



# Building a more sustainable future

Annual Report and Group  
Financial Statements 2021-22



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 2021-22.

It's been another challenging year for the Group as we emerge from the impact of the coronavirus pandemic and move forward with projects to deliver our vision of being a trusted and caring landlord that listens to residents and provides high quality homes in places that people are proud to live.

We'd like to thank our residents and colleagues for their continued patience during another year of making significant adjustments to the way we have lived, worked and supported each other through the impact of the pandemic. More recently, rising inflation, energy prices and the tragic situation in Ukraine have added considerably to the pressures for our sector and increasingly our residents.

We're really proud of the work our teams do to provide a range of essential support to households that are struggling. The needs are increasing exponentially and this year we've handled over 2,500 enquiries for help and supported more than 1,800 households with financial and welfare benefits interventions. This includes a wide range of activities supporting more than 350 residents with employment and training, issuing crisis funding and hardship support payments to more than 140 households, and using our food pantries to provide over £0.3m of savings on food for families who are struggling.

Sustainability is now more important than ever on our agenda. To help us fund the extensive work needed, we raised £250m of funding through a public bond issuance, with a further £50m retained. This bond will allow us to invest in projects to meet our sustainability objectives, including the retrofitting of our homes and additional community investment programmes.

It's been a year of considerable legislative change with additional demands from the Building Safety Bill and consumer standards. We've made good progress with our building safety works and have spent £13.8m this year with much more work in the pipeline. Despite progress, the Grenfell enquiry is still progressing more than four years after the tragic fire. We're pleased that the government is now providing some financial support through the Building Safety Fund, and we've joined the sector call for the government to do more to protect leaseholders from facing large charges to remediate buildings.

**"Sustainability is now more important than ever on our agenda. To help us fund the extensive work needed, we raised £250m of funding through a public bond issuance, with a further £50m retained."**

Despite these additional pressures our performance has remained strong in many areas, with arrears stabilising at 4.74%, and our re-let performance has continued to improve throughout the year, decreasing to 23 days from our starting point of 29 days by the year-end.

Soaring prices of construction and supply chain availability has made development challenging this year. However, we've completed on 230 new homes and currently have 18 sites under construction, which will deliver 1,274 new homes when these schemes complete.

Our focus for repairs is on increasing our insourcing model. In May 2021 we established an in-house team to manage repairs on the Isle of Wight. This is delivering huge benefits for residents with 86% of customers rating the service as excellent or good. It also helped us to deliver a saving of over £0.5m against budgeted costs.

As we ended this financial year, we announced our commitment to discussions to merge with Optivo. This is an exciting opportunity for the Group to form a bigger but local organisation which, if it goes ahead, will see us with more financial resilience and improved local services for residents. Further insourcing of repairs and estate services is a key part of our plans and we know from experience this improves our services to residents.

I would like to thank our Chair, Arthur Merchant who will be retiring from the Board later this year after completing nine years' service with the Group. I also want to thank residents, colleagues, Board and committee members and contractors, for their outstanding support over the course of this year. We look forward to another year of change and the opportunities this brings for the whole organisation.

**Alan Townshend**  
Group Chief Executive





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# 1,800

Households supported with financial and welfare interventions

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# £300k+

Of savings on food for families who are struggling

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# 230

New homes built

# The Group at a glance

## What we do

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. Initially set up as a charitable trust to provide housing in London in 1901, the Group now owns and manages over 32,167 homes in London and the South East. We offer a range of housing products for rent and sale and provide care and support and community investment services.

### 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

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.

## How we do it

### We build

We work with a range of strategic partners to develop new homes where they are needed. We have sought to grow the number and range of homes we can offer current and future residents. As a developer of homes, we are a strategic partner of the Greater London Authority. Working in partnership, we are building 2,068 new affordable homes across the capital and the South East by 2025. Where we believe we are different from other developers is that we are committed to the long-term future and wellbeing of the communities we build. So, we don't just build homes and leave, we remain as a partner and landlord for the long term, investing in the homes and the people who live there.

### We manage

To help with the day-to-day running of 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 support

We provide care and support services through our Southern 360 brand, which brings together our Independent Living for Later Life schemes, our Community Investment activities that have been so important in supporting people in these difficult times, 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 personal care to people in their own homes.

### We empower

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.

**Financial KPIs****£252.3m**

Turnover (2021: £212m)

**£71.2m**

Operating surplus (2021: £61m)

**28.2%**

Operating margin (2021: £28.8m)

**41.3%**

Gearing (2021: 40.7%)

**£754.2m**

Net Assets (2021: £711m)

**A3**

Moody's Rating (2021: A3)

**A**

Fitch Rating

**G2, V2**

Regulatory Rating (2021: G2, V2)

**Strategic and operational KPIs****32,167**

Homes owned and managed

**1,274**

Homes in construction

**£155m**

Invested in developing, maintaining and improving our homes (2021: £131m)

**£13.8m**

Invested in building safety

**£45k**

Raised for Group charities

**74%**

Of our homes are EPC C and above

**76%**

Customer satisfaction

**CQC**

Rating for our regulated services (4 x Good, 1 x Outstanding)

**23 days**

Core void turnaround

**£250m**

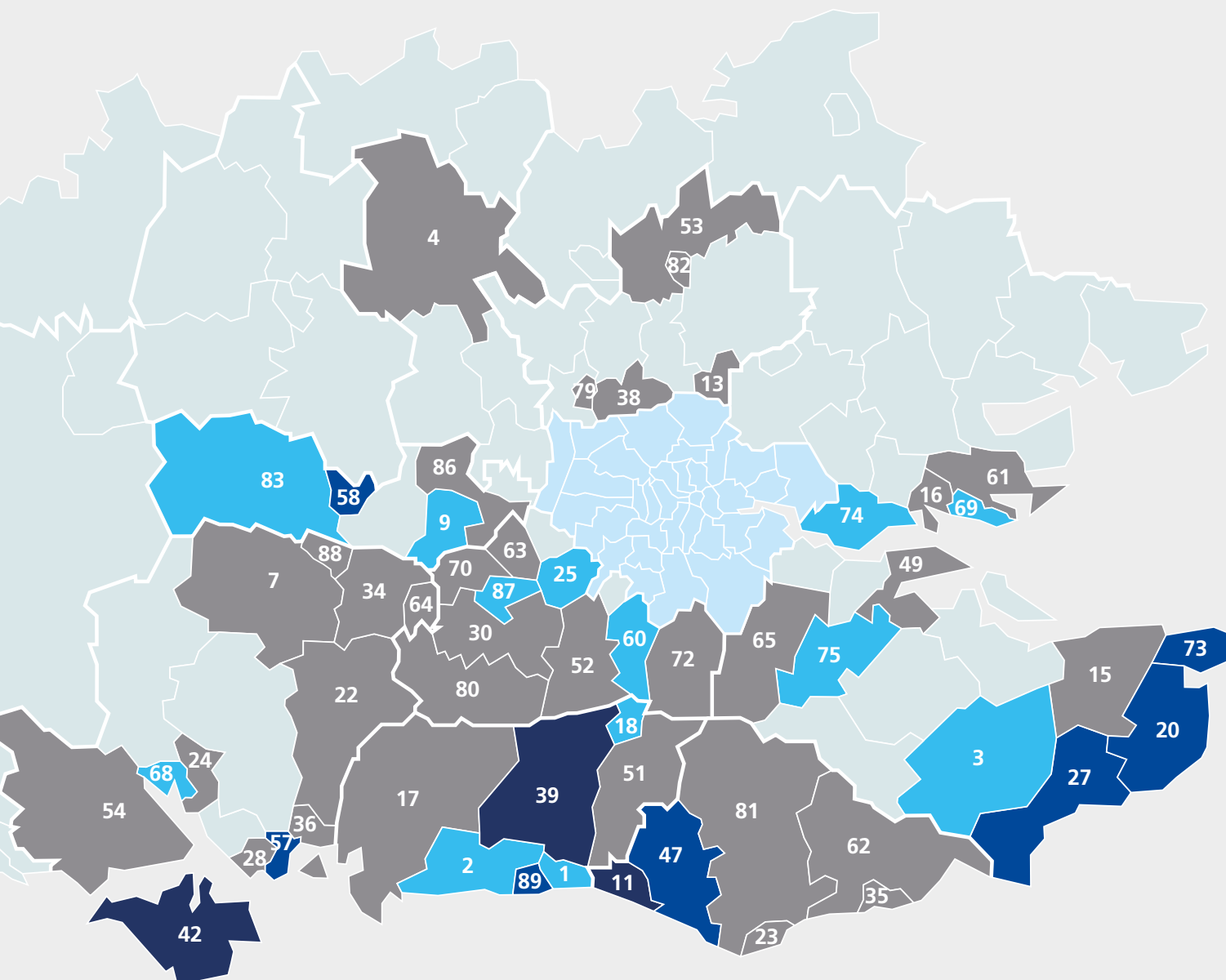
Sustainability bond issued

**803**

Homes acquired

## Where we operate

Homes we own or manage by local authority.



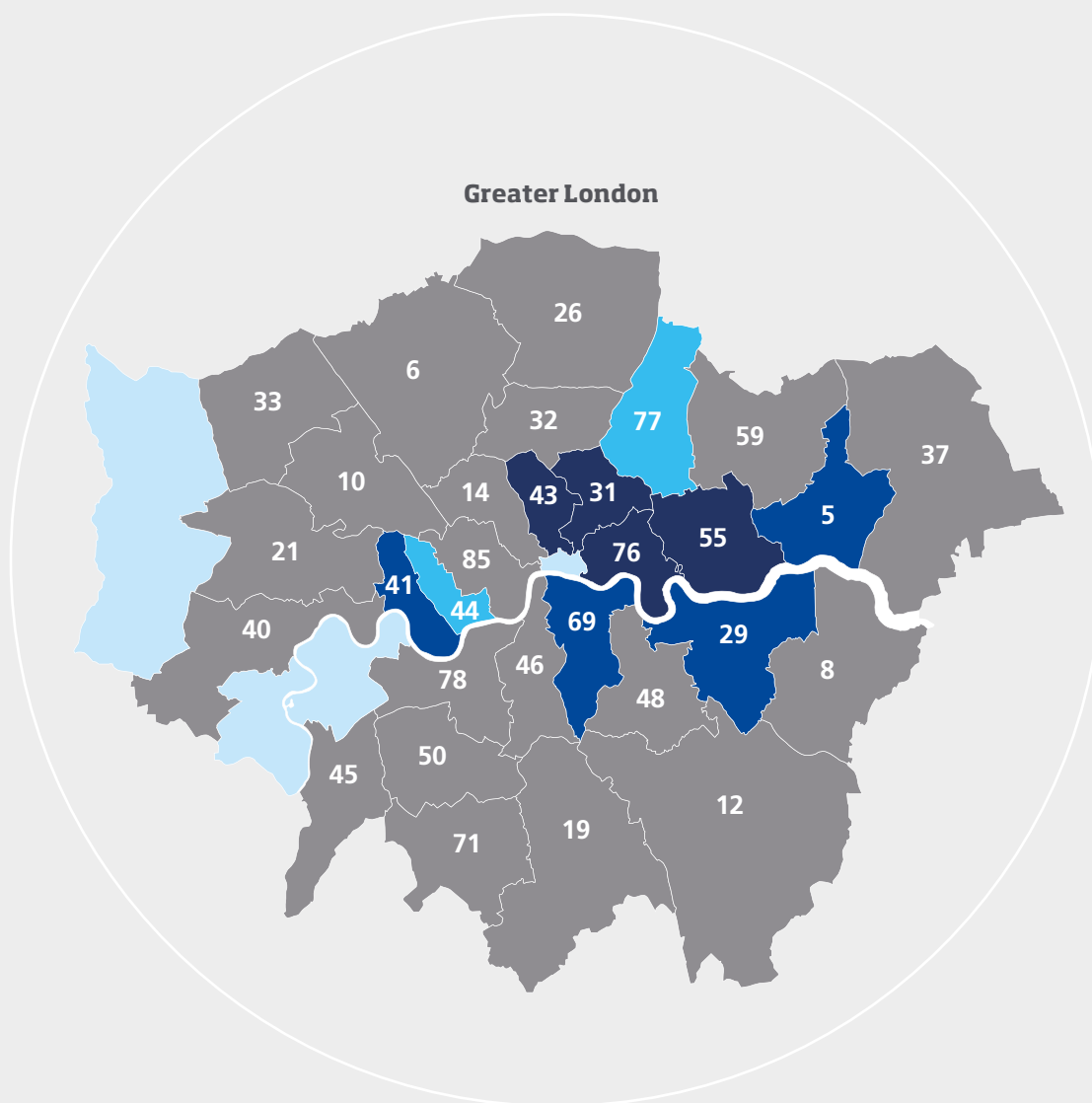
### Local authorities

01. Adur – West Sussex	16. Castle Point – Essex	31. Hackney – Greater London
02. Arun – West Sussex	17. Chichester – West Sussex	32. Haringey – Greater London
03. Ashford – Kent	18. Crawley – West Sussex	33. Harrow – Greater London
04. Aylesbury Vale – Bucks	19. Croydon – Greater London	34. Hart – Hants
05. Barking and Dagenham – Greater London	20. Dover – Kent	35. Hastings – East Sussex
06. Barnet – Greater London	21. Ealing – Greater London	36. Havant – Hants
07. Basingstoke and Deane – Hants	22. East Hampshire – Hants	37. Havering – Greater London
08. Bexley – Greater London	23. Eastbourne – East Sussex	38. Hertsmere – Herts
09. Bracknell Forest – Berks	24. Eastleigh – Hants	39. Horsham – West Sussex
10. Brent – Greater London	25. Elmbridge – Surrey	40. Hounslow – Greater London
11. Brighton & Hove – East Sussex	26. Enfield – Greater London	41. Hammersmith & Fulham – Greater London
12. Bromley – Greater London	27. Folkestone and Hythe – Kent	42. Isle of Wight – IoW
13. Broxbourne – Herts	28. Gosport – Hants	43. Islington – Greater London
14. Camden – Greater London	29. Greenwich – Greater London	44. Kensington & Chelsea – Greater London
15. Canterbury – Kent	30. Guildford – Surrey	45. Kingston upon Thames – Greater London



**Stock size**

- 1-249
- 250-499
- 500-999
- 1,000+



- 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.

### Our strategic objectives



### Strengthen our finances



### Build greater trust, transparency, and accountability



### Invest in our homes, strengthen our communities



### Listen to our residents



### Empower our people

#### 1. EBITDA MRI

**98.9%**

2020-21: 38.7%  
2019-20: 61.2%

#### 2. Social housing lettings interest cover

**62.2%**

2020-21: 67.5%  
2019-20: 57.9%

#### 3. Reinvestment

**5.6%**

2020-21: 5.8%  
2019-20: 12.9%

#### 4. New supply (social)

**0.7%**

2020-21: 1.4%  
2019-20: 1.2%

#### 5. New supply (non-social)

**0.5%**

2020-21: 0%  
2019-20: 1%

#### 6. Gearing

**41.3%**

2020-21: 40.7%  
2019-20: 40.4%

#### 7. Social housing cost per unit

**£5,324**

2020-21: £5,759  
2019-20: £5,620

## 8. Operating margin (social housing)

**16.8%**2020-21: 18%  
2019-20: 16.2%

## 9. Operating margin (overall)

**28.2%**2020-21: 28.8%  
2019-20: 26.3%

## 10. Return on capital employed

**2.7%**2020-21: 2.5%  
2019-20: 2.6%

## 11. Rent arrears

**4.74%**2020-21: 4.65%  
2019-20: 3.97%

## 12. CORE average void turnaround

**23 days**2020-21: 29 days  
2019-20: 16 days

## 13. Homes EPC C and above

**74%**2020-21: 71%  
2019-20: 72%

## 14. Gas safety inspections overdue

**5**2020-21: 0  
2019-20: 0

## 15. % of homes with a domestic electrical certificate less than 10 years old

**75%**2020-21: 42%  
2019-20: 28%

## 16. Fire risk assessments overdue

**0**2020-21: 1  
2019-20: 1

## 17. Emergency repairs completed within 24 hours

**89%**2020-21: 93%  
2019-20: 93%

## 18. Complaints responded to within 10 working days

**99%**2020-21: 100%  
2019-20: 100%

## 19. Customer satisfaction

**76%**2020-21: 74%  
2019-20: 83%

**Read more about our strategic objectives:**  
on page 40 and the VFM metric definitions are  
presented on page 42



## Chair and CEO's statement



**Alan Townshend**  
Group Chief Executive

It's been 121 years since our Group began as a charitable trust set up to provide housing for those in need. While many things may have changed in that time – our size, the types of homes that we offer, the services we provide and the locations we work in – our core purpose of providing homes for those in need remains unchanged.

This year we have seen the effects of the pandemic on the population and the workforce, the impact of Brexit on supply chains, the refitting of homes to modern living standards both in terms of safety and sustainability, a cost-of-living crisis that is impacting our residents' lives, and legislative changes in building safety and a charter for social housing residents. All these have had to be accounted for and responded to. Any one of these would be challenging enough for an organisation – but coming all at once while still rebuilding from months in lockdown has challenged our Board and Executive in ways we've simply not seen before.

Our reaction has been to focus on what matters to our residents most. In that time, we have re-shaped our governance and resident involvement structures allowing us to respond to building safety, community investment, and the delivery of affordable homes. Now and over the next few years we are reshaping our Environmental Sustainability Strategy (ESS) to respond to the net zero carbon agenda so that we can deliver a long-term sustainable future for our customers.



**Arthur Merchant**  
Chair of the Board

Our new strategy, building on our previous one, will plot the path for the Group to become a zero-carbon housing provider and developer and make clear our contribution towards the UK's target of being a net zero carbon economy by 2050. Our commitments will not just define the way we build homes but also how we support and deliver positive social impact for our residents. We are therefore always proud to report within these pages not just our financial and environmental performance but also what we have done to support health and wellbeing, while strengthening neighbourliness and communities as well as supporting families in times of great difficulty.

In the coming years these elements will play an ever increasing and important part in the way we report our performance and fulfil our obligations as a social enterprise. We fully recognise that it is imperative for housing associations such as us to be clear to our residents, stakeholders and funders about how we intend to become a net zero housing provider.

Throughout this report we highlight areas of our operation where we have succeeded, but we also show where there is more work to be done. Whatever challenges we face, our corporate plan has helped keep us focused on our strategic priorities and our performance targets have helped us measure our progress.

### Our financial performance

Overall, the Group has reported a net surplus for the year of £31.0m (2021: £81.6m). There was a gain on acquisition of Crown Simmons in the prior year of £58.8m. In total we invested £155m (2021: £129m) in developing, maintaining, and improving new and existing homes.

### Bond issue and sustainability

In October 2021 the Group issued its first-ever Sustainability Bond and successfully raised £250m of funding with a further £50m retained. The transaction marked the first issuance under the Group's newly established Sustainable Finance Framework which sets out our commitment to environmental responsibility and community investment through a robust governance framework. Proceeds from the bond will be used to help the Group meet its sustainability objectives including delivery of new affordable housing, retrofitting existing housing stock to meet modern efficiency standards, and a wide range of community investment initiatives aimed at improving the lives of our residents.

### Investing in communities

Our Southern 360 team continued to support residents in a difficult year. We invested £1.4m in a variety of community projects which included the team generating social value for our contractors, suppliers, and partners across the areas in which we work. Job clubs, financial advice, digital inclusion projects and resident work placements were all mainstays of our support for Making Lives Better, while our family furniture fund and food support, such as the Dover Food Pantry, provided necessary and life sustaining support to our communities.

### Making homes safe

We invested £13.8m (£14.8m) in the safety of our buildings focusing in particular on fire safety works and compliance areas such as electrical and gas safety works. The Group procured consultants to carry out our building safety programme of intrusive surveys to 230 higher risk buildings under 18 metres tall. It was a significant undertaking for the Group and while we recognise the inconvenience and stress the programme may have caused our residents at times, it's a vital piece of work to ensure all residents have a safe place to live. We've made great strides in ensuring all buildings have an up-to-date Fire Risk Assessment in place and that residents are safe while work is undertaken. We will continue to commit our people and resources to assessing and fixing the buildings that require remedial work.

### Involving residents

We've taken significant steps this year in recruiting residents to be part of our wider team. We increased the resident voice at Board level, and a re-structure of the way we formally embedded residents into our governance structure led to the establishment of a refreshed Resident Scrutiny Panel in December. We've also widened the opportunities for residents to be involved in less formal ways and have an ongoing programme of consultation and engagement which has encompassed reviewing our service centre insight report, the creation of a homeowners advisory panel, the development of our environmental and sustainability strategy, ASB (anti-social behaviour) service improvement, and ongoing involvement in the procurement of contractors for developments.

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# £155m

Invested in developing, maintaining,  
and improving new and existing homes

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# £1.4m

Invested in a variety of community projects

### Digital revolution and evolution

Enabling colleagues to provide the best possible service to our residents is at the core of our Digital Strategy. This year we have achieved this through digitising our Care and Support and Estate Care functions, implementing new technology within Group-wide support functions, and involving colleagues and residents in our approach to service design. One of the resident involvement initiatives has been to understand how digital services impact our customers. Residents told us that they wanted to be able to self-serve and receive quicker responses to their queries, but they were concerned about access to digital services particularly given the ongoing cost-of-living increases. Key aspects of our Care and Support and Estate Care functions have been the focus of internal improvements to our service support while the carefully managed implementation of our self-serve customer portal has fronted our customer-facing delivery.

Cyber security remains a significant risk across all sectors, and we have continued to enhance our protection in this area by successfully recertifying for Cyber Essentials for the second year running. This demonstrates our commitment to ensuring we protect our assets and that we keep our customer data safe.

### Thank you

On behalf of the Board, committee members and the Executive Team (ET), we would like to extend our thanks to all colleagues across the Group for the way they have worked together with dedication and goodwill. To all our residents, thank you for your patience and understanding as we have faced the challenges of maintaining services over the past year. We remain committed to continually improving our services and supporting our colleagues and whatever changes await us, these will remain the bedrock of our strategic focus for our short, medium, and long-term future.



**Alan Townshend**  
Group Chief Executive



**Arthur Merchant**  
Chair of the Board

# Responding to change

In a year dominated by uncertainty; the impact of and recovery from the pandemic; supply chains and economy disruption after leaving the EU; and more recently rising costs and the events in Ukraine, we have continued to make progress towards our aims for better building safety, and stronger resident involvement and scrutiny.

As we stated last year the landscape for social housing is rapidly changing 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 are shaping 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.







# Building and fire safety

Building and fire safety is a clear area of focus for us with £13.8m invested in building safety in 2021-22. This year, we established a new Building Safety Team to take this work forward and start the assessment of the 230 buildings we own that were between 11 and 18 metres high. 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 (FRA) inspections.

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 and we have taken significant strides this year to recruit, train and involve residents in our work.

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**£13.8m**

Invested in building safety

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**100%**

Compliance with fire risk assessment









# Reaching net zero carbon

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 (EPC) '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.

To ready ourselves for the challenge, in October 2021 we raised £250m with our inaugural Sustainability Bond issued under the Group's newly established Sustainable Finance Framework. The funds will help us meet the need for sustainable and affordable housing while investing in the communities and neighbourhoods in which the Group operates as part of our core social purpose.

## 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. 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; 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. 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.

## £250m

Raised with our inaugural Sustainability Bond

## Our strategic priorities for 2021-24

Our plans for the next few years have been heavily influenced by our operating environment. And we'll be responding to this by focusing on five key areas that make up our strategic objectives.

Our 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.

Achieving our objectives depends on working together in new and different ways to overcome the two most significant challenges we face: making homes safe and making them sustainable, while continuing to provide high quality homes and services.

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### Our strategic objectives

This plan commits us to working in partnership to achieve five strategic objectives.



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## Strengthen our finances



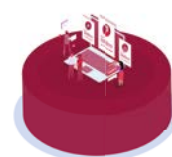
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## Build greater trust, transparency, and accountability



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## Invest in our homes, strengthen our communities



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## Listen to our residents



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## Empower our people





## Strengthen our finances

### Our commitments

1. Increase our income and decrease our operating costs by delivering our efficiency programme
2. Improve key financial performance metrics in line with our Board's targets
3. Deliver value for money through agile working and digital services

### Our progress

As a business with social objectives, we invest every penny of our surplus into our homes and providing services to our customers, and we continue to use our capacity to build new homes to meet growing housing need. This year we invested £72m (2021: £87m) in the delivery of new homes and a further £83m (2021: £42m) in existing homes.

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 in October 2021 included £250m of funding raised through a public bond issuance, with a further £50m retained. This transaction marks the first issuance under the Group's newly established Sustainable Finance Framework which sets out our commitment to environmental responsibility and community investment through a robust governance framework. The 15-year bond was priced at a coupon of 2.375% and was significantly oversubscribed, with a diverse range of investors who share the Group's commitment to ESG principles.

	2021-22 £m	2020-21 £m
<b>Investment</b>		
In existing homes	83	42
In new homes	72	87
In the business	5	6
<b>Funding</b>		
Surplus for the year	31	82
Treasury management	127	43
Grant and other	2	10

### Group financial performance

Turnover for the year totalled £252.3m (2021: £212.2m). Income from social housing lettings was £170.2m (2021: £168.4m) and continues to constitute the majority of turnover at 67% (2021: 79%). We took the decision to increase rents by CPI +1% with effect from 1 April 2021, in line with the Rent Standard 2020-2025 published by the Regulator of Social Housing. Offsetting this increase were refunds totalling £1.06m due to a historic error in fair rent adjustments during the period of rent reductions under the Welfare Reform and Work Act 2016. We worked quickly to ensure that rents were re-set and refunds issued to residents when the error was identified and have amended our processes to ensure that such an error cannot happen again. We apologise unreservedly to those residents affected by the error.

Income from other social housing activities was £27.4m (2021: £25.9m) and made up 11% (2021: 12%) of turnover. The majority of this income was generated from shared ownership first tranche sales which increased to £19.3m in the year (2021: £18.9m).

Income from non-social housing activities was £54.8m (2021: £17.8m) and made up 22% (2021: 8%) of turnover. Open market sales were significantly higher in the year at £47.3m (2021: £10.4m) with turnover fluctuations reflecting year-on-year tenure variations in our development programme. The high volume of open market sales was driven by the completion of the final phase of our Lisgar Terrace scheme in the London Borough of Hammersmith and Fulham. Originally built in 1928, the scheme has undergone a major regeneration to redesign homes to modern standards, significantly improve our residents' living conditions and increase the total number of homes by 20%. The final phase delivered 72 new homes for private sale following the delivery of 154 new affordable homes in the previous phases.

**Operating surplus**  
**Group financial performance**

	2021-22 £m	2020-21 £m	2019-20 £m Restated	2018-19 £m	2017-18 £m
Turnover	252.3	212.2	236.8	230.5	199.7
Cost of sales	(46.9)	(25.6)	(47.3)	(39.3)	(29.3)
Operating costs	(151.4)	(148.3)	(145.5)	(129.3)	(121.3)
Surplus on disposal of fixed assets	14.2	16.5	24.1	9.7	11.1
Investment property valuation	3.0	6.2	(5.9)	0.6	3.0
Operating surplus	71.2	61.0	62.2	72.2	63.3
Net funding costs	(38.1)	(38.0)	(38.4)	(32.8)	(22.0)
Share of Loss in joint ventures	(1.0)	(0.1)	–	–	–
Gain on acquisition	–	58.8	–	–	–
Taxation and gift aid	(1.1)	(0.1)	(0.3)	(0.8)	3.6
Net surplus for the year	31.0	81.6	23.5	38.6	44.9
Pension scheme movements	11.7	(4.5)	0.2	(1.2)	6.1
Total comprehensive income	42.7	77.1	23.7	37.4	51.0

The Group's net surplus for the year of £31.0m (2021: £81.6m) was lower than the prior year principally because of the recognition of a one-off accounting gain on the acquisition of Crown Simmons in the prior year of £58.8m.

The Group's overall operating surplus was £71.2m (2021: £61.0m) and the total operating margin was slightly behind the prior year at 28.2% (2021: 28.7%). Overall operating costs were marginally higher than last year at £151.4m (2021: £148.3m), driven primarily by an increase in depreciation linked to our ongoing investment in new and existing homes as well as in technology. We also experienced significant increases in the cost of external managing agents.

Surplus on disposal of fixed assets includes that generated from staircasing, where shared owners increase their ownership share in their homes. Demand remained strong during the year, with our surplus from staircasing receipts totalling £12.3m (2021: £8.7m).

The volatility seen in investment property valuations in 2020 and 2021 was not a feature this year and we recognised a modest gain on our portfolio of £3.0m (2021: £6.2m). Excluding the impact of investment property revaluations, our underlying operating margin was 27.0% (2021: 25.9%).

Total comprehensive income has been significantly impacted by the movement on pensions, which this year shows an actuarial gain of £11.7m (2021: actuarial loss £4.5m). The main driver of the movement was a higher discount rate at 31 March 2022 due to a significant increase in yields on high-quality corporate bonds, partially offset by increases in long-term inflation expectations. The mortality assumption has been updated and there have been higher than expected asset returns over the period.

**Surplus and margin by business line**

	2021-22 £m	2020-21 £m	2019-20 £m Restated	2018-19 £m	2017-18 £m
<b>Social housing lettings:</b>					
Operating surplus	28.6	30.2	26.4	37.1	39.8
Margin	16.8%	18.0%	16.2%	23.2%	25.6%
<b>Other social housing activities:</b>					
Operating surplus	1.9	0.6	0.9	3.6	3.0
Margin	6.9%	2.3%	4.7%	12.3%	9.4%
<b>Non-social housing activities:</b>					
Operating surplus	23.4	7.2	19.5	21.2	6.3
Margin	42.8%	40.3%	36.2%	51.9%	52.4%

Social housing costs increased to £141.6m (2021: £138.2m) reflecting increases in our planned maintenance spend as we caught up from the successive lockdowns of the prior year, a higher depreciation charge from our continuing capital investment in our homes and the impact of higher costs from our external managing agents. Our Group-wide efficiencies programme partially offset the impact of these increases with both routine maintenance and management costs significantly reduced compared with the prior year. The margin on social housing

lettings finished the year at 16.8%, above our target for the year of 16.0% (2021: 18%).

Margins on other social housing have recovered from last year's historic low following stronger performance in shared ownership sales and margins on non-social housing remained strong, supported by consistent year-on-year performance in our commercial and private rent lettings and margins in excess of 41% on open market sales.



### Group financial position

Net assets have increased by £42.7m to £754.2m during the year, further enhancing the Group's historically strong financial position. Long-term borrowing has increased to £1,872.8m from £1,712.5m and gearing remains low relative to our peers at 41.3% (2021: 40.7%).

The increase in financing has funded the delivery of 230 (2021: 93) homes and the ongoing development of 1,058 new homes during the year (2021: 2,617) and we have 1,282 homes in construction (2021: 883).

### Group financial position

	2021-22 £m	2020-21 £m	2019-20 £m Restated	2018-19 £m	2017-18 £m
<b>Non-current assets</b>					
Property, plant and equipment	2,308.7	2,214.6	2,102.7	1,975.9	1,873.9
Investment properties	175.3	162.1	143.3	106.9	108.9
Other investments	18.2	19.1	19.0	19.2	24.3
Net current assets	134.0	49.6	81.5	92.2	31.7
Total assets less current liabilities	2,636.2	2,445.4	2,346.5	2,194.3	2,038.9
Long term creditors	(1,872.8)	(1,712.5)	(1,700.0)	(1,564.4)	(1,445.6)
Deferred tax	(0.6)	(0.7)	–	–	–
Provisions	(7.5)	(7.5)	(3.5)	–	(1.4)
Pensions	(1.1)	(13.2)	(8.5)	(9.3)	(8.7)
Total net assets	754.2	711.5	634.5	620.6	583.1
Total reserves	754.2	711.5	634.5	620.5	583.1

Completed assets held for sale totalled £13.7m (2021: £14.9m) at the end of the year representing nine unsold units for open market sale and 62 unsold shared ownership units. Of these, three open market sale and 10 shared ownership sales have subsequently completed.

### 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 ensure a diversified funding structure. Total facilities as at 31 March 2022 were £1.8bn with £1.7bn fully collateralised and comprising a mix of loan facilities and bond finance. Revolving credit facilities made up £642.3m of the total facilities, of which £550.6m was fully collateralised and capable of draw down within 72 hours; the remaining £91.7m became available within two weeks of the year-end. Refinancing risk is actively managed, and at 31 March 2022 we had £654.8m (39%) of our loan portfolio maturing in the next five years, of which £507.9m relates to revolving credit facilities. We anticipate these facilities will be rolled forward as they fall due.

Cash balances totalled £102.7m at 31 March 2022 including £19.3m 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.

## Our strategic priorities for 2021-24 (continued)

With the exception of unsecured local authority loans totalling £41.0m, 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 11,000 unencumbered properties available as security.

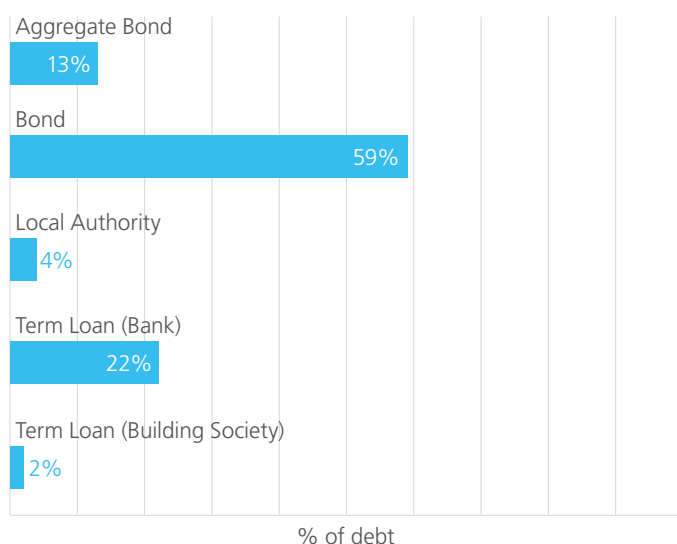
Of £1.14bn drawn debt at year-end, 90.88% was at fixed rates of interest and 9.12% at variable rates, well within the requirements of the treasury management policy. The weighted average cost of funds as at 31 March 2022 was 3.86%. The Group has no stand-alone derivatives or exchange rate exposure.

During the year we issued the Group's inaugural sustainability bond, raising £250m with a further £50m retained. We raised an additional £163.8m of revolving credit facilities and completed the transfer of the Group's floating rate debt from LIBOR to SONIA.

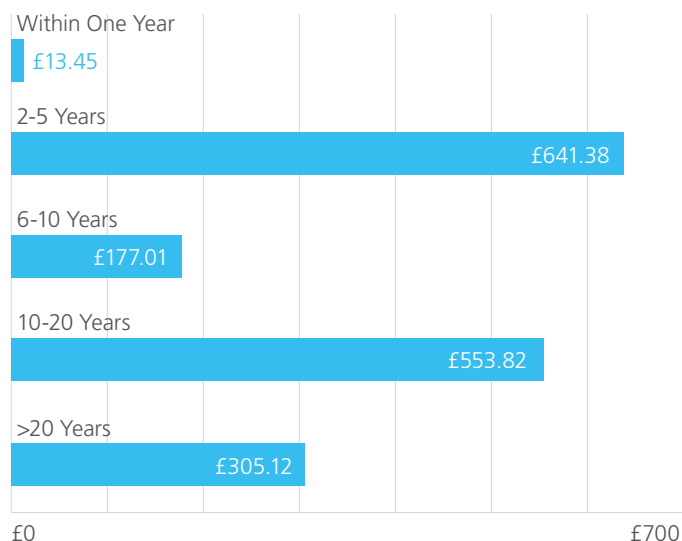
Our primary objective in relation to investments is the security of capital, and this is prioritised over returns. The treasury management policy outlines the requirements relating to the long-term credit rating of any counterparty together with limits on the value of the sums invested.

The Group maintained its A3 credit rating with Moody's during the year and in August 2021 obtained its inaugural credit rating from Fitch Ratings. Fitch awarded the Group an A rating.

### Funding mix (drawn debt)



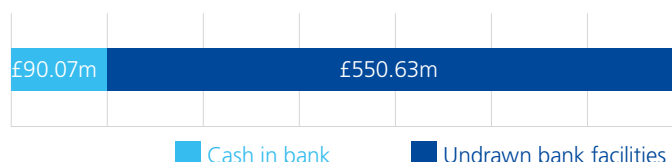
### Facility maturity (value £m)



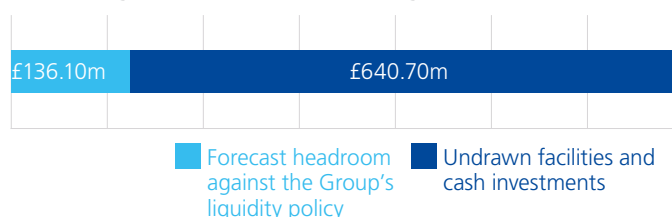
### Interest rate mix



### Summary of the Group's liquidity



### Summary of the Group's liquidity



During the year our financial performance has continued to improve, in line with our targets, and we have further consolidated our historically strong balance sheet position. We have maintained our prudent financial strategy which optimises the balance between growth and risk, and have continued to hold significant reserves of liquidity to provide assurance of longer term resilience.

In March we announced a potential merger with Optivo to create one of the UK's largest housing associations with 77,000 homes, giving us even greater resilience to withstand future headwinds, whether these come from adverse market and economic conditions, changes in building safety regulation or the ongoing challenges of tackling the climate emergency.

The merger is subject to due diligence, formal Board approval and consents from external stakeholders.





## Build greater trust, transparency, and accountability

### Our commitments

1. Regain and maintain our 'G1' regulatory governance rating from the Regulator of Social Housing
2. Involve our residents in the decisions that affect their lives, and be accountable to residents for our performance
3. Maintain a transparent and accountable governance framework, ensuring residents are part of our governance
4. Ensure the organisation is representative of the communities we serve
5. Work with stakeholders to strengthen key local relationships

### Our progress

In April 2020 we received a downgrade in our regulatory rating for governance from the Regulator of Social Housing. While G2 is a compliant rating it is a key objective for us to regain our G1 rating at the earliest opportunity. During the year our Board ratified the completion of the improvement plan put in place following our downgrade. In making its determination the Board was supported by the Group's Audit and Risk Committee (ARC) and sought independent validation that all the items from the plan had been completed satisfactorily before formally agreeing to its closure. An important feature of regaining our G1 rating is to show that changes have not only been made but that they are now embedded in the Group's business-as-usual operations. We have remained in close contact with the Regulator during the year providing the necessary evidence to demonstrate that our governance improvements are lasting and fully absorbed into our day-to-day practices.

Keeping our data safe through robust governance and strong cyber practices has delivered many benefits this year. Throughout the last 12 months we have implemented additional technology, further enhanced our security operations centre that monitors our technology estate 24 hours a day, seven days a week, and delivered improved colleague training and awareness campaigns. Collectively, these form a strong first line of defence against attacks. We have also invested in our data capability and increased our internal staffing to focus on maintaining and continuously improving our strong data management practices. We have implemented new data quality and business intelligence tools that allow us to monitor and improve the health of one of our most valuable assets – our data.

In December 2021 we set up a new Resident Scrutiny Panel which has a close link to the Housing and Communities Committee. The Panel has been undertaking deep dive scrutiny into services that are important to residents and recommendations from resident insight exercises are reported to senior management teams and the Board. Our Specialist Advisory Panels meet regularly, supporting the Scrutiny Panel and working with the Group to improve services that affect specific groups of residents.

The initial focus of the Scrutiny Panel has been on heating and hot water breakdown services. At the same time it has been working alongside the Housing and Communities Committee to agree a programme of scrutiny based on performance data and resident priorities.

While the Panel is newly constituted there has continued to be significant consultation with other groups of residents over the course of the year. Our building design guide, sustainability strategy, corporate plan and resident online portal have all benefitted from resident input, while our performance on building safety, communications and activities across the service centre have all been put under the microscope of our residents.

## Key measures

	Actual 2019-20	Actual 2020-21	Actual 2021-22	Target 21-22	Target 22-23	Target 23-24
RSH Governance Rating	G2	G2	G2	G1	G1	G1
CQC regulatory ratings for our care homes	Good and outstanding	Good and outstanding	Good and outstanding	Maintain a minimum of Good Care Quality Commission (CQC) ratings for all regulated services		

## Learning from complaints

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

This year, the Housing Ombudsman Service launched the first-ever spotlight report. The report focused on damp and mould, with a purpose of identifying systemic issues and best practice among landlords. The Group welcomed this review and actively participated in the Ombudsman's call for evidence, which helped to inform some of the learning and recommendations.

One of the most powerful findings from the report was that residents did not feel that they were being heard and that landlords did not appear to be taking their repair reports or complaints seriously. It was also evident that poor communication was a compounding and, at times, driving factor.

As a result, we are now taking important steps to review our current processes and to enhance our approach for diagnostics and repairs.

- We are exploring ways to carry out holistic checks for homes each year.
- We are actively encouraging all our teams and contractors to be vigilant whenever they are visiting people's homes, so that we can identify and address any issues at an early stage.
- We will use new technology (USB data loggers) that help record how the home is performing from a heat, humidity, and moisture perspective.
- We will ensure that our customer-facing information is regularly reviewed in consultation with customers to ensure that it continues to be appropriate and effective.
- We have created a series of insight reports that are able to highlight areas, blocks and customers who are experiencing ongoing issues with damp and mould.

The Group has also changed its approach to the way resident voices were heard, aligning itself closely to the way the Ombudsman itself operates. This change of approach enables a larger number of residents' voices to be heard and will help drive positive change from within the organisation.

The major improvements that the Group identified it should make in 2021-22 were:

- Improve ASB action planning and document agreed action plans
- Improve information and policy relating to leaseholders
- More detailed timescales to be built into the repairs policy
- Review relationships and contractual arrangements with External Managing Agents
- Improve record keeping required on repairs and particularly with sub-contractors

Effective complaint handling and listening remains an important focus for all colleagues in the Group and one of the most effective ways of improving our service to residents. The Group's Complaints Policy can be found on our website.

## Spotlight on Services

Woodlands: Woodlands is an excellent example of collaborative working across health and housing. In April 2021, Woodlands transitioned from a mental health hospital ward into a supported housing scheme for people with mental health issues. This innovative approach enabled the NHS mental health recovery team to remain on site to support customers with their health needs while our team provided intensive housing management services to help people with managing their occupation agreements. There is a strong community spirit at Woodlands and residents play a key role in shaping how the service is delivered.

Green Meadows: In September 2021 a new £11m care scheme in Freshwater was opened. We provide management services to this scheme and it offers 45 one-bedroom and 15 two-bedroom apartments for rent, as well as 15 two-bed shared ownership apartments. Residents benefit from several facilities including two communal lounge areas, a hair salon, activity rooms, shop and communal gardens. Staff are on site 24 hours a day, seven days a week providing a responsive wellbeing service.

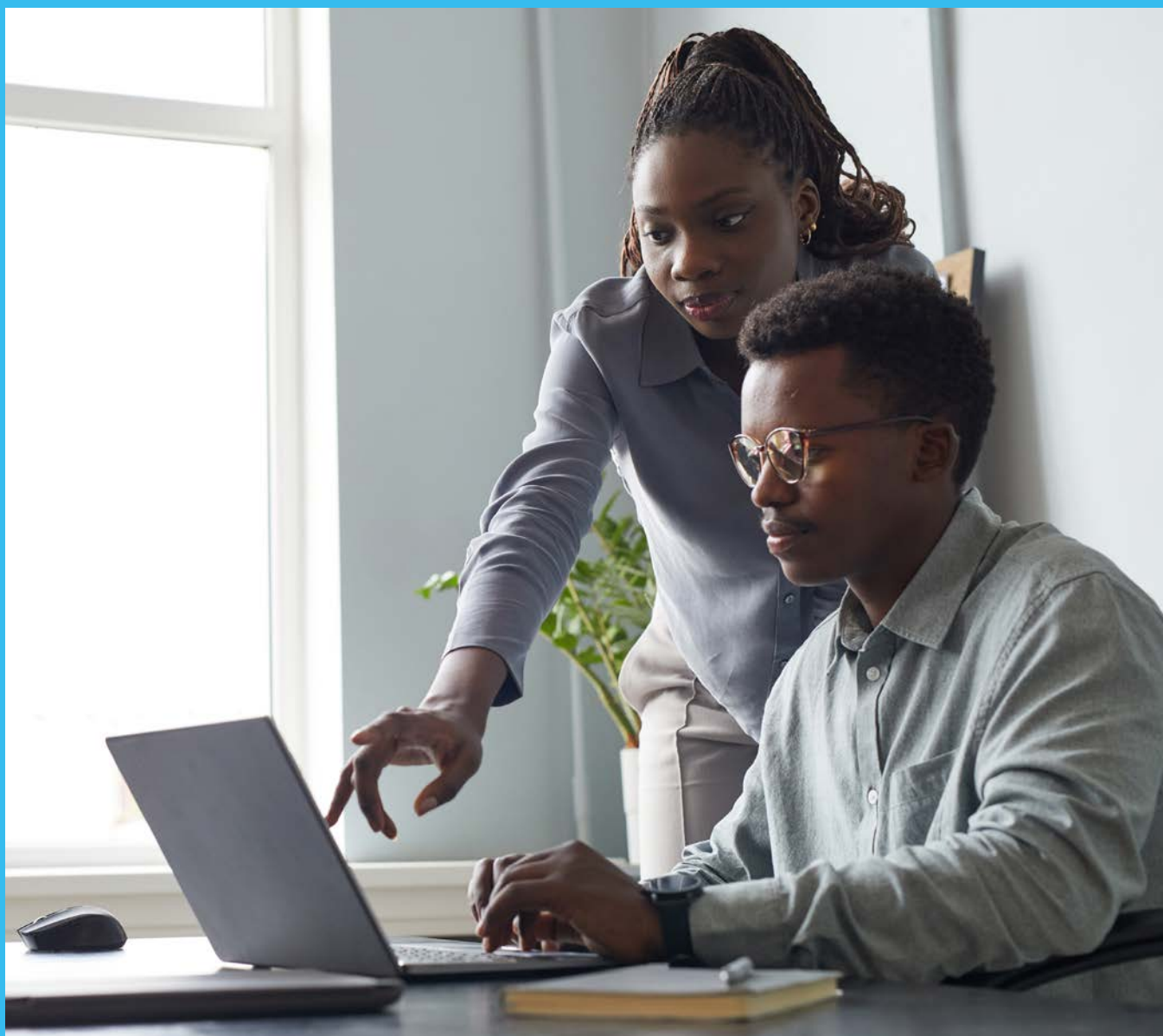


## Case Study: Work placement

For the last five years the Community Investment team has been running a successful work placement programme for residents.

The six-month work placement programme provides our residents with a unique opportunity to work in a corporate environment in different areas of the Group. It helps our residents to build confidence and gain valuable work experience and skills so they can later secure and sustain longer-term employment. During the year we hosted five residents on work placements in various roles across the Group. As testament to the ongoing success of the programme, one of its participants, having spent five months on the programme while balancing university studies part-time, was offered and accepted a permanent job with the Group's Communications team working on building safety communications co-ordination. She started in her new job role

in April 2022 and is delighted to have been given the opportunity to work in the communications field, a career path she is keen to pursue. The resident said: "My expectations on the work placement were exceeded. I was given a wealth of opportunities to learn and develop new skills, and with support from my supervisor and the work placement officer was able to take ownership of my own learning and development. The experience provided the flexibility I needed to combine my university studies whilst gaining experience in the workplace. One of my priority goals was to secure a job with the Group by the end of the placement and I am proud this has been achieved!"





## **Invest in our homes, strengthen our communities**

### **Our commitments**

1. Ensure all our residents have a safe home
2. Provide more homes for people in housing need in the areas where we work
3. Provide excellent care and support services
4. Maintain and manage properties, estates and neighbourhoods that people are proud to live in
5. Improve the energy efficiency of new and existing homes and set out our pathway to net zero carbon
6. Seek out opportunities to partner with organisations to create investment that strengthens communities

### **Our progress** **Development**

Our aim is to increase the 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 2,068 new affordable homes across the capital and the South East by 2025. Despite what was a challenging year, the Group has delivered 230 new homes, comprising 45 homes for affordable rent, 20 for London Affordable Rent, 63 homes for open market sale, and 102 for shared ownership, as well as one non-residential commercial property.

We remain committed to providing more homes for people in housing need and the safety, wellbeing and support of our existing customers, staff and contractors is our priority. Following the pandemic, this has meant some development activities had to progress more slowly than originally scheduled but we are now seeing schemes come to fruition and remain committed to developing more.

Over the coming year we look forward to completing the final few homes at our Cranleigh scheme and at two very successful projects, Dace Road and Herald Street in the London Borough of Tower Hamlets. The first Dace Road block was completed in 2021, considerably ahead of schedule and to a very high quality standard. We will also complete the final homes at both the Downsman, in Hove, and Lisgar Terrace in the London Borough of Hammersmith & Fulham. We are commencing work on schemes at Glengall Road, in the London Borough of Southwark, which will deliver 109 shared ownership, 45 social rent, and 16 open market sale homes; West Kent College, in Tonbridge, which includes 21 affordable rent and 30 shared ownership homes; and Free Wharf, where we plan to deliver 170 affordable homes, on the waterfront, in Shoreham-by-Sea.

## Key measures

	Actual 2019-20	Actual 2020-21	Actual 2021-22	Target 21-22	Target 22-23	Target 23-24
Fire Risk Assessments overdue	1	1	0	0	0	0
Gas Safety Inspections overdue	0	0	5	0	0	0
% of homes with a domestic electrical certificate less than 10 years old	28%	42%	75%	72%	80%	100%
New home completions	419	93	230	300	300	300
% homes EPC C and above	72%	71%	74%	69%	71%	75%
					2021-22 £m	2020-21 £m
New households created					1,058	2,617
Total homes in construction					1,282	883
New homes handed over					230	93
Total homes owned and managed by the Group					32,167	30,490

## Case Study: Development - Focus on Longcross

Situated near Chobham, in Surrey, this scheme of 35 homes, constituting seven for affordable rent flats and 28 for shared ownership, completed in October of 2021.

This is the second phase of homes that have been delivered to the Group on this site, following an earlier phase of 37 homes. Both phases were part of a wider agreement to purchase over 200 units, across three separate sites, from Crest Nicholson. The homes are being delivered in partnership with Runnymede Borough Council, which has provided additional grant funding. This has allowed the Group to deliver more rented homes than might otherwise have been possible.





## Case Study: Area - Focus on Shoreham-by-Sea

West Sussex is an area of considerable stock for the Group. Shoreham sits in Adur district, which is bordered on three sides by Worthing, Brighton & Hove, and Horsham.



In total we hold over 2,000 homes in the region. Whilst the Group also has a significant programme in the surrounding districts, in Shoreham itself, over the last few years, 36 shared ownership apartments were completed on the Parcellforce site and 14 for social rent at Humphrey's House. Alongside these, the Group is now also bringing forward two other exciting development opportunities in the town. The first is a Hidden Homes project, to regenerate the Mannings estate. Working in partnership with Real Construction, demolition of the existing buildings has almost completed and the 74 new homes will be completed in the spring of 2024. The scheme will comprise 17 homes for social rent and 57 for shared ownership.

The Group is also on site with HG Construction to bring forward the first residential phase of a site known as Free Wharf, which has planning consent to develop 548 homes, alongside 25,000 sq. ft. of commercial space. This first phase will deliver 137 affordable homes, consisting of 40 homes for affordable rent and 97 homes for shared ownership. The scheme is forecast to complete in the summer of 2023.

### Building safety

Safety is embedded at every level of our organisation. The Board oversees our risk appetite and risk management, and our Property Services 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.

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. Alongside the Type 4 FRA (Fire Risk Assessment) and External Wall System (EWS1) 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.

### How we planned our Building Safety Programme in 2021-22

Using our risk matrix, we risk-assessed all our 4, 5 and 6 storey buildings including those of 11 to 18 metres in height. Based on this risk assessment method, we prioritised around 230 buildings, which form the current Phase 2 survey programme. Our survey programme consists of an external wall survey (EWS1) and a type 4 FRA (Fire Risk Assessment). From this information we determined a proportionate, risk-based view of any potential remedial works. At 31 March 2022, 218 surveys (including type 4 FRA and EWS1 surveys) have been completed with surveys being quality assured and data being validated. Once completed we will be able to indicate which buildings will require substantial remediation works. After the Phase 2 programme is completed, and any necessary remedial work is undertaken, all the remaining 11 to 18 metre buildings will have a significant reduction in risk. This assessment involves looking at the type of materials the building is made of, any installed fire safety features, and the type of tenants within the building, as well as anything else that may pose a risk to the building.

### 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. Southern 360 community investment services include employment skills and training, partnership working, volunteering and work placements, a financial inclusion service, a grants programme and a number of community centres.

Our Supporting Independence and Care (SI&C) team has had an extremely positive year, providing care and support to over 600 customers on the Isle of Wight and across the South East of England. We successfully delivered two new schemes on the Isle of Wight providing an additional 85 supported living homes during 2021.

In March 2022 the CQC carried out their first full inspection of our registered extra care service, Ryde Village, speaking to staff and residents to understand how well the service was meeting customer needs and expectations and regulatory standards for care. We are really pleased to report the CQC awarded us an overall rating of 'Good' across the service. In February 2022, the CQC visited our two registered care homes, Byrnhill Grove and 22 Argyll Street, and carried out a robust thematic assessment to look at how well we are managing infection control and prevention. They were pleased with the measures we have in place and did not issue any recommendations for improvement.

During the past year we have supported the Isle of Wight Council to address the issue of homelessness and have played an active role in helping to shape the future provision of homelessness services on the island. Our homeless support services help single people and families to refresh or learn new independent living skills. The Homeless Families team have supported over 30 families. Families will move into temporary accommodation and once they are confident in their ability to manage a tenancy agreement, they are granted an assured tenancy for the same home they have been living in whilst receiving support. This approach helps families to stay in the same community and close to support networks. Our single homeless pathway service has helped over 50 people facing homelessness. It takes a strength-based approach to maximise opportunities for customers to reach their personal outcomes.

Customer feedback is vital to how we deliver our services. 99% of our customers told us that our services helped them to remain independent in their own homes and 98% of SI&C customers were satisfied with the service they received from us. We will continue to ask our customers to let us know what is working well and how we can improve. The Resident Involvement Team have a busy year planned for 2022-23 with a key priority to embed resident involvement further into the Group's governance structure to ensure that our resident voice has influence from the Board down. We will also review our strategy to respond to the requirements of the Social Housing White Paper and work with our resident groups to obtain Resident Involvement Accreditation.

## Case Study: Dover Food Pantry

Dover Pantry was set up during lockdown by Dover Big Local, Southern 360, Dover Foodbank, and Dover and Kent Councils, amongst others, and opened in January 2021.



There was a clear need for food support highlighted by the Covid Hub (created by Dover District Council), local deprivation statistics and concerns raised by our own colleagues at the levels of poverty in the area. When the pantry opened in January 2021, there were 80 members, with a minimum of 35 members using the service on a weekly basis. By the end of the year, that had grown to just under 300 members, with 130 regularly using the service on a weekly basis. There were just under 4,000 visits to the pantry over 12 months, leading to an incredible 14,400 tonnes of food waste saved, or 35,500 meals rescued. The Pantry provides fresh and frozen groceries, meat, and healthier options for food that would otherwise be unaffordable. Members' comments include: "The Pantry is a life saver. People have been tearful, desperate without means for food." "The Pantry has enabled me to manage my health conditions and really improved my quality of life". Southern 360 are continuing to support and work with Dover Pantry over the next 12 months. We have just agreed a grant of £10k towards rent and salaries for a second year, as the benefits against the investment are clear for all involved. The project has also created stronger ties between local organisations and Southern 360 across Dover, providing further opportunities for supporting our residents into the future.

## Sustainability

Our Board approved a new Environmental Sustainability and Net Zero Carbon Strategy 2021-2024 in September 2021, responding to the global climate crisis and setting clear and challenging goals. The new strategy sets out our pathway to meet the government's Net Zero Carbon targets for 2050 and to get there earlier wherever we can. At the same time, we issued our first Sustainable Finance Framework. Both set out our environmental, social and governance goals across the Group.

Our priorities are to make real progress on cutting carbon, improving diversity, enhancing wellbeing and increasing ethical procurement across our existing homes, new buildings and all of our operations.

### Strategy overview:

Our new strategy provides a robust framework for the Group to prioritise our aims and set meaningful and measurable targets. These will guide the actions we must take over the next three years to address the complex challenges arising from the environmental sustainability agenda.

### Environmental Sustainability Vision

- We will make and manage environmentally sustainable homes and communities which are comfortable, affordable, healthy, biodiverse and fit for the future.
- We will engage our residents, colleagues, investors, suppliers and partners to help us become a zero-carbon housing provider and developer.
- We will do business in socially and environmentally responsible ways.

### Principles

**Authentic**

**Holistic**

**Transformative**

### Strategic framework and intended outcomes

	New build	Existing Homes	Operations
Cutting carbon	Reduce CO <sub>2</sub> emissions from making and running of our new homes	Reduce CO <sub>2</sub> emissions from maintaining, improving and running existing homes	Reduce CO <sub>2</sub> from our workplace, how we travel and what we purchase
Improving biodiversity	Create homes and places that work well for people and nature	Manage places for wildlife and improve community access to nature	Champion biodiversity and the benefits of nature in and around our workplace
Enhancing wellbeing	Design and deliver homes that support physical and mental wellbeing	Support resident wellbeing and make sustainable living easy, affordable and attractive	Provide and promote healthy, happy and productive workplaces
Made and managed responsibly	Choose sustainable materials, products and suppliers	Care for and curate homes and places responsibly and sustainably	Create positive environmental impacts through operational choices

### Priority areas

Priority area	Focus	Stance
Net zero carbon	Be net zero carbon across all our homes by 2050 and in our day-to-day business activities by 2030. Energy Performance Certificate (EPC) C for rented properties by 2035 (2030 for 'fuel poor' households), with a minimum of 75% of homes to be EPC C+ by 2024. Demonstrate leadership not by going first or fastest, but through a resident-centred approach based on actual reductions in energy use performance and residents' bills, while avoiding creating and retrofit projects of the future by shifting our new build pipeline to be net zero by 2027 at the latest.	In the pack
Own house in order	Engage and support staff, supply chain and partners on an authentic journey to cut negative environmental impacts and increase the positive ones. Embrace the low-hanging fruit (e.g. contractors standing ready and willing), make the tough decisions (e.g. poor office energy efficiency), share successes and failures.	Walk the talk
Healthy people, healthy planet	Differentiate by creating and curating homes and places focused on mental and physical wellbeing. Focus on conditions and connections inside and outside the home, particularly with nature. Ensure the way we build and manage homes supports biodiversity. Be fit for a future climate (flooding, overheating risks). Support residents' sustainable lifestyle choices.	Drive forward
Whole life value	Buy wisely. Apply a triple-bottom-line lens and lifecycle perspective to specification and responsible procurement. Work with and learn from others in this emerging area. Reduce and manage waste and water responsibly.	Engage and improve

### Implementation

#### Governance

**Objectives**

**Indicators and targets**

**Action plan**

#### Working groups



The strategy was shaped by the views and priorities of residents and key staff. It incorporates insights from across the sector including deep analysis of emerging regulation, policy and technology. Actions to reduce risks associated with regulatory compliance and opportunities to add value are integrated throughout the strategy. It also aligns with the Group's Environmental, Social and Governance (ESG) funding approach.

The Sustainable Finance Group, chaired by the Group Director Development and Assets governs the Sustainable Finance Framework. This Group selects eligible assets and projects to fund, in the context of the Group's Development Strategy, Asset Management Strategy, Environmental Sustainability & Net Zero Carbon Strategy, and Southern 360 (community investment) Strategy.

An Environmental & Net Zero Carbon Strategy Steering Group, including resident representation, oversees the delivery of the Sustainability and Net Zero Carbon Strategy, while an ESG Working Group drives cross-departmental working and embeds environmental, social and governance principles throughout the Group's day-to-day and strategic work.

As part of our strategy and finance framework, we undertook to look into reporting under the Sustainable Reporting Standards for Social Housing, a reporting framework widely adopted by social housing providers wanting to pursue environmental, social and governance goals, including our G15 peers.

The framework is divided into themes, which can be read alongside the United Nations Sustainable Development Goals.

Theme name	Description	SDG Goal	SDG Target
ESG area: Social			
Affordability and Security	Provides affordable and secure housing	Sustainable Cities and Communities	11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
		Reduce Inequality	10.1: By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Building Safety and Quality	Resident safety and building quality are well managed	Sustainable Cities and Communities	11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Resident Voice	Listens to residents' voice	Sustainable Cities and Communities	11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Resident Support	Supports residents and the local community		
Placemaking	Supports residents and the wider local community through placemaking		
ESG area: Environmental			
Climate Change	Prevents and mitigates the risk of climate change	Climate Action	13.2: Integrate climate change measures into national policies, strategies and planning
Ecology	Promotes ecological sustainability		
Resource Management	Sustainable management of natural resources		
ESG area: Governance			
Structure and Governance	Legal structure of the organisation and its approach to Governance	Peace, Justice and Strong Institutions	16.6: Develop effective, accountable and transparent institutions at all levels
Board and Trustees	High quality board of trustees		
Staff Wellbeing	Supports employees	Decent Work and Economic Growth	8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Supply Chain Management	Procures responsibly	Responsible Consumption and Production	12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities

For this first six-month period of the new strategy, we have prioritised the following themes:

- Climate Change (Theme 6)
- Ecology (Theme 7)
- Resource Management (Theme 8)

#### Climate change:

We are taking a fabric first approach to improving the sustainability of our homes through energy efficiency. Average Standard Assessment Procedure (SAP) ratings have improved over the last three years for existing stock. We have set a stretching target of reaching net zero carbon for all new homes by 2027, well in advance of the government's targets. By building more sustainable homes, we will avoid expensive retrofitting projects in the future. Almost three-quarters of our 230 new homes delivered this year were EPC B rating or above, with just over one quarter at EPC C (and a single unit at D).

Most carbon in housing is contained in existing homes and making them energy efficient is a key part of our sustainability and asset management strategies, as well as contributing to residents' financial security and wellbeing. We recognise that SAP ratings are only one part of measuring energy efficiency and we are on track to meet our target of ensuring that 75% of all of our properties are EPC C or above by 2024, and that all of our fuel poor homes reach EPC C or above by 2030, with all of our homes reaching this standard by 2035. This means improving insulation, replacing windows and boilers with more efficient models, and eventually moving towards heating systems that can be powered by renewable energy.

	EPC B	EPC C	EPC D	Total new homes
New homes EPC ratings (no. of homes)	171	58	1	230

The overall SAP rating for our rented homes in 2021-22 increased slightly from 2020-21. We currently have energy data for 97.95% of our rented properties and the figures below reflect those homes.

	Average of SAP FY21	Average of SAP FY22
Number of homes		
23,741	72.0 (Band C)	<b>72.9 (Band C)</b>

An essential first step on the road to meeting our sustainability goals is ensuring that we have high quality data on our homes. We have been conducting a full programme of stock condition surveys this year, as well as investing in data systems and analysis.

#### Resource management

In order to support resident financial security and wellbeing and reduce carbon emissions, we have launched a Fuel Poverty project, starting on the Isle of Wight and expanding across the Group. This brings together analysis of those residents most at risk of fuel poverty and data on the energy efficiency of our homes, in order to prioritise planned works on the basis of fabric first where the impact will be most beneficial to both the residents and the environment. We are also developing partnerships to provide specialist support to residents to help with fuel poverty and energy efficiency in the home with the aim of maximising residents' income to help mitigate the impact of energy price increases and increasing financial resilience.

This builds on our core community investment work where financial inclusion officers and partners provide support and advocacy for those in need. This includes support in getting onto the best energy tariffs available and advice on how to get the most efficient use from energy and heating systems, including technical advice. In preparation for the energy price cap increases, we entered into partnerships with Footprint Trust and Agility Eco to increase the support available to residents for energy efficiency advice and fuel poverty support.

Education and engagement are essential to bringing residents along the sustainability journey and learning from them. Our Estate Care Team and Community Investment and Resident Involvement Teams have joined together to look at waste – identifying residents' needs, concerns and understanding of the importance of Reduce, Reuse, Recycle in order to engage and educate as well as developing action plans for waste reduction. These have started with sessions at schemes in Sussex, with online interaction and face-to-face fun-day activities, and these will be repeated at a range of sites in other regions. The next phase will be to feed back our learnings into the sustainability action plans.

#### Biodiversity

Following the creation of our Biodiversity Toolkit, developed with the UK Centre for Ecology and Hydrology, we trialled the new approach to enabling housing providers to support wildlife and biodiverse plant life on estates with a project in Bracknell last year. This year, we started to use the toolkit in other locations and this will form part of the action plan for biodiversity under the Sustainability Strategy.

In addition, our volunteer and community investment teams work with residents on local estates to create and maintain biodiversity as well as residents benefitting from the health and wellbeing created by local gardening projects.

For all new developments of over 10 homes, we meet the London Plan (2021, chapter 8) including urban greening (G5), biodiversity (G6) and access to nature policies. We aim to secure a net biodiversity gain and achieve urban greening. The current Design Brief (2016) advises that all schemes should incorporate opportunities for increasing biodiversity and incorporate Sustainable Urban Drainage Systems (SUDS). The Group is developing a new Design Brief, taking into account our Sustainability Strategy.

## Southern Housing Group Streamlined Energy and Carbon Reporting (SECR)

As a CCBA, SHG is not required to report on SECR but is including this data on a voluntary basis.

**Scope 1 emissions:** The Group's total scope 1 emissions for 2021-22 were 777.18 tnCO<sub>2</sub>e that we own or control directly, including gas used in offices, staff mileage and fleet vehicles.

**Scope 2 emissions:** These are indirect emissions from energy purchased. The Group buys REGO-backed electricity which is certified by nPower as net zero carbon:

"This meets the quality criteria of the GHG Protocol (2015) for reporting zero carbon emissions and has been independently assured by Carbon Clear."

Our total electricity usage in our offices and from communal lighting on estates was 17,915,353 kWh, which would otherwise amount to 3,803.97 tnCO<sub>2</sub>e, but we are reporting zero emissions because our REGO-backed electricity is net zero carbon.

**Scope 3 emissions:** As we develop the Group's data and sustainability action plans, we will report on a wider range of emissions including voluntary reporting under scope 3 which looks at emissions in our supply chain and from residents' homes.

We are able to estimate the carbon emissions from our homes from their EPC ratings. The average carbon emissions across all our rented stock is 2296.04 kgCO<sub>2</sub>e or 2.296 tnCO<sub>2</sub>e per property. We do not yet have precise data on the carbon emissions of new homes, although they have been assessed under the Standard Assessment Procedure (SAP) and granted Energy Performance Certificates, because this data cannot currently be provided from Government data collections. This is being followed up with Government.

We also intend to include reporting on carbon emissions from communal heat networks in the next set of reports.

A more detailed breakdown is set out below. In 2021-22, total emissions from gas across all offices rose to 134.29 tnCO<sub>2</sub>e.

### Emissions from our offices

Gas and electricity usage had fallen during the pandemic in 2020-21 to 459.75 tnCO<sub>2</sub>e, a 19.6% reduction on the previous year. As pandemic restrictions lifted, we started the process of moving towards hybrid working patterns which continued to the end of the year. It is difficult to predict how this pattern will develop over time. In addition, the combined impact of the energy crisis and homeworking of energy use at home should be borne in mind.

The detailed energy usage is shown in the table below.

Office	Energy usage	Carbon Footprint
Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA	Electricity: 422,223 kWh Gas: None	0
Spire Court, Albion Way, Horsham, West Sussex, RH12 1JW	Electricity: 475,043 kWh Gas: 305,092 kWh	56.25 tnCO <sub>2</sub> e
The Courtyard, St Cross Business Park, Newport, Isle of Wight, PO30 5BF	Electricity: 90,215 kWh Gas: 31,750 kWh	5.85 tnCO <sub>2</sub> e
The Oasts, Newnham Court, Bearsted Road, Maidstone, Kent, ME14 5LH	Electricity: 101,232 kWh Gas: None	0
Courtney King House, 169 Eastern Road, Brighton, East Sussex, BN2 0AP	Electricity: 59,275 kWh Gas: 391,533 kWh	72.19 tnCO <sub>2</sub> e
Hooper Court, 4 The Hard, Portsmouth, PO1 3PU	Electricity: 8,673 kWh Gas: None	0
Mount Pleasant, 251 Mount Pleasant Lane, Mount Lane, Bracknell, RG12 9AB	Electricity: 8,566 kWh Gas: None	0
Crown Simmons, 1 Aissela, 46 High Street, Esher, KT10 9QY	Electricity: 10,473 kWh Gas: None	0
	<b>Total emissions</b>	<b>134.30 tnCO<sub>2</sub>e</b>



### Methodology

1. Carbon emissions from electricity = electricity usage in kWh x emission factor 0.21233 kgCO<sub>2</sub>e. However, our electricity is net zero carbon as described above.
2. Carbon emissions from gas = gas usage in kWh x emission factor 0.18438 kgCO<sub>2</sub>e.
3. To work out the tnCO<sub>2</sub>e, we divide the total by 1,000.

### Staff mileage

The mileage colleagues cover for business use in their own vehicles is recorded separately to the use of Southern Housing Group vehicles.

The total CO<sub>2</sub> emissions from staff mileage (for business use) was 237.2 tnCO<sub>2</sub>e, travelling 797,577.64 miles. This represents an increase in miles travelled by car and carbon emissions since 2020-21, but still much lower than the 383.42 tnCO<sub>2</sub>e emitted in 2019-20. It is difficult to quantify the impact of the pandemic on the pattern of staff vehicle use, with homeworking and possibly a reduction in the use of public transport even after the pandemic restrictions were lifted.

Emissions in tnCO<sub>2</sub>e have been calculated by multiplying mileage by the emissions factors then dividing by 1,000.

Mileage Type	Miles Travelled	kgCO <sub>2</sub> e factor	Emissions	tnCO <sub>2</sub> e emission 2021-22	tnCO <sub>2</sub> e emissions 2020-21	tnCO <sub>2</sub> e emissions 2019-20
Motorbike	1,954.73	0.16	317.39	0.32	1.50	0.28
Own Car Mileage	767,859.24	0.30	232,131.53	232.13	211.69	383.14
Own Car with Passenger	15,708.71	0.30	4748.9	4.75	–	–
Pedal Cycle	9,684.25	0	0	0	0	0
Total	795,206.93		237,197.82			
Total tnCO <sub>2</sub> e				237.20	213.19	383.42

In terms of energy efficiency actions taken, the Group has continued to develop our New Ways of Working, building on lessons from the pandemic period. There is an ongoing Group-wide take up of remote working including greater use of agile tools and software such as video calling and reduced travel between offices.

### Fleet vehicles

Total CO<sub>2</sub>e emissions from company cars was 0.716 tnCO<sub>2</sub>e, that is 716.69 kgCO<sub>2</sub>e per mile.

This was calculated using the following mileage and emissions factors: Company Car (type Executive) petrol = 2,371 miles x 0.30 kgCO<sub>2</sub>e emission factor divided by 1,000 = 0.71 tnCO<sub>2</sub>e

Total carbon emissions across the fleet of Southern Maintenance Services and Estate Care vehicles rose from 2020-21 as services returned to business as usual, having fluctuated over the year as a result of the pandemic travel restrictions.

Fleet vehicles (vans): Diesel: 158,015.15 litres used x 2.51233 (conversion factor) divided by 1,000 = 396.99 tnCO<sub>2</sub>e; Petrol: 3,642.6 litres used x 2.19352 (conversion factor) divided by 1,000 = 7.99 tnCO<sub>2</sub>e.

The total emissions from fleet vehicles and company cars was 405.69 tnCO<sub>2</sub>e.

The conversion factors used for these calculations accord with the Government's emission conversion factors for greenhouse gas company reporting, some of which change annually.



## Listen to our residents

### Our commitments

1. Involve residents in improving how the services that matter most to them work
2. Be respectful of our residents, listening and communicating openly and reliably
3. Be accountable to residents for resolving complaints
4. Learn from complaints and make changes to improve our services
5. Be easy to work with, making use of digital technology and inclusive, resident-led service design

### Our progress

It is clear from the feedback we garner that our residents' needs, priorities and expectations continue to evolve. It is therefore vital that we continue to seek feedback and make changes. To do this, we have established a central team to use data analysis and insight to drive thematic change and improvement in our services across the whole of our business.

To meet our objectives for listening to our customers, and acting on their feedback, we have sought input from a number of channels. These have included surveys, conducted by a mixture of our own teams and external providers, which cover both specific interactions and general sentiment. Using these sources of feedback, we have begun to reshape our services to better meet our residents' needs. We are drawing services for homeowners together into a central team, enabling a more tailored, expert approach to the needs of this customer group. We have also taken the first steps towards restructuring our repair services to ensure clearer lines of accountability and better delivery for all our residents.

Digital services improved throughout the year, both in response times and the scope of our offer, with new services becoming available via our Online Account. Online Account replaced "Me & SHG", initially "like for like", but rapidly adding in repair reporting, repair tracking and by the start of the new financial year, rent balances and statements had been added to the ability to pay online.

Emphasis was placed on responding to digital channels within the new, shorter, service level times implemented from the beginning of the financial year. While the Group recognises that not all residents are digitally enabled and will continue to provide services by phone, we have moved away from providing a "gold standard" 20-second response time to ensure that the teams have capacity to respond quickly to customers contacting via e-mail, online account messages, web chat and social media. This more balanced approach gives the best value for money while ensuring that our residents can continue to choose how to contact us. This approach is complemented by our support offer for customers seeking to be more digitally engaged. Last year we supported over 60 residents with free digital equipment and training, ensuring they could get online and enjoy the digital benefits that many of us take for granted. We have also improved our ability to support and respond to customers experiencing noise-related antisocial behaviour with the development and launch of our Noise App.

## Our strategic priorities for 2021-24

(continued)

### Key measures

	Actual 2019-20	Actual 2020-21	Actual 2021-22	Target 21-22	Target 22-23	Target 23-24
Customer satisfaction	83%	74%	76%	85%	85%	85%
Involved resident satisfaction with opportunities to influence services	Not measured	Not measured	53%	75%	77%	80%
% of complaints acknowledged within 10 days	100%	100%	99.8%	100%	100%	100%

### Our priorities for the year ahead

We are continuing to adapt our services to improve the customer experience for our residents. New customers seeking to rent one of our homes can have a more digitally engaged experience, with personalised on-boarding. In our Customer Accounts team, new software will enable our advisers to better target support and engagement with customers in early arrears. This is one of many strands in our Arrears Strategy, now in its second year, designed to support our twin aims of ensuring that rent is paid, and that customers stay in their homes.

We have amended our Lettings Policy to ensure that residents receive the support they need as early as possible in their tenancy with us. We will now assess all nominations and identify support needs so that when someone signs up with us, we are able to contact them at the very beginning of their tenancy and ensure that they have the help and support they need to successfully manage their tenancy. We will work with residents to ensure they have the skills and knowledge to manage their finances and work with our wide range of partners to provide specialist support where it is required to ensure they can sustain their tenancies long term.





## Empower our people

### Our commitments

1. Be a supportive, inclusive, diverse and equal opportunity organisation
2. Be a place where colleagues are proud to work
3. Empower our people to respond to residents' service requests in an efficient and effective way
4. Work together with contractors that share our values
5. Adopt digital technology to enable colleagues with the right tools for the job
6. Equip our colleagues with the information, skills and capacity to embed change

### 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.

### Our progress

Wellbeing remains a key area of concern and focus for the Group. 87% of cases picked up by our Employee Assistance Programme services during the year related to colleague mental wellbeing. This is perhaps unsurprising given the prolonged challenges of the pandemic and repeated lockdowns where colleagues were often balancing homeworking, home-schooling and caring for relatives, together with more recent concerns over the cost of living. We continue to monitor colleague health and wellbeing very closely, incorporating our response into the action plans from our most recent Best Companies engagement survey and closely monitoring key indicators including staff turnover and reasons for leaving as well as the nature and duration of staff sickness absence. Our 17 Mental Health First Aiders have also attended refresher training during the year.

As part of our continued efforts to embed our wellbeing approach, we launched our Wellbeing Programme for 2022. The programme content is largely based on feedback from colleagues. It includes bi-monthly webinars and activities to remind colleagues that we have a suite of wellbeing resources, information and toolkits on our Wellbeing intranet page. We continue to monitor health and safety compliance across the Group especially as colleagues have returned to the office environment and hybrid working arrangements are still in place.

## Key measures

	Actual 2019-20	Actual 2020-21	Actual 2021-22	Target 21-22	Target 22-23	Target 23-24
Ethnic minority representation across our governance and leadership team	7%	7%	12%	14%	21%	28%
Colleagues participating in staff engagement surveys	75%	75%	68%	75%	75%	75%
Permanent Headcount	994	1,064	1,023	No increase	No increase	No increase

### Equality, Diversity and Inclusion (ED&I)

We have reviewed 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 REACH (formerly BAME but now Race, Ethnicity and Cultural Heritage), LGBTQ+, Parents and Carers, Women and Disability strands and the network chairs meet monthly to share feedback and plan communications and campaigns to support and educate colleagues. Each of our ED&I networks has an Executive Team sponsor to help support and promote the issues that the networks choose to focus on.

We were delighted to achieve Stonewall accreditation in March 2022. The Group submitted its first-ever entry into the Stonewall Workplace Equality Index in November 2021 and we achieved a silver award for the Group's commitment to creating a welcoming workplace for LGBTQ+ people. Stonewall also published its Top 100 Employers list which ranks the best organisations for LGBTQ+ employees. The Group was ranked in 209th position of 500 companies.

We have continued our focus on leadership development for colleagues from a diverse range of REACH backgrounds and we have had four participants on the G15 Accelerate programme which is a leadership development programme specifically for REACH colleagues.

We continue to work with Future of London on their Emerging Talent programme, and we are delighted to be hosting three placement opportunities for external participants from diverse backgrounds who are seeking to progress their careers within housing. We also supported the Leadership NOW programme developed by UNIFY (the combined groups of the G15 ethnic minority networks), which launched in late 2020.

### Reward and recognition

Throughout the year, we have recognised the achievements of colleagues across the Group and how they have gone the extra mile despite challenging circumstances. As well as an ongoing programme to recognise achievement through individual "All in A Day's Work" accolades awarded by the Chief Executive, we held our third annual OSCARs (Outstanding Southern Colleagues Achievement and Recognition Scheme) awards ceremony virtually in December. It was a great opportunity to come together to celebrate the successes of individuals and teams from across the Group.

The Group's gender pay gap at April 2021 was 17.8%, which is above the UK average of 15.4%. The Gender Pay Gap report can be found on our website.

### Investment in technology

Providing our colleagues with the right tools and technology is critical and over the last year we've made significant investment in adopting improved technology and new ways of working. Our hybrid working model has changed the landscape and provided further opportunities to drive efficiency. We've built upon the strong foundation created by our Digital Strategy in previous years and started to capitalise on new capabilities including a faster, more secure and upgraded network and improved suite of day-to-day applications. At the end of the year we successfully implemented our new market-leading, Cloud-based HR and payroll system and we are on track to replace our finance and procurement systems with a similar solution early in the new financial year.

### Learning and development

We provide a comprehensive range of training and development initiatives and we have just completed the first annual cycle of our new performance and talent management approach. This has improved how we set expectations and objectives, explore development and individual aspirations, check in on wellbeing and formalise feedback on an annual basis. At the end of year one, we have taken feedback on board from across the Group, including the Group Staff Forum, to fine tune the documentation and clarify some aspects of the process so that is easier for colleagues to participate.

### Our priorities for the year ahead

Key areas of focus include developing our talent management approach and encouraging and improving our hybrid ways of working in a post-pandemic environment. We will continue to manage the Group's employer brand and public profile through our recruitment strategy to attract new and diverse talent. Looking ahead, we will continue to embed and progress our equality, diversity and inclusion action plans and work to deliver the targets in place to double ethnic minority representation at leadership and Board level as part of our commitment to our Leadership 2025 pledge.

### Apprenticeships

Since May 2021, the Group has seen 23 apprenticeship starts and we currently have 36 apprentices on board. Colleagues have joined the Group on apprenticeship programmes to learn a trade or to develop their experience and expertise ranging from traditional trades to delivering care to working in an administrative support role.

## Case Study: Mel Bullen - Trainer within the Human Resources Department

Mel has worked for the Group since August 2004, starting in the Customer Service Centre as an adviser then moving through to Assistant Trainer in Customer Services before joining the Learning and Development team.



In May 2021, Mel achieved a distinction in her Level 3 Team Leader apprenticeship. Mel explained: "As a trainer, I am passionate about supporting people to be the best they can be. The Team Leader apprenticeship gave me a greater insight into how I could achieve this from a manager's point of view and I was able to enhance my skills and knowledge across a wide range of areas. This has helped me with project management, self-awareness, and organisational and financial governance. I was never that academic at school; however, studying for an apprenticeship later in my career has given me the opportunity to continue progressing and it has taught me that it's never too late to learn! During my apprenticeship, I was supported by my line manager, my coach from the apprenticeship provider as well as many other colleagues across Southern Housing Group. I enjoyed it so much that I have just embarked on a Level 5 Coaching diploma via the apprenticeship pathway so I can continue my learning journey, growing and developing my skills and using them in my Trainer role to support colleagues."



## Value for money

We are committed to driving value for money in all our activities, maintaining our strategy to increase investment in new and existing homes and to optimise 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 outcomes 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:



### Strengthen our finances

- Increase our income and decrease our operating costs by delivering our efficiency programme
- Improve key financial performance metrics in line with our Board's targets
- Deliver value for money through agile working and digital services

### Build greater trust, transparency and accountability

- Regain and maintain our 'G1' regulatory governance rating from the Regulator of Social Housing
- Involve our residents in the decisions that affect their lives, and be accountable to residents for our performance
- Maintain a transparent and accountable governance framework, ensuring residents are part of our governance
- Ensure the organisation is representative of the communities we serve
- Work with stakeholders to strengthen key local relationships

### Invest in our homes, strengthen our communities

- Ensure all our residents have a safe home
- Provide more homes for people in housing need in the areas where we work
- Provide excellent care and support services
- Maintain and manage properties, estates and neighbourhoods that people are proud to live in
- Improve the energy efficiency of new and existing homes and set out our pathway to net zero carbon
- Seek out opportunities to partner with organisations that strengthens communities

### Listen to our residents

- Involve residents in improving how the services that matter most to them work
- Be respectful of our residents, listening and communicating openly and reliably
- Be accountable to residents for resolving complaints
- Learn from complaints and make changes to improve our services
- Be easy to work with, making use of digital technology and inclusive, resident-led service design

### Empower our people

- Be a supportive, inclusive, diverse and equal opportunity organisation
- Be a place where colleagues are proud to work
- Empower our people to respond to residents' service requests in an efficient and effective way
- Work together with contractors that share our values
- Adopt digital technology to enable colleagues with the right tools for the job
- Equip our colleagues with the information, skills and capacity to embed change



- Corporate Plan with group-wide objectives, measures and targets
- Sustainability Strategy, Communications and Group Marketing Strategy, Growth Strategy, Data Strategy, Digital Strategy, Equality, Diversity and Inclusion Strategy

- Directorate plans and annual budgets;
- Linking group-wide objectives to functional objectives and targets/measures
- Personal objectives and development plan

Across all our corporate objectives we have prioritised the delivery of value for money services, aiming to procure the goods and services we need in all areas of our operations at the lowest possible cost, organising our processes to make sure our ways of working are as streamlined as they can be and generating positive outcomes for our residents. Each objective contains a series of specific value for money targets and set out below is our performance against these for the 2021-22 year.

### Strengthen our finances

Following the year-on-year rent reductions imposed between 2016 and 2020 and combining this reduced income with the significant investment required over the coming years in building safety and decarbonisation, our first strategic objective is to strengthen our finances so that we can be resilient in our response to these pressures.

To do this we must operate more efficiently, make savings and increase our revenue from sales and letting. Our goal is to ensure that we are making the best use of our money to deliver the best value services to our residents.

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 below 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 one of our credit rating agencies, 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 agreements commit us to achieving minimum levels of cover on a range of covenants including interest cover and gearing, and we track our performance relative to loan covenants on a monthly 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	2021-22	2020-21	2021-22 target	2022-23 target	2023-24 target	G15 median 2020-21
Reinvestment	5.6%	5.8%	10.2%	7.7%	9.3%	4.8%
New supply (social)	0.7%	1.4%	0.4%	0.9%	4.1%	1.3%
New supply (non-social)	0.5%	0.0%	0.2%	0.2%	0.0%	0.6%
Gearing	41.3%	40.7%	43.2%	48.9%	50.9%	48.1%
EBITDA MRI	98.9%	38.7%	85.7%	89.9%	123.3%	109.7%
Social housing cost per unit	£5,324	£5,759	£5,750	£5,670	£5,810	£5,570
Operating margin (social housing)	16.8%	18.0%	16.0%	21.8%	30.5%	28.2%
Operating margin (overall)	22.6%	21.0%	21.5%	22.2%	29.4%	20.5%
Return on capital employed	2.7%	2.5%	2.3%	2.9%	3.3%	2.6%
Social housing lettings interest cover	62.2%	67.5% <sup>1</sup>	67.6%	90.7%	108.2%	—

<sup>1</sup> Restated to reflect statutory presentation in Note 2 of the Financial Statements.

Reinvestment levels were in line with 2020-21 and slightly ahead of our G15 peers but significantly below target as a result of reduced spending on development. Development activity slowed following the impact of successive lockdowns in the prior year and our development programme has been reprofiled to deliver increasing level of reinvestment over the next two years when coupled with our stock investment activity.

EBITDA MRI was favourably impacted by reduced spending on capitalised major repairs compared with forecast as investment programmes were redrawn based on the results of building safety and stock condition surveys. In addition, surpluses on outright sales were £5.7m higher than forecast from both higher sales volumes and margins at our Lisgar Terrace scheme.

Social housing cost per unit of £5,324 is lower than the G15 median of £5,570 and is slightly lower than our target of £5,750 mainly due to an increase in the number of social units owned and managed by the Group. We expect cost per unit to remain close to the median of our peer group over the next three years and we will continue to target reductions in management costs as a central component of our efficiencies programme.

The Board set a minimum target of £7.5m of efficiency savings for 2021-22, with a further £6.5m agreed as a stretch target depending on the prevailing external environment and overall performance levels during the year. In total £6.3m of efficiencies were generated and we finished the year £1.2m behind the minimum target. While we were able to exceed targeted efficiencies in repairs and maintenance and management costs, these were partially offset by reductions in income which was negatively impacted by fair rent refunds of £1.06m issued in the second half of the year, together with delays to development handovers and sales which affected rental income across affordable and shared ownership tenures. In spite of these challenges and those posed by some of the economic headwinds during the year, we were pleased to deliver a margin on social housing lettings of 16.8%, marginally above our target of 16%. Overall margins finished above target at 22.6%, supported by a strong performance in open market sales.

## Value for money (continued)

In October 2021 we issued our first sustainability bond, raising £250m with a further £50m retained. The Board took the decision to prioritise liquidity and increased the issue size from our original forecast of £150m. The additional funds raised were deployed appropriately to minimise the initial incremental cost of carry but there was an overall increase in the Group's interest cost for the year which had an adverse impact on social housing lettings interest cover. This finished the year at 62.2% against a target of 67.6%. In spite of our increased borrowing we continue to maintain gearing well below our peer average, reflecting the size and strength of our balance sheet.

We remain focused on the improvement of the Group's key interest cover metrics and both EBITDA MRI and social housing lettings interest cover are projected to rise consistently and sustainably for the duration of our long-term financial plan as our social housing portfolio increases and our operational efficiencies are embedded. Target efficiency savings for the coming year have been 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

### Build greater trust, transparency and accountability

This objective from our Corporate Plan centres around the themes of governance and resident representation. Our residents and customers are directly impacted by the careful stewardship and oversight of the business through efficient and effective governance, a key pillar in the delivery of value for money.

Our improvement plan to regain our G1 status is complete. The plan was put in place to address issues identified by the Regulator of Social Housing in their In-Depth Assessment which resulted in a governance rating of G2 for the Group in April 2020. Our Board commissioned a number of independent third parties to validate the plan's components, providing them with the necessary assurance to formally close the plan. We continue to engage positively with the Regulator, providing evidence that the changes made under the plan are fully embedded in our every-day processes. We await the conclusion of the Regulator's review and look forward to regaining our G1 rating at the earliest opportunity.

Another key measure in our Corporate Plan relates to the CQC ratings of our registered care services. We are proud to report that all our services registered with the CQC are rated either good or outstanding, in line with our target and demonstrating our commitment to delivering high quality services and outcomes for our customers.

Our Resident Scrutiny Panel is an integral part of the Group's governance structure, reporting directly to the Board, holding the Group to account for its performance and helping shape our services. This year, the residents' voice was strengthened still further by the appointment of three residents to the Group Board. Their introduction has added another dimension to Board deliberations and deepened the Board's understanding of our customers' experience.



### Invest in our homes, strengthen our communities

Maintaining and improving the safety of our homes and our residents remains our top priority. Delivery against the Group's customer health and safety compliance obligations, including all matters relating to building safety, is directly overseen by the Board who receive regular performance reporting.

We have used our surpluses to make significant investments in building safety during the year, spending more than £13m on building safety measures including surveys, inspections and remediation works over and above our standard compliance activities. Our procurement practices ensure that these works are procured in the most cost-effective way.

We remain committed to delivering the highest standards of building safety compliance. Gas servicing was 99.97% at the year-end (2021: 100%) with five inspections overdue owing to access issues. All these inspections were completed or the gas capped by 30 April 2022. Our teams continue to work efficiently and effectively across multiple business areas to deliver high standards of compliance and address any issues arising promptly. Electrical certificates for communal areas were in place for 99% of our properties at the end of the year (2021: 100%), with one certificate outstanding that was delayed by an insurance claim. In 2019 we began a five-year programme to ensure that in-dwelling electrical certificates are in place across our homes and at the end of the year 75% of this programme had been completed against a target of 72%.

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 directly by the Group Board.

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 230 new homes against a target of 199 and began work on 426 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 95. Delivery remained challenging, with the supply-chain effects of the pandemic and Brexit impacting on our ability to manage the programme.

We will continue to deliver a balanced programme using the cross-subsidy model from market-facing products to enable us to keep building social and affordable rent homes for those on lower incomes. 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 and Investment 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. We also 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 170 homes with an approximate land value in excess of £13m.

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. While there were no major stock disposals during the year, we were pleased to acquire 803 homes from another registered provider in two core strategic boroughs, significantly increasing our local footprint and enabling us to deliver the most cost-effective services to our new customers.

At year-end approximately 74% of the Group's stock was rated at EPC '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	2021-22	2020-21	2021-22 target	2022-23 target	2023-24 target
Gas servicing	99.97%	100%	100%	100%	100%
Communal electrical safety	99%	100%	100%	100%	100%
In-dwelling electrical programme	75%	72%	72%	80%	100%
Overdue FRA <sup>1</sup> inspections	0	1	0	0	0
Overdue FRA P0 <sup>2</sup> actions	0	0	0	0	0
Overdue FRA P1 <sup>3</sup> actions	118	175	100	50	50
Overdue NOD <sup>4</sup> actions	2	3	0	0	0
New homes delivered	230	93	199	322 (draft LTFFP)	582 (draft LTFFP)
% homes EPC C and above	74%	n/a	69%	71%	75%

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 118 actions identified at year end, 104 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 two outstanding NODs is well advanced and progress is overseen by the Group Board.  
n/a = new Board KPI for 2021-22.

Following the pandemic, we have seen an increase in the need to provide additional support for our residents and communities, with a focus on financial inclusion and wellbeing.

During the year we invested £1.8m (2021: £1.5m) delivering services that support the lives of our residents and communities. Our support services responded to over 2,600 enquiries covering digital and financial inclusion, employment, grants and health and wellbeing, in turn supporting more than 29,000 people.

We have supported over 90 residents through digital inclusion projects, distributing items of equipment and delivering free training to support residents getting online. We have also supported over 350 residents with employment and training needs leading to 89 job outcomes and 80 people into formal training opportunities.

We helped generate £3.6m additional income for our residents through benefit claims and food pantries, despite seeing the availability of external funding reduce.

Through social value from our contracts, we have established the Community Resilience officer post, working within the community responding to residents' specific needs and developing local solutions to community issues. These roles also leverage in additional support from external agencies and engage with local services to make the best use of local resources and attract external funding. They also work with NHS link workers who provide social prescribing and access to mental health support.

45 staff volunteers continued to support residents through the lock down and delivered various support/wellbeing calls to our residents. We are starting to see general volunteering numbers increase as lockdown restrictions reduce, and we expect this to be an area of growth in the next financial year.

### Listen to our residents

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 Panel has a direct line to the Board and works in conjunction with the resident steering group to shape our services. During the year the Panel scrutinised our performance and has carried out a deep dive into to our boiler breakdown process, noting that some of the learnings can also be applied to other areas of reactive repairs. They explored the internal process, testing this against the customer experience and have met with contractors to understand their response. Key outcomes include timely communication and access to information for both residents and staff as well as helping residents self-diagnose issues that they can then resolve themselves, as it was identified that a large number of enquires could be resolved in that way.

Satisfaction with overall levels of service provided by the Group closed the year at 76%. We are acutely aware that the uncertainty

around potential building safety costs and a rise in service charges generally has had an impact on our residents' satisfaction, particularly our homeowners. We have taken on board this feedback and have established a Homeownership team whose focus is on timely communication to residents, challenging value for money for our residents with our managing agents and ensuring we deliver services in accordance with their lease. Our repairs and maintenance service is another area of dissatisfaction and the internal teams have been restructured to ensure there is a focus on contract management and early diagnosis of issues in residents' homes.

The themes from our satisfaction surveys have manifested in a material increase in the number of complaints during the year. We have fully reviewed our complaints service to improve accountability to residents for resolving complaints. During the financial year, a total of 2,536 complaints were received and 2,507 (99.13%) of these were responded to within the required timescale. With the sustained increased complaint numbers, as seen across the sector, the Group has maintained additional support in this area, with three Service Resolution Managers focusing on resolving our stage 2 complaints and taking the learnings from these complaints to inform service areas of potentially systemic failures in service delivery and support them to continuously improve outcomes.

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 decrease from 29 days in 2021 to 23 days at the end of 2022. We have had a renewed focus on identifying works whilst the outgoing resident is in situ, so repairs can be planned. We are also carrying out extensive checks at the start of the nomination process to ensure residents can sustain their tenancies, with support provided to those who need additional guidance, services or support. The Group worked with Reading Borough Council to home nine Afghan refugee families and have families matched to two further homes that were made available for this scheme. The Group is also exploring opportunities to home Ukrainian refugees.

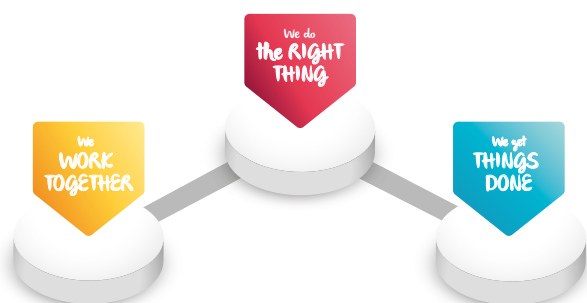
Overall arrears at March 2022 have increased marginally to 4.74% from 4.65% and are slightly higher than our target for the year. It has been a tough year for our residents with the end of the pandemic and the cost-of-living crisis impacting on their ability to pay rent. The work of our financial inclusion teams has been instrumental in limiting the impact to our customers and in minimising the increase in overall Group arrears but it was agreed more needed to be done. In 2022 we will deploy RentSense software to provide us with significant assistance, particularly in addressing social rent arrears, where proactive account management has historically been hindered by the effects of benefit payment cycles.

89% of emergency repairs were completed within 24 hours against a target of 86%.

Measure	2021-22	2020-21	2021-22 target	2022-23 target	2023-24 target
Overall customer satisfaction	<b>76%</b>	74%	85%	85%	85%
Void turnaround time (days)	<b>23</b>	29	16	20	15
Arrears	<b>4.74%</b>	4.65%	4.50%	4.25%	4.00%
Emergency repairs completed within 24 hours	<b>89%</b>	93%	86%	87%	88%
Complaints response within 10 working days	<b>99.13%</b>	100%	100%	100%	100%
Cases where Housing Ombudsman Service finds maladministration	<b>7</b>	6	0	0	0

## Empower our people

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



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 pandemic.

The pandemic has impacted all our lives and the way that we have experienced the workplace over the past two years. Over half of our colleagues are in frontline roles and they have continued to deliver excellent services and care to our residents and customers during unprecedented times while coping with the demands of social distancing and additional personal protective equipment. Our office-based colleagues have faced different challenges with long periods of remote working and adapting to a more flexible, hybrid approach as they returned to the workplace. These experiences have impacted on our 2021 Best Companies results and we have seen our employee engagement score decrease from 75% last year to 68% this year against a Board target of 75%. This adversely affected our ranking in the top 100 not-for-profit companies to work for in the UK.

Measure	2021-22	2020-21	2021-22 target	2022-23 target	2023-24 target
% of staff participating in engagement survey	68%	75%	75%	75%	75%
Best Companies Index (BCI) score	639	671	Increase score	Increase score	Increase score

The areas where our results remained positive include our managers doing a good job, caring about colleagues, and showing appreciation for a job well done. This is an important result as poor management is the top reason people leave organisations. Other areas of strength include individual teams caring about each other. We also asked a set of bespoke diversity questions for the first time in our 2021 survey and the results were very positive with colleagues feeling diversity and inclusion is taken seriously, and that discriminatory remarks and behaviour will not be tolerated.

Areas where we scored less well included pay, where colleagues were feeling the impact of cost-of-living pressures, and high workloads and difficulties with work/life balance were also a feature of feedback. Action plans have been drawn up to address these and other areas of concern raised and progress against these is being monitored by our Executive Team.

The Group Staff Forum (GSF) continues to be a highly effective communication, consultation and information sharing body. Our Best Companies results were shared with GSF representatives and they have fed back ideas to help improve engagement levels across teams which are being wrapped into our action plans.



## Risk management, going concern and viability statements

Effective risk management is at the heart of our business and has a crucial part to play in ensuring we can deliver our strategic objectives. Our Board and Audit and Risk Committee play key roles in our management of risk across the Group.

To support effective risk management, and to comply with the principles and provisions of our adopted governance code (the UK Corporate Governance Code), our Board:

1. Carries out a robust assessment of our emerging and principal risks;
2. Describes our principal risks and maintains procedures to identify, manage or mitigate emerging risks;
3. Monitors our risk management and internal control systems which should cover all material controls, including financial, operational and compliance controls;
4. Carries out, as a minimum, an annual review of the effectiveness of our internal control systems.

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 Audit and Risk Committee (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. Board uses this opinion from the ARC as part of its assurance on the effectiveness of risk management arrangements.

### Risk and assurance framework

During the year the Board approved the Group's new risk and assurance framework. This framework builds on and supports risk management and assurance for the Group and will be reviewed at least annually. It defines:

1. Roles and responsibilities of key committees and stakeholders to ensure the effective management of risk;
2. Methods for identifying, measuring, and managing key risks to our objectives, ensuring they are embedded and adopted in a consistent manner across the business;
3. Our approach to assurance.

We maintain a central risk management and assurance function responsible for managing and developing the framework, facilitating and regularly monitoring and reporting on risk management and assurance.

### Strategic risk management and assurance

Of paramount importance is our ability to effectively manage risks to the achievement of our corporate objectives. During the year, we completed a full review of risks and controls using consistent risk identification methods, considering the 2021 Sector Risk Profile published by the Regulator of Social Housing, peer comparisons, and consultation with our internal auditors and Executive Team. We adjusted the layout and format of our Strategic Risk Register which details our principal risks to ensure it reflects best practice. We improved risk descriptions, recognised new risks, and removed or amalgamated other risks as appropriate. We introduced a primary risk type for each identified risk, included the cause of each risk to facilitate deeper understanding of the risk and introduced key risk indicators and a direction of travel for each risk to allow us to take action to control risks appropriately and in a timely manner. We also revised our risk scoring matrix, updating our definitions for the impact and probability of a risk crystallising.

Our risk and assurance framework adopts the three lines of defence model for governance, risk management and control. The first line is provided by day-to-day operational management and includes policies and procedures that govern risk management and control in operational activities. The second line includes corporate oversight provided by internal compliance functions as well as the Executive Team and Group committees. The third line refers to the independent assurance provided by such bodies as internal and external audit, external specialist resources and professional advisers.

During the year we made our controls more auditable, detailing 'Who does what, when and how we can evidence the controls' and clearly mapping these controls to their respective line of defence.

The ARC reviews our strategic risk register at every meeting and the Board reviews it at least twice a year.

## Risk appetite and tolerance

Risk appetite is the target level of exposure we consider acceptable as we pursue delivery of our strategic objectives and run our day-to-day operations. It is influenced by our objectives, resources and culture. Risk tolerance is the variance or deviation from our appetite that we are prepared to tolerate.

The Board undertook a review of its risk appetite and tolerance during the year, considering the key strategic risks to the achievement of the organisation's objectives. In each area the Board has balanced its appetite for risk with a desire to capitalise appropriately where opportunities arise. The Board has approved 12 primary risk types and assigned one of five different appetites to each one. Risks can sometimes fall under several risk types but most important is the primary risk type – the category with which the risk is most closely aligned. The risk appetites are defined as follows:

### 1. Averse

Avoidance of risk and uncertainty is a key organisational objective

### 2. Minimalist

Highly conservative with a low degree of inherent risk and low potential for limited reward

### 3. Cautious

Safe with a low degree of residual risk and the possibility of only limited reward

### 4. Open

Elevated levels of associated risk but high probability of successful outcomes

### 5. Hungry

Accepting of associated substantial risk levels to secure successful outcome and meaningful reward/return

Map to each identified risk type as shown below:

Risk type	Appetite
Funding and liquidity	Minimalist
Regulatory, health and safety	Minimalist
Service delivery	Open
Change and transformation	Open
Development	Open
People	Open
Legal	Cautious
Data, privacy and information management	Minimalist
Fraud, bribery, theft and corruption	Minimalist
Third party	Open
Business continuity and resilience	Minimalist
Reputational	Minimalist

We translate strategic risks based on their risk score and appetite level for the risk type into a red, amber, or green rating where:

1. Red = risk score is outside both our risk appetite and tolerance;
2. Amber = risk score is on the edge of or outside our risk appetite but within tolerance;
3. Green = risk score is within our risk appetite and tolerance.

We implement controls to manage risks according to our risk appetite and tolerance. If risks remain outside our risk appetite and tolerance after we have controlled them, we undertake further actions to mitigate the risk.

## Assurance

Assurance is what gives us comfort that our controls are working and informs whether the business is being managed as we intended. It is based on sufficient evidence that internal controls are in place, operating effectively and that we are achieving our objectives. As set out above, we use the three lines of defence model for giving assurance that the controls we put in place are managed appropriately and robustly.

Our audit universe, a documented set of the Group's auditable components, provides assurance that we have completeness of coverage and transparency around any areas not being audited. This helps inform and support decisions over internal audit resourcing requirements. We undertake specialist 'deep-dive' audits based on a three-year internal audit plan which incorporates all our current strategic risks. The audit plan is dynamic, enabling us to respond to the changing operating environment and ever-changing risks. It is reviewed and where appropriate adjusted quarterly by the ARC.

Operational risks are managed through a single Operational Risk Register. Controls are reviewed quarterly by the control owners who confirm that the operational controls they own are operating effectively and if not, we consider how to mitigate the risk as appropriate. A sample of controls is validated by the inhouse internal audit team.

Recommendations from strategic and operational audits are recorded on an internal audit tracker which records findings and recommendations from all internal audits. The Board receives an annual report from the ARC who review and confirm the effectiveness of our internal control systems.

### Strategic Risk Register

We have a strong emphasis on horizon scanning and record emerging risks as they become apparent. An emerging risk register is an integral part of the structured quarterly risk reviews to enable the Group to effectively manage these developing risks.

Despite the continued challenges facing the Group in today's environment, careful and active management of our key strategic risks has ensured that their likelihood and their impact has remained stable and emerging risks have been monitored and managed effectively within our existing risk framework.

Our principal risks are set out below.

All corporate objectives	
Inadequate data management	
<b>Impact</b> <ul style="list-style-type: none"> <li>– Service disruption</li> <li>– Customer dissatisfaction</li> <li>– Regulatory and financial consequences</li> <li>– Reputational damage</li> <li>– Impact on mergers and acquisitions activity</li> <li>– Poor staff morale</li> <li>– Inaccurate analysis and reporting leading to potentially flawed decision-making</li> <li>– Failing golden thread on data</li> <li>– Risks/issues not identified in a timely manner</li> <li>– Resources not deployed effectively</li> </ul>	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>– Data and information function with accountability for data governance, quality and data improvement</li> <li>– Intozetta tool implemented and data quality reporting established across the Group</li> <li>– Restricted external access to corporate systems</li> <li>– Multi-factor authentication</li> <li>– Ongoing back-up of all systems and data to separate sources</li> <li>– Continuous vulnerability threat remediation</li> <li>– Annual third-party penetration testing</li> </ul>
Security breach impacting data and infrastructure	
<b>Impact</b> <ul style="list-style-type: none"> <li>– Service disruption</li> <li>– Confidential and/or sensitive data loss to unauthorised parties</li> <li>– Short-term loss or corruption of data</li> <li>– Regulatory/legal consequences</li> <li>– Financial loss</li> <li>– Reputational damage</li> </ul>	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>– Oversight from Audit and Risk Committee</li> <li>– IT Security Board in place</li> <li>– Cyber Essentials certification</li> <li>– Continuous vulnerability threat remediation</li> <li>– Annual third-party penetration testing</li> <li>– Ongoing data back-up and recovery</li> <li>– Mandatory annual cyber security training</li> <li>– 24/7 network monitoring through Security Operations Centre</li> </ul>
Strengthening our finances	
Financial viability is not fully protected	
<b>Impact</b> <ul style="list-style-type: none"> <li>– Non-compliance with funding covenants</li> <li>– Unable to deliver services and our corporate plan commitments</li> <li>– Regulatory consequences</li> <li>– Reputational damage</li> <li>– Negative impact on credit rating</li> <li>– Reduced access to funding</li> <li>– Reduced investment capacity</li> </ul>	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>– Financial health indicators in place that monitor financial viability, including financial covenant position</li> <li>– Key metrics tested via the Board's approved stress testing regime</li> <li>– Key metrics monitored monthly by ET and quarterly by Finance Committee</li> <li>– Financial Risk Mitigation Policy and recovery plan in place with strong oversight and rapid decision-making by the Board</li> </ul>
Unexpected funding challenges	
<b>Impact</b> <ul style="list-style-type: none"> <li>– Insufficient liquidity to meet our obligations</li> <li>– Unable to deliver services</li> <li>– Unable to deliver corporate plan commitments</li> <li>– Regulatory consequences</li> <li>– Reputational damage</li> <li>– Reduced investment capacity</li> </ul>	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>– Treasury management policy in place</li> <li>– Sufficient liquidity maintained at all times for at least 18 months' committed spend, excluding any capital receipts</li> <li>– Short-term cash flows prepared on a weekly basis</li> <li>– Liquidity forecasts monitored monthly by ET and quarterly by Finance Committee and the Board</li> <li>– Active funder relationship management</li> </ul>



## Building greater trust, transparency and accountability

### Ineffective governance

#### Impact

- Non-compliance with regulatory and legal requirements
- Regulatory consequences
- Reputational damage
- Flawed decision-making
- Financial implications

#### How we manage the risk

- Quarterly legal and regulatory compliance updates to Executive Team, ARC and Board
- Annual assessment of regulatory standards and the UK Corporate Governance Code reported to ET, ARC and Board
- Annual ARC internal controls statement reported to Board
- Independent governance/Board effectiveness reviews carried out at least triennially and reported to ET, ARC, Remuneration and Nominations Committee and Board
- Annual review of Board and Committee effectiveness and compliance reported to Board
- Risk registers reviewed and reported to OMT, ET, ARC, and Board on a programmed basis
- Adherence to the Group's policy framework reported to ARC biannually
- Skilled and experienced in-house governance team

### Non-compliance with the Rent Standard

#### Impact

- Detriment to residents
- Regulatory intervention (by the Regulator of Social Housing)
- Reputational damage
- Financial implications

#### How we manage the risk

- Risk registers reviewed and reported to OMT, ET, ARC, and Board on a programmed basis
- Quarterly legal and regulatory compliance updates to ET, ARC and Board
- Rent policies validated by third-party specialists and internal audits undertaken
- Formal training programme in place for new and existing rent team staff members
- Full due diligence undertaken on all stock purchased from other registered providers, with Board sign-off prior to completion

## Investing in our homes, strengthening our communities

### Homes are not safe or compliant with legislative requirements/quality standards

#### Impact

- Risk of injury or death
- Poor customer service
- Inability to re-let properties in a timely manner
- Reputational damage
- Financial and regulatory consequences
- Criminal and/or civil prosecution

#### How we manage the risk

- Rigorous landlord compliance regime in place
- Rigorous and proactive risk-based approach to fire safety including 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
- Building safety reported to OMT and ET monthly and Board quarterly
- Quarterly compliance performance reporting to and oversight from the Housing and Communities Committee and Board
- Technically competent staff in post to ensure compliance is maintained

### Failure to protect stakeholders from health and safety incidents

#### Impact

- Risk of injury or death
- Reputational consequences
- Legal consequences including corporate manslaughter
- Financial and regulatory consequences

#### How we manage the risk

- Health and safety policies and procedures and associated mandatory training
- Operational processes in place to maintain properties and estates to safe levels, monitored and continually updated, supported by IT systems
- Internal audits carried out on key site and staff safety elements
- Third-party/contractor health and safety obligations written into contracts
- Maintenance of employee health and safety manual
- KPIs monitored quarterly by Housing and Communities Committee, Remuneration and Nominations Committee, ARC, and the Group Staff Forum

## Investing in our homes, strengthening our communities (continued)

### Failure to achieve net zero carbon requirements

<b>Impact</b> <ul style="list-style-type: none"> <li>– Financial consequences for residents</li> <li>– Financial and regulatory consequences</li> <li>– Reputation consequences</li> </ul>	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>– Sustainability strategy in place which includes KPIs and targets for net zero carbon performance monitored quarterly by Development and Investment Committee</li> <li>– Stock condition survey core data informs appropriate budgeting requirements</li> </ul>
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### Failure to deliver the development programme in a timely manner and to required specifications

<b>Impact</b> <ul style="list-style-type: none"> <li>– Reduced demand, income and surplus</li> <li>– Less money to invest in existing homes/development</li> <li>– Increased asset holding costs</li> <li>– Increased programme delivery costs</li> <li>– Asset impairment</li> <li>– Regulatory consequences</li> <li>– Credit rating and the Group's borrowing status affected</li> <li>– Reputational consequences</li> </ul>	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>– Board oversight of market exposure through regular stress testing of the long-term financial plan</li> <li>– Regular monitoring of KPIs by ET and Development and Investment Committee and Scheme Appraisal Panel</li> <li>– Conversion of sales units to other tenures with approval by Scheme Appraisal Panel/Development and Investment Committee/Board based on financial delegation limits</li> <li>– Board approved growth strategy in place targeting a diverse range of opportunities (land-led, public land, package deals, s106s, JVs, landbank)</li> <li>– Regular and open dialogue with Homes England and Greater London Authority on market challenges and need for support to deliver opportunities</li> </ul>
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## Empower our people

### Unable to attract and retain staff to meet our business demands

<b>Impact</b> <ul style="list-style-type: none"> <li>– Lack of resource skills, capacity and capability to deliver corporate objectives and grow/improve the business</li> <li>– Poor customer service</li> <li>– Increased customer dissatisfaction</li> <li>– Loss of corporate memory</li> <li>– Disengaged staff/increased absence/impact on wellbeing</li> <li>– Increased recruitment, reward and training costs</li> <li>– Lost opportunity to access diverse experiences and viewpoints</li> </ul>	<b>How we manage the risk</b> <ul style="list-style-type: none"> <li>– Talent management approach as part of People Strategy reviewed quarterly by ET, Remuneration and Nominations Committee and Board</li> <li>– Annual external benchmarking process for pay undertaken and reported to Remuneration and Nominations Committee and Board</li> <li>– Annual gender and ethnicity pay gap reporting undertaken and reported to Remuneration and Nominations Committee</li> <li>– Staff succession planning in place</li> <li>– Active apprenticeship schemes</li> <li>– Annual staff engagement surveys with feedback used to improve approach and offer</li> <li>– Use of contractors for hard to fill technical roles</li> <li>– Staff forums and equality, diversity and inclusion working groups active</li> </ul>
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## Going concern statement

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 12 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 financial impact of the current geopolitical turbulence in Europe in its short-term forecasts, along with the potential for ongoing impacts from both the pandemic and the UK's exit from the European Union. Stress tests have been applied to the early years of the long-term financial plan that reflect the potential for heightened financial risk stemming from these factors. 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 income and significant above-inflationary increases in costs. Tenant rent arrears are assumed to double in the period under review with a conservative assumption on eventual recovery 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 page 21 and at the year-end undrawn and fully collateralised facilities and cash investments totalled £640.70m with significant headroom forecast against the Group's liquidity policy. The drawn debt at year-end was £1,140.1m, with £114.4m of this repayable over the period under review. The Group's principal loan covenants are linked to levels of interest cover and gearing, and the Group is able to service its loan facilities while continuing to comply with lender covenants.

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.

## Viability statement

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 makes no 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 ongoing changes to economic and political conditions that may result from the UK's exit from the European Union as well as from the conflict in Ukraine.

The Group adopts a multivariate approach to stress-testing. Thirty 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 long-term financial plan is updated monthly and subject to the Board-approved multivariate stress test.

Key assumptions include:

- Significant, above-inflationary increases in capital and revenue expenditure while capping increases in index-linked income
- Reductions in rental income across commercial tenures
- Material, unbudgeted increases to building safety expenditure
- Increases to the all-in rate of future debt capital market issuance of at least one hundred basis points above current five-year market forecasts
- Delays in sales transactions, reflecting prolonged market disruption from building safety issues and related mortgage lender hesitation
- Reductions in sales values that are deeper than current analyst expectations, at 10% in 2023-24 with a further drop of 5% in 2024-25
- Extension to development periods as works are slowed to manage potential market sales exposure
- Significant increases 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.

The Group's current liquidity position is detailed on page 21 and at the year-end undrawn facilities and cash investments totalled £640.7m with significant headroom forecast against the Group's liquidity policy. Loan facilities expiring within five years totalled £659.9m, and of this £507.9m relates to revolving credit facilities which are expected to be rolled forward as they fall due.

Long-term liquidity forecasts are monitored monthly by the Executive 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.

The Group has maintained compliance with the governance and financial viability standard in the year and up to the date of signing of these financial statements.

The Group has maintained its compliant V2 viability rating from the Regulator of Social Housing 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.



## Chair's introduction



**Arthur Merchant**  
Chair of the Board

I first became a member of Southern Housing Group in March 2013, becoming Chair in 2016. This was to have been my last year with the Group, but events have meant that I will continue chairing in what could be the final year of Southern Housing Group, as it moves towards a proposed partnership with Optivo.

Over the past 12 months, the Group returned to operating in a more business-as-usual mode. However, the pandemic meant that we continued to operate in difficult circumstances, and consequently the Board continued to meet monthly. We were able to blend virtual with face-to-face meetings, making the most of both ways of working and using the flexibility this gave us to address issues quickly and agilely.

We saw some changes to our Board membership during the year with the retirements of Simone Buckley and Mary Watkins. Both were excellent Board members whose contributions were challenging but collaborative and fair. The Board is indebted to them for their service to the Group.

We decided that the vacancies offered us an opportunity for a stronger resident voice at Board level. Three new resident non-executive directors therefore joined us on the Board in September – Daisy Armstrong, Phil Blume and Ian Wilson. Through their appointments we are better able to uphold our commitment to building and maintaining greater trust, transparency and accountability through listening to our residents. All three new members have made a very real difference to the Board, bringing a broader diversity, and enhancing our independence of thought alongside their individual skills, experience and expertise.

During the year, we looked at our governance structure to ensure it remained fit for purpose. We disbanded our Customer Safety Committee which had been tasked by the Board with the scrutiny of safety. Given the importance of this issue, we have brought this back to the Board who are supported in their oversight by a new Housing and Communities Committee.

We also disbanded the Community Investment and Care Committee, with the new Housing and Communities Committee taking on a focus on service quality, resident engagement and involvement, and compliance with the requirements of our regulators regarding residents. The Board is grateful to both the previous committees for their hard work and dedication in supporting these important areas of the Board's work.

Finally, as part of our review of our governance structure, we broadened the remit of the Development and Investment Committee to include stock acquisition and reinvestment.

As a Board, we are disappointed that we are yet to regain our G1 status from the Regulator of Social Housing. We are very mindful of the significant improvements we have made to our governance since our downgrade in 2020, including developing and approving a refreshed risk and assurance framework, further strengthening our internal controls across the business. I am hopeful that it will not be long before the Regulator will acknowledge the good progress we have made.

We were, of course, equally disappointed by the Regulatory Notice we received during the year regarding our historic treatment of fair rents. Once again we extend an unreserved apology to all our residents who were affected by the error. The Board are appreciative of the speed with which the Group moved to put things right for our affected residents.

The cost-of-living crisis continues to provide us and our residents with testing times. Deciding to raise rents was a very difficult decision for the Board, even though our rents remain some of the lowest in the G15 Group of London's largest housing associations. We sought to protect residents in difficulty by increasing the monies available in the Group's hardship fund for those people in need, and the Group maintains its commitment to working with residents in arrears to help them sustain their tenancy.

The coming year will be a busy one with the ongoing work to amalgamate the Group and Optivo, giving us an organisation that will be a strong player in key geographic areas, together with economies of scale that will help to drive value and efficiency. We believe the partnership will contribute significantly to the resilience and adaptability of our organisation and that this in turn will benefit residents. For us the partnership will mean that bigger will be better in the areas in which we work and that we will remain close to our customers, listening to and acting on what they tell us.

I would like to thank the members of our Board, subsidiary boards and Committees for their time, commitment, skills, and knowledge in continuing to guide the Group through these challenging times. Colleagues across the Group at all levels have continued to deliver great services and, as a Board, we thank them for their resilience, diligence and care for our residents and customers. I also want to thank our Chief Executive, Alan Townshend, with whom I, personally, have enjoyed an open, honest, and transparent relationship in the four years since his appointment. The organisation has progressed across a whole host of areas under his leadership.

Finally, on a personal note, I am grateful to the Board for its continued confidence in my leadership and am honoured to chair the Board for a further, extremely exciting year.

**Arthur Merchant**  
Chair of the Board  
Southern Housing Group

## 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:

- Economic standards – the governance and financial viability, value for money and rent standards;
- 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. These ratings were reconfirmed by the RSH in November 2021 following its routine stability checks. An in-depth assessment was not conducted during the year under review.

In November 2021, the RSH issued a Regulatory Notice which found that the Group was not compliant with the legislative requirements of the Welfare Reform and Work Act 2016 (WRWA 2016) between 1 April 2016 and 31 March 2020. During this period, the Group charged incorrect rents for 677 of its general needs homes, as a result of incorrectly applying the exception for Fair Rent properties. This meant that we did not comply with the WRWA requirement to apply 1% rent reductions for each of the years 2016 to 2020 to the rents charged for these properties. The consequence of this was that the Group was not compliant with the Rent Standard 2020 as these incorrect rents were then used as the basis for subsequent rent rises under the Rent Standard.

The Board accepted the regulatory findings and engaged positively with the Regulator who subsequently confirmed that no further action would be taken against the Group.

The Board commissioned a series of independent investigations to assess the scale and nature of the issues. We identified that between 2016 and 2021, approximately £1.05m was overcharged through the application of incorrect increases to some of our Fair Rent tenancies instead of the required 1% reduction.

We reviewed our approach to rent setting and annual rent adjustments and the Board, supported by the ARC, oversaw the implementation of an action plan which:

- Reset the affected rents to the correct levels;
- Reimbursed any residents who had been overcharged;
- Implemented the findings of an independent review of rent policy to clarify lines of accountability, strengthen knowledge and skills and improve assurance on rent setting.

Finally, the Board ordered a comprehensive internal audit of validation of rent setting and annual rent adjustments which will be finalised during 2022-23.

Each year the RSH requires RPs to assess their compliance with the regulatory standards to provide assurance to customers and stakeholders that the Group complies with RSH regulatory expectations.

We have undertaken an annual review of compliance which has been scrutinised by the ARC. Notwithstanding the issues contained in the Regulatory Notice set out above, 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 Audit and Risk Committee reviewed the annual assurance report from the CEO on 29 June 2022. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board on 25 July 2022 which covers the compliance from 1 April 2021 until the signing on 27 September 2022.

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.

## Compliance with the UK Corporate Governance Code

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

The Group’s assessment of compliance against the principles of the UK Code has concluded that in the year ending 31 March 2022 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.

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 organisation 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 organisation 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 organisation we do not have shareholders with whom to engage and consult.
Section 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 is not required to publish half yearly financial statements, but does comply with the going concern basis of accounting.
Section 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 organisation we do not have shareholders who hold shares in the sense set out in this section.

## Governance structure

### Committee structure, membership, roles 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, maximising 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, ensuring the desired culture is embedded throughout the workforce.

The Chief Executive leads the Executive Team in the day-to-day running of the business, including implementing the Board's decisions. The Chief Executive leads the Executive Team 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 Group's 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. 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 five committees. Committee membership consists of both Group Board members and independent committee members. This mix strengthens the experience and skills available to the organisation while ensuring that the Group Board remains a manageable size and provides value for money. Committee members provide 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 (ARC)

The ARC 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 strategic risk register. It also regularly reviews all external and internal audit and similar reports and provides constructive challenge to the Executive Team 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 Group Board, subsidiary Boards and Committees to maintain an appropriate balance of skills and experience within the Group's governance structure. This Committee oversees the people aspects of 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 Officer, whose pay is published in the financial statements.

### Finance Committee

The Finance Committee oversees finance and treasury management within the Group, including oversight of the Group's financial stability; budgets, forecasts and long-term financial planning; financial performance and management accounts; financial strategy; treasury management strategy and arrangements; intra-Group lending; and the financial aspects of the Group's pension strategy.

### Development and Investment Committee

The Development and Investment 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 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. It is also responsible for the Group's approach to land and property disposals and acquisitions in line with the Scheme of Delegations.

### Housing and Communities Committee

The Housing and Communities Committee monitors the ongoing quality of overall services provided to customers and communities through the review of policies, performance, customer feedback methods and customer service standards. It makes recommendations to the Group Board where there are serious concerns which require improvement.

The Committee has delegated responsibility for maintaining an effective relationship with the Group's formal arrangements for resident engagement and involvement. The Committee receives residents' service review reports, and considers any recommendations made by them. A Committee member sits on the Resident Scrutiny Panel to represent the Group.

The Committee also considers any issues in relation to statutory or regulatory compliance and/or any associated risks in relation to the delivery of services and reports any such concerns to the Group Board, particularly in respect of potential serious detriment.

## Committee membership and attendance 2021-22

The table below shows each Board member's attendance at meetings of the Board and any Committees of which they are members during the financial year. It also shows when Board members observed Committee meetings.

	Board	Audit & Risk Committee	Development Committee (Development and Investment Committee from July 2021)	Community Investment & Care Committee (Abolished July 2021)	Customer Safety Committee (Abolished July 2021)	Finance Committee	Housing & Communities Committee (Established July 2021)	Remuneration & Nominations Committee
<b>Non-Executive Board Members</b>								
Arthur Merchant	14/14	4/6	3/5	–	–	3/9	–	4/4
Carol Rosati	12/14	1/6	1/5	–	–	1/9	–	1/4
Robert Clark	12/14	–	5/5	–	1/1	3/3	–	–
Mary Watkins	5/5	–	–	1/1	–	–	–	–
Joanna Hawkes	13/14	–	–	–	–	9/9	–	–
Janet Collier	13/14	6/6	–	–	–	3/9	–	–
Abi Gray	13/14	–	–	–	–	–	2/2	4/4
David Lewis	14/14	–	–	–	1/1	–	2/2	–
Simone Buckley	5/5	–	–	–	1/1	–	–	–
Daisy Armstrong	8/8	–	–	–	–	–	2/2	–
Phil Blume	8/8	–	4/4	–	–	–	–	–
Ian Wilson	7/8	4/4	–	–	–	–	–	–
<b>Executive Board Members</b>								
Alan Townshend	13/14	4/6	4/5	1/1	1/1	4/9	2/2	4/4

- Denotes Chair
- Ex officio role
- As observer
- Retired from Board July 2021
- Joined Board Sept 2021
- Joined Committee Sept 2021

All Board members, apart from the Chief Executive are independent non-executive directors as required by our Rules and Code of Governance.

Three Board seats are currently occupied by resident Board members. They are appointed in the same way as all other members, are subject to the same tenure rules, receive the same remuneration and are 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.

### Members who left the Board in 2021-22

Simone Buckley retired from the Group Board in July 2021.  
Mary Watkins retired from the Group Board in July 2021.



**Robert Clark**  
Member

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.



**Arthur Merchant**  
Chair

Arthur Merchant 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 their 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. He is also currently a Trustee for the Dorset Mental Health Forum. His experience includes chairing audit and treasury committees and being part of the 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.



**Joanna Hawkes**  
Member

Joanna joined the Board in July 2017 and chairs the Group's Finance Committee. She is currently Director of Corporate Finance for Transport for London (TfL) where she oversees the structured financing for treasury, insurance and pensions and financing for infrastructure, transport, and housing projects. She has been closely involved with all the funding discussions with Her Majesty's Government during the pandemic, since joining TfL in March 2020. 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. Most recently she was Group Treasurer of Marks and Spencer plc. She is also Independent Chair of the Finastra defined benefit pension scheme.



**Abi Gray**  
Member

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**  
Member

Alan has almost 35 years of experience in the affordable housing sector, working with both public and private companies and running his own consultancy firm. He 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.



**Janet Collier**  
Member

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.



**Carole Rosati OBE**  
Member

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 UK lead Inclusion and Diversity for GSK. She is also a qualified executive coach and runs a 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, where she is both SID and Chair of the Remuneration and People's Committee. She was awarded an OBE in the Queen's 2015 Birthday New Honours List for Services to Women in Business.





**David Lewis**  
Member

David chairs the Group's Housing and Communities 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.



**Phil Blume**  
(Joined the Board in September 2021)  
Member

Phil has, for many years, been the Administrator and fundraiser for a charity that operates in the cultural heritage sector. He works with volunteers to develop a historic building as a heritage centre and museum and organises projects to conserve collections, gather and disseminate historical records and present events and exhibitions. He also collaborates with university researchers to explore ways of telling stories using immersive technologies.



**Daisy Armstrong**  
(Joined the Board in September 2021)  
Member

Daisy is a resident Board member with life-long experience of living in social housing, and two of her great-grandfathers were housed in 'Homes for Heroes' in West London. As a qualified teacher, she specialised in IT, design and technology. Her non-executive experience includes seven years in school governance before being Chair of Governors for eight years. Daisy's lived experience includes the barriers of being disabled and she is the Board's disability champion. As a member of the Housing and Communities Committee, Daisy is the residents' advocate.



**Ian Wilson**  
(Joined the Board in September 2021)  
Member

Ian is currently Joint Head of Residential Fund Management at Knight Frank Investment Management. Previously he worked at CBRE Investment Management and was instrumental in launching the CBRE UK Affordable Housing Fund in 2018. Ian has worked in real estate fund management since 2006 undertaking a variety of asset management, fund management and development roles. Prior to this he worked as both a residential and commercial property valuer. Ian has worked in the real estate industry for over 20 years and has been a Member of RICS since 2000.

## Executive biographies



**Alan Townshend**  
Group Chief Executive

Alan has almost 35 years of experience in the affordable housing sector, working with both public and private companies. Alan became 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. His other roles include seven years at Circle Group as Group Regional Operations Director. Alan is a member of the Chartered Institute of Housing.



**Amanda Holgate FCCA**  
Chief Financial Officer

Amanda has worked in the housing sector for seven years, first as Deputy Finance Director at Family Mosaic and then as Director, Finance Services at Peabody. She joined the Group in 2019. Prior to entering the housing sector she gained more than 20 years' financial and commercial experience in a range of sectors including financial services, technology and retail asset management.



**Yvette Carter FCCA**  
Group Director Property Services

Yvette joined the Group in 2019 having previously worked at Mears Group plc. She has many years' senior strategic and commercial experience across a range of sectors including outsourced service industries, logistics and mobile technology.



**Jason Wickens**  
Chief Information Officer

Jason joined the Group in 2018 and was appointed to the Executive Team in 2021. He leads the IT, Data, Digital and Business Change functions and has more than 20 years' experience across a range of sectors including financial services, retail, consulting and not-for-profit. Jason has previously held multiple senior technology and business transformation roles and is qualified in a variety of disciplines including Six Sigma, Lean, and Agile.



**Tracey Gray**

Group Director Customer Services

Tracey joined the Group in June 2021, taking control of one of the largest teams in the business who provide all housing management, contact centre, customer experience, and care and support services to customers. Tracey has worked in the housing sector for nearly 20 years and as an Executive for the past 10 years, joining the Group from Paradigm Housing.



**Jenny Poore FCIPD**

Group Director People & Communications

Jenny has had an extensive career spanning all aspects of Human Resources and communications including senior national HR and communications roles at Royal Mail and executive appointments within the Further Education sector and at Sussex Police. Jenny joined the Group as HR Director in 2015 and was appointed to the Executive Team in 2021.



**Kerry Kyriacou**

Group Director Development & Assets

Kerry has 30 years' experience in housing with 22 at Executive Director level, including 17 years at Clarion leading a national development and sales programme. He has also worked at Executive level at Metropolitan Thames Valley and Optivo. Kerry had a career in multi-national industry before joining the housing sector and is also a qualified architect.

# Remuneration and Nominations Committee report



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 Committee is made up of a maximum of five independent members plus the Group Chair as an ex-officio member. In September 2021, the term of office of a member of the Committee expired. Executive directors do not sit on the Committee but can attend at my invitation. The Chair of the Group Staff Forum attends Committee meetings as an observer.

During the year we met in June, September, December 2021, and in March 2022. 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 pandemic.

## Highlights for the year

### Board evaluation

During the year, 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. These were conducted by the chairs of the relevant Board or committee and were supported by the Chief Executive and Company Secretary. The appraisals confirmed that our Board is made up of appropriately skilled and experienced independent directors. We ensured a programme of learning and development was in place to support members in regularly updating their skills and knowledge, and familiarity with the Group.

Importantly, we played a key role in the review of the Group's governance structure to ensure it remained fit for purpose for the rapidly changing environment in which we operate. The review resulted in the Committee recommending to the Board the disbanding of the Community Investment and Care Committee and the Customer Safety Committee. In their place, we recommended the formation of a Housing and Communities Committee to better integrate the consideration and monitoring of services to both residents and the communities in which they live. We also recommended that the Development Committee becomes the Development and Investment Committee to ensure greater alignment between development and wider investment decisions.

The changes to the governance structure were approved by the Group Board in September. As part of the structure review, we considered the membership of each of the Group's committees and recommended to the Board that the number of independent committee members should be decreased so that the line of sight between Group Board and committee delegations and activities would be more visible and effective. We recommended that the membership of Group Committees should be reduced to a minimum of two Board members and two independent committee members, and this was agreed by the Board in September.



### 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. We considered skills matrix development and monitoring, receiving updates on our position at each of our meetings. I am pleased to report that succession planning is effective and actively managed, and is informed by the appraisal outcomes.

There were two resignations from the Group Board during the year, and the Committee supported the Group Board Chair in the recruitment of three new resident Board members.

In conjunction with the Audit and Risk Committee, the Committee was responsible for oversight of the prior year's Governance Effectiveness Review action plan. The Committee was pleased to sign off as completed the small number of remaining actions in the plan.

### Diversity and inclusion

The Group's equality, diversity and inclusion strategy was developed in partnership with this Committee, which monitored gender pay statistics for the Group as set out below. The Office for National Statistics (ONS) advised that interpretation of data for both 2020 and 2021 was problematic due to the effect of the pandemic. We therefore focused on longer-term trends rather than year-on-year data.

- Women earn 76p for every £1 that men earn when comparing median hourly pay. Their median hourly pay is 23.8% lower than men's.
- When comparing mean (average) hourly pay, women's mean hourly pay is 17.8% lower than men's.

During the year, we received a report on the Group's first snapshot of the ethnicity pay gap which was based on a split between white and ethnically diverse employees in line with other housing associations with published ethnicity pay gap information. The report showed a 2% ethnicity pay gap for mean rates and an 11% pay gap for median rates. We have commissioned an equal pay audit for the first quarter of financial year 2022-23.

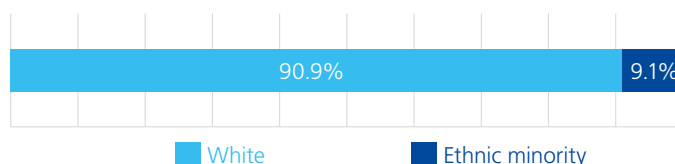
### Board diversity

Diversity is one of the elements we use to inform succession planning and Board member recruitment. As well as the Equality Act protected characteristic strands, we are also ensuring that our residents are represented throughout our governance structure as part of our board diversity. During 2021-22 we increased the number of resident Group Board members to three through a targeted and proactive recruitment exercise. As well as sitting on the Group Board, the resident Board members also sit on the Group Committee relevant to their expertise and experience.

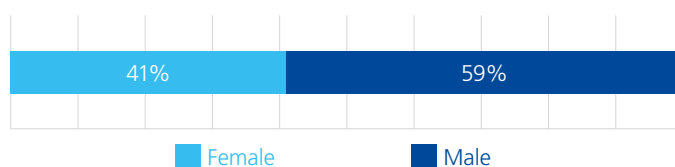
# 58

The average NED age

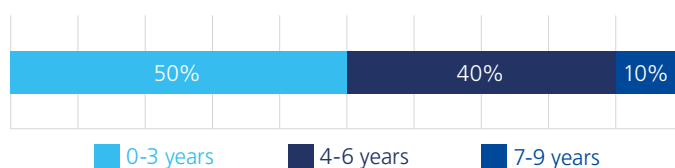
### Ethnicity



### Gender



### Tenure



# 9.1%

Board members with a disability

# 27%

Resident voice

### 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, which was last carried out in 2020 and so did not fall due in 2021-22. The Committee agreed not to implement the benchmarked recommendations due to the challenging operating environment. There has been no change since. The current annual pay rates for non-executive Board and Committee members are shown below.

Role	Salary
Group Chair	£25,000
Member and Chair of committee or subsidiary Board	£12,000
Member	£10,000
Co-opted member	£7,435
Independent Committee Member	£3,000
Additional payment for Senior Independent Director	£2,000

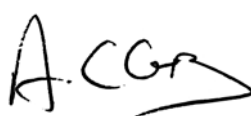
On the executive side, the Committee considered and recommended to the Board a 3.1% pay increase for all colleagues. Although an extensive salary benchmarking exercise was implemented in summer 2020 which meant that over half of our colleagues saw a positive increase to their pay, the Board recognised that a formal cost of living increase should be awarded to help address the external pressures on individuals due to rising inflation. 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.

We considered and recommended to the Board a policy on executive director pay which set out objective criteria for consideration of any future salary reviews. The policy sets out that Executive Team salaries will be determined with reference to affordability and benchmarking within the sector or externally within specialism or profession. Salaries will take account of each Executive Team member's role, contribution, level of experience and need for retention. Executive Team remuneration will be set at median market rates, as determined by independent benchmarking unless there are unusual circumstances, such as recruitment or retention issues.

The remuneration of Executive Directors (excluding the Chief Executive) was presented to the Committee by the Chief Executive. 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 Committee supported the Chair of the Board in considering the remuneration of the Chief Executive which was then approved by the Board. The Chief Executive's pay is disclosed 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 observes the Remuneration and Nominations Committee meetings.



**Abi Gray**

Chair of Remuneration and Nominations Committee



### Each year, the Audit and Risk Committee (ARC) evaluates 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 satisfied the remit delegated to it by the Board.

The ARC provides scrutiny, oversight and assurance to Southern Housing Group's Board on the adequacy of systems of internal control and risk management. The Committee delivers a risk-focused service to the Board by undertaking evidence-based assurance procedures tailored to the Group's specific sector and circumstances.

Across the Committee membership, there is a diverse range of experience in business, finance, auditing, risk and controls, with particular strength in housing. Currently, there are two other members of the ARC: Ian Wilson, who is a non-executive director and member of the Board; and Karen Moscrop, who is an independent member. During the year, it was with great sadness that the Committee learned of John Andrew's sudden death. John was a highly valued independent member of the Committee and brought a wealth of knowledge and experience to the Committee. He will be sorely missed.

The Committee's effectiveness was reviewed during the year. It was concluded that the Committee continues to discharge its duties effectively and in a way that is proportionate, consistent, transparent and accountable. The Committee provides oversight and advice to the Board on the matters listed in its terms of reference. As Chair of the Committee, I report to the Board on those matters after each meeting. The Committee conducts an annual review of its terms of reference and compliance with them. Any decisions and/or discussions that occur by circulation outside formal meetings are reported to the next ARC meeting.

The Committee met six times during 2021-22. Two joint meetings were held with the Finance Committee in May and July. Secretariat for the meetings was provided by the Corporate Governance Team.

In respect of our own performance as a Committee, we consider that we have directed our work towards areas relevant to the risks facing the Group. We have constructively challenged management and the internal audit function. We receive a high level of cooperation and support from all concerned and Committee papers and presentations are of a high quality. Responses to audit recommendations from management are positive and the Committee is satisfied that management within the Group is committed to maintaining a high level of internal control and prudent use of resources.

As Committee chair, a non-executive director and member of the Southern Housing Group Board, I facilitate the line of sight between the Board and the Committee. The Committee formally reports to the Board after each of its meetings. This reporting includes verbal and written updates and sharing of the minutes of each meeting.

The role of the Committee is to support the Board in its responsibilities relating to the strategic processes for risk, control and governance. We take the lead in relations with the internal and external auditors and provide support by reviewing the comprehensiveness of assurances in relation to the accuracy and integrity of the annual report and accounts. We believe that, by virtue of our work, we can take a measured and diligent view of the quality of systems of reporting and control within the Group. The audit and assurance work of our internal and external auditors itself provides robust challenge and suggests areas for improvement within our internal control framework. In turn, our risk-based, quality-led approach means that we, as a Committee, provide intelligent and constructive scrutiny and challenge in all audit and risk matters.

A wide range of internal control mechanisms are in place and being operated to help the Group meet its strategic objectives, operate within its regulatory framework, make effective use of resources and report activities accurately. These control processes bring together information from all the significant parts of the organisation and provide assurance to the Board and stakeholders.

The Committee is able to draw on the expertise of key advisers and control functions, including the internal and external auditors. The Group's external audit function for 2021-22 was provided by BDO. The internal audit function was provided by Mazars. During the year the Committee met with both internal and external auditors without management present. The Committee did not require independent advice during the year but did consider the work of corporate advisers as part of our risk and audit work.

The Committee has continued to work hard to respond effectively to the challenges following the governance downgrade by the Regulator of Social Housing (RSH) in 2020. Through continuous learning and improvement, we now have a clear path agreed by the RSH to regain our G1 rating.

Good governance and risk management require both robust processes and an open culture. The Committee establishes this through an ongoing dialogue and flow of information with management to understand how risks are identified and managed.

Mazars' annual audit opinion was that, "Southern Housing Group has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the organisation".

The Committee is satisfied that the Group has appropriate systems of internal control which work well.

## The work of the Committee 2021-22

Area of focus	Committee action
<b>Annual report and statutory financial statements</b>	<p>In considering the annual report and 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 on the integrity of 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.</p> <p>The Committee considered the annual report and financial statements at its meeting in July, following joint engagement on the content with the Finance Committee. The Committee also reviewed assurances concerning financial reporting systems and 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 reviewed all material information presented with the financial statements, including the strategic report and the governance statements relating to the audit and to risk management.</p> <p>Along with the Finance Committee, the Committee considered the appropriateness of accounting policies and estimates and judgements, taking into account the external auditor's views on the financial statements.</p> <p>Key controls in the preparation of the annual report and financial statements are subject to regular testing, the results of which are reported to the Committee.</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>
<b>External audit</b>	<p>The Group's external audit service was retendered for the financial year 2021-22. The Committee formally recommended the appointment of BDO for five years as the Group's external auditor to the Board for approval. There were no external audit recommendations carried forward into the 2021-22 year.</p> <p>There was a breach of the FRC Ethical Standard in relation to the provision of a non-audit service in relation to Triathlon Homes LLP prior to BDO's appointment as auditor. BDO believe that actual threats to independence are low, and this inadvertent breach does not compromise their independence as auditors. The firm will report this matter in the auditor's report in accordance with paragraph 45-1(d) of ISA (UK) 700.</p> <p>The Committee considered the external audit plan for 2021-22. The Committee considered the independence letter provided by BDO and was satisfied that the appropriate level of integrity, independence and objectivity had been maintained. The auditors provide service charge agreed upon procedures to the Group. No independence threat has been identified.</p> <p>The Committee oversaw the co-ordination of external audit activity and considered in detail the management letter provided by the auditors as well as management's responses. The Committee met the external auditor to discuss the auditor's remit and any issues arising from the audit, without the executive present.</p>
<b>Internal audit</b>	<p>Reporting directly to the Chair, the Committee worked closely with Mazars, the internal auditor, and monitored progress of the internal audit function.</p> <p>The Committee approved the internal audit programme for the year, ensuring it conformed to the Group's key areas of risk. Any changes to the audit plan were specifically approved through regular quarterly updates. The Committee also ensured alignment between the 2021-22 plan and the following year's plan to extract maximum value. The scope of the Committee's work takes account of the internal audit function's own assessment of risks, the input of first- and second-line management, and the Committee itself.</p> <p>The Committee recognises the need to have ongoing dialogue with management in between quarterly meetings. The objective is to provide the Committee with oversight of audit outcomes and to give members sufficient time to review and comment on audit reports and the Committee receives audit reports outside of the formal meetings. Any decisions or discussions are subsequently reported to the next ARC meeting.</p> <p>The Committee received reports on the implementation of the internal audit programme at each of its meetings, reviewing in detail progress against audit recommendations by management.</p> <p>The Committee reviewed the resources and information available to internal audit with a view to (i) enabling the function to fulfil its mandate, (ii) ensuring that there is open communication between different aspects of the audit, (iii) delivering the internal audit plan, and (iv) assuring an appropriate professional standard for internal auditors.</p> <p>The Committee met with Mazars without executive management present to discuss the effectiveness of the internal audit function.</p>



Area of focus	Committee action
<b>Risk management</b>	<p>The Committee supported the Board and provided oversight of the Group's internal control and risk management systems, including the application of the Board's approach to risk management and risk appetite.</p> <p>The Committee received reports on risk management and reviewed the Group's strategic risk register, recommending any changes to the Board as appropriate. Following the Committee's recommendation, the Board approved a new Risk and Assurance Framework (RAF) for the Group. The Committee received the Sector Risk Profile, published by the Regulator of Social Housing annually, along with an analysis providing assurance that the Group's risk registers appropriately captured the risks raised in the Sector Risk Profile.</p>
<b>IDA action plan</b>	The Committee monitored the IDA action plan updates at its meetings, reviewing the evidence provided by management to provide assurance to the Board that progress was on target. The Committee worked with the Group Board on the closure of items on the action plan. It received updates on the dialogue with the Regulator on their view of the Group's actions to improve the issues found by the IDA. In May 2021, the Committee was able to recommend to the Board that the IDA action plan had been completed.
<b>Asset and Liability Register</b>	The Committee reviewed the Group's asset and liability register throughout the year, monitoring the plan put in place to review and revise the entries on the register to ensure it continued to reflect the Group's requirements. In addition, the Committee considered and noted a revised procedure for keeping the register up to date and accurate. This gave the Committee enhanced assurance over the quality of the register. Mazars provided a substantial assurance rating in the asset and liability register audit.
<b>Compliance with the UK Corporate Code of Governance and regulatory standards</b>	The Committee reviewed the Group's compliance with the UK Corporate Governance Code in July 2021 and provided assurance to the Group Board that the Group had complied with all relevant provisions. It also considered compliance with regulatory standards at the same meeting and similarly provided assurance to the Group Board on compliance.
<b>IT and data</b>	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 with information on any reports to the ICO and their outcomes. 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. In May 2021 the Committee received a report from a third-party review providing independent assurance of the Group's Statistical Data Return process. It concluded that overall, the process was comprehensive, complete and coherent. Recommendations from this review were incorporated into a single Regulatory Returns Project for the Group aimed at bringing consistency of approach to all regulatory submissions.
<b>Fraud register</b>	<p>The Committee provided oversight of the adequacy of the Group's arrangements for staff and stakeholders to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.</p> <p>The Committee received reports on related fraud activity experienced by the Group and procedures for preventing and detecting fraud, bribery and other financial wrongdoing. Mazars reported that no instances of actual or suspected fraud had been encountered during their audit work.</p>
<b>Business continuity</b>	The Committee received reports on the effectiveness of the Group's business continuity planning, and improvements to the plans.



**Janet Collier**

Chair of the Audit and Risk Committee

# Statement of the Board's responsibilities

The Board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board members are required to:

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the Group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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.

## 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 2022 and up to the date of the approval of the Annual Report and the Group financial statements. The Board and the ARC review processes at least quarterly.

### 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 goals. 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 ARC 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 ARC. They also meet regularly and independently with the Chair of the ARC. The in-house internal audit team also carry out a small number of audits and other audits are carried out by specialist providers where this provides enhanced assurance to the Group.

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 ARC 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 ARC, 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 2022 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 reappointment of BDO as independent auditor for the Group.

### 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  
21 September 2022

# Independent auditor's report to the members of Southern Housing Group Limited

### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2022 and of the Group's and the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the 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 of Southern Housing Group Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2022, which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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

### Independence

Following the recommendation of the Audit & Risk Committee, we were first appointed by the board in November 2021 to audit the financial statements for the year ending 31 March 2022. The period of total uninterrupted engagement is 1 year.

During the year it was identified that BDO provided a business plan review service in respect of a non-controlled Joint Venture of Southern Housing Group. Notwithstanding that the service was provided to a non-controlled entity, the output of the service was used by the management of Southern Housing Group. As such, this constitutes a service which is not permitted to be provided to Public Interest Entities under paragraph 5.40 of the FRC Ethical Standard. The service was provided during the financial year ended 31 March 2022, although prior to our appointment as auditor. We have assessed the threats to independence arising from the provision of this non-audit service and, in our opinion, we do not consider that our independence has been compromised as a result of the breach of the FRC Ethical Standard. The Audit & Risk Committee have concurred with this view.

Other than the matter noted above, the non-audit services prohibited by the FRC Ethical Standard were not provided to the Group.



## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern;
- considering the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;
- obtaining an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- assessing the facility and covenant headroom calculations, and re-performing sensitivities on management's base case and stressed case scenarios; and
- reviewing the wording of the going concern disclosures, and assessing its consistency with management's forecasts.

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

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

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

## Overview

<b>Coverage</b>	100% of Group surplus before tax 100% of Group revenue 100% of Group total assets
<b>Key audit matters</b>	<b>2022</b>
	The recoverable amount of property developed for sale is materially misstated ✓
	The recoverable amount of housing property is materially misstated ✓
<b>Materiality</b>	Group financial statements as a whole  £3m based on 5% of adjusted operating surplus.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements.

We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for Group/consolidation purposes. We identified 2 components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Southern Housing Group Limited and Southern Homes Ownership Limited were identified as significant components due to their size and risk characteristics.

The only components not subject to a full scope audit by BDO UK were the Group's joint ventures, which comprise less than 1% of the Group's assets and less than 0.5% of the Group's surplus before tax.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest

effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

#### The recoverable amount of property developed for sale is materially misstated

As described in Note 1 (Accounting Policies) and Note 16 (Stock), the Association carries property developed for sale at the lower of cost and net realisable value. As at 31 March 2022, the Association held property for sale of £118.8m.

This area is also considered by management a key estimation uncertainty as described in Note 1.

For all schemes developed for sale at the balance sheet date, management has performed an assessment of their recoverable amount using external valuations where appropriate, including an assessment of the actual costs incurred against budget.

Due to the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk and therefore a key audit matter.

### How the scope of our audit addressed the key audit matter

Having obtained management's assessment of the net realisable value of property developed for sale, we selected a sample on which to perform detailed testing. Our samples were chosen from the populations of items that represented both property under construction and completed property at year-end.

For a selection of property schemes developed for sale, including those where either a write-down has already been identified by management, or where we considered the scheme to be higher risk, we performed the following:

#### 1. For sales price we:

- compared estimated selling prices to sales prices achieved after the year end, sales prices achieved for similar units in the year, valuation of properties for marketing purposes and selling prices of similar properties in the locality.

#### 2. For costs to complete we:

- obtained the latest cost consultant report or build contractor's invoice and reviewed the construction costs against the total contract value taking into account contract variations.
- obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation.
- assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.

#### 3. For costs to sell we:

- reviewed computations of selling costs and compare against known selling costs that have been incurred in the year.

### Key observations

Based on our procedures we noted no exceptions.

#### The recoverable amount of housing property is materially misstated

As described in Note 1 (Accounting Policies) and Note 10, the Association annually assess housing properties for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount.

This area is also considered by management a key estimation uncertainty as described in Note 1.

Assets are required to be reviewed for indicators of impairment annually. If such indicators exist, an impairment assessment and estimate of the recoverable amount must be performed.

Due to the inherent estimation uncertainty in determining the recoverable amount, we considered there to be a significant risk and therefore a key audit matter.

Having obtained management's assessment of indicators of impairment, we have:

- considered whether management had included all asset groups (including all tenure types) in their review.
- reviewed management's estimates, judgements and the information that has been used to support these decisions.
- considered the completeness of the identified schemes by comparing it to our knowledge obtained through voids review and minutes review to identify schemes with tenure change, physical damage, build delays or a significant increase in development cost to complete.
- confirmed the competence of the expert used by management and assessed their valuing methodology.
- reviewed the appropriateness and completeness of the disclosures in the financial statements and accompanying narrative reports.

### Key observations

Based on our procedures we noted no exceptions.

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements	Parent Partnership financial statements
	2022 £m	2022 £m
<b>Materiality</b>	3.0	2.7
<b>Basis for determining materiality</b>	5% of adjusted operating surplus as defined by the entities lending covenants. Based on the strictest loan covenant definition, depreciation is added back and surpluses on disposals of properties, gains on revaluation of investment properties and amortisation of grants are excluded.	
<b>Rationale for the benchmark applied</b>	Management reports its performance to key stakeholders and monitors the business based on adjusted operating surplus as defined by the loan covenants. It is therefore appropriate to adjust materiality in order to respond to the risk of covenant breach.	
<b>Performance materiality</b>	1.9	1.7
<b>Basis for determining performance materiality</b>	65% of materiality We considered a number of factors including the expected total value of known and likely misstatements and management's attitude towards proposed adjustments.	

### Component materiality

We set materiality for each component of the Group based on a percentage of between 0.0008% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £240 to £2.7m. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

## Reporting threshold

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £59,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other information

The Board are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Corporate Governance statement

As the Association has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Board's statement 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 specified for our review.

### Going concern and longer term viability

- The Board's statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 51.
- The Board's explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 52.

### Other Code provisions

- Board's statement on fair, balanced and understandable as set out on page 71;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 46; and
- The section of the annual report that describes the review of
  - effectiveness of risk management and internal control systems as set out on pages 46 to 50.
  - The section describing the work of the audit committee. As set out on page 67 to 69, the Directors consider that it is impracticable to have a separate audit committee for the Company.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where we are required by the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association;
- a satisfactory system of control has not been maintained over transactions;
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of the Board**

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

### **Extent to which the audit was capable of detecting irregularities, including fraud**

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

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements.

We gained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, 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).

In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to fire safety, environmental, occupational health and safety and data protection.

All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.



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 posting inappropriate journal entries and management bias in accounting estimates. Our audit procedures included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment (see Key Audit Matter above), useful lives of depreciable assets, fair value measurement of investment properties, cost apportionment on shared ownership, recoverable amount of properties developed for sale (see Key Audit Matter above), profit recognition via cost apportionment between first tranche and the retained equity on shared ownership plots sold and defined benefit pension scheme obligations;
- Identifying and testing journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations and specific user postings;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings and papers provided to the Group Audit & Risk Committee throughout the period and to the date of approval of the financial statements for instances of non-compliance with laws and regulation and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Group Audit & Risk Committee and any correspondence received from regulatory bodies.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

**BDO LLP**

**BDO LLP**  
Statutory Auditor  
Gatwick  
28 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated and Association Statements of Comprehensive Income

For the year ended 31 March 2022

	Note	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Turnover	2	252,339	212,182	230,486	203,302
Cost of sales	2	(46,914)	(25,588)	(29,722)	(9,961)
Operating costs	2	(151,459)	(148,263)	(148,400)	(143,731)
Gain on revaluation of investment properties	2	3,025	6,156	2,661	5,602
Gain on disposal of fixed assets	5	14,177	16,539	13,651	16,070
<b>Operating surplus</b>		<b>71,168</b>	61,026	<b>68,676</b>	71,282
Interest receivable and similar income	6	275	394	5,980	5,225
Interest payable and similar charges	7	(38,401)	(38,414)	(45,631)	(41,989)
Share of loss in joint ventures		(990)	(155)	–	–
Gain on acquisition of Crown Simmons	31	–	58,844	–	–
<b>Surplus before tax</b>	8	<b>32,052</b>	81,695	<b>29,025</b>	34,518
Taxation	9	(1,069)	(68)	(1,140)	–
<b>Surplus for the year</b>		<b>30,983</b>	81,627	<b>27,885</b>	34,518
<b>Other comprehensive income</b>					
Actuarial gain/(loss) in respect of pension schemes	25	11,731	(4,534)	11,731	(4,534)
<b>Total other comprehensive income/(expense)</b>		<b>11,731</b>	(4,534)	<b>11,731</b>	(4,534)
<b>Total comprehensive income for the year</b>		<b>42,714</b>	77,093	<b>39,616</b>	29,984
<b>Total comprehensive income attributable to:</b>					
– the Association		43,704	77,248	39,616	29,984
– jointly controlled entities accounted for by the equity method		(990)	(155)	–	–
		<b>42,714</b>	77,093	<b>39,616</b>	29,984

All results for the current and prior years are attributable to continuing operations. The notes on pages 82 to 111 form part of these financial statements.

# Consolidated and Association Statements of Financial Position

As at 31 March 2022

	Note	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Fixed assets</b>					
Housing properties	10	2,247,228	2,155,346	1,975,262	1,919,218
Other assets	10	61,530	59,240	61,057	59,008
Investment properties	11	175,343	162,148	124,550	131,308
Investment in social homebuy	12	6,958	7,101	6,958	7,101
Unlisted investments	13	8,104	8,058	7,907	7,887
Investment in connected entities	14	2,285	2,146	5,829	5,690
Investment in joint ventures	15	765	1,755	1,294	1,294
		<b>2,502,213</b>	<b>2,395,794</b>	<b>2,182,857</b>	<b>2,131,506</b>
<b>Current assets</b>					
Stock	16	112,677	114,439	12,396	23,935
Trade and other debtors	17	21,898	17,618	311,080	250,703
Cash and cash equivalents		102,699	35,771	90,392	24,996
		<b>237,274</b>	<b>167,828</b>	<b>413,868</b>	<b>299,634</b>
Creditors: amounts falling due within one year	18	(103,311)	(118,269)	(91,033)	(105,299)
<b>Net current assets</b>		<b>133,963</b>	<b>49,559</b>	<b>322,835</b>	<b>194,335</b>
<b>Total assets less current liabilities</b>		<b>2,636,176</b>	<b>2,445,353</b>	<b>2,505,692</b>	<b>2,325,841</b>
Creditors: amounts falling due after more than one year	19	(1,872,777)	(1,712,467)	(1,850,070)	(1,697,937)
Deferred tax	9	(581)	(710)	–	–
Provisions for liabilities and charges	21	(7,557)	(7,492)	(6,951)	(6,712)
Pension scheme liability	25	(1,069)	(13,206)	(1,069)	(13,206)
<b>Total net assets</b>		<b>754,192</b>	<b>711,478</b>	<b>647,602</b>	<b>607,986</b>
<b>Reserves</b>					
Called up share capital	22	–	–	–	–
Retained equity		753,861	711,119	647,271	607,627
General reserve		331	359	331	359
<b>Total reserves</b>		<b>754,192</b>	<b>711,478</b>	<b>647,602</b>	<b>607,986</b>

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 78 to 111 were approved and authorised for issue by the Board of Directors on 21 September 2022 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 2022

Group	Retained equity £000s	General reserve £000s	Total reserves £000s
Reserves at 1 April 2020	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)
<b>Reserves at 31 March 2021</b>	<b>711,119</b>	<b>359</b>	<b>711,478</b>
Surplus for the year	31,011	(28)	30,983
Actuarial gain on pension schemes	11,731	–	11,731
<b>Reserves at 31 March 2022</b>	<b>753,861</b>	<b>331</b>	<b>754,192</b>

Association	Retained equity £000s	General reserve £000s	Total reserves £000s
Reserves at 1 April 2020	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)
<b>Reserves at 31 March 2021</b>	<b>607,627</b>	<b>359</b>	<b>607,986</b>
Surplus for the year	27,913	(28)	27,885
Actuarial gain on pension schemes	11,731	–	11,731
<b>Reserves at 31 March 2022</b>	<b>647,271</b>	<b>331</b>	<b>647,602</b>

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 2022

	Note	Group 2022 £000s	Group 2021 £000s
<b>Cash flow from operating activities</b>			
<b>Surplus before tax</b>		<b>32,052</b>	81,695
Share of loss/(surplus) in joint ventures		990	155
Net interest and financing costs		38,126	38,020
Gain on acquisition of Crown Simmons		–	(58,844)
<b>Operating surplus</b>		<b>71,168</b>	61,026
Adjustments for:			
Depreciation	10	34,351	29,488
Component write-off		515	–
Gain on revaluation of investment properties		(3,051)	(6,156)
Impairment	10	–	(300)
Government grants amortised in the year		(9,608)	(9,611)
Decrease in stock and Homeflex property disposal		19,950	3,629
Proceeds on redemption of social homebuy investments		308	464
Cost element of housing property sales in operating surplus		18,834	17,392
Cost element of investment property and investments sales in operating surplus		7,330	–
(Increase)/decrease in trade and other debtors		(4,280)	8,461
(Decrease)/increase in trade and other creditors		(5,570)	10,206
Increase in provisions		(597)	3,160
Corporation tax paid		(64)	(394)
<b>Net cash generated from operating activities</b>		<b>129,286</b>	117,365
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	10	(159,131)	(95,774)
Purchase of investment property		(13,184)	(19,259)
Loan to joint venture		(139)	(178)
Interest received		275	394
Government grants received		10,306	14,500
Government grants repaid		(7,850)	–
Cash arising from acquisition of Crown Simmons Housing		–	7,612
<b>Net cash used in investing activities</b>		<b>(169,723)</b>	(92,705)
<b>Cash flow from financing activities</b>			
Interest paid		(43,988)	(44,011)
Loan repayments		(134,850)	(42,812)
New secured loans		286,203	39,000
<b>Net cash generated from/(used in) financing activities</b>		<b>107,365</b>	(47,823)
Net increase/(decrease) in cash and cash equivalents		66,928	(23,163)
Cash and cash equivalents at the beginning of the year		35,771	58,934
<b>Cash and cash equivalents at the end of the year</b>		<b>102,699</b>	35,771
<b>Group reconciliation of net debt</b>			
Cash and cash equivalents	Group 2021 £000s	Group cash flow and non-cash items* £000s	Group 2022 £000s
Housing loans and listed bonds	35,771	66,928	102,699
	(976,617)	(150,364)	(1,126,981)
<b>Net debt</b>	(940,846)	(86,436)	(1,024,282)

\* Included are non-cash items which increase net debt by £988k (2021: £1,854k). These represent effective interest rate adjustments, which include debt issue costs, and movements on accrued interest.

At 31 March 2022, restricted cash comprising balances on bank accounts held on trust for those who own a share of their property totalled £12,491k (2021: £10,869k). Cash also includes restricted balances of £202k (2021: £202k) where a charge is held as security to cover future development costs and £10,750k (2021: nil) as cash collateral for the pension scheme.

A further £15,285k (2021: £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 2022

## 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. The financial statements are presented in pound sterling and rounded in thousands.

#### 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 (trading as Crown Simmons Housing), Hewitt Homes and Fellowship Houses Trust.

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.

#### Segmental reporting

For the purpose of segmental reporting, the chief operating decision-maker ('CODM') is considered to be the Executive Team ('ET'). 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 is 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 12 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 financial impact of the current geopolitical turbulence in Europe in its short-term forecasts, along with the potential for ongoing impacts from both Covid-19 and the UK's exit from the European Union. Stress tests have been applied to the early years of the long-term financial plan that reflect the potential for heightened financial risk stemming from these factors. 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 income and significant above-inflationary increases in costs. Tenant rent arrears are assumed to double in the period under review with a conservative assumption on eventual recovery 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 page 21 and at the year-end undrawn and fully collateralised facilities and cash investments totalled £640.7m with significant headroom forecast against the Group's liquidity policy. The drawn debt at year end was £1,140.1m, with £114.4m of this repayable over the 18-month period under review. The Group's principal loan covenants are linked to levels of interest cover and gearing, and the Group is able to service its loan facilities while continuing to comply with lender covenants.

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.

### 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, either by a deed of covenant or when received. 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.

### Intangible assets

Intangible assets represent software costs and are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight line basis over their expected useful economic lives, which is 3 years. Amortisation begins when the intangible asset is available for use, ie when it is in the location and condition necessary for it to be usable in the manner intended by management. The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

### 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.

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 indicators of impairment, factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.

### Gift aid

Management has made a judgement that it is probable that gift aid payments will be made to the parent within nine months of the year end by the subsidiary entities where sufficient funds are available for the year ended 31 March 2022. 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 39%. This percentage has decreased from 43% 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 £1,997k 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 2022  
(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. Gift aid has been reclassified to form part of the operating activities of the Association.

#### 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	2022 Turnover £000s	2022 Cost of sales £000s	2022 Operating costs £000s	2022 Operating surplus £000s	2021 Turnover £000s	2021 Cost of sales £000s	2021 Operating costs £000s	2021 Operating surplus £000s
<b>Social housing lettings</b>	<b>170,199</b>	<b>–</b>	<b>(141,602)</b>	<b>28,597</b>	168,400	–	(138,168)	30,232
<b>Other social housing activities</b>								
Charges for support services	6,513	–	(6,081)	432	5,589	–	(5,605)	(16)
First tranche low-cost home ownership sales	19,263	(19,338)	–	(75)	18,875	(19,721)	–	(846)
Impairment reversal/(charge)	–	–	–	–	–	–	300	300
Other	1,577	–	–	1,577	1,476	–	–	1,476
<b>Non-social housing activities</b>								
Commercial income/(expenses)	2,136	–	(144)	1,992	2,459	–	(162)	2,297
Private rental lettings	3,910	–	(594)	3,316	3,839	–	(669)	3,170
Open market sales	47,291	(27,576)	–	19,715	10,352	(5,867)	–	4,485
Other	1,450	–	(3,038)	(1,588)	1,192	–	(3,959)	(2,767)
	<b>252,339</b>	<b>(46,914)</b>	<b>(151,459)</b>	<b>53,966</b>	212,182	(25,588)	(148,263)	38,331
Gain on revaluation of investment properties (note 11)				3,025				6,156
Gain on disposal of fixed assets (note 5)				14,177				16,539
<b>Total of operating activities</b>	<b>252,399</b>	<b>(46,914)</b>	<b>(151,459)</b>	<b>71,168</b>	212,182	(25,588)	(148,263)	61,026
Association	2022 Turnover £000s	2022 Cost of sales £000s	2022 Operating costs £000s	2022 Operating surplus £000s	2021 Turnover £000s	2021 Cost of sales £000s	2021 Operating costs £000s	2021 Operating surplus £000s
<b>Social housing lettings</b>	<b>164,362</b>	<b>–</b>	<b>(138,507)</b>	<b>25,855</b>	162,625	–	(133,684)	28,941
<b>Other social housing activities</b>								
Charges for support services	6,513	–	(6,081)	432	5,589	–	(5,596)	(7)
First tranche low-cost home ownership sales	6,528	(6,638)	–	(110)	9,640	(9,654)	–	(14)
Gift aid	2,086	–	–	2,086	13,659	–	–	13,659
Other	1,577	–	–	1,577	1,471	–	(9)	1,462
<b>Non-social housing activities</b>								
Commercial income/(expenses)	2,134	–	(144)	1,990	2,457	–	(162)	2,295
Private rental lettings	3,305	–	(387)	2,918	3,084	–	(369)	2,715
Open market sales	39,291	(23,084)	–	16,207				–
Other	4,690	–	(3,281)	1,409	4,777	(307)	(3,911)	559
	<b>230,486</b>	<b>(29,722)</b>	<b>(148,400)</b>	<b>52,364</b>	203,302	(9,961)	(143,731)	49,610
Gain on revaluation of investment properties (note 11)				2,661				5,602
Gain on disposal of fixed assets (note 5)				13,651				16,070
<b>Total of operating activities</b>	<b>230,486</b>	<b>(29,722)</b>	<b>(148,400)</b>	<b>68,676</b>	203,302	(9,961)	(143,731)	71,282

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 2. Turnover and operating surplus (continued)

#### 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	2022 Total £000s
Rent receivable net of identifiable service charges	93,269	14,297	9,829	9,122	15,233	141,750
Service charges receivable	13,104	2,097	–	700	2,769	18,670
<b>Gross rental income</b>	<b>106,373</b>	<b>16,394</b>	<b>9,829</b>	<b>9,822</b>	<b>18,002</b>	<b>160,420</b>
Grant amortisation	6,694	1,017	416	316	1,336	9,779
<b>Turnover from social housing lettings</b>	<b>113,067</b>	<b>17,411</b>	<b>10,245</b>	<b>10,138</b>	<b>19,338</b>	<b>170,199</b>
Management costs	(29,705)	(4,537)	(1,769)	(1,411)	(4,993)	(42,415)
Service charge costs	(18,012)	(2,865)	(1,239)	(993)	(3,577)	(26,686)
Rent losses from bad debts	1,056	155	61	53	(15)	1,310
Routine maintenance	(24,055)	(3,713)	(1,540)	(1,243)	–	(30,551)
Planned maintenance	(6,458)	(982)	(411)	(319)	–	(8,170)
Depreciation	(27,747)	(4,178)	(1,744)	(1,421)	–	(35,090)
<b>Operating costs on social housing lettings</b>	<b>(104,921)</b>	<b>(16,120)</b>	<b>(6,642)</b>	<b>(5,334)</b>	<b>(8,585)</b>	<b>(141,602)</b>
<b>Operating surplus on social housing lettings</b>	<b>8,146</b>	<b>1,291</b>	<b>3,603</b>	<b>4,804</b>	<b>10,753</b>	<b>28,597</b>
<b>Operating margin %</b>	<b>7%</b>	<b>7%</b>	<b>35%</b>	<b>47%</b>	<b>56%</b>	<b>17%</b>
Void losses	901	130	96	476	–	1,603

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
<b>Gross rental income</b>	<b>105,545</b>	<b>16,117</b>	<b>9,679</b>	<b>9,506</b>	<b>17,470</b>	<b>158,317</b>
Grant amortisation	6,989	1,054	332	434	1,274	10,083
<b>Turnover from social housing lettings</b>	<b>112,534</b>	<b>17,171</b>	<b>10,011</b>	<b>9,940</b>	<b>18,744</b>	<b>168,400</b>
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)
<b>Operating costs on social housing lettings</b>	<b>(102,477)</b>	<b>(15,525)</b>	<b>(6,588)</b>	<b>(5,035)</b>	<b>(8,543)</b>	<b>(138,168)</b>
<b>Operating surplus on social housing lettings</b>	<b>10,057</b>	<b>1,646</b>	<b>3,423</b>	<b>4,905</b>	<b>10,201</b>	<b>30,232</b>
<b>Operating margin %</b>	<b>9%</b>	<b>10%</b>	<b>34%</b>	<b>49%</b>	<b>54%</b>	<b>18%</b>
Void losses	957	154	99	414	–	1,624

	General needs £000s	Supported and older people's housing £000s	Affordable rent £000s	Intermediate rent £000s	Shared ownership £000s	2022 Total £000s
<b>Association</b>						
Rent receivable net of identifiable service charges	91,191	13,909	9,089	8,052	14,161	<b>136,402</b>
Service charges receivable	12,723	1,941	–	602	2,239	<b>17,505</b>
<b>Gross rental income</b>	<b>103,914</b>	<b>15,850</b>	<b>9,089</b>	<b>8,654</b>	<b>16,400</b>	<b>153,907</b>
Management fee	602	92	38	29	106	<b>867</b>
Grant amortisation	6,666	1,017	416	316	1,173	<b>9,588</b>
<b>Turnover from social housing lettings</b>	<b>111,182</b>	<b>16,959</b>	<b>9,543</b>	<b>8,999</b>	<b>17,679</b>	<b>164,362</b>
Management costs	(29,666)	(4,525)	(1,851)	(1,404)	(5,221)	<b>(42,667)</b>
Service charge costs	(17,507)	(2,670)	(1,092)	(829)	(3,081)	<b>(25,179)</b>
Rent losses from bad debts	1,033	158	64	49	–	<b>1,304</b>
Routine maintenance	(23,614)	(3,602)	(1,473)	(1,118)	–	<b>(29,807)</b>
Planned maintenance	(6,412)	(978)	(400)	(303)	–	<b>(8,093)</b>
Depreciation	(26,988)	(4,116)	(1,684)	(1,277)	–	<b>(34,065)</b>
<b>Operating costs on social housing lettings</b>	<b>(103,154)</b>	<b>(15,733)</b>	<b>(6,436)</b>	<b>(4,882)</b>	<b>(8,302)</b>	<b>(138,507)</b>
<b>Operating surplus on social housing lettings</b>	<b>8,028</b>	<b>1,226</b>	<b>3,107</b>	<b>4,117</b>	<b>9,377</b>	<b>25,855</b>
<b>Operating margin %</b>	<b>7%</b>	<b>7%</b>	<b>33%</b>	<b>46%</b>	<b>53%</b>	<b>16%</b>
Void losses	842	128	84	382	–	<b>1,436</b>

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

## Notes to the financial statements

For the year ended 31 March 2022  
(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 Team) was as follows:

Group	2022 £000s	2021 £000s
Emoluments	1,087	1,019
Pension contributions	78	72
Non Executive Board member emoluments	186	209
	1,351	1,300

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

	2022 £s	2021 £s
Salary	231,400	231,400
Benefits in kind	–	448
<b>Total remuneration (excluding pension contributions and NI)</b>	<b>231,400</b>	<b>231,848</b>

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 2022 FTE	Group 2021 FTE	Association 2022 FTE	Association 2021 FTE
<b>Average number of full-time equivalent employees</b>	<b>1,023</b>	1,064	<b>1,023</b>	1,058

Staff costs (for the above employees)	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Wages and salaries	36,631	36,834	36,631	36,596
Social security costs	3,568	3,824	3,568	3,797
Other pension costs	3,460	3,342	3,460	3,242
	43,659	44,000	43,659	43,635

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

FTE = 35 hours per week	Group 2022 FTE	Group 2021 FTE
£60,000–£70,000	42	59
£70,000–£80,000	29	29
£80,000–£90,000	13	20
£90,000–£100,000	12	13
£100,000–£110,000	7	7
£110,000–£120,000	4	6
£120,000–£130,000	1	4
£130,000–£140,000	5	2
£140,000–£150,000	5	8
£160,000–£170,000	1	–
£170,000–£180,000	1	–
£190,000–£200,000	1	3
£200,000–£210,000	–	1
£260,000–£270,000	1	–
£280,000–£290,000	–	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 2022 £000s	Other properties 2022 £000s	Total 2022 £000s	Housing property 2021 £000s	Other properties 2021 £000s	Total 2021 £000s
Sale proceeds	27,994	12,836	40,830	36,660	464	37,124
Cost of sales	(15,648)	(10,912)	(26,560)	(20,353)	(166)	(20,519)
Incidental sale expenses	(93)	–	(93)	(66)	–	(66)
	12,253	1,924	14,177	16,241	298	16,539

Association	Housing property 2022 £000s	Other properties 2022 £000s	Total 2022 £000s	Housing property 2021 £000s	Other properties 2021 £000s	Total 2021 £000s
Sale proceeds	27,269	12,836	40,105	36,484	464	36,948
Cost of sales	(15,456)	(10,912)	(26,368)	(20,646)	(166)	(20,812)
Incidental sale expenses	(86)	–	(86)	(66)	–	(66)
	11,727	1,924	13,651	15,772	298	16,070

## 6. Interest receivable and similar income

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

Interest and investment income	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Interest from investments	212	303	205	298
Intercompany interest receivable	–	–	5,713	4,849
Interest from bank deposits	63	91	62	78
<b>Total</b>	<b>275</b>	<b>394</b>	<b>5,980</b>	<b>5,225</b>

## 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 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 3.89% per annum (2021: 4.07% 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.

Loan issue cost of £1,910k (2021: £1,299) were incurred, which have been deducted from the initial carrying value of the associated capital instrument and will be charged to profit or loss as part of the interest charge calculated using the effective interest rate method.

Net interest and finance costs charged	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Loans and bonds	(41,640)	(39,797)	(41,597)	(39,760)
Other fees	(4,404)	(5,225)	(4,404)	(3,421)
Less: interest payable capitalised	7,849	6,753	576	1,337
	(38,195)	(38,269)	(45,425)	(41,844)
Deferred income written back	50	50	50	50
<b>Total</b>	<b>(38,145)</b>	<b>(38,219)</b>	<b>(45,375)</b>	<b>(41,794)</b>

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 7. Interest payable and similar charges (continued)

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Other finance costs: pension schemes</b>				
Group pension scheme				
Expected return on pension scheme assets	1,769	1,693	1,769	1,693
Interest on pension scheme liabilities	(1,998)	(1,853)	(1,998)	(1,853)
Isle of Wight Council pension scheme				
Expected return on pension scheme assets	129	128	129	128
Interest on pension scheme liabilities	(156)	(163)	(156)	(163)
<b>Total</b>	<b>(256)</b>	<b>(195)</b>	<b>(256)</b>	<b>(195)</b>
<b>Total interest and similar charges</b>	<b>(38,401)</b>	<b>(38,414)</b>	<b>(45,631)</b>	<b>(41,989)</b>

### 8. Surplus before tax

The operating surplus before tax is stated after charging:

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Depreciation:				
Property	25,306	23,308	24,420	22,385
Other tangible fixed assets	9,045	6,180	8,980	6,103
Impairment charge/(reversal)	–	(300)	–	–
Operating lease charges:				
Property	151	113	53	–
Other equipment	508	380	508	380
Auditors' remuneration:				
External audit fee (including expenses, excluding VAT)	295	340	154	280
Other non-audit services – service charge agreed upon procedures	90	–	90	–

### 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.

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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>UK corporation tax</b>				
Current tax at 19% (2021: 19%)	1,214	120	1,140	–
Adjustment to tax (credit)/charge in respect of previous years	(16)	21	–	–
<b>Total tax charge</b>	<b>1,198</b>	<b>141</b>	<b>1,140</b>	<b>–</b>
Deferred tax expense	(129)	(71)	–	–
Adjustments in respect of prior periods	–	(2)	–	–
	<b>1,069</b>	<b>68</b>	<b>1,140</b>	<b>–</b>

The total tax charge for the year is higher (2021: lower) than the standard rate of corporation tax in the UK 19% (2021: 19%). The differences are explained below.

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Current tax reconciliation</b>				
Surplus on ordinary activities before tax	32,052	81,695	29,025	34,518
Adjustment relating to restatement	–	–	–	–
Adjusted surplus on ordinary activities before tax	32,052	81,695	29,025	34,518
Less surplus from charitable activities	(29,025)	(34,518)	–	–
Taxable surplus on ordinary activities before tax	3,027	47,177	29,025	34,518
Total tax charge	575	8,964	5,515	6,558
Effects of:				
Non-taxable income	875	(8,780)	(4,375)	(6,558)
Expenses not deductible for tax purposes	1	1	–	–
Qualifying charitable donations paid or to be paid within 9 months of the year end	(446)	(257)	–	–
Adjustment to tax charge in respect of previous years	(16)	19	–	–
Share of taxable profits in Triathlon Homes LLP	80	121	–	–
Total tax charge (see above)	1,069	68	1,140	–
Adjustment on consolidation	–	–	–	–
Total tax charge	1,069	68	1,140	–

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Deferred taxation liability</b>				
At 1 April	710	782	–	–
Timing differences	(129)	(72)	–	–
At 31 March	581	710	–	–

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 2022. From 1 April 2023 the corporation tax rate will increase to 25%.

## Notes to the financial statements

For the year ended 31 March 2022  
(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.

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as PPE and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of fixed asset property and included in operating surplus. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

#### Impairment

At each balance sheet date the value of property, plant and equipment assets is formally addressed 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 presenting 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.



## 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.

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
<b>Cost</b>					
At 1 April 2021	1,887,172	309,374	218,197	87,479	<b>2,502,222</b>
Reclassification to/(from) investment properties	2,851	–	(8,653)	–	<b>(5,802)</b>
Reclassification to other fixed assets	5	–	–	(5)	<b>–</b>
Reclassification to stock	–	–	(17,776)	–	<b>(17,776)</b>
Schemes completed	19,149	23,259	(42,408)	–	<b>–</b>
Homeflex tenure change	(2,044)	1,172	–	–	<b>(872)</b>
Additions: New properties	–	–	71,759	–	<b>71,759</b>
Existing properties	76,378	7,011	–	–	<b>83,389</b>
Other fixed assets	–	–	–	14,573	<b>14,573</b>
Components written off	(3,724)	–	–	–	<b>(3,724)</b>
Transfer to stock	–	779	–	–	<b>779</b>
Disposals	(674)	(13,070)	(35)	(4,740)	<b>(18,519)</b>
<b>At 31 March 2022</b>	<b>1,979,113</b>	<b>328,525</b>	<b>221,084</b>	<b>97,307</b>	<b>2,626,029</b>
<b>Accumulated depreciation</b>					
At 1 April 2021	259,397	–	–	28,239	<b>287,636</b>
Charge for the year	25,306	–	–	9,045	<b>34,351</b>
Eliminated in respect of disposals	(3,209)	–	–	(1,507)	<b>(4,716)</b>
<b>At 31 March 2022</b>	<b>281,494</b>	<b>–</b>	<b>–</b>	<b>35,777</b>	<b>317,271</b>
<b>Net book value</b>					
<b>At 31 March 2022</b>	<b>1,697,619</b>	<b>328,525</b>	<b>221,084</b>	<b>61,530</b>	<b>2,308,758</b>
At 31 March 2021	1,627,775	309,374	218,197	59,240	2,214,586

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 2022  
(continued)

### 10. Property, plant and equipment (continued)

Association	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
<b>Cost</b>					
At 1 April 2021	1,823,335	283,397	70,786	87,170	2,264,688
Reclassification from investment properties	2,851	–	281	–	3,132
Reclassification from stock	–	–	(4,018)	–	(4,018)
Reclassification from/(to) other fixed assets	5	–	–	(5)	–
Schemes completed	184	1,498	(1,682)	–	–
Homeflex tenure change	(2,044)	1,172	–	–	(872)
Additions: New properties	–	–	13,073	–	13,073
Existing properties	76,168	7,011	–	–	83,179
Other fixed assets	–	–	–	14,267	14,267
Components written off	(3,708)	–	–	–	(3,708)
Transfer to stock	–	790	–	–	790
Disposals	(674)	(13,622)	(17)	(4,740)	(19,053)
<b>At 31 March 2022</b>	<b>1,896,117</b>	<b>280,246</b>	<b>78,423</b>	<b>96,692</b>	<b>2,351,478</b>
<b>Accumulated depreciation</b>					
At 1 April 2021	258,300	–	–	28,162	286,462
Charge for the year	24,420	–	–	8,980	33,400
Eliminated in respect of disposals	(3,196)	–	–	(1,507)	(4,703)
<b>At 31 March 2022</b>	<b>279,524</b>	<b>–</b>	<b>–</b>	<b>35,635</b>	<b>315,159</b>
<b>Net book value</b>					
<b>At 31 March 2022</b>	<b>1,616,593</b>	<b>280,246</b>	<b>78,423</b>	<b>61,057</b>	<b>2,036,319</b>
At 31 March 2021	1,565,035	283,397	70,786	59,008	1,978,226

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

### Properties held for security

Loan facilities, both drawn and undrawn, totalling £1,782m (2021: £1,387m) are secured against 19,086 (2021: 17,189) properties.

### Accommodation in management comprises:

	Group units 2021	Group units additions	Group units disposals	Group units tenure change/other	Group units 2022
<b>Units owned and managed:</b>					
General needs	17,690	–	7	519	18,202
Housing for older people	2,255	–	–	89	2,344
Supported housing	446	72	–	(60)	458
Intermediate rent	928	–	–	18	946
Private rent (investment properties)	262	–	–	(6)	256
Affordable rent	1,146	65	–	15	1,226
Leasehold	2,923	177	5	739	3,834
Shared ownership	3,328	92	133	206	3,493
	28,978	406	145	1,520	30,759
<b>Units managed on behalf of other landlords:</b>					
General needs	675	–	–	–	675
Supported housing	67	–	7	(22)	38
Intermediate rent	294	–	–	–	294
Leasehold	165	114	118	47	208
Shared ownership	311	–	–	(118)	193
	1,512	114	125	(93)	1,408
<b>Total units managed</b>	30,490	520	270	1,427	32,167
<b>Total units owned</b>	28,978	406	145	1,520	30,759

### Accommodation in management comprises:

	Association units 2021	Association units additions	Association units disposals	Association units tenure change/other	Association units 2022
<b>Units owned and managed:</b>					
General needs	17,357	–	7	523	17,873
Housing for older people	2,179	–	–	89	2,268
Supported housing	446	72	–	(60)	458
Intermediate rent	828	–	–	18	846
Private rent (investment properties)	233	–	–	(7)	226
Affordable rent	1,082	20	–	13	1,115
Leasehold	2,668	63	5	777	3,503
Shared ownership	3,126	52	133	100	3,145
	27,919	207	145	1,453	29,434
<b>Units managed on behalf of other landlords:</b>					
General needs	1,012	–	–	(337)	675
Housing for older people	76	–	–	–	76
Supported housing	67	–	7	(22)	38
Intermediate rent	394	–	–	(100)	294
Private rent (investment properties)	–	–	–	16	16
Affordable rent	72	45	–	(6)	111
Leasehold	425	114	118	(213)	208
Shared ownership	516	–	–	(323)	193
	2,562	159	125	(985)	1,611
<b>Total units managed</b>	30,481	366	270	468	31,045
<b>Total units owned</b>	27,919	207	145	1,453	29,434

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 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	Commercial, freehold and leasehold properties £000s	Estate equipment and offices £000s	Plant, machinery, fixtures and fittings £000s	Computer hardware £000s	Computer software £000s	Total other fixed assets £000s
<b>Cost</b>						
At 1 April 2021	32,159	37,673	642	6,438	10,567	87,479
Reclassification	–	(5)	–	–	–	(5)
Additions	167	9,836	–	906	3,664	14,573
Disposals	(4,150)	(475)	(115)	–	–	(4,740)
<b>At 31 March 2022</b>	<b>28,176</b>	<b>47,029</b>	<b>527</b>	<b>7,344</b>	<b>14,231</b>	<b>97,307</b>
<b>Accumulated depreciation</b>						
At 1 April 2021	7,378	15,288	490	1,922	3,161	28,239
Charge for year	2,107	1,991	26	1,676	3,245	9,045
Disposals	(1,340)	(52)	(115)	–	–	(1,507)
<b>At 31 March 2022</b>	<b>8,145</b>	<b>17,227</b>	<b>401</b>	<b>3,598</b>	<b>6,406</b>	<b>35,777</b>
<b>Net book value</b>						
<b>At 31 March 2022</b>	<b>20,031</b>	<b>29,802</b>	<b>126</b>	<b>3,746</b>	<b>7,825</b>	<b>61,530</b>
At 31 March 2021	24,781	22,385	152	4,516	7,406	59,240

Association	Commercial, freehold and leasehold properties £000s	Estate equipment and offices £000s	Plant, machinery, fixtures and fittings £000s	Computer hardware £000s	Computer software £000s	Total other fixed assets £000s
<b>Cost</b>						
At 1 April 2021	32,151	37,407	616	6,438	10,558	87,170
Reclassification	–	(5)	–	–	–	(5)
Additions	167	9,530	–	906	3,664	14,267
Disposals	(4,150)	(475)	(115)	–	–	(4,740)
<b>At 31 March 2022</b>	<b>28,168</b>	<b>46,457</b>	<b>501</b>	<b>7,344</b>	<b>14,222</b>	<b>96,692</b>
<b>Accumulated depreciation</b>						
At 1 April 2021	7,378	15,234	476	1,922	3,152	28,162
Charge for year	2,106	1,938	15	1,676	3,245	8,980
Disposals	(1,340)	(52)	(115)	–	–	(1,507)
<b>At 31 March 2022</b>	<b>8,144</b>	<b>17,120</b>	<b>376</b>	<b>3,598</b>	<b>6,397</b>	<b>35,635</b>
<b>Net book value</b>						
<b>At 31 March 2022</b>	<b>20,024</b>	<b>29,337</b>	<b>125</b>	<b>3,746</b>	<b>7,825</b>	<b>61,057</b>
At 31 March 2021	24,773	22,173	140	4,516	7,406	59,008

Total assets under construction included above are £4,971k (2021: £3,037k) of which £1,028k (2021: £907k) 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 2022 all commercial properties were market valued externally by Copping Joyce, qualified RICS Chartered Surveyors. The valuation adopted a rent capitalisation methodology into 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 proportion carrying cost being disclosed in property, plant and equipment at historic cost.

Developments under construction with a commercial property tenure are 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 £6,504k (7.5%). 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 £3,415k (7.5%). These figures are disclosed as an indicator of potential sensitivity only.

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Valuation at 1 April	162,148	143,299	131,308	125,315
Additions	13,379	18,660	1,043	1,900
Disposals	(7,330)	–	(7,330)	–
Transfer to/(from) housing properties	5,802	(1,508)	(3,132)	(1,508)
Transfer to stock	(1,656)	(4,459)	–	–
Gain on revaluation of investment properties	3,000	6,156	2,661	5,601
At 31 March	175,343	162,148	124,550	131,308

The above includes developments under construction of £24,768k (2021: £20,500k).

## 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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
HomeBuy and Starter Home Initiatives	6,958	7,101	6,958	7,101

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Unlisted investments</b>				
At 1 April	7,887	7,888	7,887	7,888
Amount invested	20	(1)	20	(1)
At 31 March	7,907	7,887	7,907	7,887
At 1 April	171	138	–	–
Revaluation of endowment	26	33	–	–
At 31 March	197	171	–	–
<b>At 31 March</b>	<b>8,104</b>	<b>8,058</b>	<b>7,907</b>	<b>7,887</b>

### 14. Investment in connected entities

The investment in subsidiary of £3,544k (2021: £3,544k) 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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Cost</b>				
Investment in subsidiary	–	–	3,544	3,544
Investment loan to joint venture entity	2,285	2,146	2,285	2,146
	<b>2,285</b>	<b>2,146</b>	<b>5,829</b>	<b>5,690</b>
		Wholly owned subsidiary £000s	Joint venture £000s	Association £000s
<b>Movement</b>				
At 1 April 2021		3,544	2,146	5,690
Net increase in investment		–	139	139
<b>At 31 March 2022</b>		<b>3,544</b>	<b>2,285</b>	<b>5,829</b>

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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Triathlon Homes LLP	–	–	–	–
Affinity (Reading) Holdings Limited				
Investment	1,294	1,294	1,294	1,294
Share of accumulated surplus	(529)	461	–	–
	765	1,755	1,294	1,294

### 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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Under construction – first tranche shared ownership	65,650	63,505	7,665	1,399
Under construction – open market sales	34,712	36,026	19	14,966
Completed properties – first tranche shared ownership	9,161	11,513	3,359	7,570
Completed properties – open market sales	3,154	3,395	1,353	–
	112,677	114,439	12,396	23,935

## Notes to the financial statements

For the year ended 31 March 2022  
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### 17. Trade and other debtors

Trade and other debtors are measured at transaction price less any impairment.

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Rent and service charges in arrears	11,198	10,482	10,834	10,192
Less: provision for bad and doubtful debts	(2,380)	(4,148)	(2,337)	(4,070)
	8,818	6,334	8,497	6,122
Amounts due from group undertakings	–	–	290,482	234,276
Other debtors	6,912	6,598	5,992	5,629
Prepayments and accrued income	6,168	4,686	6,109	4,676
	21,898	17,618	311,080	250,703

The £289,002k (2021: £234,276k) due to the Association from group undertakings primarily 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 the three-month sterling overnight index average plus credit adjustment spread.

### 18. Creditors: amounts falling due within one year

Trade and other creditors and housing loans are carried at amortised cost.

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Social housing grant received in advance	201	201	201	201
Recycled capital grant fund (RCGF)	9,813	8,364	9,813	8,364
Amounts due to Group undertakings	–	–	150	990
Accruals	30,531	38,166	20,206	28,515
Deferred income	1,195	1,491	1,195	1,491
Corporation tax	1,319	185	1,140	–
Other taxation and social security	2,219	303	2,219	264
Other creditors	27,672	24,494	25,750	20,411
Grant repayable	4,063	4,063	4,063	4,063
Housing loans	26,298	41,002	26,296	41,000
	103,311	118,269	91,033	105,299

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £13,172k (2021: £10,967k) and trade creditors of £6,131k (2021: £4,812k) are reflected above in other creditors.

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

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
19a Housing loans and listed bonds	1,113,534	945,509	1,113,237	945,210
19b Deferred income	751,084	760,820	728,819	746,628
19c Recycled capital grant fund (RCGF)	8,159	6,138	8,014	6,099
	1,872,777	1,712,467	1,850,070	1,697,937

All loan, investments and short term deposits held by the Group meet the definition of basic financial instruments as described in FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). They are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Loans and investments that are payable or receivable within one year are not discounted.

### 19a. Housing loans and listed bonds

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Housing loans falling due after one year	451,693	528,883	451,396	528,584
Bonds	675,000	425,000	675,000	425,000
Loan set-up costs	(7,265)	(5,950)	(7,265)	(5,950)
Other loan costs	(5,894)	(2,424)	(5,894)	(2,424)
Loans at amortised cost	1,113,534	945,509	1,113,237	945,210

Housing loans and bonds are secured by specific charges on 19,086 (2021: 17,189) of the Group's housing units and are repayable in instalments due as follows:

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Housing loans falling due within one year	13,447	31,108	13,445	31,106
Interest accrued	12,851	9,894	12,851	9,894
Total housing loans falling due within one year	26,298	41,002	26,296	41,000
Between one and two years	89,705	19,446	89,702	19,444
Between two and five years	43,715	168,006	43,706	167,997
In five years or more	993,273	766,431	992,988	766,143
Total housing loans and bonds falling due after more than one year	1,126,693	953,883	1,126,396	953,584
Total housing loans and bonds excluding loan set up costs and other costs	1,152,991	994,885	1,152,692	994,584

Housing loans and public bonds bear fixed rates of interest ranging from 0.7% to 11.5% or variable rates based on a margin above SONIA plus a three- or six-month credit adjustment spread. The final instalments fall due for repayment during the period 2022 to 2047.

The Group has four publicly listed bonds the terms of which are:

- 3.5% £300m 2047
- 4.5% £75m 2039
- 5.354% £50m 2044
- 2.375% £250m 2036

Housing loans are subject to compliance with a number of financial covenants such as interest cover and gearing.

On 31 December 2021, the Group adopted the Sterling Overnight Index Average (SONIA) interest rate benchmark as the reference rate for its loan facilities. Most of the Group's term loans (91%) were on fixed rates at the time and there were no drawn revolving credit facilities that would have needed to transition. The transition from LIBOR to SONIA was profit and loss neutral for all parties.

The Group has applied the Amendments to FRS 102: Interest rate benchmark reform (Phase 1 and Phase 2). Applying the practical expedient introduced by the amendments, when the benchmark affecting the Group's loans are replaced, the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loans' benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss, which may have been required if the practical expedient was not available or adopted.



## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 19. Creditors: amounts falling due after more than one year (continued)

#### 19b. Deferred income

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Balance at 1 April	760,415	761,905	746,223	749,376
Social housing grant received in the year	10,123	14,263	1,944	14,026
Grant repaid	(7,850)	–	(7,850)	–
Intra group transfer	–	–	–	(1,427)
Grant on disposals	(113)	(8,589)	(113)	(8,589)
Transfer to RCGF	(3,174)	(160)	(3,068)	(160)
Grant amortisation released on disposals	982	2,607	981	2,607
Amortisation of social housing grant in year	(9,608)	(9,611)	(9,607)	(9,610)
Social housing and other grant c/fwd	750,775	760,415	728,510	746,223
Premium on debentures	42	92	42	92
Deferred income	267	313	267	313
	751,084	760,820	728,819	746,628

#### 19c. Recycled capital grant fund

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Balance relating to Homes England</b>				
Balance at 1 April	10,849	9,867	10,810	9,867
Grant released on sales	1,649	946	1,576	946
GLA transfer	–	(13)	–	(13)
DPF balance transfer	15	–	15	–
Interest added to fund	24	10	24	10
Acquired on acquisition of Crown Simmons	–	39	–	–
Balance at 31 March	12,537	10,849	12,425	10,810
Comprising amounts:				
Due within one year	8,364	8,364	8,364	8,364
Due in more than one year	4,173	2,485	4,061	2,446

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
<b>Balance relating to the GLA</b>				
Balance at 1 April	3,653	4,200	3,653	4,167
Grant released on sales	2,275	1,654	2,242	1,654
Interest added to fund	7	5	7	5
Social housing grant transfer	(500)	(2,219)	(500)	(2,219)
Homes England transfer	–	13	–	13
Balance at 31 March	5,435	3,653	5,402	3,653
Comprising amounts:				
Due within one year	1,449	–	1,449	–
Due in more than one year	3,986	3,653	3,953	3,653
Total due within one year	9,813	8,364	9,813	8,364
Total due in more than one year	8,159	6,138	8,014	6,099

## 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 represent 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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Government funding included in creditors	19b	750,775	760,415	728,510	746,223
Government funding amortised in reserves		176,900	168,541	158,491	149,886
Grants amortised in the year (contingent liabilities)		9,608	9,611	9,607	9,610

## 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 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Balance at 1 April	7,492	3,500	6,712	2,500
Provision recognised	65	3,992	239	4,212
Balance as at 31 March	7,557	7,492	6,951	6,712

The provision of £6,951k (2021: £6,712k) for the Association relates to the anticipated cost of capital building safety works where an obligation has been created. The remaining £606k (2021: £780k) 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 year.

## 22. Called up share capital

Shares of £1 each issued and fully paid:	2022 £s	2021 £s
Balance at 1 April	9	7
Shares issued during year	3	3
Shares surrendered during year	(2)	(1)
As at 31 March	10	9

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.

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 23. Capital commitments

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Capital expenditure contracted but not provided for in the financial statements	196,677	166,067	48,077	7,574
Capital expenditure authorised but not contracted	407,341	337,426	236,654	115,676

Committed development expenditure for the Group and Association will be financed through £9,998k (2021: £32,395k) grant, £49,807k (2021: £53,500k) budgeted proceeds from property sales with the balance funded through cash balances and borrowings on undrawn facilities.

### 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 2022 £000s	Total 2021 £000s
<b>Future minimum lease payments</b>		
Within one year	1,037	140
Between one and five years	1,862	851
Over five years	–	16
	<b>2,899</b>	<b>1,007</b>

#### Operating leases with tenants

The Group's rental properties other than those held for investment purposes are tenanted under cancellable operating leases with typical tenant break clauses of four weeks. Rents vary in line with the Rent Standard as set by the government and affected by the Welfare Reform and Work Act 2016. The Group share of equity in a shared ownership property may be purchased by its leaseholder at any time at the pro-rata market rate at which point ongoing lease payments will be adjusted according to the share of ownership retained by the Group.

Income on all operating leases is recorded in the statement of comprehensive income as the rent falls due. The Group's residential market rented properties are let under operating leases which are cancellable ranging from four weeks to three-month notice periods. The Group's commercial properties are let under non-cancellable operating leases.

The Group's future minimum operating lease receipts from commercial properties under non-cancellable arrangements were:

	2022 £000s	2021 £000s
<b>Minimum amounts due within:</b>		
Less than one year	1,287	1,994
Later than one year and not later than five years	3,878	6,809
Later than five years	1,004	2,259
	<b>6,169</b>	<b>11,062</b>

### 25. Pension scheme liability

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 one member, the share of scheme assets and liabilities of which are not material to the Southern Housing Group Limited financial statements. No disclosures have been given in these financial statements.

#### b) Defined contribution scheme

Southern Housing Group Limited operates 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 an actuarial gain/(loss) in other comprehensive income.

Employer contributions paid to all defined contribution schemes are charged to the statement of comprehensive income.

The Group has five commercial units, 89 private rent units and £10.8m cash secured against the Southern Housing Group pension plan at a total value of £44.3m.

The amounts recognised in the statement of financial position for the Group's defined benefit schemes are as follows:

	Group 2022 £000s	Group 2021 £000s	Association 2022 £000s	Association 2021 £000s
Southern Housing Group Pension scheme	(295)	(11,670)	(295)	(11,670)
Isle of Wight Pension scheme	(774)	(1,536)	(774)	(1,536)
Total net deficit	(1,069)	(13,206)	(1,069)	(13,206)

#### 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 2021.

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 2022 by an independent qualified actuary.

#### 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 (2021: £nil).

The employer contribution rate to be applied from 1 April 2022 is 42.0%.

The results of the calculations and the assumptions adopted are shown below.

	2022 % pa	2021 % pa
<b>Actuarial assumptions</b>		
Rate of increase in salaries	2.85	3.05
Discount rate	2.70	2.05
Inflation assumption – RPI	3.65	3.30
Inflation assumption – CPI	2.85	2.55
<b>Mortality assumptions</b>		
	Male	Female
Current pensioner aged 65	20.90	23.50
Future retiree upon reaching 65	22.20	24.90

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 25. Pension scheme liability (continued)

#### SHG Scheme 1964 (continued)

The major categories of scheme assets as a percentage of total scheme assets are:

	2022 %	2021 %
Equities	0.00	38.03
Liability-driven investment	28.42	24.10
Bonds and credit	71.22	0.00
Diversified growth funds	0.00	37.37
Cash	0.36	0.50
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

	2022 £000s	2021 £000s
Fair value of scheme assets	55,329	53,985
Present value of defined benefit obligation	(51,816)	(59,116)
<b>Defined benefit asset/(liability) recognised in statement of financial position</b>	<b>3,513</b>	<b>(5,131)</b>

	2022 £000s	2021 £000s
<b>Amounts recognised in profit or loss</b>		
Current service cost	502	405
Past service cost	–	–
Administration expenses	–	3
Net interest cost	102	85
<b>Total recognised in profit or loss</b>	<b>604</b>	<b>493</b>

	2022 £000s	2021 £000s
<b>Amounts recognised as Other Comprehensive Income</b>		
(Return on plan assets in excess of interest income)	(1,090)	(8,629)
Actuarial (gain)/loss on demographic assumptions	(612)	–
Actuarial (gain)/loss on financial assumptions	(4,447)	9,704
Actuarial (gain)/loss on experience adjustment	(2,779)	–
<b>Total recognised as Other Comprehensive Income</b>	<b>(8,928)</b>	<b>1,075</b>

	Assets £000s	Liabilities £000s	Total £000s
<b>Reconciliation of scheme assets and liabilities</b>			
<b>At 1 April 2021</b>	53,985	(59,116)	<b>(5,131)</b>
Benefits paid	(1,218)	1,218	–
Current service cost	–	(502)	<b>(502)</b>
Interest income/(cost)	1,098	(1,200)	<b>(102)</b>
Employer contributions	320	–	<b>320</b>
Employee contributions	54	(54)	–
Actuarial gain	–	7,838	<b>7,838</b>
Return on scheme assets excluding interest income	1,090	–	<b>1,090</b>
<b>At 31 March 2022</b>	<b>55,329</b>	<b>(51,816)</b>	<b>3,513</b>

#### SHG Scheme 2017

During the year the Group paid contributions at a rate of 20.7% of pensionable pay, except for ex-Crown Simmons employees where the Group paid 11.4%. In addition a further payment of £619,000 (2021: £450,000) was made towards an identified deficit.

The employer contribution rate to be applied for all employees from 1 April 2022 is 25.6%.



The results of the calculations and the assumptions adopted are shown below.

	2022 % pa	2021 % pa
<b>Actuarial assumptions</b>		
Rate of increase in salaries	3.20	3.35
Discount rate	2.70	2.05
Inflation assumption – RPI	3.70	3.35
Inflation assumption – CPI	3.20	2.75

	Male	Female
<b>Mortality assumptions</b>		
Current pensioner aged 65	20.80	23.30
Future retiree upon reaching 65	22.00	24.80

The major categories of scheme assets as a percentage of total scheme assets are:

	2022 %	2021 %
Equities	0.00	32.48
Liability-driven investment	25.95	22.35
Bonds and credit	72.00	0.00
Diversified growth fund	0.00	41.80
Cash	2.05	3.37
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

	2022 £000s	2021 £000s
<b>Net defined benefit (liability)/asset</b>		
Fair value of scheme assets	33,526	32,911
Present value of defined benefit obligation	(37,334)	(39,450)
<b>Defined benefit liability recognised in statement of financial position</b>	<b>(3,808)</b>	<b>(6,539)</b>

	2022 £000s	2021 £000s
<b>Amounts recognised in profit or loss</b>		
Current service cost	214	177
Past service cost	–	–
Administration expenses	–	22
Net interest cost	127	75
<b>Total recognised in profit or loss</b>	<b>341</b>	<b>274</b>

	2022 £000s	2021 £000s
<b>Amounts recognised as Other Comprehensive Income</b>		
(Return on plan assets in excess of interest income)	(308)	(3,864)
Actuarial (gain)/loss on demographic assumptions	(1,154)	–
Actuarial (gain)/loss on financial assumptions	(2,102)	7,250
Actuarial (gain)/loss on experience adjustment	1,224	–
<b>Total recognised as Other Comprehensive Income</b>	<b>(2,340)</b>	<b>3,386</b>

	Assets £000s	Liabilities £000s	Total £000s
<b>Reconciliation of scheme assets and liabilities</b>			
<b>At 1 April 2021</b>	32,911	(39,450)	<b>(6,539)</b>
Benefits paid	(1,172)	1,172	–
Current service cost	–	(214)	<b>(214)</b>
Interest income/(cost)	671	(798)	<b>(127)</b>
Employer contributions	732	–	<b>732</b>
Employee contributions	76	(76)	–
Actuarial gain	–	2,032	<b>2,032</b>
Return on scheme assets excluding interest income	308	–	<b>308</b>
<b>At 31 March 2022</b>	<b>33,526</b>	<b>(37,334)</b>	<b>(3,808)</b>

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 25. Pension scheme liability (continued)

#### 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 2022-23 (2021-22: 31.6% plus £350,000).

The major assumptions used in this valuation were:

Actuarial assumptions	2022 % pa	2021 % pa
Pension increase rate	3.30	2.85
Rate of increase in salaries	4.10	3.65
Discount rate	2.70	1.95
Inflation assumption – RPI	3.85	3.00
Inflation assumption – CPI	3.30	2.85

Mortality assumptions	Male	Female
Current pensioner aged 65	21.70	24.00
Future retiree upon reaching 65	22.60	25.70

The major categories of scheme assets as a percentage of total scheme assets are:

	2022 %	2021 %
Equities	75.00	74.00
Property	6.00	5.00
Bonds	16.00	20.00
Cash	3.00	1.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Net defined benefit (liability)/asset	2022 £000s	2021 £000s
Fair value of scheme assets	6,936	6,617
Present value of defined benefit obligation	(7,710)	(8,153)
<b>Defined benefit liability recognised in statement of financial position</b>	<b>(774)</b>	<b>(1,536)</b>

Total expense recognised in statement of comprehensive income	2022 £000s	2021 £000s
Current service cost	60	44
Net interest cost	27	35
<b>Total recognised in statement of other comprehensive income</b>	<b>87</b>	<b>79</b>

Reconciliation of scheme assets and liabilities	Assets £000s	Liabilities £000s	Total £000s
<b>At 1 April 2021</b>	6,617	(8,153)	<b>(1,536)</b>
Benefits paid	(350)	350	–
Current service cost	–	(60)	<b>(60)</b>
Interest income/(cost)	129	(156)	<b>(27)</b>
Employer contributions	386	–	<b>386</b>
Employee contributions	8	(8)	–
Actuarial gain	–	317	<b>317</b>
Return on scheme assets excluding interest income	146	–	<b>146</b>
<b>At 31 March 2022</b>	<b>6,936</b>	<b>(7,710)</b>	<b>(774)</b>

#### Defined contribution schemes

The amount recognised as an expense for the year in respect of the defined contribution scheme was £1,819,980 (2021: £1,893,129).

## 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).

## 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. Registered office: Fleet House, 59-61 Clerkenwell Road, London EC1M 5LA. 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)	Sole 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 Yarlington Housing 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

## Notes to the financial statements

For the year ended 31 March 2022  
(continued)

### 28. Related parties

Intra-group transactions for Southern Housing Group Limited with non-regulated group members are as follows:

	2022 £000s	2021 £000s
<b>Payments received by Southern Housing Group Limited</b>		
Administration support costs recharged to Southern Development Services Limited, Spruce Homes Limited and Southern Housing Construction Limited	581	2,412
Loan interest from Southern Space Limited, Spruce Homes Limited and Southern Housing Construction Limited	91	53
Directors' services and income received from Affinity Housing Services (Reading)	206	150
Provision of administrative services to Triathlon Homes LLP	2,245	1,469
Gift Aid from Southern Development Services Limited	34	143
<b>Total</b>	<b>3,157</b>	<b>4,227</b>

	2022 £000s	2021 £000s
<b>Payments made by Southern Housing Group Limited</b>		
Development costs paid to Southern Development Services Limited	9	—
Management costs paid to Spruce Homes Limited	151	139
<b>Total</b>	<b>160</b>	<b>139</b>

	2022 £000s	2021 £000s
<b>Assets</b>		
Intercompany debtor due from Southern Space Limited, Spruce Homes Limited and Southern Housing Construction Limited to Southern Housing Group Limited	3,059	2,438
Redeemable loan notes due from Affinity Reading (Holdings) Limited	2,285	2,146

	2022 £000s	2021 £000s
<b>Liabilities</b>		
Intercompany creditor due from Southern Housing Group Limited to Southern Space Limited, Southern Development Services Limited and Southern Housing Construction Limited	150	990

Intra-group transactions for Southern Home Ownership with non-regulated group members are as follows:

	2022 £000s	2021 £000s
Management income from Spruce Homes Limited	308	377
Development costs paid to Southern Development Services Limited and Southern Housing Construction Limited	4,596	3,249
Intercompany debtor due from Spruce Homes Limited	20	26
Intercompany creditor due to Southern Development Services Limited and Southern Housing Construction Limited	651	1,087

Payments totalling £9,835 (2021: £1,406) were made to Southern Housing Group Limited by Board members who were leaseholders during the year. The terms of the leases 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 2022.

### 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 comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties.

Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ring fenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £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:

	2022 £000s	2021 £000s
Property, plant and equipment	13,636	14,005
Cash	15,285	15,285
Investment properties	6,910	6,910
<b>Total assets less current liabilities</b>	<b>35,831</b>	<b>36,200</b>
Creditors: amounts falling due after more than one year		
Social housing and other grants	(7,701)	(7,701)
<b>Total net assets</b>	<b>28,130</b>	<b>28,499</b>
<b>Net income from permanent endowed assets</b>		
Income from lettings	1,748	1,802
Less expenditure on letting activities	(58)	(839)
Surplus on letting activities	1,690	963
Loss on revaluation of investment properties	–	(310)
	<b>1,690</b>	<b>653</b>

### 30. Contingent liabilities

The Group has grant funding 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 £60,878k (2021: £61,001k) 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 2022 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 £176,900k (2021: £168,541k).

### 31. Business Combination

A fair value gain on acquisition of £58,844k was recognised in 2021 relating to the net assets of Crown Simmons Housing which were acquired, primarily being housing properties held for letting. The prior year financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

### 32. Post balance sheet events

On 24 March 2022 Optivo and Southern Housing Group Limited announced they had agreed to enter merger talks. If the merger goes ahead then the business combination will be effected through an amalgamation under Section 109 of the Community Benefits Societies Act 2014.

On 19 July 2022 fires across the Rookery Farm estate in Dagenham destroyed 14 properties, 6 of which belonged to SHG which had a carrying value of £0.1m in the accounts as at 31 March 2022. Thankfully, there were no fatalities, however the loss of homes, property and belongings has been extremely hard to bear for the residents affected.



Principal advisers, Secretary  
and registered office

External auditors	Principal bankers	Secretary and registered office
<b>BDO LLP</b>  <b>Chartered accountants and statutory auditors</b> 55 Baker Street London W1U 7EU	<b>National Westminster Bank PLC</b>  <b>Corporate banking</b> Second Floor, County Gate 2 Staceys Street Maidstone Kent ME14 1ST	<b>Noreen Adams</b>  <b>Head of Governance and Group Company Secretary</b> Southern Housing Group Fleet House 59-61 Clerkenwell Road London EC1M 5LA



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