVID-19 environment. In addition, there are limited comparable transactions which increases the level of judgement in respect of the relevant yields. This further heightens the risk of material misstatements due to judgements in assumptions used.</p>	<p>We engaged our internal valuation experts (RICS qualified) to assist us in our audit of this matter.</p> <p>We assessed the external valuers' qualifications and expertise and noted they have the necessary skills and relevant experience to perform these valuations.</p> <p>We verified on a sample basis, the accuracy of the underlying lease and property data used by the external valuers in their valuation by tracing the data back to the relevant supporting documents.</p> <p>We read the external valuation reports for the residential, commercial and properties under development portfolios. With the assistance of our internal valuation experts, we confirmed that the valuation approach for each portfolio was in accordance with RICS standards and suitable for use in determining the final fair values for the purpose of the financial statements.</p> <p>With the assistance of our internal valuation experts, we challenged the valuation process, the key assumptions, and the rationale behind the more significant valuation movements during the year. We did not identify any unreasonable special assumptions or unusual caveats or disregards. We are satisfied that the valuations of the investment properties are within an acceptable range and have been performed on an appropriate basis for inclusion in the financial statements.</p> <p>We have reviewed the disclosures included in note 1 and note 11 of the financial statements, including sensitivity analysis, and consider these are adequate.</p>
<p>Consideration of COVID-19 (group and association)</p> <p>The COVID-19 pandemic has had a significant impact on the UK economy with consequences to the judgements and estimates made by the group.</p> <p>Based on its experience over the past year, management has assessed the completeness of accounting considerations across the group. While management have adequately considered the ongoing impact of the COVID-19 pandemic on its accounting estimates in preparing the group's financial statements, they have not identified any material financial risks at the year-end arising due to the pandemic.</p> <p>Management has considered its short-term and long-term forecasts as part of the group's going concern statement and viability assessment. This includes applying stress tests to reflect the potential for heightened financial risk stemming from the effects of the COVID-19 pandemic by modelling possible downside scenarios to its base case financial plan. Having considered these scenarios, together with an assessment of planned and possible mitigating actions, the Directors have concluded that the group remains a going concern, and that there is no material uncertainty in respect of this conclusion.</p> <p>Management has included its going concern statement and described its viability assessment in the Annual Report.</p>	<p>We evaluated management's assessment of accounting estimates within the financial statements which could be impacted by the challenging economic environment resulting from COVID-19. We satisfied ourselves that management's measurement of such estimates was acceptable. We also considered the appropriateness of management's disclosures in the Annual Report of the impact of the current environment and the increased uncertainty on its accounting estimates and found these to be adequate.</p> <p>With respect to the Directors' going concern statement and viability assessment, we evaluated management's base case and downside scenarios, challenging its key assumptions together with assessing the group's available facilities. Our conclusion in respect of going concern, and our consideration of the Directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group, are set out separately in this report.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the association, the accounting processes and controls, and the industry in which they operate.

The group operates in England. It comprises nine trading entities and two joint venture entities.

Of the above, six trading entities (including the association) and one joint venture entity are considered to be significant components of the group. We conducted full scope audits of the six trading entities. We instructed component auditors for one joint venture entity. The remaining entities were not material from the perspective of the group.

Our audit procedures accounted for 98% of the group’s turnover and 98% of the group’s total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements – group	Financial statements – association
Overall materiality	£2.1 million (2020: £2.4 million).	£1.9 million (2020: £1.8 million).
How we determined it	1% of turnover	1% of turnover
Rationale for benchmark applied	This is a generally accepted measure applied when auditing organisations with social objectives, to calculate overall materiality.	This is a generally accepted measure applied when auditing organisations with social objectives, to calculate overall materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £7,000 and £1,896,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1.6 million for the group financial statements and £1.4 million for the association financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £106,200 (group audit) (2020: £118,000) and £94,800 (association audit) (2020: £90,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- detailed discussions with management to understand their approach to assessing going concern and viability both prior to and after the year-end;
- an assessment of management’s base case and downside scenarios, challenging the key assumptions;
- considering the group’s available financing, including related covenants, and maturity profile to assess liquidity through the assessment period;
- testing the mathematical integrity of the forecasts and the models and reconciled these to Board-approved budgets;
- reviewing the adequacy and sensitivity of the key assumptions considered in the downside scenario; and
- assessing the reasonableness of management’s planned or potential mitigating actions where relevant.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group’s and the association’s ability to continue as a going concern.

In relation to the directors’ reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the association's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and association's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the group's and association's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the association will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and the association and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and association's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the association's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Regulator of Social Housing's regulatory framework, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate

journal entries to increase the reported operating surplus, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and members of the Audit and Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulations (in particular, considering the results of the Regulator of Social Housing's most recent In-Depth Assessment) and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging judgements and assumptions made by management in their key accounting judgements and estimation uncertainty, in particular in relation to the valuation of investment properties (see the related key audit matter); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations focusing on journals impacting: rental income, capitalisation of costs and property sales.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent society's members as a body in accordance with Section 87 (2) and Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

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

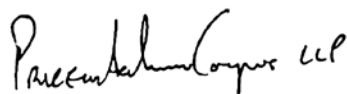
- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent society; or
- the parent financial statements are not in agreement with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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 9 July 2012 to audit the financial statements for the year ended 31 March 2013 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 March 2013 to 31 March 2021.

The engagement partner on the audit resulting in this independent auditors' report is Sotiris Kroustis.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 July 2021

Consolidated and Association Statements of Comprehensive Income

For the year ended 31 March 2021

	Note	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Turnover	2	212,182	236,846	189,643	181,415
Cost of sales	2	(25,588)	(47,302)	(9,961)	(5,003)
Gross profit		186,594	189,544	179,682	176,412
Operating costs	2	(148,263)	(145,552)	(143,731)	(146,958)
Gain/(loss) on revaluation of investment properties	2	6,156	(5,865)	5,602	(5,650)
Gain on disposal of fixed assets	5	16,539	24,046	16,070	23,776
Operating surplus		61,026	62,173	57,623	47,580
Interest receivable and similar income	6	394	1,190	5,225	4,889
Interest payable and similar charges	7	(38,414)	(39,595)	(41,989)	(43,620)
Share of (loss)/surplus in joint ventures		(155)	24	–	–
Gain on acquisition of Crown Simmons	31	58,844	–	–	–
Gift aid received		–	–	13,659	19,961
Surplus before tax	8	81,695	23,792	34,518	28,810
Taxation	9	(68)	(295)	–	–
Surplus for the year		81,627	23,497	34,518	28,810
Other comprehensive (expense)/income					
Actuarial (loss)/gain in respect of pension schemes	25	(4,534)	183	(4,534)	183
Total other comprehensive (expense)/income		(4,534)	183	(4,534)	183
Total comprehensive income for the year		77,093	23,680	29,984	28,993
Total comprehensive income attributable to the Association		77,248	23,656	29,984	28,993

Restated balances are in respect of housing properties, details of which are presented in note 32.

All results for the current and prior years are attributable to continuing operations. The notes on pages 102 to 133 form part of these financial statements.

Consolidated and Association Statements of Financial Position

As at 31 March 2021

	Note	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Fixed assets					
Property, plant and equipment	10	2,214,586	2,102,654	1,978,226	1,955,245
Investment properties	11	162,148	143,299	131,308	125,315
Investment in social HomeBuy	12	7,101	7,267	7,101	7,267
Unlisted investments	13	8,058	7,888	7,887	7,888
Investment in connected entities	14	2,146	1,968	5,690	3,708
Investment in joint ventures	15	1,755	1,910	1,294	1,294
		2,395,794	2,264,986	2,131,506	2,100,717
Current assets					
Stock	16	114,439	109,709	23,935	17,586
Trade and other debtors	17	17,618	25,876	250,703	213,112
Cash and cash equivalents		35,771	58,934	24,996	49,999
		167,828	194,519	299,634	280,697
Creditors: amounts falling due within one year	18	(118,269)	(112,979)	(105,299)	(104,833)
Net current assets		49,559	81,540	194,335	175,864
Total assets less current liabilities		2,445,353	2,346,526	2,325,841	2,276,581
Creditors: amounts falling due after more than one year	19	(1,712,467)	(1,699,996)	(1,697,937)	(1,687,434)
Deferred tax	9	(710)	—	—	—
Provisions for liabilities and charges	21	(7,492)	(3,500)	(6,712)	(2,500)
Post employment benefits	25	(13,206)	(8,574)	(13,206)	(8,574)
Total net assets		711,478	634,456	607,986	578,073
Reserves					
Called up share capital	22	—	—	—	—
Retained equity		711,119	634,026	607,627	577,643
General reserve		359	430	359	430
Total reserves		711,478	634,456	607,986	578,073

Restated balances are in respect of housing properties, details of which are presented in note 32.

Retained equity includes the net assets of the Samuel Lewis Foundation, an endowment fund. See note 29 for further information on its net assets.

The financial statements on pages 98 to 133 were authorised for issue by the Board of Directors on 19 July 2021 and signed on its behalf by:

Arthur Merchant
Chair

Janet Collier
Board Member

Noreen Adams
Company Secretary

Southern Housing Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (Registered Number IP31055R)

Consolidated and Association Statements of Changes in Reserves

For the year ended 31 March 2021

Group	Retained equity £000s	General reserve £000s	Total reserves £000s
Reserves at 1 April 2019 (as presented)	620,030	430	620,460
Restatement (see note 32)	(9,684)	–	(9,684)
Reserves at 1 April 2019 (restated)	610,346	430	610,776
Surplus for the year (restated)	23,497	–	23,497
Actuarial gain on pension schemes	183	–	183
Reserves at 31 March 2020 (restated)	634,026	430	634,456
Surplus for the year	81,627	–	81,627
Actuarial loss on pension schemes	(4,534)	–	(4,534)
Total other comprehensive expense for the year	–	(71)	(71)
Reserves at 31 March 2021	711,119	359	711,478

Association	Retained equity £000s	General reserve £000s	Total reserves £000s
Reserves at 1 April 2019 (as presented)	558,334	430	558,764
Restatement (see note 32)	(9,684)	–	(9,684)
Reserves at 1 April 2019 (restated)	548,650	430	549,080
Surplus for the year (restated)	28,810	–	28,810
Actuarial gain on pension schemes	183	–	183
Reserves at 31 March 2020 (restated)	577,643	430	578,073
Surplus for the year	34,518	–	34,518
Actuarial loss on pension schemes	(4,534)	–	(4,534)
Total other comprehensive expense for the year	–	(71)	(71)
Reserves at 31 March 2021	607,627	359	607,986

Restated balances are in respect of housing properties, details of which are presented in note 32.

The general reserve records funds that have been given to the Group for use on some estates.

Retained equity includes the net assets of the Samuel Lewis Foundation, an endowment fund. See note 29 for further information on its net assets.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	Group 2021 £000s	Restated Group 2020 £000s
Cash flow from operating activities			
Surplus before tax		81,695	23,792
Share of loss/(surplus) in joint ventures		155	(24)
Net interest and financing costs		38,020	38,405
Gain on acquisition of Crown Simmons		(58,844)	–
Operating surplus		61,026	62,173
Adjustments for:			
Depreciation	10	29,488	26,494
Gain on disposal of fixed assets		(16,539)	(24,046)
(Gain)/loss on revaluation of investment properties		(6,156)	5,865
(Reversal of impairment)/impairment	10	(300)	2,800
Government grants utilised in the year		(9,611)	(9,846)
Decrease/(increase) in stock and Homeflex property disposal		3,629	(21,760)
Decrease/(increase) in trade and other debtors		8,461	(10,892)
Increase in trade and other creditors		10,206	5,957
Increase in provisions		3,160	2,701
Corporation tax		(394)	–
Net cash generated from operating activities		82,970	39,446
Cash flow from investing activities			
Purchase of property, plant and equipment	10	(95,774)	(197,287)
Purchase of investment property		(19,259)	(40,721)
Proceeds from disposal of property, plant and equipment		33,931	51,909
Distributions received from joint ventures		–	328
Loan to joint venture		(178)	(178)
Interest received		394	862
Government grants received		14,500	46,565
Proceeds from sale of social HomeBuy investments		464	423
Cash arising from acquisition of Crown Simmons Housing		7,612	–
Net cash used in investing activities		(58,310)	(138,099)
Cash flow from financing activities			
Interest paid		(44,011)	(42,401)
Loan repayments		(42,812)	(59,317)
New secured loans		39,000	207,341
Net cash (used in)/generated from financing activities		(47,823)	105,623
Net (decrease)/increase in cash and cash equivalents		(23,163)	6,970
Cash and cash equivalents at the beginning of the year		58,934	51,964
Cash and cash equivalents at the end of the year		35,771	58,934
Group reconciliation of net debt			
Cash and cash equivalents	Group 2020 £000s	Group cash flow and non-cash items* £000s	Group 2021 £000s
Housing loans and listed bonds	58,934	(23,163)	35,771
	(978,432)	(8,079)	(986,511)
Net debt	(919,498)	(31,242)	(950,740)

Restated balances are in respect of housing properties, details of which are presented in note 32.

* Included are non-cash items which increase net debt by £1,854k. These represent effective interest rate adjustments, which include debt issue costs, and movements on accrued interest.

At 31 March 2021, restricted cash comprising balances on bank accounts held on trust for those who own a share of their property totalled £10,869k (2020: £10,144k). Cash also includes a restricted balance of £202k (2020: £202k) where a charge is held as security to cover future development costs on a particular scheme.

A further £15,285k (2020: £15,285k) restricted balance is held relating to the Samuel Lewis Foundation, a permanent endowment.

Notes to the financial statements

For the year ended 31 March 2021

1. Principal accounting policies

General information and statement of compliance

Basis of preparation

The financial statements have been prepared in accordance with and are compliant with applicable Generally Accepted Accounting Standards in the United Kingdom including Financial Reporting Standard 102 (FRS 102), the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the accounting direction for private registered providers of social housing 2019, issued by the Regulator of Social Housing. They have been prepared on the historical cost basis (as modified by the revaluation of investment properties and financial instruments).

The accounting policies have been consistently applied. The Association and the Group are public benefit entities registered in England. The accounting policies are set out below or in the relevant note disclosures relating to each balance or transaction.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Southern Housing Group Limited (the Association), Southern Home Ownership Limited (SHOL), Southern Space Limited (SSL), Southern Development Services Limited (SDSL), Southern Housing Construction Limited (SHCL), Spruce Homes Limited, Rosemary Simmons Memorial Housing Association Limited, Hewitt Homes and Fellowship Houses Trust and are consolidated in accordance with FRS 102 and the Co-operative and Community Benefit Societies Act 2014.

Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances between Group entities are eliminated in full on consolidation.

The joint venture investments in Triathlon Homes LLP and Affinity (Reading) Holdings Limited are accounted for using the equity accounting method in these consolidated financial statements. Affinity Housing Services (Reading) is accounted for as a jointly controlled operation.

Business combination

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed plus the costs directly attributable to the business combination. On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities. Where the business combination is in substance a gift, then the difference between the fair value of net assets acquired and the consideration paid is recognised as a gain through profit or loss.

On 1 April 2020 Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing became a subsidiary of Southern Housing Group Limited. Purchase accounting has been applied to the business combination and a fair value assessment was completed for the assets, liabilities and activities of Crown Simmons Housing as at 1 April 2020, as required by section 19 of FRS 102. The business combination was in substance a gift since there was no consideration paid to acquire the net assets of Crown Simmons Housing.

Segmental reporting

For the purpose of segmental reporting, the chief operating decision maker ('CODM') is considered to be the Executive Management Team ('EMT'). In line with the segments reported to the CODM, the presentation of these financial statements and accompanying notes reflect the Group's management and internal reporting. The information reviewed within the management accounts to assess performance and make strategic decisions is consistent with and closely aligned to these financial statements. Segmental reporting is presented in note 2 to the financial statements where information about income and expenditure attributable to the material operating segments are presented on the basis of the tenure type of the housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the associated risks, and the nature of the regulatory environment in which the Group operates.

Assets and liabilities are not reported by operating segment or tenure, other than housing properties which are split by tenure type and are shown in note 10.

Going concern

The Group's business activities, its current financial position and factors that are likely to affect its future development are set out within the Strategic Review. The Board's assessment of going concern is focused on the Group's liquidity and its compliance with loan covenants. The review period is 18 months from the signing of the financial statements.

The Group maintains its rigorous approach to financial planning, including the preparation of detailed budgets and forecasts for the next financial year. The Group's budget is approved by the Board and forms the first year of the 30-year business plan (the 'long-term financial plan') which sets out the long-term objectives of the Group.

The Board has considered the ongoing impact of Covid-19 on its short-term forecasts, applying stress tests to the early years of the long-term financial plan that reflect the potential for heightened financial risk stemming from the effects of the pandemic. The Board considers these tests to represent a severe yet plausible view of the risks that may impact the Group. The tests consider the impact of adverse movements in macroeconomic indicators, as well as sharp reductions in development sales income and significant above-inflationary increases in costs. Tenant rent arrears are presumed to almost double in the period under review with a conservative assumption on eventual recovery also modelled. The Group is able to withstand these stresses while remaining fully compliant with its loan covenants and without employing any mitigating actions.

In line with its treasury management policy, the Group continues to maintain sufficient resources to cover at least the next 18 months' committed cash flows, excluding sales receipts. This position is calculated net of any restricted cash. The Group's detailed liquidity position is set out on pages 55 to 56 and at the year-end undrawn facilities and cash investments totalled £426.5m with sufficient headroom forecast against the Group's liquidity policy.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the Group to continue as a going concern have been identified. On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the Group's consolidated financial statements.

1. Principal accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents are cash and short term, highly liquid investments that are convertible for use as cash at less than three months' notice with minimal risk to the principal sum. Cash balances also include restricted cash held on behalf of the Group's leaseholders, for which there is an associated creditor balance held (see note 18) and any cash relating to our permanent endowment which is only available for specific uses. The Association has taken advantage of the exemption under FRS 102 and has not prepared a cash flow statement.

Gift aid

Gift aid income is recognised in the statement of comprehensive income by the Association and as a distribution in the subsidiary making the gift aid payment when the intended gift has been confirmed. It is only provided for where a legal obligation exists. Income and distribution are eliminated on consolidation where the gift is from a Group company.

VAT

A large proportion of the Group's income comprises rental income which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the statement of comprehensive income.

Restatement

During the year, the Association identified an error, following an exercise to review historic records, relating to incorrect depreciation of housing property assets. The Association has restated the comparative figures in these financial statements, being the earliest prior period presented to which these errors relate, to give effect to the adjustments necessary to correct the identified error. See note 32 for details.

Key accounting judgements and estimation uncertainty

In preparing the financial statements, the Group is required to make certain estimates, judgements and assumptions. Estimates and assumptions will, by definition, seldom equal the related actual results. These are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable based on the information available.

The critical judgements made in these financial statements are:

Property assets

See notes 10, 11 and 16 for the accounting policies. Management have applied judgement in determining whether assets are recognised as property, plant and equipment, investment properties or stock based on their intended usage. For mixed tenure developments the appropriate share of costs for individual units constructed is allocated on a pro-rata area basis, in line with the initial appraisal. This is then revised once the final tenure mix has been confirmed.

It is Group policy to ensure resident shared owners maintain the property in a continuous state of sound repair and the Group considers that any depreciation calculation based on the property's current value would be insignificant, due to the large residual value and long economic lives. Therefore, shared ownership properties are not depreciated.

When considering property assets for impairment, units are grouped together as cash generating units, by block and tenure type where the assets are in use and at a scheme level for assets under construction. As these assets are held for service potential, judgement is required in determining the appropriate method for calculating the value in use. No impairment requirement was identified.

Gift aid

Management has made a judgement that it is probable that gift aid payments will be made to the parent within 9 months of the year end by the subsidiary entities where sufficient funds are available for the year ended 31 March 2021. In accordance with FRS 102 the tax provision is assessed on the basis that gift aid payments are probable.

Therefore, the corporation tax impact of probable gift aid payments has been considered in the calculation of the tax provision for the period.

Building safety provisions

Building safety provisions are recognised when it is probable that the Group will have to incur costs to satisfy a constructive or legal obligation. Determination of whether a constructive or legal obligation for a specific property has arisen is a matter of judgment and management assess this based on information available at the year-end.

Key sources of estimation uncertainty:

Property assets

The proportion of shared ownership properties sold as the first tranche varies from property to property based on the percentage purchased by the shared owner. The first tranche proportion of unsold and under construction properties is estimated based on recent sales trends observed over the past year and expected selling percentage from the remaining unsold stock. The current estimate of the proportion that will be sold as first tranche is 43%. This percentage has increased from 35% in the previous year and can vary according to different geographical and economic factors. An increase of 1% in the expected selling percentage would result in an increase of £1,458k in the value of unsold assets held in stock and a corresponding decrease in shared ownership housing properties. Stock is held at the lower of cost or net realisable value. This requires management to estimate the expected selling price of properties under construction as well as the cost to complete construction. The carrying value of stock is disclosed in note 16.

The fair value of investment properties is determined annually by professional external valuers. They use certain key assumptions to assess the values which can vary due to the sensitivity of the inputs such as discount rates, yields and market conditions. See note 11 for further detail.

Post employment benefits

Estimation of pension assets and liabilities depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension fund assets and guaranteed minimum payment (GMP) equalisation. The Group uses qualified actuaries to value its pension assets and liabilities. See note 25 for further detail.

Notes to the financial statements

For the year ended 31 March 2021
(continued)

2. Turnover

Turnover and operating surplus

Operating surplus includes gains and losses on the sale of fixed assets and revaluation gains and losses on investments, as these are considered to be part of the Group's operating activities. Gift aid receipts are not included within the operating surplus as the amount paid is considered annually and therefore is not an operating item.

Rent receivable

Rental income from social housing and private rental properties owned by the Group is recognised, net of void losses, on a straight-line basis over the lease term.

Service charge income

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

Management fees

Management fees receivable (excluding VAT) for services provided to other entities are recorded when they fall due. Fees are charged to the Group's subsidiaries for management and support services and are apportioned as a percentage of turnover. Intra group fees receivable and payable are eliminated on consolidation.

Support services

Support service income for provision of extra care for residents with specific needs is recognised on an accruals basis as it falls due.

Commercial income

Income from the letting of commercial properties is recognised on a straight-line basis over the lease term. Lease incentives are amortised over the life of the lease.

Property sales income

Receipts from the sale of the first tranche of shared ownership properties and proceeds of open market sales are recognised within turnover on legal completion. The sale of subsequent tranches (staircasing) of shared ownership properties and the sale of housing properties are recorded net of carrying value as a gain or loss on disposal of fixed assets.

Grants

Revenue grants are credited to the statement of comprehensive income in the same period as the expenditure to which they relate and the performance conditions are met. The cumulative grant amortised is disclosed as part of the contingent liabilities until the property it funds is disposed of or ceases to be used for social housing purposes.

Social Housing Grant is the capital grant provided by Homes England (formerly the Homes and Communities Agency), the Greater London Authority or other Government agency to wholly or partially fund Registered Providers when developing social housing. The grant is carried as deferred income in the balance sheet and amortised to the statement of comprehensive income through turnover, over the life of the structure of the properties to which it relates when they are ready to let. Social Housing Grant becomes recyclable at the point the related property is sold and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income. Grants which cannot be recycled are returned to the funder.

2. Turnover and operating surplus

Group	2021 Turnover £000s	2021 Cost of sales £000s	2021 Operating costs £000s	2021 Operating surplus £000s	2020 Turnover £000s	Restated 2020 Cost of sales £000s	Restated 2020 Operating costs £000s	Restated 2020 Operating surplus £000s
Social housing lettings	168,400	–	(138,168)	30,232	162,917	–	(136,540)	26,377
Other social housing activities								
Charges for support services	5,589	–	(5,596)	(7)	4,755	–	(5,296)	(541)
First tranche low-cost home ownership sales	18,875	(19,721)	–	(846)	15,245	(13,911)	–	1,334
Impairment reversal/(charge)*	–	–	300	300	–	–	(2,800)	(2,800)
Other	1,476	–	(9)	1,467	155	–	–	155
Non-social housing activities								
Commercial income/(expenses)	2,459	–	(162)	2,297	2,514	–	(166)	2,348
Private rental lettings	3,839	–	(669)	3,170	2,893	–	(468)	2,425
Open market sales	10,352	(5,867)	–	4,485	47,321	(33,404)	–	13,917
Other	1,192	–	(3,959)	(2,767)	1,046	13	(282)	777
	212,182	(25,588)	(148,263)	38,331	236,846	(47,302)	(145,552)	43,992
Gain/(loss) on revaluation of investment properties (Note 11)				6,156				(5,865)
Gain on disposal of fixed assets (Note 5)				16,539				24,046
Total of operating activities	212,182	(25,588)	(148,263)	61,026	236,846	(47,302)	(145,552)	62,173

Association	2021 Turnover £000s	2021 Cost of sales £000s	2021 Operating costs £000s	2021 Operating surplus £000s	2020 Turnover £000s	Restated 2020 Cost of sales £000s	Restated 2020 Operating costs £000s	Restated 2020 Operating surplus £000s
Social housing lettings	162,625	–	(133,684)	28,941	161,884	–	(136,183)	25,701
Other social housing activities								
Charges for support services	5,589	–	(5,596)	(7)	4,755	–	(5,296)	(541)
First tranche low-cost home ownership sales	9,640	(9,654)	–	(14)	5,797	(5,002)	–	795
Impairment charge*	–	–	–	–	–	–	(600)	(600)
Other	1,471	–	(9)	1,462	155	–	–	155
Non-social housing activities								
Commercial income/(expenses)	2,457	–	(162)	2,295	2,477	–	(166)	2,311
Private rental lettings	3,084	–	(369)	2,715	2,330	–	(340)	1,990
Other	4,777	(307)	(3,911)	559	4,017	(1)	(4,373)	(357)
	189,643	(9,961)	(143,731)	35,951	181,415	(5,003)	(146,958)	29,454
Gain/(loss) on revaluation of investment properties (Note 11)				5,602				(5,650)
Gain on disposal of fixed assets (Note 5)				16,070				23,776
Total of operating activities	189,643	(9,961)	(143,731)	57,623	181,415	(5,003)	(146,958)	47,580

* The impairment charge relates to shared ownership properties under construction.

Restated balances are in respect of housing properties, details of which are presented in note 32.

2a. Particulars of income and expenditure from social housing lettings

Group	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	2021 Total £000s
Rent receivable net of identifiable service charges	92,704	14,081	9,679	8,870	14,803	140,137
Service charges receivable	12,841	2,036	–	636	2,667	18,180
Gross rental income	105,545	16,117	9,679	9,506	17,470	158,317
Grant amortisation	6,989	1,054	332	434	1,274	10,083
Turnover from social housing lettings	112,534	17,171	10,011	9,940	18,744	168,400
Management costs	(31,725)	(4,816)	(2,069)	(1,584)	(5,845)	(46,039)
Service charge costs	(14,057)	(2,193)	(936)	(712)	(2,696)	(20,594)
Rent losses from bad debts	(240)	(31)	(14)	(11)	(2)	(298)
Routine maintenance	(27,600)	(4,198)	(1,760)	(1,344)	–	(34,902)
Planned maintenance	(4,566)	(691)	(287)	(218)	–	(5,762)
Depreciation	(24,289)	(3,596)	(1,522)	(1,166)	–	(30,573)
Operating costs on social housing lettings	(102,477)	(15,525)	(6,588)	(5,035)	(8,543)	(138,168)
Operating surplus on social housing lettings	10,057	1,646	3,423	4,905	10,201	30,232
Operating margin %	9%	10%	34%	49%	54%	18%
Void losses	957	154	99	414	–	1,624

Group	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	Restated 2020 Total £000s
Rent receivable net of identifiable service charges	91,038	13,275	9,189	8,049	14,780	136,331
Service charges receivable	12,001	1,748	–	569	2,277	16,595
Gross rental income	103,039	15,023	9,189	8,618	17,057	152,926
Grant amortisation	6,842	998	325	482	1,198	9,845
Management fee	101	15	5	7	18	146
Turnover from social housing lettings	109,982	16,036	9,519	9,107	18,273	162,917
Management costs	(31,104)	(4,537)	(2,251)	(1,490)	(5,638)	(45,020)
Service charge costs	(19,858)	(2,897)	(1,413)	(947)	(3,519)	(28,634)
Rent losses from bad debts	(1,459)	(213)	(103)	(69)	–	(1,844)
Routine maintenance	(22,458)	(3,276)	(1,585)	(1,068)	–	(28,387)
Planned maintenance	(4,015)	(586)	(283)	(191)	–	(5,075)
Depreciation	(21,817)	(3,182)	(1,543)	(1,038)	–	(27,580)
Operating costs on social housing lettings	(100,711)	(14,691)	(7,178)	(4,803)	(9,157)	(136,540)
Operating surplus on social housing lettings	9,271	1,345	2,341	4,304	9,116	26,377
Operating margin %	8%	8%	25%	47%	50%	16%
Void losses	275	41	57	264	–	637

Restated balances are in respect of housing properties, details of which are presented in note 32.

2a. Particulars of income and expenditure from social housing lettings (continued)

	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	2021 Total £000s
Association						
Rent receivable net of identifiable service charges	90,695	13,715	9,051	7,830	13,863	135,154
Service charges receivable	12,266	1,855	–	585	2,209	16,915
Gross rental income	102,961	15,570	9,051	8,415	16,072	152,069
Management fee	356	54	17	22	64	513
Grant amortisation	6,968	1,054	332	434	1,255	10,043
Turnover from social housing lettings	110,285	16,678	9,400	8,871	17,391	162,625
Management costs	(30,995)	(4,687)	(1,932)	(1,478)	(5,581)	(44,673)
Service charge costs	(13,436)	(2,032)	(838)	(641)	(2,420)	(19,367)
Rent losses from bad debts	(262)	(40)	(16)	(13)	–	(331)
Routine maintenance	(27,107)	(4,099)	(1,690)	(1,293)	–	(34,189)
Planned maintenance	(4,558)	(689)	(284)	(217)	–	(5,748)
Depreciation	(23,291)	(3,522)	(1,452)	(1,111)	–	(29,376)
Operating costs on social housing lettings	(99,649)	(15,069)	(6,212)	(4,753)	(8,001)	(133,684)
Operating surplus on social housing lettings	10,636	1,609	3,188	4,118	9,390	28,941
Operating margin %	10%	10%	34%	46%	54%	18%
Void losses	893	135	96	440	–	1,564

	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	Restated 2020 Total £000s
Association						
Rent receivable net of identifiable service charges	91,005	13,275	8,972	7,960	14,292	135,504
Service charges receivable	11,980	1,748	–	569	2,094	16,391
Gross rental income	102,985	15,023	8,972	8,529	16,386	151,895
Management fee	101	15	5	7	18	146
Grant amortisation	6,842	998	325	482	1,196	9,843
Turnover from social housing lettings	109,928	16,036	9,302	9,018	17,600	161,884
Management costs	(31,099)	(4,537)	(2,191)	(1,478)	(5,436)	(44,741)
Service charge costs	(19,857)	(2,897)	(1,399)	(944)	(3,471)	(28,568)
Rent losses from bad debts	(1,459)	(213)	(103)	(69)	–	(1,844)
Routine maintenance	(22,458)	(3,276)	(1,582)	(1,067)	–	(28,383)
Planned maintenance	(4,015)	(586)	(283)	(191)	–	(5,075)
Depreciation	(21,816)	(3,182)	(1,537)	(1,037)	–	(27,572)
Operating costs on social housing lettings	(100,704)	(14,691)	(7,095)	(4,786)	(8,907)	(136,183)
Operating surplus on social housing lettings	9,224	1,345	2,207	4,232	8,693	25,701
Operating margin %	8%	8%	24%	47%	49%	16%
Void losses	272	41	57	263	–	633

Restated balances are in respect of housing properties, details of which are presented in note 32.

Notes to the financial statements

For the year ended 31 March 2021
(continued)

3. Board and senior executive emoluments (key management personnel)

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, committee members, the Group Chief Executive and any other person who is a member of the Executive Management Team) was as follows:

Group	2021 £000s	2020 £000s
Emoluments	1,019	952
Pension contributions	72	60
Non Executive Board member emoluments	209	195
	1,300	1,207

The remuneration (excluding pension contributions and NI) payable to the Group Chief Executive, who is also the highest paid director was:

	2021 £s	2020 £s
Salary	231,400	232,927
Benefits in kind	448	1,034
Total remuneration (excluding pension contributions and NI)	231,848	233,961

The Remuneration and Nominations Committee sets the pay of the Executive Directors at a level to attract and retain the talent required to lead the Group. In doing this, it takes account of a market comparative exercise which is carried out annually by an independent body. Our aim is not to pay the highest salaries in the market but to remain competitive.

The pension schemes available to the Executive Directors are offered on the same terms as to other staff. There are no different pension arrangements for the Executive Directors.

4. Employee information

Monthly average number of full-time equivalent employees (FTE = 35 hours per week):	Group 2021 FTE	Group 2020 FTE	Association 2021 FTE	Association 2020 FTE
Average number of full-time equivalent employees	1,064	994	1,058	994

Staff costs (for the above employees)	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Wages and salaries	36,834	34,057	36,596	34,057
Social security costs	3,824	3,635	3,797	3,635
Other pension costs	3,342	3,465	3,242	3,465
	44,000	41,157	43,635	41,157

Remuneration paid to staff including Executives in bands from £60,000 upwards:

Staff costs for the year are net of proceeds received from the Coronavirus Job Retention scheme grant during the early part of the financial year (2020: Nil).

FTE = 35 hours per week	Group 2021 FTE number	Group 2020 FTE number
£60,000–£70,000	59	54
£70,000–£80,000	29	28
£80,000–£90,000	20	15
£90,000–£100,000	13	9
£100,000–£110,000	7	6
£110,000–£120,000	6	5
£120,000–£130,000	4	2
£130,000–£140,000	2	5
£140,000–£150,000	8	1
£180,000–£190,000	–	2
£190,000–£200,000	3	–
£200,000–£210,000	1	–
£280,000–£290,000	1	1

Remuneration includes salary, allowances, pension contributions, employers NI, benefits in kind and bonus.

5. Gain on disposal of fixed assets

The gain or loss on disposal of fixed assets is recorded as the net value of the proceeds and the costs of sale which include the carrying value of the proportion of the property being sold and the associated grant.

Group	Housing property 2021 £000s	HomeBuy and other tangible fixed assets 2021 £000s	Total 2021 £000s	Housing property 2020 £000s	HomeBuy and other tangible fixed assets 2020 £000s	Total 2020 £000s
Sale proceeds	36,660	464	37,124	49,772	2,228	52,000
Cost of sales	(20,353)	(166)	(20,519)	(26,737)	(1,079)	(27,816)
Incidental sale expenses	(66)	–	(66)	(137)	(1)	(138)
	16,241	298	16,539	22,898	1,148	24,046

Association	Housing property 2021 £000s	HomeBuy and other tangible fixed assets 2021 £000s	Total 2021 £000s	Housing property 2020 £000s	HomeBuy and other tangible fixed assets 2020 £000s	Total 2020 £000s
Sale proceeds	36,484	464	36,948	49,772	2,228	52,000
Cost of sales	(20,646)	(166)	(20,812)	(27,007)	(1,079)	(28,086)
Incidental sale expenses	(66)	–	(66)	(137)	(1)	(138)
	15,772	298	16,070	22,628	1,148	23,776

6. Interest receivable and similar income

Interest income is recognised on a receivable basis as it falls due.

Interest and investment income	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Interest from investments	303	675	298	345
Intercompany interest receivable	–	–	4,849	4,089
Interest from bank deposits	91	515	78	455
Total	394	1,190	5,225	4,889

7. Interest payable and similar charges

Interest payable on loans is recognised on a payable basis as it falls due together with amortisation charges. Interest is capitalised on properties under construction on a fair proportion of the borrowings of the Group and Association as a whole, using the weighted average interest rate for borrowing. The Group's weighted average interest rate for borrowing is 4.07% per annum (2020: 4.29% per annum).

Premiums on issue of debentures are treated as deferred income and written back to the statement of comprehensive income over the period of the loan.

Net Interest and finance costs charged	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Loans and bonds	(39,797)	(40,244)	(39,760)	(40,244)
Other fees	(5,225)	(4,275)	(3,421)	(4,267)
Less: interest payable capitalised	6,753	5,080	1,337	1,047
	(38,269)	(39,439)	(41,844)	(43,464)
Deferred income written back	50	50	50	50
Total	(38,219)	(39,389)	(41,794)	(43,414)

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For the year ended 31 March 2021
(continued)

7. Interest payable and similar charges (continued)

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Other finance costs: pension schemes				
Group pension scheme				
Expected return on pension scheme assets	1,693	1,730	1,693	1,730
Interest on pension scheme liabilities	(1,853)	(1,890)	(1,853)	(1,890)
Isle of Wight Council pension scheme				
Expected return on pension scheme assets	128	142	128	142
Interest on pension scheme liabilities	(163)	(188)	(163)	(188)
Total	(195)	(206)	(195)	(206)
Total interest and similar charges	(38,414)	(39,595)	(41,989)	(43,620)

8. Surplus before tax

The operating surplus before tax is stated after charging/(crediting):

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Depreciation:				
Property	23,308	22,374	22,385	22,367
Other tangible fixed assets	6,180	4,120	6,103	4,120
Impairment (reversal)/charge	(300)	2,800	–	600
Stock cost of sales recognised as an expense	25,588	47,302	9,961	5,003
Operating lease charges:				
Property	113	–	–	–
Other equipment	380	320	380	320
Auditors' remuneration:				
External audit fee (including expenses, excluding VAT)	340	265	280	205

Restated balances are in respect of housing properties, details of which are presented in note 32.

9. Taxation

No taxation is payable on the charitable surpluses of the Association. Taxation is chargeable on the surpluses of all subsidiary entities. Surpluses either in whole or in part are transferred to the parent by a gift aid distribution which then reduces the taxation charge accordingly. The tax impact of a gift aid payment is accounted for when it is probable that the gift aid payment will be made. All entities are registered for Value Added Tax (VAT). As the majority of group activities are exempt from VAT the recovery under partial exemption is minimal.

The tax charge has been assessed on the basis that it is probable that gift aid will be paid to the parent by the Group companies within nine months of the year end.

Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102 Section 29.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

9. Taxation (continued)

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
UK corporation tax				
Current tax at 19% (2020: 19%)	120	437	–	–
Adjustment to tax charge/(credit) in respect of previous years	21	(188)	–	–
Total tax charge	141	249	–	–
Deferred tax expense	(71)	46	–	–
Adjustments in respect of prior periods	(2)	–	–	–
	68	295	–	–

The total tax charge/(credit) for the year is lower (2020: higher) than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Total tax reconciliation				
Surplus on ordinary activities before tax	81,695	23,618	34,518	28,649
Adjustment relating to restatement	–	174	–	161
Adjusted surplus on ordinary activities before tax	81,695	23,792	34,518	28,810
Less surplus from charitable activities	(34,518)	(28,810)	–	–
Taxable surplus/(deficit) on ordinary activities before tax	47,177	(5,018)	34,518	28,810
Total tax charge	8,964	(953)	6,558	5,474
Effects of:				
Non taxable income	(8,780)	–	(6,558)	(5,474)
Timing difference in relation to revaluation	–	(33)	–	–
Change in tax rates	–	77	–	–
Expenses not deductible for tax purposes	1	3,686	–	–
Qualifying charitable donations paid or to be paid within 9 months of the year end	(257)	(2,527)	–	–
Adjustment to tax charge in respect of previous years	19	(188)	–	–
Share of taxable profits in Triathlon Homes LLP	121	233	–	–
Total tax (credit)/charge (see above)	68	295	–	–

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Deferred taxation liability				
At 1 April	782	738	–	–
Timing differences	(71)	44	–	–
At 31 March	711	782	–	–

Deferred tax mainly arises from timing differences relating to revaluation of investment properties.

Factors that may affect future tax charges

The standard rate of corporation tax in the UK remained at 19% in 2021. The rate will remain at 19% for the financial year beginning 1 April 2021. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the financial statements

For the year ended 31 March 2021
(continued)

10. Property, plant and equipment

Property plant and equipment comprise housing properties and other fixed assets.

Housing properties

Housing properties are held at historic cost less accumulated depreciation. Cost includes the cost of acquiring land and buildings, construction costs as well as directly attributable staff costs and interest capitalised during the development period from commencement on site.

Costs are split between the structure and those major components which require periodic replacement.

Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard.

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

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

Housing properties are transferred to other asset categories when there is a change in their intended usage.

Depreciation

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

Housing properties held for letting:

Structure	100 years
Major components	
Bathroom	30 years
Heating system (gas)	15 years
Heating system (electric)	25 years
Kitchen	20 years
Roof (pitched)	60 years
Roof (flat)	20 years
Windows	30 years
Wiring	30 years

Management reviews the useful life of the assets which are depreciated at a component level over their estimated useful economic lives based on experience. For leasehold assets the maximum depreciation period is that of the remaining term of the lease. For those properties occupied on short leases the maximum depreciation period is that of the remaining term of the lease.

Where a decision is made to demolish and redevelop properties, the useful economic life of the asset, including components, is re-estimated at the point that Board approval is obtained and depreciation is then charged over the remaining life of the asset.

10. Property, plant and equipment (continued)

Impairment

At each balance sheet date, the value of property, plant and equipment assets is formally assessed to determine whether there is an indication of impairment. This assessment is carried out by tenure and at the estate/scheme level, such a level representing a cash generating unit. A scheme is defined as all units of the same tenure within one area or estate.

Impairment is normally assessed scheme by scheme although for assets in use it may be at a block or unit level if more appropriate. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus. In line with the Group's objectives its social housing properties are held for their service potential and not purely for economic return.

Therefore, the Group follows the guidelines of the SORP and uses the depreciated replacement cost of the property as a reasonable estimate of the recoverable amount.

Group	Housing properties held for letting £000s	Shared ownership housing properties £000s	Housing properties under construction £000s	Other fixed assets per following note £000s	Total property, plant and equipment £000s
Cost					
At 1 April 2020 restated	1,807,191	300,676	182,225	85,270	2,375,362
Reclassification from investment properties	1,508	—	—	—	1,508
Reclassification to other fixed assets	(73)	—	—	73	—
Reclassification to stock	(111)	—	111	—	—
Schemes completed	2,406	12,515	(14,921)	—	—
Homeflex tenure change	(1,306)	877	—	—	(429)
Additions: New properties	2	—	48,854	—	48,856
Existing properties	41,255	477	—	—	41,732
Other fixed assets	—	—	—	11,529	11,529
Acquired on the acquisition of Crown Simmons	57,342	4,168	2,571	35	64,116
Impairment writeback	—	—	171	—	171
Transfer to stock	—	(1,920)	(471)	—	(2,391)
Disposals	(21,042)	(7,419)	(343)	(9,428)	(38,232)
At 31 March 2021	1,887,172	309,374	218,197	87,479	2,502,222
Accumulated depreciation					
At 1 April 2020 restated	241,260	—	—	31,448	272,708
Reclassification from other fixed assets	66	—	—	(66)	—
Charge for the year	23,308	—	—	6,180	29,488
Eliminated in respect of disposals	(5,237)	—	—	(9,323)	(14,560)
At 31 March 2021	259,397	—	—	28,239	287,636
Net Book Value					
At 31 March 2021	1,627,775	309,374	218,197	59,240	2,214,586
At 31 March 2020 restated	1,565,931	300,676	182,225	53,822	2,102,654

Restated balances are in respect of housing properties, details of which are presented in note 32.

Detail relating to other fixed assets can be found at the end of note 10.

Notes to the financial statements

For the year ended 31 March 2021
(continued)

10. Property, plant and equipment (continued)

On the acquisition of Crown Simmons Housing, their market rent properties were valued using the market value subject to existing tenancies ('MV-T') model while remaining housing properties were valued using the existing use value for social housing (EUV-SH) model. See note 31 for further details.

	Housing properties held for letting £000s	Shared ownership housing properties £000s	Housing properties under construction £000s	Other fixed assets per following note £000s	Total property, plant and equipment £000s
Association					
Cost					
At 1 April 2020 restated	1,793,670	275,757	73,082	85,270	2,227,779
Reclassification from investment properties	1,508	–	–	–	1,508
Reclassification from/(to) other fixed assets	193	–	–	(193)	–
Schemes completed	2,358	8,056	(10,414)	–	–
Homeflex tenure change	(1,306)	877	–	–	(429)
Additions: New properties	6,791	7,977	8,368	–	23,136
Existing properties	41,162	477	–	–	41,639
Other fixed assets	–	–	–	11,521	11,521
Transfer to stock	–	(1,920)	–	–	(1,920)
Disposals	(21,041)	(7,827)	(250)	(9,428)	(38,546)
At 31 March 2021	1,823,335	283,397	70,786	87,170	2,264,688
Accumulated depreciation					
At 1 April 2020 restated	241,086	–	–	31,448	272,534
Reclassification from/(to) other fixed assets	66	–	–	(66)	–
Charge for the year	22,385	–	–	6,103	28,488
Eliminated in respect of disposals	(5,237)	–	–	(9,323)	(14,560)
At 31 March 2021	258,300	–	–	28,162	286,462
Net Book Value					
At 31 March 2021	1,565,035	283,397	70,786	59,008	1,978,226
At 31 March 2020 restated	1,552,584	275,757	73,082	53,822	1,955,245

Restated balances are in respect of housing properties, details of which are presented in note 32.

Detail relating to other fixed assets can be found at the end of note 10.

10. Property, plant and equipment (continued)

Properties held for security

Loan facilities, both drawn and undrawn, totalling £1,387m (2020: £1,415m) are secured against 17,189 (2020: 17,266) properties.

Accommodation in management comprises:

	Group units 2020	Group units additions	Group units disposals	Group units tenure change/other	Group units 2021
Units owned and managed:					
General needs	17,533	331	(207)	33	17,690
Housing for older people	2,163	76	(8)	24	2,255
Supported housing	394	10	(4)	46	446
Intermediate rent	842	91	–	(5)	928
Private rent (investment properties)	261	27	–	(26)	262
Affordable rent	1,280	44	(14)	(164)	1,146
Leasehold	2,941	107	(15)	(110)	2,923
Shared ownership	3,215	130	(11)	(6)	3,328
	28,629	816	(259)	(208)	28,978
Units managed on behalf of other landlords:					
General needs	692	–	–	(17)	675
Supported housing	72	–	(5)	–	67
Intermediate rent	294	–	–	–	294
Leasehold	130	36	–	(1)	165
Shared ownership	313	–	–	(2)	311
	1,501	36	(5)	(20)	1,512
Total units managed	30,130	852	(264)	(228)	30,490
Total units owned	28,629	816	(259)	(208)	28,978

Accommodation in management comprises:

	Association units 2020	Association units additions	Association units disposals	Association units tenure change/other	Association units 2021
Units owned and managed:					
General needs	17,529	–	(207)	35	17,357
Housing for older people	2,163	–	(8)	24	2,179
Supported housing	394	10	(4)	46	446
Intermediate rent	833	–	(13)	8	828
Private rent (investment properties)	226	27	–	(20)	233
Affordable rent	1,235	10	(14)	(149)	1,082
Leasehold	2,788	–	(15)	(105)	2,668
Shared ownership	3,064	76	(11)	(3)	3,126
	28,232	123	(272)	(164)	27,919
Units managed on behalf of other landlords:					
General needs	696	333	–	(17)	1,012
Housing for older people	–	76	–	–	76
Supported housing	72	–	(5)	–	67
Intermediate rent	303	91	–	–	394
Affordable rent	45	42	–	(15)	72
Leasehold	283	107	39	(4)	425
Shared ownership	464	58	–	(6)	516
	1,863	707	34	(42)	2,562
Total units managed	30,095	830	(238)	(206)	30,481
Total units owned	28,232	123	(272)	(164)	27,919

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For the year ended 31 March 2021
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10. Property, plant and equipment (continued)

Other fixed assets

Other tangible fixed assets are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost to the estimated residual value at the annual rates below. For those properties occupied on short leases the maximum depreciation period is that of the remaining term of the lease.

Freehold and leasehold properties	100 years
Plant and machinery	15 years
Estate equipment and offices, fixtures and fittings	5–10 years
Computer hardware and software	3 years

Group	Freehold and leasehold properties £000s	Estate equipment and offices £000s	Plant, machinery, fixtures and fittings £000s	Computer hardware and software £000s	Total other fixed assets £000s
Cost					
At 1 April 2020	28,361	32,944	2,068	21,897	85,270
Reclassification	2,815	266	–	(3,008)	73
Additions	1,011	5,668	–	4,850	11,529
Acquired on Crown Simmons acquisition	–	–	26	9	35
Disposals	(28)	(1,205)	(1,452)	(6,743)	(9,428)
At 31 March 2021	32,159	37,673	642	17,005	87,479
Accumulated depreciation					
At 1 April 2020 restated	5,973	14,700	1,915	8,860	31,448
Reclassification	(66)	–	–	–	(66)
Charge for year	1,499	1,691	24	2,966	6,180
Disposals	(28)	(1,103)	(1,449)	(6,743)	(9,323)
At 31 March 2021	7,378	15,288	490	5,083	28,239
Net Book Value					
At 31 March 2021	24,781	22,385	152	11,922	59,240
At 31 March 2020 restated	22,388	18,244	153	13,037	53,822

Association	Commercial, freehold and leasehold properties £000s	Estate equipment and offices £000s	Plant, machinery, fixtures and fittings £000s	Computer hardware and software £000s	Total other fixed assets £000s
Cost					
At 1 April 2020	28,361	32,944	2,068	21,897	85,270
Reclassification	2,815	–	–	(3,008)	(193)
Additions	1,003	5,668	–	4,850	11,521
Disposals	(28)	(1,205)	(1,452)	(6,743)	(9,428)
At 31 March 2021	32,151	37,407	616	16,996	87,170
Accumulated depreciation					
At 1 April 2020 restated	5,973	14,700	1,915	8,860	31,448
Reclassification	(66)	–	–	–	(66)
Charge for year	1,499	1,637	10	2,957	6,103
Disposals	(28)	(1,103)	(1,449)	(6,743)	(9,323)
At 31 March 2021	7,378	15,234	476	5,074	28,162
Net Book Value					
At 31 March 2021	24,773	22,173	140	11,922	59,008
At 31 March 2020 restated	22,388	18,244	153	13,037	53,822

Total assets under construction included above are £3,037k (2020 restated: £8,281k) of which £907k (2020 restated: £1,029k) relate to internally generated costs paid in the year.

11. Investment properties

Properties for market rent or commercial lettings are included as investment properties and are recorded at fair value with changes in the market value reported in the statement of comprehensive income. No depreciation is provided in respect of investment properties.

At 31 March 2021 all commercial properties were market valued externally by Copping Joyce, qualified RICS Chartered Surveyors. The valuation adopted a rent capitalisation methodology into the perpetuity at an appropriate yield using floor areas and rental values. In the instance of properties having a dual use as offices and commercial lettings the cost is split by use using the proportion of floor area with office carrying cost being disclosed in property, plant and equipment.

Developments under construction with a commercial property tenure are required to be split out from housing properties and classified as investment properties under construction. The commercial element is then valued as part of our investment portfolio at fair value and a gain or loss on revaluation recognised.

Residential properties held for investment and rented at market rents were valued on a case by case open market value basis adopting the investment method of valuation where appropriate by Copping Joyce. The valuation model used an assumption that the properties are sold as single investment blocks.

All the above valuations were carried out by Copping Joyce in accordance with the RICS Valuation Global Standards 2020 incorporating the IVSC (International Valuation Standards Council) effective 31 January 2020, produced by The Royal Institution of Chartered Surveyors (commonly known as 'The Red Book').

The key variables in the valuation of residential properties held for private rent are market rents and capitalisation rates (yields). An increase in yield of 0.25% and reduction in rent of 2.5% results in a value reduction of approximately £6,599k (7.4%). For the commercial portfolio an increase in yield of 0.25% and reduction in rent of 2.5% would lead to a decrease in the valuation of £3,685k (7.0%). These figures are disclosed as an indicator of potential sensitivity only.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Valuation at 1 April	143,299	106,934	125,315	90,110
Reclassification to stock	(4,459)	(924)	–	–
Additions	18,660	42,499	1,900	40,200
Disposals	–	(143)	–	(143)
Transfer (to)/from fixed assets	(1,508)	798	(1,508)	798
Gain/(loss) on revaluation of investment properties	6,156	(5,865)	5,601	(5,650)
At 31 March	162,148	143,299	131,308	125,315

The above includes developments under construction of £20,500k (2020: £2,290k).

12. Investment in social HomeBuy

The Group retains a stake in homes purchased through the HomeBuy and Starter Homes Initiative schemes which are regarded as public benefit entity concessionary loans. They are held in the statement of financial position, recorded at transaction value, being the share of value of the property at the date of acquisition, as opposed to being held at the fair value of the loans which FRS 102 would otherwise require.

The loan is repayable on the sale of the underlying property with any proportionate excess achieved on the sale value over the loan value being reported through the statement of comprehensive income.

Investments in HomeBuy and Starter Home Initiatives are funded through social housing grant. The Association funds 6% of the stake in Starter Home Initiatives, with the remainder being funded through social housing grant. No interest is payable. The security is a charge on the property and repayment is due upon the sale of the property. There are no concessionary loans committed but not taken up at year end.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
HomeBuy and Starter Home Initiatives	7,101	7,267	7,101	7,267

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13. Unlisted investments

The unlisted investments comprise interest bearing cash deposits placed as a guarantee for loans from The Housing Finance Corporation Limited ('THFC'). These are held at cost adjusted for any increases in amounts deposited or withdrawn and impairment. The deposits are held as interest cover with differing maturity and interest rates in line with the loan facility agreements. Interest receivable is accounted for on an accruals basis.

The endowment is held by Fellowship Houses Trust and is held at fair value.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Unlisted investments				
At 1 April	7,888	8,084	7,888	8,084
Cash deposit movement	(1)	(196)	(1)	(196)
Cash deposit	7,887	7,888	7,887	7,888
Acquisition of endowment from Crown Simmons	138	—	—	—
Revaluation of endowment	33	—	—	—
Endowment	171	—	—	—
At 31 March	8,058	7,888	7,887	7,888

14. Investment in connected entities

The investment in subsidiary of £3,544k (2020: £1,740k) relates to Spruce Homes Limited and Rosemary Simmons Memorial Housing Association Limited and is supported by the net assets of the subsidiaries. The investment loan comprises redeemable loan notes issued to Affinity (Reading) Holdings Limited.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Cost				
Investment in subsidiary	—	—	3,544	1,740
Investment loan to joint venture entity	2,146	1,968	2,146	1,968
	2,146	1,968	5,690	3,708
		Wholly owned subsidiary £000s	Joint venture entity £000s	Association £000s
Movement				
At 1 April 2020		1,740	1,968	3,708
Net increase in investment		1,804	178	1,982
At 31 March 2021		3,544	2,146	5,690

See note 27 for details of the Group's ownership interests in subsidiaries and affiliates.

15. Investment in joint ventures

Joint ventures are those entities over which the Group exercises joint control through a contractual arrangement. Affinity Housing Services (Reading) is accounted for as a jointly controlled operation where the share of operations is brought directly into the Group and Association financial statements. Affinity (Reading) Holdings Limited is accounted for as a jointly controlled entity. In the Association figures it is held at cost less any impairment, in the Group it is held using the equity method of accounting.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Triathlon Homes LLP	—	—	—	—
Affinity (Reading) Holdings Limited				
Investment	1,294	1,294	1,294	1,294
Share of accumulated surplus	461	616	—	—
	1,755	1,910	1,294	1,294

15. Investment in joint ventures (continued)

Southern Housing Group Limited holds:

A 50% partnership capital in Affinity Housing Services (Reading), a joint venture with Abri Group, which is accounted for as a jointly controlled operation. The joint venture has a 33% holding in Affinity (Reading) Holdings Limited, which holds 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's housing portfolio.

A 33.33% direct holding in Affinity (Reading) Holdings Limited, which together with the indirect holding described above, gives a total interest of 50%. The indirect interest is accounted for through the accounting of Affinity Housing Services (Reading). The direct interest is accounted for as a jointly controlled entity. In the Association it is held at cost less impairment and in the Group it is held using the equity method of accounting.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The principal activity of Triathlon Homes LLP is the management of the social housing within East Village, Stratford. Following the final handover of all units by the developer to Triathlon Homes LLP, all units are used for social housing in a variety of tenures.

Triathlon Homes LLP is accounted for as a jointly controlled entity and has net negative reserves due to a negative cash flow hedge reserve. The Group has no contractual liability for the resultant losses.

16. Stock

Completed property stock and properties under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises land, materials, direct labour, direct development overheads and interest capitalised during the development period from commencement on site. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Stock in the course of construction is assessed against the net realisable value of the asset for impairment.

Shared ownership properties held for sale and under construction are split proportionally between stock and fixed assets, based on the expected first tranche proportion. First tranche proportions are accounted for as stock and the related sales proceeds are shown in turnover. The remaining elements of the shared ownership properties are accounted for as fixed assets. Subsequent sales are treated as part disposals of fixed assets.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Under construction – first tranche shared ownership	63,505	37,449	1,399	3,858
Under construction – open market sales	36,026	50,172	14,966	5,648
Completed properties – first tranche shared ownership	11,513	16,350	7,570	8,080
Completed properties – open market sales	3,395	5,738	–	–
	114,439	109,709	23,935	17,586

17. Trade and other debtors

Trade and other debtors are measured at transaction price less any impairment.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Rent and service charges in arrears	10,482	9,177	10,192	9,142
Less: provision for bad and doubtful debts	(4,148)	(3,780)	(4,070)	(3,776)
	6,334	5,397	6,122	5,366
Amounts due from group undertakings	–	–	234,276	198,819
Other debtors	6,598	17,799	5,629	6,247
Prepayments and accrued income	4,686	2,680	4,676	2,680
	17,618	25,876	250,703	213,112

The £233,531k (2020: £198,819k) due to the Association from group undertakings relates to revolving loans to fund working capital with final repayment due after more than one year and the balances are expected to fluctuate in the short term. The loans are secured via a charge on the entity's assets at interest rates between 1.1% and 3% over 3 month LIBOR (London Inter-bank Offered Rate).

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18. Creditors: amounts falling due within one year

Trade and other creditors and housing loans are carried at amortised cost.

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Social housing grant received in advance	201	201	201	201
Recycled capital grant fund (RCGF)	8,364	7,626	8,364	7,626
Disposal proceeds fund (DPF)	–	15	–	15
Amounts due to group undertakings	–	–	990	943
Accruals	38,166	28,970	28,515	22,107
Deferred income	1,491	–	1,491	–
Corporation tax	185	1,221	–	–
Other taxation and social security	303	177	264	177
Other creditors	24,494	23,228	20,411	22,223
Grant repayable	4,063	4,047	4,063	4,047
Housing loans	41,002	47,494	41,000	47,494
	118,269	112,979	105,299	104,833

Restated balances are in respect of housing properties, details of which are presented in note 32.

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £10,967k (2020: £10,231k) and trade creditors of £4,812k (2020: £5,406k) are reflected above in other creditors.

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

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
19a Housing loans and listed bonds	945,509	930,938	945,210	930,938
19b Deferred income	760,820	762,617	746,628	750,088
19c Recycled capital grant fund (RCGF)	6,138	6,441	6,099	6,408
	1,712,467	1,699,996	1,697,937	1,687,434

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
19a Housing loans and listed bonds				
Housing loans falling due after one year	528,883	515,690	528,584	515,690
Bonds	425,000	425,000	425,000	425,000
Loan set-up costs	(5,950)	(7,016)	(5,950)	(7,016)
Other loan costs	(2,424)	(2,736)	(2,424)	(2,736)
Loans at amortised cost	945,509	930,938	945,210	930,938

Housing loans and bonds are secured by specific charges on 17,189 (2020: 17,266) of the Group's housing units and are repayable in instalments due as follows:

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Housing loans falling due within one year	31,108	37,237	31,106	37,237
Interest accrued	9,894	10,257	9,894	10,257
Total housing loans falling due within one year	41,002	47,494	41,000	47,494
Between one and two years	19,446	37,106	19,444	37,106
Between two and five years	168,006	134,573	167,997	134,573
In five years or more	766,431	769,011	766,143	769,011
Total housing loans and bonds falling due after more than one year	953,883	940,690	953,584	940,690
Total housing loans and bonds excluding loan set up costs and other costs	994,885	988,184	994,584	988,184

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

Housing loans bear fixed rates of interest ranging from 1.0% to 11.5% or variable rates based on a margin above LIBOR. The final instalments fall due for repayment during the period 2020 to 2047.

The Group has three publicly listed bonds the terms of which are:

- 3.5% £300m 2047
- 4.5% £75m 2039
- 5.354% £50m 2044

Housing loans are subject to compliance with a number of financial covenants such as interest cover and gearing.

19b Deferred income

	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Social and other housing grant b/fwd	761,905	733,757	749,376	727,843
Social housing grant received in the year	14,263	46,300	14,026	41,155
Grant repaid	–	101	–	101
Intra group transfer	–	–	(1,427)	–
Grant on disposals	(8,589)	(9,160)	(8,589)	(9,160)
Transfer to RCGF	(160)	(1,682)	(160)	(3,154)
Grant amortisation released on disposals	2,607	2,433	2,607	2,433
Amortisation of social housing grant in year	(9,611)	(9,844)	(9,610)	(9,842)
Deferred income – social and other housing grant c/fwd	760,415	761,905	746,223	749,376
Premium on debentures	92	143	92	143
Deferred income	313	569	313	569
	760,820	762,617	746,628	750,088

Restated balances are in respect of housing properties, details of which are presented in note 32.

19c Recycled capital grant fund

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Balance relating to Homes England				
Balance at 1 April	9,867	8,363	9,867	8,363
Grant released on sales	946	1,440	946	1,440
Greater London Authority (GLA) transfer	(13)	–	(13)	–
Interest added to fund	10	64	10	64
Acquired on acquisition of Crown Simmons	39	–	–	–
Balance at 31 March	10,849	9,867	10,810	9,867
Comprising amounts:				
Due within one year	8,364	7,247	8,364	7,247
Due in more than one year	2,485	2,620	2,446	2,620
Balance relating to the GLA				
Balance at 1 April	4,200	3,774	4,167	3,741
Grant released on sales	1,654	1,926	1,654	1,926
Interest added to fund	5	22	5	22
Intra-group transfer	–	–	33	(1,472)
Social housing grant transfer	(2,219)	–	(2,219)	–
Homes England transfer	13	–	13	–
Grant recycled into new schemes	–	(1,522)	–	(50)
Balance at 31 March	3,653	4,200	3,653	4,167
Comprising amounts:				
Due within one year	–	379	–	379
Due in more than one year	3,653	3,821	3,653	3,788
Total due within one year	8,364	7,626	8,364	7,626
Total due in more than one year	6,138	6,441	6,099	6,408

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20. Social housing grant

The Group receives financial assistance from Homes England and the GLA. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building structure, which is 100 years.

Government grant amounts amortised represents a contingent liability to the entity and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes as disclosed in note 30.

The analysis of the assistance from government sources in the form of government grants is:

	Note	Group 2021 £000s	Restated Group 2020 £000s	Association 2021 £000s	Restated Association 2020 £000s
Government funding received	19b	760,415	761,905	746,223	749,376
Grants amortised in the year (contingent liabilities)		9,611	9,844	9,610	9,842

Restated balances are in respect of housing properties, details of which are presented in note 32.

21. Provisions for liabilities and charges

Provisions are recognised when it is probable that the Group will have to incur costs to satisfy a legal or constructive obligation. The amount recognised is management's best estimate of the costs that will be incurred to meet the obligation identified.

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Balance at 1 April	3,500	–	2,500	–
Provision recognised, net of utilisation	3,992	3,500	4,212	2,500
Balance as at 31 March	7,492	3,500	6,712	2,500

The provision of £6,712k (2020: £2,500k) for the Association relates to the anticipated cost of capital building safety works where an obligation has been created. The remaining £780k (2020: £1,000k) provision represents the remaining costs of completing the build of a commercial unit at a development scheme where the Group is committed to constructing the asset as part of the terms of purchasing the land. It is expected that these costs will be incurred within the next two or three years.

22. Called up share capital

	2021 £s	2020 £s
Shares of £1 each issued and fully paid:		
Balance at 1 April	7	6
Shares issued during year	3	2
Shares surrendered during year	(1)	(1)
As at 31 March	9	7

The share capital of the Association consists of shares of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that person's share capital is cancelled.

23. Capital commitments

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Capital expenditure contracted but not provided for in the financial statements	166,067	153,114	7,574	20,313
Capital expenditure authorised but not contracted	337,426	185,092	115,676	61,779

Committed development expenditure for the Group and Association will be financed through £32,395k (2020: £31,535k) grant with the balance funded through cash balances, cash generated from property sales and borrowings on undrawn funding facilities. It is not possible to identify the exact split of the funding.

24. Operating leases

Leased assets

Payments under cancellable operating leases are charged to the statement of comprehensive income on a straight line basis over the life of the lease.

	Total 2021 £000s	Total 2020 £000s
Future minimum lease payments		
Within one year	140	5
Between one and five years	851	288
Over five years	16	63
	1,007	356

Operating leases with tenants

The Group's rental properties other than those held for investment purposes are tenanted under cancellable operating leases with typical tenant break clauses of four weeks. Rents vary in line with the Rent Standard as set by the Government and affected by the Welfare Reform and Work Act 2016. The Group share of equity in a shared ownership property may be purchased by its leaseholder at any time at the pro-rata market rate at which point ongoing lease payments will be adjusted according to the share of ownership retained by the Group.

Income on all operating leases is recorded in the statement of comprehensive income as the rent falls due. The Group's residential market rented properties are let under operating leases which are cancellable ranging from four weeks to three month notice periods. The Group's commercial properties are let under non-cancellable operating leases.

The Group's future minimum operating lease receipts from commercial properties under non-cancellable arrangements were:

	2021 £000s	2020 £000s
Minimum amounts due within:		
Less than one year	1,994	2,340
Later than one year and not later than five years	6,809	6,660
Later than five years	2,259	3,676
	11,062	12,676

25. Post employment benefits

The Group operates three defined benefit schemes all of which are closed to new members. There is one defined contribution scheme.

a) Defined benefit schemes

Southern Housing Group Limited contributes to the Southern Housing Group scheme which has been closed to new members since 31 March 2003.

Southern Housing Group Limited also contributed during the year to:

- The Isle of Wight Council Pension fund for employees who transferred from the Isle of Wight Council.
- The Islington local government pension scheme in which there is only 1 member, the share of scheme assets and liabilities of which are not material to the Southern Housing Group Limited financial statements.

b) Defined contribution scheme

A defined contribution scheme administered by Scottish Widows Limited based on an incentive matched scale, where the employer contribution increases the more the employee contributes.

Regular valuations of the defined benefit schemes are prepared by independent, professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the pension fund. The current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, admin costs and net interest are charged against the operating surplus in the year. Remeasurement of the net liability (or asset) is recognised as actuarial gains/(losses) in other comprehensive income.

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(continued)

25. Post employment benefits (continued)

Employer contributions paid to all defined contribution schemes are charged to the statement of comprehensive income.

The Group has six commercial units and 57 private rent units secured against the Southern Housing Group pension plan at a carrying value of £40.8m.

The amounts recognised in the statement of financial position for the Group's defined benefit schemes are as follows:

	Group 2021 £000s	Group 2020 £000s	Association 2021 £000s	Association 2020 £000s
Southern Housing Group Pension scheme	(11,670)	(6,841)	(11,670)	(6,841)
Isle of Wight Pension scheme	(1,536)	(1,733)	(1,536)	(1,733)
Total net deficit	(13,206)	(8,574)	(13,206)	(8,574)

Southern Housing Group Pension Scheme

Southern Housing Group Limited is the sponsoring employer of a funded defined benefit pension scheme (the Plan) in the UK, which provides retirement benefits based on members' salary when leaving employment. The assets of the Plan are held in a separately administered fund which is administered by a trustee body (independent of Southern Housing Group Limited) who are responsible for ensuring that the Plan is sufficiently funded to meet current and future obligations.

The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method. The last full actuarial valuation was carried out at 31 March 2018.

Southern Housing Group Limited has agreed a funding plan with the trustee of the Plan, whereby ordinary contributions are made into the Plan based on a percentage of active employees' salary. Additional contributions are agreed with the trustee of the Plan to reduce the funding deficit where necessary. The disclosures set out below are based on calculations carried out as at 31 March 2021 by an independent qualified actuary.

On 30 September 2020 Crown Simmons Housing transferred all liabilities out of the Social Housing Pension Scheme (SHPS) into the SHG Scheme 1964 and is no longer a participating member of the SHPS scheme.

SHG Scheme 1964

During the year, the Group paid contributions at a rate of 30.1% of pensionable pay. No additional deficit payments were made in the year (2020: £165,615).

The employer contribution rate to be applied from 1 April 2021 is 30.1%.

The results of the calculations and the assumptions adopted are shown below.

	2021 % pa	2020 % pa
Actuarial assumptions		
Rate of increase in salaries	3.05	2.10
Discount rate	2.05	2.30
Inflation assumption – RPI	3.30	2.60
Inflation assumption – CPI	2.55	1.60

	Male	Female
Mortality assumptions		
Current pensioner aged 65	21.60	23.60
Future retiree upon reaching 65	22.90	25.10

The major categories of scheme assets as a percentage of total scheme assets are:

	2021 %	2020 %
Equities	38.03	45.20
Diversified growth fund and LDI	61.47	54.50
Cash	0.50	0.30
Total	100.00	100.00

25. Post employment benefits (continued)

SHG Scheme 1964 (continued)

	2021 £000s	2020 £000s
Net defined benefit liability		
Fair value of scheme assets	53,985	45,283
Present value of defined benefit obligation	(59,116)	(49,210)
Defined benefit liability recognised in statement of financial position	(5,131)	(3,927)

	2021 £000s	2020 £000s
Total expense recognised in statement of comprehensive income		
Current service cost	405	448
Administration expenses	3	38
Net interest cost	85	82
Total recognised in the statement of comprehensive income	493	568

	Assets £000s	Liabilities £000s	Total £000s
Reconciliation of scheme assets and liabilities			
At 1 April 2020	45,283	(49,210)	(3,927)
Benefits paid	(1,379)	1,379	–
Current service cost	–	(405)	(405)
Interest income/(cost)	1,031	(1,116)	(85)
Administration expenses	(3)	–	(3)
Employer contributions	364	–	364
Employee contributions	59	(59)	–
Actuarial losses	–	(9,705)	(9,705)
Return on scheme assets excluding interest income	8,630	–	8,630
At 31 March 2021	53,985	(59,116)	(5,131)

SHG Scheme 2017

During the year the Group paid contributions at a rate of 20.7% of pensionable pay. In addition a further payment of £450,000 (2020: £501,249) was made towards an identified deficit.

The employer contribution rate to be applied from 1 April 2021 is 20.7%.

The results of the calculations and the assumptions adopted are shown below.

	2021 % pa	2020 % pa
Actuarial assumptions		
Rate of increase in salaries	3.35	2.60
Discount rate	2.05	2.30
Inflation assumption – RPI	3.35	2.60
Inflation assumption – CPI	2.75	1.60

	Male	Female
Mortality assumptions		
Current pensioner aged 65	21.60	23.60
Future retiree upon reaching 65	22.90	25.10

The major categories of scheme assets as a percentage of total scheme assets are

	2021 %	2020 %
Equities	32.48	40.80
Diversified growth fund and LDI	64.15	58.30
Cash	3.37	0.90
Total	100.00	100.00

25. Post employment benefits (continued)
SHG Scheme 2017 (continued)

	2021 £000s	2020 £000s
Net defined benefit liability		
Fair value of scheme assets	32,911	23,574
Present value of defined benefit obligation	(39,450)	(26,488)
Defined benefit liability recognised in statement of financial position	(6,539)	(2,914)

	2021 £000s	2020 £000s
Total expense recognised in statement of comprehensive income		
Current service cost	177	138
Past service cost	–	–
Administration expenses	22	170
Net interest cost	75	78
Total recognised in the statement of comprehensive income	274	386

	Assets £000s	Liabilities £000s	Total £000s
Reconciliation of scheme assets and liabilities			
At 1 April 2020	23,574	(26,488)	(2,914)
Benefits paid	(1,321)	1,321	–
Current service cost	–	(177)	(177)
Interest income/(cost)	662	(737)	(75)
Administration expenses	(7)	(15)	(22)
Employer contributions	733	–	733
Employee contributions	94	(94)	–
Acquired from Crown Simmons	5,275	(6,010)	(735)
Actuarial losses	–	(7,250)	(7,250)
Return on scheme assets excluding interest income	3,901	–	3,901
At 31 March 2021	32,911	(39,450)	(6,539)

The Isle of Wight Council Pension Scheme

The Group participates in a pension scheme providing benefits based on final pensionable pay: The Isle of Wight Pension Scheme. The scheme is funded by the payment of contributions to a pension fund, which is administered by the Isle of Wight Council. The Group has agreed a funding plan with the trustee, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed to reduce the funding deficit where necessary.

A comprehensive actuarial valuation of the pension scheme, using the projected unit credit method, was carried out at 31 March 2019 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 31.6% of pensionable pay plus an additional amount of £350,000 will apply for 2021-22 (2020-21: 28.3% plus £350,000).

The major assumptions used in this valuation were:

	2021 % pa	2020 % pa
Actuarial assumptions		
Pension increase rate	2.85	2.00
Rate of increase in salaries	3.65	2.80
Discount rate	1.95	2.30
Inflation assumption – RPI	3.00	2.90
Inflation assumption – CPI	2.85	2.00

25. Post employment benefits (continued)

The Isle of Wight Council Pension Scheme (continued)

Mortality assumptions	Male	Female
Current pensioner aged 65	21.90	24.20
Future retiree upon reaching 65	22.90	25.90

The major categories of scheme assets as a percentage of total scheme assets are

	2021 %	2020 %
Equities	74.00	62.00
Property	5.00	6.00
Bonds	20.00	30.00
Cash	1.00	2.00
Total	100.00	100.00

	2021 £000s	2020 £000s
Net defined benefit liability		
Fair value of scheme assets	6,617	5,545
Present value of defined benefit obligation	(8,153)	(7,278)
Defined benefit liability recognised in statement of financial position	(1,536)	(1,733)

	2021 £000s	2020 £000s
Total expense recognised in statement of comprehensive income		
Current service cost	44	74
Net interest cost	35	46
Total recognised in statement of other comprehensive income	79	120

	Assets £000s	Liabilities £000s	Total £000s
Reconciliation of scheme assets and liabilities			
At 1 April 2020	5,545	(7,278)	(1,733)
Benefits paid	(385)	385	–
Current service cost	–	(44)	(44)
Interest income/(cost)	128	(163)	(35)
Employer contributions	386	–	386
Employee contributions	8	(8)	–
Actuarial losses	–	(1,045)	(1,045)
Return on scheme assets excluding interest income	935	–	935
At 31 March 2021	6,617	(8,153)	(1,536)

Defined contribution schemes

The amount recognised as an expense for the year in respect of the defined contribution scheme was:
£1,893,129 (2020: £1,706,385)

26. Legislative provisions

Southern Housing Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (Registered Number IP31055R) and registered with the Regulator of Social Housing (Registered Number L4628).

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27. Group organisations

Southern Housing Group Limited is the ultimate parent undertaking and controlling party and is required by statute to prepare group financial statements for the following organisations included in these financial statements. All the undertakings are incorporated in England and Wales:

Name	Legal status	Regulator	Nature of business	Interest held by parent (SHGL)
Southern Housing Group Limited	Co-operative and Community Benefit Societies Act 2014 Number IP31055R	Registered Provider Number: L4628	Provision of housing and accommodation to the disadvantaged	
Southern Home Ownership Limited	Co-operative and Community Benefit Societies Act 2014 Number IP18521R	Registered Provider Number: LH1662	Development and management of properties	100% shares
Southern Space Limited	Companies Act 2006 Number 05437850		Vehicle for the one third share in Triathlon Homes LLP	100% shares
Southern Development Services Limited	Companies Act 2006 Number 05400187		Provision of development services to other group companies	100% shares
Spruce Homes Limited	Companies Act 2006 Number 10181074		Provision of housing for private rent	100% shares
Southern Housing Construction Limited	Companies Act 2006 Number 10181046		Provides property construction services	100% shares
Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing	Co-operative and Community Benefit Societies Act 2014 Number IP15355R	Registered Provider Number: LH1026	Provision of housing and accommodation to the disadvantaged	100% shares
The Fellowship Houses Trust	Charities Act 2011 Charity Number 205786	Registered Provider Number: LH1821	Provision of housing and accommodation to the disadvantaged	Crown Simmons Housing is Corporate trustee
Hewitt Homes	Charities Act 2011 Charity Number 235827	Registered Provider Number: LH1856	Provision of housing and accommodation to the disadvantaged	Crown Simmons Housing is Corporate trustee
Samuel Lewis Foundation	Charitable Endowment. Charity Number 206611	Charity Commission	Provision of housing and accommodation to the disadvantaged (see note 29)	Corporate trustee
Affinity Housing Services (Reading)	Jointly controlled operation		Joint venture with Abri Group	50% partnership capital
Affinity (Reading) Holdings Limited	Companies Act 2006 Number 04851135		Joint venture with Abri Group	33.3% share directly held and 16.67% via Affinity Housing Services (Reading)
Triathlon Homes LLP	The Limited Liability Partnership Act 2000		Joint venture entity with First Base 4 Stratford LLP and East Place Limited	33% partnership interest via Southern Space Limited

28. Related parties

Intra-group transactions for Southern Housing Group Limited with non-regulated group members are as follows:

	2021 £000s	2020 £000s
Payments received by Southern Housing Group Limited		
Administration support and development costs recharged to Southern Space Limited, Southern Development Services Limited, Spruce Homes Limited and Southern Housing Construction Limited	2,412	1,971
Loan interest from Southern Space Limited, Spruce Homes Limited and Southern Housing Construction Limited	53	90
Director's services and income received from Affinity Housing Services (Reading)	150	161
Provision of administrative services to Triathlon Homes LLP	1,469	588
Gift aid from Southern Space Limited and Southern Development Services Limited	143	1,472
Total	4,227	4,282

	2021 £000s	2020 £000s
Payments made by Southern Housing Group Limited		
Development costs paid to Southern Development Services Limited	–	6,260
Management costs paid to Spruce Homes Limited	139	94
Property equity purchase paid to Southern Space Limited	–	453
Total	139	6,807

	2021 £000s	2020 £000s
Assets		
Intercompany debtor due from Southern Space Limited, Spruce Homes Limited and Southern Housing Construction Limited to Southern Housing Group Limited	2,438	1,874
Redeemable loan notes due from Affinity Reading (Holdings) Limited	2,146	1,968

	2021 £000s	2020 £000s
Liabilities		
Intercompany creditor due from Southern Housing Group Limited to Southern Space Limited, Southern Development Services Limited and Southern Housing Construction Limited	990	943

Intra-group transactions for Southern Home Ownership with non-regulated group members are as follows:

	2021 £000s	2020 £000s
Purchase of developments from Southern Space Limited	–	1,566
Management income from Spruce Homes Limited	377	450
Development costs paid to Southern Development Services Limited and Southern Housing Construction Limited	3,249	3,296
Intercompany debtor due from Spruce Homes Limited	26	40
Intercompany creditor due to Southern Space Limited, Southern Development Services Limited and Southern Housing Construction Limited	1,087	561

Payments totalling £1,406 (2020: £1,352) were made to Southern Housing Group Limited by Simone Buckley, a Board member who was a leaseholder during the year. The terms of the lease are on the same basis as for other tenants and on an arm's length basis.

As Southern Housing Construction Limited has net current liabilities, the Association has provided a letter confirming its intention to provide financial support if required for this entity for a period of at least 18 months from 1 April 2021.

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29. Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing Group Limited as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing Group Limited. This disclosure is given for reporting purposes to the Charity Commission.

Expenditure on letting activities comprise certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties.

Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ringfenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £000s	Number of units
Liverpool Road	1910	324	247
Jubilee Cottages	1935	707	28
Palliser Road	1927	973	57
Beech House	1936	701	16

Fund balances are represented by:

	2021 £000s	2020 £000s
Property, plant and equipment	14,005	14,363
Cash	15,285	15,285
Investment properties	6,910	6,900
Total assets less current liabilities	36,200	36,548
Creditors: amounts falling due after more than one year		
Social housing and other grants	(7,701)	(7,701)
Total net assets	28,499	28,847
Net income from permanent endowed assets		
Income from lettings	1,802	1,851
Less expenditure on letting activities	(839)	(651)
Surplus on letting activities	963	1,200
Loss on revaluation of investment properties	(310)	(300)
	653	900

30. Contingent liabilities

The Group has grant attributable to properties acquired from housing associations that were purchased at fair value, measured at Existing Use Value – Social Housing (EUV-SH) or through a competitive bidding process. These properties included original government grant funding of £61,001k (2020: £46,204k) which the Group has an obligation to recycle in accordance with the original grant funding terms and conditions. In accordance with the SORP, these amounts are disclosed as a contingent liability. The Group is responsible for the recycling of the grant in the event of the housing properties being disposed.

At 31 March 2021 the value of cumulative amortised grant which would require to be recognised as a liability if the properties funded were disposed of or ceased to be used for social housing purposes was £168,541k (2020: £143,123k).

31. Business combination

On 1 April 2020 Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing became a subsidiary of Southern Housing Group Limited. Acquisition accounting has been applied to the business combination and a fair value assessment was completed for the assets acquired, liabilities and contingent liabilities assumed of Crown Simmons Housing. All housing properties held for letting were fair valued externally by Copping Joyce, qualified RICS Chartered Surveyors. The valuation model used for market rent properties was the MV-T model while remaining housing properties were valued using the EUV-SH model. The key areas impacted by the fair valuation were mainly housing properties as the carrying value of all remaining assets acquired and liabilities assumed were considered to approximate their fair values at the acquisition date or where applicable, the measurement principles prescribed in Section 28 of FRS 102. This resulted in a fair value gain of £58,844k; since the business combination is in substance a gift, this gain was recognised in the consolidated statement of comprehensive income.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Group 2021 £000s
Consideration for acquisition	–
Net assets acquired at fair value:	
Housing properties held for letting	61,510
Housing properties under construction	2,571
Other fixed assets	35
Unlisted investments – FHT endowment	138
Stock – property under construction	316
Trade debtors	107
Other debtors and prepayments	96
Cash and cash equivalents	7,612
Accruals and deferred income	(896)
Other creditors	(995)
Housing loans	(10,876)
Recycled capital grant fund (RCGF)	(39)
Pension reserve	(735)
	58,844
Gain on acquisition	58,844

Contingent liabilities of £18,884k, being cumulative amortised and unamortised grants, were assumed by the Group on the acquisition of Crown Simmons Housing. The Group assessed that the likelihood of any outflows arising from settlement of these contingent liabilities is remote and their fair value was considered immaterial. Hence, no amounts were assigned to contingent liabilities in the determination of gain on acquisition.

As a result of the market impacts of Novel Coronavirus (Covid-19), the valuation of housing properties is reported on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. This reflects the fact that at the valuation date, the valuers consider that they can attach less weight to previous market evidence for comparison purposes to inform opinions of value. The inclusion of a material valuation uncertainty declaration does not mean that the valuation cannot be relied upon. Rather, it indicates that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

Notes to the financial statements

For the year ended 31 March 2021
(continued)

32. Prior year adjustment

During the year a review of the Group's fixed asset register identified a certain number of housing property assets which were being depreciated incorrectly or were no longer owned by the Association/Group. This error was identified by management in the current year and accordingly the opening position for the comparative period and the prior year comparatives have been restated as shown below.

Consolidated Statement of Comprehensive Income (extract)

	As presented Group 2020 £000s	Fixed assets restatement 2020 £000s	Restated Group 2020 £000s
Cost of sales	(47,315)	13	(47,302)
Gross profit	189,531	13	189,544
Operating costs	(145,716)	164	(145,552)
Gain on disposal of fixed assets	24,049	(3)	24,046
Operating surplus	61,999	174	62,173
Surplus before tax	23,618	174	23,792
Taxation	(337)	42	(295)
Surplus for the year	23,281	216	23,497
Total comprehensive income for the year	23,464	216	23,680

Statement of Comprehensive Income (extract)

	As presented Association 2020 £000s	Fixed assets restatement 2020 £000s	Restated Association 2020 £000s
Operating costs	(147,122)	164	(146,958)
Gain on disposal of fixed assets	23,779	(3)	23,776
Operating surplus	47,419	161	47,580
Surplus before tax	28,649	161	28,810
Surplus for the year	28,649	161	28,810
Total comprehensive income for the year	28,832	161	28,993

The opening reserves as at 1 April 2019 reduced by £9.7m following correction of the above errors.

32. Prior year adjustment (continued)

**Consolidated Statement of Financial Position
(extract)**

	As presented Group 2020 £000s	Increase/ (decrease) 2020 £000s	Restated Group 2020 £000s
Fixed assets			
Cost – property plant and equipment	2,292,791	(2,699)	2,290,092
Depreciation – property, plant and equipment	(234,664)	(6,596)	(241,260)
Depreciation – other fixed assets	(31,421)	(27)	(31,448)
Property, plant and equipment	2,111,976	(9,322)	2,102,654
Total fixed assets	2,274,308	(9,322)	2,264,986
Accruals and deferred income	(28,984)	14	(28,970)
Corporation tax	(1,263)	42	(1,221)
Grant repayable	(2,873)	(1,174)	(4,047)
Creditors: amounts falling due within one year	(111,861)	(1,118)	(112,979)
Net current assets	82,658	(1,118)	81,540
Total assets less current liabilities	2,356,966	(10,440)	2,346,526
Deferred income	(763,589)	972	(762,617)
Creditors: amounts falling due after more than one year	(1,700,968)	972	(1,699,996)
Total net assets	643,924	(9,468)	634,456
Total reserves at 31 March 2020	643,924	(9,468)	634,456
Total reserves at 31 March 2019	620,460	(9,684)	610,776

**Statement of Financial Position
(extract)**

	As presented Association 2020 £000s	Increase/ (decrease) 2020 £000s	Restated Association 2020 £000s
Fixed assets			
Cost – property plant and equipment	2,145,208	(2,699)	2,142,509
Depreciation – property, plant and equipment	(234,490)	(6,596)	(241,086)
Depreciation – other fixed assets	(31,421)	(27)	(31,448)
Property, plant and equipment	1,964,567	(9,322)	1,955,245
Total fixed assets	2,110,039	(9,322)	2,100,717
Accruals and deferred income	(22,108)	1	(22,107)
Corporation tax	–	–	–
Grant repayable	(2,873)	(1,174)	(4,047)
Creditors: amounts falling due within one year	(103,660)	(1,173)	(104,833)
Net current assets	177,037	(1,173)	175,864
Total assets less current liabilities	2,287,076	(10,495)	2,276,581
Deferred income	(751,060)	972	(750,088)
Creditors: amounts falling due after more than one year	(1,688,406)	972	(1,687,434)
Total net assets	587,596	(9,523)	578,073
Total reserves at 31 March 2020	587,596	(9,523)	578,073
Total reserves at 31 March 2019	558,764	(9,684)	549,080



Other information

Principal advisors, Secretary
and registered office

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Principal advisors, Secretary
and registered office

External auditors	Principal bankers	Secretary and registered office
<p>PricewaterhouseCoopers LLP</p> <p>Chartered accountants and statutory auditors 1 Embankment Place London WC2N 6RH</p>	<p>National Westminster Bank PLC</p> <p>Corporate banking Second Floor, County Gate 2 Staceys Street Maidstone Kent ME14 1ST</p>	<p>Noreen Adams</p> <p>Group Company Secretary Southern Housing Group Fleet House 59-61 Clerkenwell Road London EC1M 5LA</p>



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