Annual Report & Financial Statements

2022/2023

Sanctuary Group

Year at a Glance 2022/2023 Highlights

Group revenue
£943.8m (16.2% growth)

Underlying operating surplus margin excluding asset sales
20.0%

Housing residents providing positive feedback
73%

Homes in management
119,695

Capacity – Cash, undrawn facilities and available security
£1,961m

Care resident satisfaction
95%

Employee engagement – Your Say engagement score
76%

Carbon emissions – Tonnes of CO_2e per employee
2.37

Compliance – Properties with valid gas safety certificate
99.7%

New homes built (incl. JVs and consortia)
1,278
Homes on site and in development
4,760

Energy Performance Certificate ratings – Average rating
72

Care Quality Commission ratings – Sanctuary Care (Good or Outstanding)
94%

Care Quality Commission ratings – Sanctuary Supported Living (Good or Outstanding)
98%

Care Occupancy
88%
Student Occupancy
92%

Group credit ratings – Moody's
A2

Group credit ratings – Standard & Poor's
A

Housing regulator ratings Governance
G1

Housing regulator ratings Viability
V2

Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a basis that enables comparison of performance; they are defined and/or reconciled in Appendix 3 on page 218 and the Value for Money statement on page 76.

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Group Chair and Group Chief Executive's Statement

It has been another year of growth and recovery from the pandemic. Our financial results reflect this progress with an improvement in our surplus. We have invested this surplus in record reinvestment spend while maintaining appropriate levels of financial robustness and resilience.

One of the highlights of 2022/2023 was the rescue of Swan Housing Association. We recognise that, as one of the leading and largest not-for-profit housing and care providers in the country, we have a role to play in ensuring the resilience of the sectors in which we operate. Securing a rescue deal for Swan is consistent both with the best interests of Sanctuary and its strategy for growth. There is much still to do at Swan, but being part of Sanctuary has brought much-needed stability to the organisation, while safeguarding Swan's services to its residents.

We expanded our care services during the year with the acquisition of Cornwall Care and its 15 care homes. As part of the acquisition, we agreed a long-term strategic partnership with Cornwall Council, enabling the two organisations to work closely together to provide high-quality care and support to enrich the lives of residents across the county.

Across England and Scotland we built over 950 new homes during the year, adding to the much-needed provision of good-quality, affordable homes.

This growth means we now manage 119,695 homes across England and Scotland, reflecting our ambition to grow our services to support even more customers.

Our customers are at the heart of everything we do. The Group Board and senior executives engage regularly with our resident panels as well as making visits to meet and listen to customers in our communities and homes across the country. We use their feedback to help formulate and inform our strategy. We will continue to listen and use customer feedback to shape and improve our services.

In January we launched our new 2023-2026 Corporate Strategy which outlines our three key strategic priorities – putting our customers first, investing in our assets, and growing our services. These priorities will ensure we are delivering our mission of building affordable homes and sustainable communities where people choose to live.

We also published our 2022-2025 resident engagement strategy, Shaping our Future, which was created working directly with our residents and explains how we will strengthen our engagement with and influence from customers across the country. During the year we also expanded and enriched our existing resident panels, with the formation of a Resident Advisory Panel and Resident Scrutiny Panel to ensure our residents' valuable insights are included in forward looking strategy and in scrutinising our performance.

The year has, however, not been without its challenges. Double digit cost inflation is not only having a direct impact on Sanctuary, but also a wider impact on our communities. The full impact of higher inflation and interest rates will be a challenge over the next 12 to 24 months, but we will help mitigate these risks for our customers

Group Chief Executive Craig Moule and Group Chair Andrew Manning-Cox meet with members of the Resident Advisory and Scrutiny Panels

Group Chief Executive Craig Moule and
Group Chair Andrew Manning-Cox

by providing them with access to support. Our hedging policy on energy and forward purchasing has already helped mitigate the impact of fuel price inflation on the organisation and our residents.

We are also acutely aware of the impact of the seven per cent rent cap announced by the Government. While this increase was more than expected, the adverse impact of inflation on our cost base means our margins are tightening.

Despite these pressures we remain focused on maintaining a strong operating financial performance and a robust overall financial position so our customers and wider stakeholders can rely on us for the long-term. We underpinned this commitment with a £150 million bond issuance in July 2022, where despite the volatile market, the Group attracted a broad range of investors and the issuance was five times oversubscribed.

Last year we pledged to reinvest £100 million in our homes during 2022/2023. We spent £96 million on works, with the remaining investment either committed or in progress. Despite the issues with the supply of labour and materials, this record investment underpins our commitment to improving our homes for our customers.

In October 2022 we launched our second Environment and Climate Change Strategy, detailing the steps we have taken and our plans for reducing our carbon footprint and making our homes more energy efficient for residents.

As well as our own commitments, we have also strengthened our work through the Greener Futures Partnership, a unique collaboration of five of the UK's largest not-for-profit social housing providers. The combined strength of the Partnership has enabled us to secure over £40 million funding from the Government's Social Housing Decarbonisation Fund to retrofit 5,495 homes across the consortium members nationwide. Together, with our partners in the Greener Futures Partnership, we will be investing over £100 million over the next two and a half years for the benefit of thousands of customers.

We all remain deeply saddened by the tragic death in 2020 of toddler Awaab Ishak in a home provided by Rochdale Boroughwide Housing Association, and are committed to taking all the steps to prevent such a tragedy occurring in our residents' homes. We have a zero-tolerance approach to managing damp and mould. Our dedicated damp and mould taskforce is working proactively to manage any cases of damp and mould in residents' homes as quickly and effectively as possible. We will continue our work in this area over the next 12 months, engaging directly with customers to ensure they live in homes that feel safe, secure and warm.

Our exposure to building safety issues remains modest and we are confident in the steps we have taken to ensure Sanctuary is compliant with the new Building Safety Act. We have reviewed all our buildings over 11 metres tall and in the small number where remediation is needed works are already in progress. We have also assessed all of Swan's buildings.

We are committed to employing, developing and retaining the best people, by providing a culture where everyone can thrive and be themselves. We seek to continue to develop high performing teams who are committed to our mission and values – Ambition, Inclusion, Integrity, Quality and Sustainability – and take ownership of the services we deliver.

This year we launched a new behaviour framework which sets clear and accountable expectations of how we will work, aligned to our values. Our positive and inclusive culture at Sanctuary was further enhanced in December 2022 when we launched a new disability employee network complementing our already established equality, diversity and inclusion networks across the organisation.

We are acutely aware of the many external factors impacting the sectors in which we operate – a challenging macro-economic environment, investment in building safety, shortage of affordable housing, the need to future-proof our homes and, of course, the cost-of-living pressures which are disproportionately affecting the most vulnerable in society.

Through our financial resilience and new Corporate Strategy, we are well placed to mitigate these challenges and deliver for our customers today and for the long-term.

Andrew Manning-Cox
Group Chair

Craig Moule
Group Chief Executive

28 June 2023

Our Strategic Context

> **"The provision of housing and social care has come under even closer scrutiny** from key stakeholders to deliver secure, safe and decent housing and high-quality care in the long-term."

The last few years have been unprecedented in terms of the challenges faced and the resilience demonstrated by colleagues across Sanctuary.

During the last 12 months, we have continued our recovery from the pandemic and our future vision seeks to build upon the dedication and innovation our teams have shown.

While we are aware of the many external factors impacting the sectors in which we operate – investment in building safety, the need to future-proof our homes, the rent cap, labour shortages, reducing margins, and the cost-of-living pressures – we have the financial strength and resilience to ensure the sustainability of our homes and communities and focus our work on the people that matter most, our customers.

The provision of housing and social care has come under even closer scrutiny from key stakeholders to deliver secure, safe and decent housing and high-quality care in the long-term.

An affordability crisis in both housing and care remains a key focus, and the squeeze on income for households through the cost-of-living crisis is further adding to this. We continue to play a fundamental role in enhancing the supply of high-quality and affordable housing and care across the country, while investing in our homes and working closely with our customers to improve services.

As an accountable, socially-responsible and financially-secure organisation we will work with Government, local authorities, NHS commissioners and other charitable organisations to both invest in our existing communities as well as help meet growing demand.

Sanctuary resident Rana Judge at Anderston Allotments in Glasgow

Our Strategy

In January 2023 we launched our new three-year Corporate Strategy which places customers at the heart of everything we do. The strategy outlines our three key strategic priorities to ensure we are delivering our mission – to build affordable homes and sustainable communities where people choose to live:

- Putting our customers first
- Investing in our assets
- Growing our services

Putting our customers first is at the heart of everything we do. Over the life of the strategy, we will focus on designing new operating models and ways of engaging that give our customers reliable, easy-to-access and personalised services.

One of the most important things our customers have told us is they want to live in homes that they can be proud of. **Investing in our assets** gives our customers confidence that the homes they live in are safe, secure and fit for the future. We'll increase our investment in our customers' homes, including investing in thousands of energy efficiency retrofits, as part of our journey to become carbon neutral.

To support these objectives, **growing our services** remains a core part of our strategy. As a truly national provider of housing and care services, we recognise that Sanctuary has a unique role to play in ensuring the continued success of the sectors in which we operate and services these provide to society. We will therefore seek opportunities to expand our services in line with our core social purpose and develop new homes in communities, working in collaboration with key organisations.

To support the delivery of our strategic objectives, we have also outlined our three key ingredients for change:

- Culture and people – continuing to develop high-performing teams in an inclusive culture where everyone can thrive.
- Innovation and infrastructure – designing and launching a range of customer experience solutions and providing a greater choice for customers through the implementation of self-service tools.
- Good governance and financial resilience – monitoring current and projected performance and taking corrective action where necessary, and strengthening the role and voice of our customers.

Our priorities are supported by our Value for Money Strategy to ensure that we make the best use of our spend. The key performance indicators against which we measure Value for Money performance are included in the Value for Money section of this report.

You can read our Corporate Strategy 2023 – 2026 at www.sanctuary.co.uk/publications.

Customers First

Care Assistant Toni Rylance and resident Margaret Stark, Bridge View House Care Home, Dundee

"**Customer insight and feedback is vital** in learning what we do well and where we can improve our services."

We take a customer-first approach that drives the design of our systems and processes, making the experience of our customers central to how we operate and make decisions.

Customer insight and feedback is vital in learning what we do well and where we can improve our services. Integral to this is customer engagement. Our 2022-2025 Resident Engagement Strategy for our housing and supported living operations explains how we'll strengthen our engagement by working with our residents across the country.

Shaping our Future was informed directly by the voices and experiences of our residents and the communities in which we operate, based on feedback from over 3,000 Sanctuary residents and 350 members of staff through a listening exercise led by our National Resident Scrutiny Panel (NRSP). We identified three priorities – Local Engagement, Strategic Engagement, and Customer Experience. The strategy is already influencing our decision-making and holding us to account for the services we provide.

In line with this, we have been actively seeking our residents' views. Since November 2022 we have surveyed around 250 of our customers each month, to hear what they think about the services we provide. This work is part of our preparation for the new Tenant Satisfaction Measures, metrics we are required to share with the Regulator of Social Housing. We welcome these new measures and regulations, which will see us survey a minimum of 2,800 customers during 2023/2024.

Feedback is important so we can continue to improve. The quality of our services is rated by residents, with 73% of housing customers providing positive feedback in the year.

We will continue to build trust by actively listening and connecting to all our customers, including those who do not interact with our traditional engagement routes. To develop these relationships, we have modernised the way we communicate, launching and embedding a new tone of voice for our housing and supported residents across all our communications channels. We will use customer insight to put in place changes to our current operating model. We will transform the customer experience by empowering our local housing teams and providing them with the tools to focus on what they do best – supporting our customers.

Central to the success of our customer first approach is embedding this message from the top down. This is embodied through the recruitment of our first Chief Customer Officer, Lizzie Hieron, in the last 12 months.

We have also introduced a new Resident Advisory Panel made up of 12 residents from a variety of backgrounds to help us embed customers' views into our strategic decision-making, further strengthening our commitment to putting customers first and involving residents in all levels of our work. Members of the panel will advise our Executive team and Group Board, running in tandem with our Resident Scrutiny Panel which will continue to review the impact of decisions after they have been made. This doubles the number of involved residents in helping shape and improve our services from 12 to 24.

In our care business, our teams are proudly committed to enriching the lives of our residents. This means they go above and beyond the standard expectations of providing good-quality care and support to enable every resident to live a fulfilled life. This approach is underpinned by our independent and innovative Enriching Lives research, which shows residents and families need to have six senses met to be fulfilled and content. These six senses are security, belonging, continuity, purpose, achievement, and significance. Care resident satisfaction scores were 95% this year.

We also continue to support thousands of residents through our supported living business on their pathways to independence, new customers through the building of much needed new affordable and outright sale homes through our development arm, and students across our diverse portfolio of nationwide student accommodation.

Case Study:

Tone of Voice

We have developed a tone of voice during the last 12 months to help colleagues communicate more effectively with customers.

The tone of voice has been created working with more than 400 customers to help us communicate more consistently and help build positive, two-way connections with our housing and supported living residents.

Accessibility and inclusion were considered upfront, with an 'Inclusive by Design' approach taken.

Our residents get lots of different communications from us and we knew the inconsistent tone did not provide a positive customer experience, or the warm relationship we would like with our customers.

Residents encouraged us to think differently about how we communicate, and their contributions made us better informed and able to deliver communications that work.

As part of the project, we produced a guide which will ensure colleagues have the advice and tips to communicate more effectively with customers and use the best channels.

We have also updated recorded messages for residents when calling our Customer Service Centre, updated template letters and emails, and created a Resident Editorial Panel to help shape the future of our work. The panel will be part of the approval process for large-scale customer communications we produce in the future.

"Our residents get lots of different communications from us and **we knew the inconsistent tone did not provide a positive customer experience**, or the warm relationship we would like with our customers."

Housing Officer Danielle Ryan and resident Lilian Utz

Growing Our Services

“While we remain ambitious, **we will not grow at any cost.** We are focused on making decisions with the long-term in mind.”

Sanctuary is one of the largest not-for-profit housing and care providers in the country, managing around 120,000 homes across England and Scotland.

We have been operating for more than 50 years and have grown our services considerably over this time, as a result of our ability to bring together the best of organisations and move forward in the best interests of our customers.

As a leader in our field, we understand we also play a wider role in ensuring the resilience of the sectors in which we operate and the continued provision of essential services to people from all backgrounds.

We therefore had no hesitation in stepping in to rescue Essex-based Swan Housing Association, securing the future of the 13,000-home landlord and helping to ensure the continued strength of the housing sector over the last 12 months. Swan’s financial viability was under serious threat, so we worked quickly to secure a rescue deal, with our financial strength bringing stability to the organisation and safeguarding its services for customers and communities.

We recognise that the operating environment for many in our sectors has been challenging, with some providers moving away from providing certain services. We consider the provision of housing, care and support to be our core purpose and remain committed to these services, even as others choose to step back.

In 2022/2023 we further expanded our care services with the acquisition of Cornwall Care. The deal ensures Cornwall Care residents will continue to receive high-quality care that enriches their lives, as well as benefitting from long-term investment in their homes and services. Through our Sanctuary Care business, we now manage 108 care homes across England and Scotland, providing care for more than 5,500 residents.

We also agreed a long-term Strategic Partnership with Cornwall Council as part of the acquisition, underpinning our commitment to upgrading care services across the county. The partnership will enable us to serve even more people in Cornwall, and by strengthening our links with the council we can work closely to provide high-quality care and

Local Service Manager Lindi Urubusi and Specialist Project Worker Jet Lengalenga

support to elderly and vulnerable residents. As well as protecting the future of essential care and support services, the deal further strengthened our housing and care provision in Cornwall. Sanctuary has been a registered provider and significant housing developer in Cornwall for over 40 years, managing over 2,000 homes in the county.

While we remain ambitious, we will not grow at any cost. We are focused on making decisions with the long-term in mind and we will continue to be selective about future growth to make sure it delivers benefits to Sanctuary and our residents.

We are now working through integration plans for Swan and Cornwall Care, to fully embed their services into the organisation. Growth of this nature enables us to bring fresh ideas into Sanctuary and this integration process will seek to take the best from all organisations.

We have extensive experience in integrating new businesses and the integration work will take place over achievable timeframes and alongside existing change programmes already underway within the organisation.

In Scotland, following the successful integration of Thistle Housing Association, the second year of delivering transfer promises has resulted in our residents receiving a rent increase restricted to 3%, reinvestment in their homes in the form of kitchens, bathrooms and heating systems, and community investment initiatives.

We will continue to seek opportunities for expansion that are in line with our core social purpose and are in the best interests of Sanctuary and our customers.

We are committed to developing new, high-quality housing of different tenures and continue to build new housing across a range of affordable rental and homeownership tenures. We also build properties for open market sale, which enables us to supplement the cost of building our affordable homes.

While we remain committed to building new homes for those who need them, we will not prioritise new housing above reinvestment in our existing homes. To deliver our development ambitions, we will work in collaboration with key organisations. We completed the construction of over 950 homes during the year and we have a Strategic Partnership with Homes England to build 1,000 more new homes between now and 2026.

We will also continue to seek opportunities for joint ventures with trusted partners, and all our developments will be built with the long-term in mind, thinking about both the environmental impact of the construction process and how to minimise carbon emissions from the use of our homes by many generations of residents to come.

Culture and People

"We welcome everyone at Sanctuary, no matter their background. **We are passionate about equality** and ensuring people feel included."

We want to foster an inclusive, open culture in which people are proud to work for us. We employ around 14,000 staff in a variety of roles across England and Scotland who are committed to delivering the best possible service for our customers.

The last few years have been unprecedented in terms of the challenges faced by colleagues across Sanctuary. They have shown incredible resilience, dedication and innovation to ensure the sustainability of our homes and communities.

We are committed to developing and retaining the best people, by providing an environment where everyone can thrive. We seek to develop high-performing teams who are dedicated to our mission and values – Ambition, Inclusion, Integrity, Quality and Sustainability – and take ownership of the services we provide.

We know we need to have high-quality leadership throughout the organisation to help our people to flourish. This year we launched a new behaviour framework that sets out clear and accountable expectations of how our core values align to how we work. This approach supports a positive and customer-centric culture in which all colleagues have a clear focus and can maximise their potential.

We welcome everyone at Sanctuary, no matter their background. We are passionate about equality and ensuring people feel included, valued and engaged. Our Inclusion for All strategy outlines the steps we are taking to embed a working environment where people can bring their whole selves to work.

This year we launched a new Disability Network for staff, and members work closely with our already established and growing PRISM (LGBTQ+), Race Equality, and Parents' Networks. Equality, diversity and inclusion are integral to our work, and we host regular flagship events around key dates – such as PRIDE month – to help educate colleagues and embed an inclusive culture. Our employee networks are also supported to carry out their own activities over the course of the year, to further connect with our teams.

Our philosophy of innovation and continuous improvement will help us all to deliver the best possible services alongside our strategic commitments. An essential ingredient of that is open conversations between colleagues across all levels of the organisation.

Members of our Executive team regularly visit colleagues in communities across the country to talk about what it's like to work for Sanctuary. Our senior leaders hold a range of briefings for people to ask questions and learn more about the future strategic vision for the organisation. We've also introduced Viva Engage – an employee communication tool – to help our teams further connect with each other at all levels about the topics and questions that matter to them most.

Through more formal routes, our Staff Council is made up of colleagues who engage with management on key issues and share feedback on behalf of our people. Representatives and senior colleagues come together regularly to discuss business and employment issues in a bid to make long-term improvements.

Opinions and comments are also gathered through our annual organisation-wide Your Say survey, which is used to help shape Sanctuary to be an even better place to work. The annual engagement score for this year was 76%, consistent with last year and above the external benchmark of 64%. Inclusion, support and empowerment scored 81% in the survey, key qualities which remain essential to our culture, while role fit also scored highly and suggests colleagues are working in roles for which they are well-equipped.

Recognising and rewarding talent helps our colleagues to thrive so we were delighted to launch our new Sanctuary Stars awards scheme in 2022/2023. Following feedback from colleagues, we introduced several new award categories alongside our existing annual Employee of the Year award to celebrate the achievements of individuals and teams.

Growing our own people through the Sanctuary Learning Academy is a key focus, as well as using our successful apprenticeship and graduate schemes to bring fresh talent into the organisation.

Resident Monica Leathwaite and Housing & Communities Connector Abigail Burns

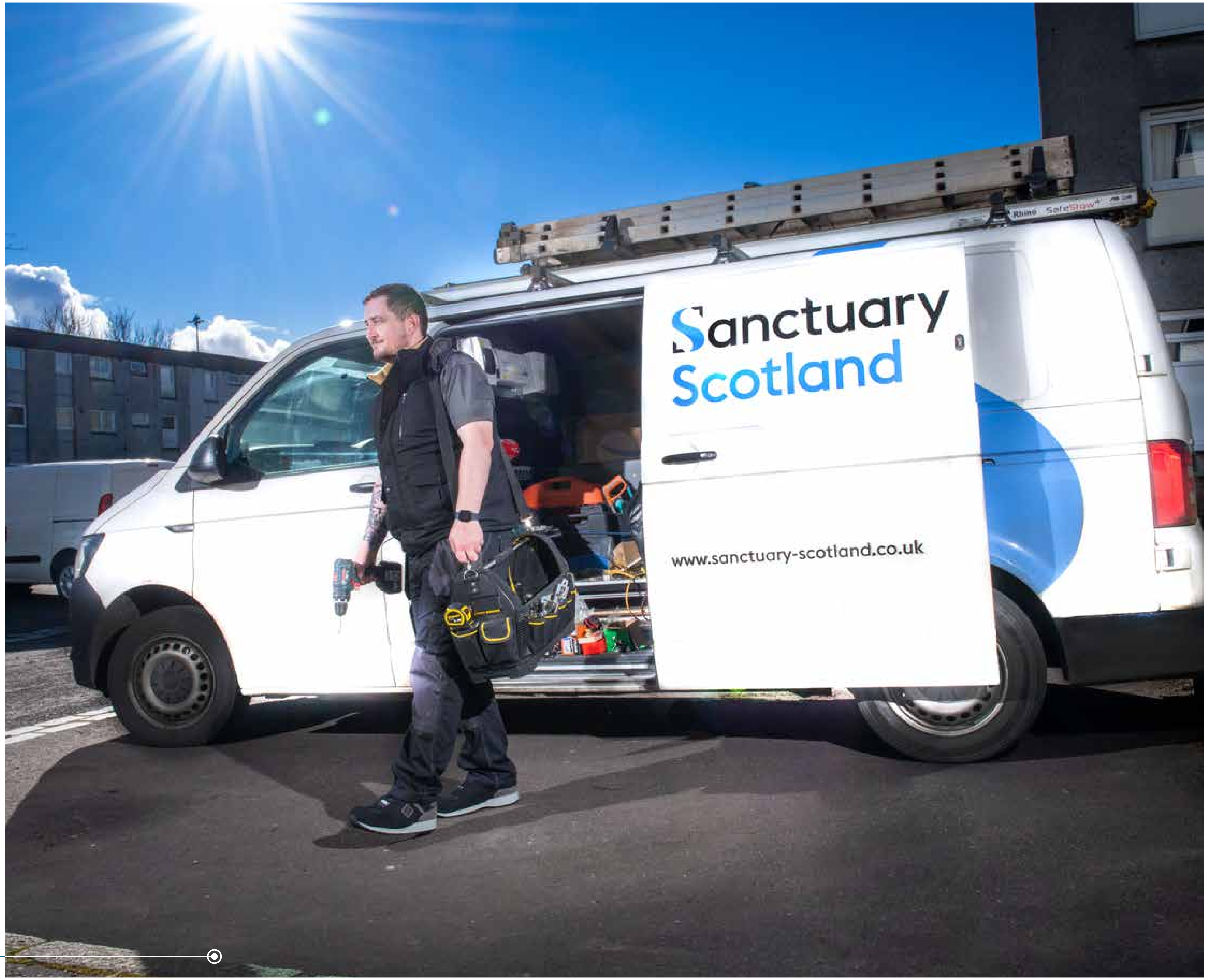
During the year 45,991 (2022: over 44,500) training courses or webinars facilitated by the Learning Academy or through local training events were completed by Sanctuary staff, 190,144 (2022: 158,500) e-learning modules were completed, and 221 (2022: 234) staff completed qualifications recognised by the Regulated Qualifications Framework. This year we also supported 223 apprentices (2022: 125).

We use the Investors in People (IiP) framework across the organisation to develop working environments where our people can thrive, with Sanctuary Supported Living and Sanctuary Scotland retaining their IiP Gold accreditation in the last 12 months. Employees are also supported through our My Performance management system. The approach allows colleagues to have great conversations with their managers about their work, achievements and future objectives to deliver on personal development plans.

Supporting colleagues' wellbeing helps them to shine at work. We continue to support and champion both the physical and mental health of our people, including through our network of more than 900 Mental Health First Aiders. We offer a reward and wellbeing package, My Rewards, that provides flexibility for employees to tailor their benefits to support their individual needs.

Alongside this, we promote a range of informative events to colleagues to raise awareness and provide information on a variety of topics, while also supporting external campaigns such as Mental Health Awareness Week.

Colleagues are also entitled to volunteer for two days each year through our dedicated Employee Volunteering scheme. The aim is for colleagues to develop and improve a range of skills while giving something back to the community. We also encourage people to get involved in supporting our employee-chosen Charity of the Year, where they can help raise money or volunteer time supporting a charity individually or with their teams.



Trade Operative Chris Old

Case Study:

Awards Treble for Inspirational Apprentice

"I'm over the moon to have won. **It was an honour just to be nominated** and I never expected to win one award, let alone all three."

We are committed to nurturing the talent of our people at Sanctuary and providing opportunities for career progression and development.

Our apprenticeship scheme plays an integral part in this, having supported more than 2,000 into work since it was launched in 2008.

We're so proud of our former Customer Service Apprentice, Emily Tidmarsh, who has scooped three apprenticeship awards during the last 12 months.

Emily has now moved into a permanent role as Finance Administrator with Sanctuary.

She was named Intermediate Apprentice of the Year at the 2022 Worcestershire Apprenticeship Awards and received the same accolade at the West Midlands regional finals of the National Apprenticeship Awards. Emily was also named Level Two Commerce Apprentice of the Year at the Herefordshire and Worcestershire Group Training Association (HWGTA) Apprenticeship Awards.

The awards celebrate the value of apprenticeships and their role in preparing people for successful careers with local businesses. Emily was recognised for her dedication and commitment to her role within Sanctuary's Care Billing team, as well as her efforts to promote and champion apprenticeships to others.

Emily said: "I'm over the moon to have won. It was an honour just to be nominated and I never expected to win one award, let alone all three.

"I'm really proud of how far I've come in my apprenticeship at Sanctuary and want to thank everyone who has supported me on my journey. Choosing an apprenticeship really was the best decision I ever made – I'd recommend it to anyone!"

Michelle Wood, Sanctuary's Group Head of Learning and Development, said: "Apprenticeships add real value for both individuals and local employers. We're committed to investing in them and helping people to unlock their potential and realise their ambitions."

Finance Administrator Emily Tidmarsh receiving the award for Intermediate Level Apprentice of the Year at the 2022 Worcestershire Apprentice Awards

Investing in Our Assets

Homes in Management

Sanctuary is one of the largest housing associations in the UK. We own and manage around 120,000 homes throughout England and Scotland, providing housing and care to more than a quarter of a million people.

We play our part in tackling the national housing crisis by building good-quality, affordable homes all over the UK. We build to a wide variety of needs and styles, with the aim of creating or adding to a sustainable community.

Sanctuary's homes in management are shown in the table below.

	Group		Association	
	2023	**2022**	**2023**	**2022**
Social housing accommodation:				
General needs housing	61,489	53,919	45,610	45,671
General needs housing affordable rent	6,750	6,176	3,158	3,149
Supported housing accommodation	4,728	4,456	3,496	3,523
Supported housing affordable rent	104	104	5	5
Housing for older people	10,715	10,686	10,271	10,321
Housing for older people affordable rent	588	559	110	110
Social care homes	219	235	180	201
Keyworker (social lets)	504	509	504	509
Shared ownership	4,896	3,532	2,501	2,542
Home ownership	8,700	7,724	5,030	4,987
Social housing leased outside Group tenancy	424	302	205	185
	99,117	**88,202**	**71,070**	**71,203**
Non-social housing accommodation:				
Student and keyworker (non-social lets)	11,452	10,695	6,946	6,946
Registered care homes	5,676	5,302	1,943	2,107
Commercial	275	205	153	151
Market rented accommodation	373	106	77	78
Other non-social rental accommodation	362	326	6	6
Non-social leased housing	1,957	310	62	62
Non-social housing leased outside Group agreements	483	363	336	363
	20,578	**17,307**	**9,523**	**9,713**
Total homes in management	**119,695**	**105,509**	**80,593**	**80,916**

The acquisition of Swan Housing Association on 8 February 2023 resulted in the recognition of 10,359 social housing properties and 2,642 non-social housing properties. The increase in the number of registered care homes relates to the acquisition of Cornwall Care on 21 October 2022. In addition to these acquisitions, Sanctuary also developed new social housing properties during the year.

At 31 March 2023, the Group had 4,760 (2022: 5,183) homes in development, with 2,786 (2022: 2,362) on-site.

The Group owns 1,021 homes that are managed by third parties (2022: 999).

Reinvestment in Our Homes

Our aim is for our customers to live in homes and communities they can be proud of. As a not-for-profit organisation focused on long-term sustainability and value for money, we must prioritise our resources carefully and direct our funding where it will have the greatest impact.

While ensuring all our homes meet Decent Homes requirements remains a key priority, we believe this is a minimum – not maximum – standard. As such our reinvestment plans incorporate a more holistic and proactive view of our assets with the aim of futureproofing them beyond the challenges of the here and now. This means focusing on upgrading components such as lifts, roofs, windows, and doors to ensure our customers' homes, our care homes, schemes, and student accommodation are safe, secure, fit-for-purpose and well-maintained.

Our Environment and Sustainability review on page 28 (excluding Swan) details how we are also working with customers to make the homes and buildings we own warmer and less carbon intensive on our path to achieve net zero-carbon emissions by 2050.

Across all our services, our future asset plans are based on a range of data sources, as well as customer insight, to ensure we target our investment where there is the greatest need. We will continue to focus on enhancing the data on our properties to enable us to plan effectively.

Capital spend on existing assets during the year, inclusive of Swan, is summarised in the following table. These figures encapsulate planned reinvestment works, responsive capital works, fire safety and remodelling for all operational areas within the Group.

	Group	
	2023	**2022**
	£m	**£m**
Responsive capital	33.9	19.2
Planned reinvestment	54.4	50.2
Fire safety	8.0	4.1
Remodelling	11.1	8.3
	107.4	81.8
Grant funding	(4.8)	-
	102.6	81.8

Our investment in improving our homes has now surpassed pre-pandemic levels and represents Sanctuary's highest ever annual spend. Further details of specific activities within each operating division are included in the Business Reviews on pages 54 to 75.

Property condition satisfaction metrics for England are shown below.

	Group (excluding Swan)	
	2023	**2022**
Resident satisfied that home is safe and secure	74.1%	72.4%
Resident satisfaction – maintenance services	77.9%	95.5%

New Regulator of Social Housing Tenant Satisfaction Measures apply from April 2023. The measures cover five themes:

- Keeping properties in good repair.
- Maintaining building safety.
- Respectful and helpful engagement.
- Effective handling of complaints.
- Responsible neighbourhood management.

Alongside the updated definitions and reporting requirements, we will continue to strengthen how we listen to customer views about Sanctuary and our services and to evolve how we survey our residents.

Safety of Our Homes

“We recognise the **importance of communicating** with our tenants about the safety of their homes and we have put in place additional mechanisms to **engage** and **listen to residents.**”

Ensuring our customers’ homes are safe and secure is at the heart of all that we do.

While Sanctuary (excluding Swan) has a relatively small number of high-rise buildings, this is a key area of focus. We have a total of 56 buildings over 18 metres tall across England and Scotland; of these, 47 are in England and are subject to the requirements of the Building Safety Act 2022. However, it is anticipated that only around 24 separate registrations will be required as linked buildings fall under a single registration.

We have established a dedicated Building Safety Programme to ensure we are compliant with the Act. We have also signed up to the Building Safety Charter and are an active member of the National Housing Federation’s Building Safety National Group.

The Building Safety Act 2022 includes requirements to register buildings with the Building Safety Regulator, to carry out assessments of risk to populate Safety Case Reports, to employ Resident Engagement Strategies, and to implement processes for mandatory occurrence reporting, managing complaints and provision of information to residents.

In line with Government guidance, regulations and best practice, Sanctuary’s approach is focused on creating a ‘golden thread’ of fire and structural safety information for our buildings; engaging with residents; embedding a safety-focused culture; and ensuring people have the right skills and continuous development. There is strong and robust governance through an established Building Safety Programme that oversees the measures put in place to manage risk.

To ensure visibility of progress, the programme reports directly to the Executive Committee, and progress against the plans has been audited and reported to the Group Audit and Risk Committee.

So far, as part of this programme, which does not yet include Swan, we have:

- Reviewed the fire safety measures in all our high-rise buildings and completed a review of all buildings over 11 metres, with a form of External Wall System in line with PAS9980 methodology;
- Progressed works to the small number of buildings requiring remediation, of which all are nearing completion;
- Updated fire risk assessments and reviewed our existing evacuation plans; and
- Completed a programme to retrofit sprinklers in all high-rise social housing accommodation in England.

Residents Elijah Griffiths, David Griffiths, Hannah Evans and Danny Howe, Chester

We have robust systems in place to ensure compliance testing is undertaken on all required assets and have clear processes for resolving matters that are identified. Sanctuary’s in-house Fire Safety team is now fully established and empowered to assess fire safety risks and take swift action to mitigate them as and when necessary.

It is notable that Sanctuary has not had to incur the level of fire safety expenditure that has been seen by other large housing associations. Total gross capital expenditure, excluding Swan, from 2018 to 2023 totals £28.4 million, with £8 million of that spend in 2023. Budgeted building safety spend for 2024, excluding Swan, is £7.1 million.

We recognise the importance of communicating with our tenants about the safety of their homes and we have put in place additional mechanisms to engage and listen to residents. As part of our Building Safety Programme, we are trialling a range of different resident engagement models to understand the most effective ways to consult with residents about fire safety information. We were an early adopter of the National Housing Federation’s Together with Tenants plan. We are also fully embracing the Government’s Charter for Social Housing Residents and the metrics highlighted in the Charter that keep residents informed about the place where they live.

As part of the acquisition of Swan Housing Association, work is underway to integrate additional buildings into Sanctuary’s Building Safety Programme and collate the data required to register with the Building Safety Regulator.

A total of 28 buildings over 18 metres have been identified as potentially requiring remediation, and a programme is in place to ensure these works are completed as soon as possible. As part of Sanctuary’s long-term business planning, we have set aside funds for these works and are seeking recourse from third parties. Where applicable, funding from the Government’s Building Safety Fund has been applied for and secured.

The estimated cost of Swan’s building safety works has been reflected in the fair values of acquired assets or, in certain instances, within acquisition date provisions. Further details are included in note 34.

Case Study:

Building Safety

A building specific Resident Engagement Strategy must be submitted to the Building Safety Regulator alongside a Safety Case Report when applying for a Building Assessment Certificate.

The residents of three high-rise buildings were invited to participate in a trial of a number of strategy templates.

This involved a series of postal and email surveys, face-to-face meetings and questionnaires. Residents have had the opportunity to comment and provide feedback on the content and accessibility of information on the safety of their building. This work has enabled us to develop bespoke strategies to fit the needs of each building and its residents.

In addition to a 'blueprint' template for a Resident Engagement Strategy, the participation exercise included obtaining residents' views on different formats and content for regular building safety communications. A series of newsletters, posters and notices have been produced for use over the coming year.

One of the most significant events in the lifecycle of a high-rise building, and a crucial time when the Group will engage with its residents, is when significant building work or refurbishment is carried out. This may involve changing a building's layout, installing new equipment or replacement of windows. To evaluate residents' preferences in delivering this engagement, the Building Safety team collaborated with other internal teams managing the replacement of a district heating system within a high-rise block and carried out a series of drop-in sessions. The outcomes of this are being used to influence the way we will consult with and encourage the participation of residents in advance of future refurbishment projects.

"This work has enabled us to develop **bespoke strategies** to fit the needs of each building and its residents."

Resident Advisory Panel member Parag Hazarika

Environment and Sustainability

Advancing our environmental sustainability is now well embedded in both our day-to-day operations and long-term strategic goals. Our Environment and Climate Change Strategy, refreshed in 2022, showcases our positive progress so far, while also strengthening our ambitions and highlighting the significant challenges we face. Phasing out fossil fuels, retrofitting hard-to-treat homes, and decarbonising our supply chains continue to be complex, long-term journeys.

Our people have always been an integral part of our Environment and Climate Change Strategy, and we have worked hard over the past 12 months to ensure customers are truly at the heart of our actions. We've put customers first through the development of new feedback channels, discovering their experience of renewable heating systems and their understanding of energy efficiency improvements to inform our future strategy. More broadly, our successful Environmental Community of Interest has over 100 customer participants, whose insights shape our decision making.

Accelerating investment in our homes to improve energy performance has been a key priority over the last 12 months. The energy crisis has provoked soaring fuel bills and pushed millions of people across the UK into fuel poverty. While we cannot control the cost of energy, we are working to reduce poor energy efficiency as a driver for fuel poverty through retrofit. We continue to drive up the Energy Performance Certificate ratings of our homes to Band C in England. To this end, 345 of our social-rented homes are included in Wave 1 of the Social Housing Decarbonisation Fund, receiving energy performance works under that programme.

Furthermore, we recently secured £12.5 million of Social Housing Decarbonisation Fund Wave 2.1 grant funding as part of the Greener Futures Partnership consortium, with plans to retrofit more than 2,000 Sanctuary homes over the next two years. In Scotland, we are working to achieve full compliance with the Energy Efficiency Standard for Social Housing, through improvements to property fabric and heating systems.

Across 2022/2023, we saw positive progress on decarbonisation more broadly, as set out on the following page. However, as we continue to grow as an organisation, be that through the development of new homes or via acquisitions, we recognise that a larger profile of homes risks increasing our overall emissions. Consequently, 2023/2024 will see the launch of our fully quantified Decarbonisation Plan, setting out how we plan to reach our emissions reduction targets by 2030 and 2050 respectively. This will enable emissions tracking in absolute terms and in intensity ratios, helping us to understand the trajectory of our emissions in the context of business growth.

Evidence of progress towards these targets can be found on the following page, in our annual Streamlined Energy and Carbon Reporting (SECR) disclosure. This reports the Group's operational energy consumption and associated carbon emissions.


Sachiko Ashman, Amy Ashman and Sarah Watt at the Kingsmead Community Centre

Sanctuary Group (excluding Swan)	2023	2022	Baseline
UK energy use			
Electricity (kWh)	67,378,175	68,630,967	70,310,337
Gas (kWh)	143,417,702	155,946,039	158,557,248
Transport (kWh)	30,871,761	29,446,781	34,417,046
Associated greenhouse gas emissions (GHG)			
Electricity (Tonnes of CO2e)*	-	6,201	19,497
Gas (Tonnes of CO2e)	26,179	28,563	29,151
Transport (Tonnes of CO2e)	7,832	7,371	8,930
	34,011	42,135	57,578
Intensity ratios			
Tonnes of CO2e per home in management	0.32	0.40	0.56
Tonnes of CO2e per employee	2.37	3.35	4.17

Sanctuary Group - Targets	2024
Tonnes of CO2e per home in management	0.31
Tonnes of CO2e per employee	2.35

The methodology for these calculations is detailed in Appendix 3 on page 218.

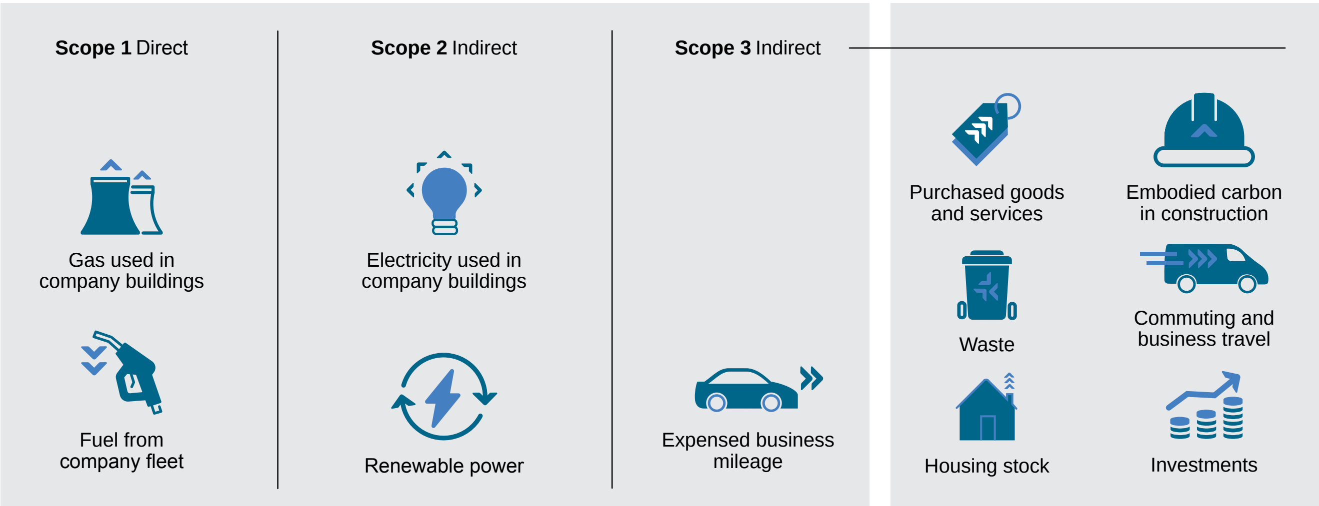
*Our electricity emissions for 2022/2023 continue to be carbon-neutral, with a conversion factor of 0 attached to each kilowatt hour of electricity consumed. This follows a REGO-certificated process whereby Sanctuary pays its central electricity supplier to put a kilowatt hour of renewable electricity (from solar farms, wind farms, or hydroelectric sources) into the grid for every kilowatt hour we take out.

Our Carbon Footprint

The above emissions included in the SECR disclosure form our Operational Carbon Footprint. In line with the Greenhouse Gas Protocol, this includes all Scope 1 and Scope 2 carbon emissions, but also an aspect of Scope 3 emissions.

Group Operational Carbon Footprint

Group Extended Carbon Footprint



Our Operational Carbon Footprint is made up of the emissions sources that are central to our operations. These are the emissions over which we have the most control and the greatest power to change. They include:

- Scope 1 emissions, which Sanctuary directly controls and creates, such as those from our fleet and boilers.
- Scope 2 emissions are those created elsewhere but consumed on site, such as electricity used in our corporate buildings.
- Scope 3 consists of indirect emissions over which we have limited control. However, business mileage is the one area of Scope 3 that we include within our Operational Carbon Footprint due to the role we play in influencing how much business travel employees do.

We also have an Extended Carbon Footprint, comprising all other indirectly controlled Scope 3 categories, including emissions from our supply chain and our social-rented homes.

While we are only required to disclose our Operational Carbon Footprint, the Extended Carbon Footprint enables us to fully evaluate how all decisions made at Sanctuary impact the environment. Calculating and publishing the Extended Carbon Footprint is a key indicator of our commitment to achieve net zero by 2050.

Progress Towards Reducing Our Operational Carbon Footprint

In November 2021, we committed to halve our operational carbon emissions by 2030, as part of joining the United Nations' Race to Zero campaign. We are making good progress towards this target through our continued procurement of renewable electricity, our plans to roll-out electric vehicles, and a range of upcoming or ongoing projects designed to reduce energy consumption.

Since our Operational Carbon Footprint baseline year of 2019/2020, we have:

- Reduced emissions from gas consumption in company buildings by 10%
- Reduced emissions from electricity consumption in company buildings by 100%
- Reduced emissions from both fleet and business mileage by 12%

Against last financial year, our 2022/2023 emissions from transport (both fleet and private vehicle business mileage) have increased by 6%, stemming from increases related to customer repairs, damp and mould checks, and reinvestment surveys as we return to business-as-usual post-pandemic. Our electric vehicle case study overleaf demonstrates how we aim to mitigate these emissions without compromising the quality of our customer service.

Our refreshed Environment and Climate Change Strategy, due later in 2023, will deliver Sanctuary's first ever quantified Decarbonisation Plan, setting out all planned initiatives and reductions by both 2030 and 2050.

Overall, Sanctuary reduced its operational carbon emissions by 41% in 2022/2023 compared to baseline data.

This has resulted in a saving of 23,567 CO^2e.

We've completed comprehensive energy assessments in Sanctuary Care, including procuring an Energy Performance Certificate for each home.

This supports us to reduce gas and electricity usage across our care homes.

Through rationalisation of buildings and implementing smarter ways of working, we've reduced office gas consumption by 16% in comparison to baseline data.

Digitising processes in Housing England and Scotland has reduced our business mileage emissions.

Housing England mileage emissions have decreased by 28% against baseline data and Housing Scotland mileage emissions have decreased by 66%.

Colleagues in Sanctuary Students have worked to improve customer awareness of energy consumption, through sticker campaigns, monthly newsletters, and postering.

Case Study:

Electric Vehicles

Emissions from fleet and business mileage make up 18% of Sanctuary's operational emissions. Due to our internalised maintenance service, we run one of the largest fleets in the social housing sector, with over 1,500 vehicles travelling around England and Scotland 365 days a year. Additionally, over 850 employees travel for business purposes on an annual basis. Reducing the emissions coming from vehicles is therefore an integral part of our strategy to halve Sanctuary's Operational Carbon Footprint by 2030.

As part of the Fleet Environmental Strategy, Sanctuary procured a pilot group of 10 Volkswagen ID.3 electric cars in 2022, which were allocated to a group of company car users from all business areas. The pilot aims to gather information about how well the cars work for our staff in terms of range, charging infrastructure, and route planning. Sanctuary also fitted home chargers to the properties of the individuals involved in the pilot to ensure continuity and peace of mind for colleagues. Focus groups have shown that all of the current cohort are happy with their shift to electric cars. Paul Hart, IS Trainer and member of the pilot group, noted that:

"Driving my new electric company car has not only made me a more considered route planner, but I'm also a more conscious and efficient driver – the technology is set up to encourage gradual acceleration and smooth driving, though the engine is powerful enough to accelerate out of trouble if you need to!"

Raj Garcha, Housing Support Team Manager, has had a similar experience. She's driven about 4,500 miles since she got her ID.3 in November 2022, and says:

"The other drivers have been great – we share tips and experiences, and I feel privileged to be in this early group and getting to use an electric car."

"The other drivers have been great – **we share tips** and experiences, and **I feel privileged to be in this early group** and getting to use an electric car."

Group Director for Sustainability and Climate Change, Donna Williams, using one of the electric vehicle charging points at the Worcester office

A similar pilot for commercial vehicles is also underway, with six Vauxhall Vivaro E vans currently being outfitted by our converters. This pilot will tackle the most carbon-intensive vehicles in the fleet, building a full understanding of how commercially-available electric alternatives perform, particularly in relation to the interplay of maximum weight, range, and load capacity.

In parallel to the new vehicles, we've also installed four charging points at our Worcester offices, allowing visitors and staff the opportunity to charge their vehicles while they're on site. Between October 2022, when the charging points were installed, and March 2023, 52 charges were completed.

As part of our investment in our sustainable communities, we're expanding our electric vehicle charging to Scotland, where we now offer four charging points in Toryglen, and a further four in Priesthill, with charging available to both residents and colleagues. These charging points will not only provide an opportunity for residents to charge their vehicles, but also be a base for Enterprise Car Club vehicles, which will allow residents to access an electric car, whenever required, through a booking app.

Our Extended Carbon Footprint

While we are required to disclose our Operational Carbon Footprint, we believe in reporting to stakeholders on all known, material emissions, ensuring transparency and accountability. Therefore, we are also sharing our Extended Carbon Footprint, made up of Scope 3 emissions sources. These are indirect emissions and our control over them is limited, but they include some of the most material challenges we face on our decarbonisation journey.

We measured our baseline Extended Carbon Footprint last year, for the period of 2020/2021. We now have data for the past two financial years, enabling us to better understand our trajectory towards net zero and to kickstart our action planning. Our methodology for calculating our Extended Carbon Footprint follows the Greenhouse Gas Protocol and has been verified by the consultancy Corporate Citizenship.

Emissions from our most material categories are displayed below for the last three financial years in line with the Greenhouse Gas Protocol. All emissions are measured in tonnes of carbon equivalent (TCO2e).

Sanctuary Group	2023	2022	2021
Purchased Goods and Services	79,687	61,317	65,187
Capital Goods	95,403	83,508	72,449
Fuel & Energy Related Activities	11,422	11,881	8,737
Upstream T&D	12,558	9,189	9,483
Waste	3,734	5,236	4,088
Business Travel	182	174	323
Employee Commuting	18,555	20,050	20,050
End of Life of Sold Goods	65	65	65
Use of Sold Goods	50,896	32,350	31,053
Downstream Leased Assets	202,992	204,283	204,312
Investments	6,633	5,826	4,155

As an organisation, we continue to grow, both from development and acquisitions, and we also remain committed to reinvesting heavily in our existing homes. We began our Extended Carbon Footprint calculation journey with baseline year 2020/2021, a year which was significantly impacted by the pandemic. This combination means we had anticipated seeing an upward trend in our Scope 3 emissions this year. Now that we have completed our calculations, we can see that this has indeed been the case; overall, our Extended Carbon Footprint has increased by 15% from that baseline year of 2020/2021.

Increases in carbon emissions have largely come from:

- A significant rise in day-to-day repairs, major reinvestment, and capital projects from 2020, when Sanctuary's property maintenance services were often limited in lockdown periods to emergency-only repairs.
- Increases in the number of homes Sanctuary is building year-on-year, through in-house development and joint ventures.

Notably, some categories of emissions have seen positive decreases. This includes:

- Reductions resulting from our retrofit programme beginning to bring down the emissions of our homes being used by our customers.
- Reductions in waste emissions, through the implementation of increased recycling and energy-from-waste processes.

While our Extended Carbon Footprint will be analysed further in our upcoming Environment and Climate Change Strategy 2023, some of the positive steps we are taking to address these emissions in a period of growth are detailed below.

Purchased Goods and Services

Our new Sustainable Procurement Plan and Policy are supporting us to challenge suppliers to reduce their environmental impact. We have launched a successful Procurement Environmental Impact Assessment Tool for colleagues to put environmental sustainability at the forefront of both the tendering and contract management processes.

Capital Goods

We've worked with our Development teams to create a new sustainability section in our specification for the homes we build, aiming to reduce embodied carbon wherever possible, while also increasing in-use environmental performance.

Waste

While Sanctuary has positive recycling rates across all operations, we are committed to further reducing our waste figures. Several exciting reuse projects will begin in 2023, which will aim to provide another life for items left behind by customers moving out of our homes.

Use of Sold Goods

As we move closer to adhering fully to the Future Homes Standard, the homes that we built and sold in 2022/2023 were all either EPC A or B. To decarbonise our homes fully, we continue to test different energy solutions, with the aim of providing low-carbon heat and power.

Downstream Leased Assets

Our large-scale retrofit programme to improve domestic energy performance has been bolstered by an injection of Social Housing Decarbonisation Fund grant funding from the Department of Energy Security and Net Zero. Find out more in the following case study.

Employee Commuting

We are rolling out free Bikeability training to colleagues working at our Head Office in Worcester, supporting colleagues to build up cycling confidence and enabling more sustainable commutes.

Case Study:

Social Housing Decarbonisation Fund

The Greener Futures Partnership is made up of five of the UK's largest housing associations - Sanctuary, Abri, Anchor, Home Group, and Hyde Group - with a joint turnover of £2.3 billion, representing over 600,000 customers in 300,000 homes.

Residents Monica and John Leathwaite, Chester

The Social Housing Decarbonisation Fund was introduced by the UK Government in 2020 to provide grant funding for projects to improve the energy performance of social homes up to Energy Performance Certificate Band C. In 2021/2022, Sanctuary was successful in obtaining £2.5 million in grant funding in Wave 1 of the Fund, with significant improvements in energy performance almost fully delivered to 345 homes across Cheshire West and Chester, Shropshire, and Essex.

After an intensive bidding process, we are delighted to have been successful in gaining funding from Wave 2.1 of the Social Housing Decarbonisation Fund. We led a consortium bid from the Greener Futures Partnership for £40.4 million of this fund, which will allow Sanctuary to deliver retrofit works to over 2,000 of Sanctuary's homes by September 2025. Sanctuary has been awarded £12.5 million as our share of the funding, which we will match to deliver warm, energy efficient homes for our customers.

Our retrofit works are tailored to our properties, with a focus on ensuring we have high-quality material solutions in place to create energy efficient homes through insulation, super-glazed windows, and low-energy lighting improvements, before installing new, low-carbon heating systems and renewables where appropriate. We work closely with residents to support them throughout the process and make sure they know how to get the most out of their improved homes.

"We work closely with residents **to support them throughout the process** and make sure they know how to get the most out of their improved homes."

Group Board visit the Skye Crescent development in Paisley

Case Study:

Evaluating Exposure to Climate Risks

Our environmental activities have so far rightly focused on understanding and mitigating our own contributions to climate change. However, there is an increasing need to identify how climate change will impact on our operations, customers, and homes.

To do this, Sanctuary has embarked on a project to understand its exposure to physical climate risks with consultancy RSK's Centre for Sustainability Excellence. The project aims to produce a comprehensive risk register around climate change, before identifying how to adapt our buildings and ways of working under different climate change scenarios. Finally, we will explore how Sanctuary may be financially affected by the climate risks.

Some of the findings from the risk register development phase indicate that, under scenarios of significant climate change:

- Sanctuary would likely be most severely impacted by increases in surface temperature. Heatwaves and prolonged periods of warmer temperatures could risk increasing the levels of heat-related illness for those who are most vulnerable.
- Our construction projects could face an increased risk of delays due to flooding from rainfall.
- Extreme weather patterns may threaten water, energy, and food security across homes in both England and Scotland. This has the potential to result in disruption to services with associated costs, in addition to a need for back-up planning and additional support for residents.
- Increased winter precipitation is predicted to also increase the risk of subsidence in some east and south-east areas, and to increase indoor moisture penetration to vertical walls in our homes, particularly in Scotland.

"The ultimate purpose of this project is to **enable better preparation for potential future climate and weather scenarios,** through the creation of a Climate Adaptation Plan."

We recognise that this does not make for optimistic reading. However, the ultimate purpose of this project is to understand our key risks in order to better prepare for potential future climate and weather scenarios, through the creation of a Climate Adaptation Plan. Now that we have a comprehensive risk register, we can work to identify areas where extreme climate impacts can be adapted to or mitigated against, helping us to reduce the severity of some of these risks.

Sustainable Communities

We know that building strong communities is as important as providing a high-quality home. Building the connection and resilience of our customers and of our neighbourhoods supports our mission of delivering affordable homes and sustainable communities where people choose to live.

As a not-for-profit housing provider, the surpluses we generate are used to improve our homes and communities for the benefit of our customers, who are at the heart of everything we do. We invest over a million pounds in grants, time and resources each year in activities and projects that help to support neighbourhoods and enhance the lives of local people.

We aspire for our investment to be community-led and sustainable, to build community capacity and not dependency. We achieve this through Asset Based Community Development (ABCD) because we believe everyone is an asset, with skills, aspirations and abilities. By building relationships in communities, they become stronger and better connected.

In key locations across the country, we have community investment experts based locally who work with, and are part of, the fabric of the community.

This localised approach helps us to map assets, charitable groups, community networks, services, aspirations and opportunities, which supports us to channel our investment for the benefit of our customers.

We aim to build resilience and connection with our customers and their communities by:

- Supporting people to create conditions in which they can thrive, increasing their ability to adapt to adversity in a positive way.
- Supporting people to maintain and build relationships, increasing connection to others, knowing their community and feeling part of it.
- Supporting community groups to access funding, advice, peer networks and training to build resilience and connection in our communities.

Consistency, relationships, and trust are integral parts of community development. We aim to support people in the ways that they want to be supported, shaping projects with long-term and reliable support, in turn helping us to build trust and foster meaningful relationships.

Resident Danielle Mendes at Play Torbay Summer Scheme

The Investment

£1.5m invested in communities

50,178 interactions with beneficiaries

£2.6m match funding (external investment)

249 projects

Difference made

210 community groups supported

14,521 people supported to reduce isolation

399 people supported to live more independently

1,304 people engaged in shaping local investment

279 people increased employability, 51 people into work

7,377 people supported to improve mental wellbeing

499 people with increased confidence to manage their money

£555,135 in increased personal savings and £200,474 personal debt reduced

Case Study:

More Support Options For Customers

Our Sustainable Communities programme plays an important role in delivering our mission of building affordable homes and sustainable communities where people choose to live.

We are committed to investing in projects that have a long-term positive impact for our customers.

During the last 12 months, we have developed a suite of national customer support offers which offer immediate support to our social housing residents. This will give more options to our customer-facing teams to help residents experiencing financial hardship as a result of the cost-of-living crisis.

The support offers include access to a Hardship Fund and Welcome Offers for new tenants to furnish their homes and help to sustain their tenancies. Funding has been drawn through our own Sustainable Communities Fund, corporate charitable donations and our supply chain partners.

Marie-Claire Wattison, Head of Community Investment, said: "This goes beyond helping people in a moment of hardship, it's a route to building resilience. These offers help to build our relationship with customers, in turn helping them to take pride in their home, to have dignity in choice and connect to their community."

"These offers help to build our relationship with customers, in turn helping them to take pride in their home, **to have dignity in choice and connect to their community**."

Resident Roy Walker and Project Worker Pauline Winrow

Innovation and Infrastructure

To deliver on our strategic commitments and improve services for our customers, it is essential we drive a culture of innovation and continuous improvement.

In 2022/2023 we launched a multi-million-pound investment in our repairs and maintenance systems to transform how we serve our customers. Our 'OneProperty' programme will allow us to more accurately identify maintenance issues, enabling people to track the progress of their repairs, and support better decision making by enhancing the visibility of data we hold on their homes.

Aligned to this, we are reviewing our communications channels. We plan to integrate existing technology platforms to enable customers to contact us however they choose to do so. This will include a new self-service portal so residents can contact us using their preferred method, learning from Swan Housing's already established system.

As part of our continual efficiency improvements, we have been refining our Service Charge processes through utilisation of investments in SAP technologies. The Service Charge programme allows us faster flexibility, at a granular level, to forecast and model the impact of increases to our services by forces external to Sanctuary. This supports our early visibility of the economic impact of our supply chain while improving accessibility of information to all that need it.

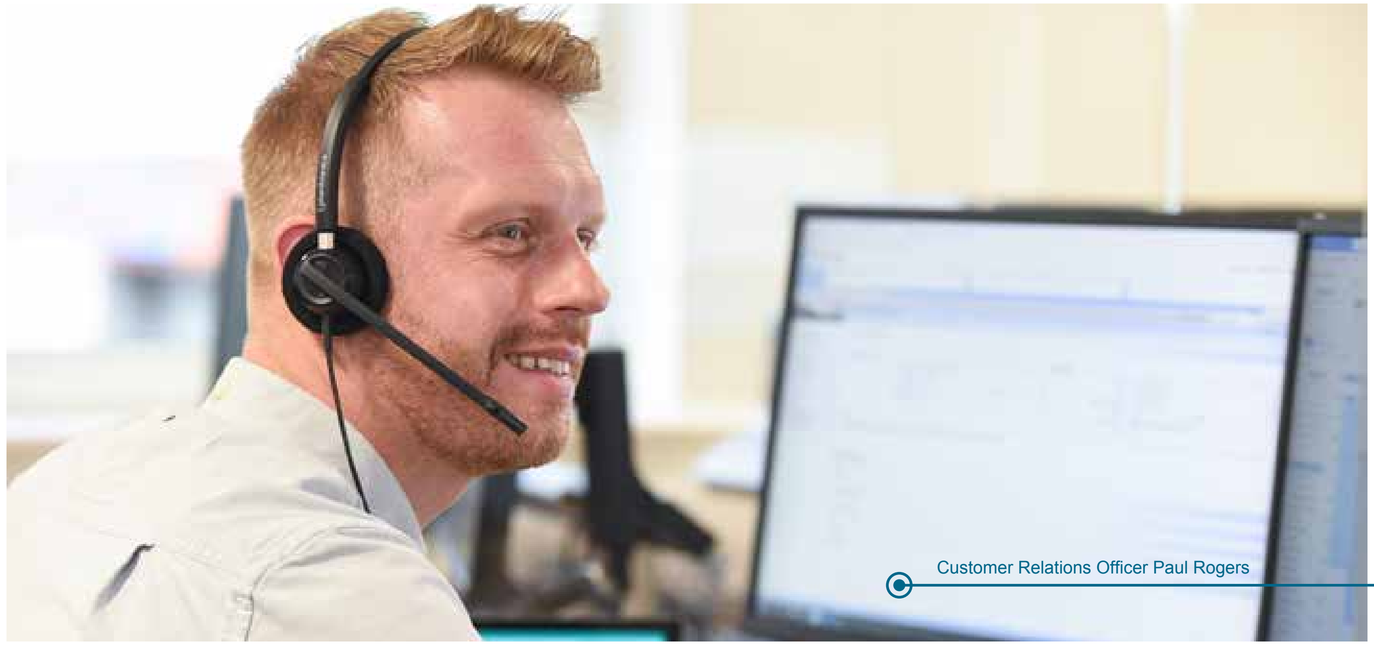
We are making significant investment in our data centre and network facilities to bring them up to date and to deliver modern front-line technologies to underpin customer service initiatives. The network reinvestment is a multi-year phased programme to improve connectivity to colleagues and customers, while the data centre modernisation takes advantage of managed services in a commercial data centre to improve operational efficiencies in a more sustainable environment.

It is a step on the cloud transformation journey, enabling traditional business applications to co-exist with the latest cloud services while removing the dependency on the ageing power and cooling infrastructure and releasing office space for other purposes. The data centre programme is making good progress and is on track to complete this year.

We are committed to continually improving our processes, and the accuracy and accessibility of our data and as such are implementing automation to appropriate workflows. The automation comes in the form of robotics, safely and securely utilising Artificial Intelligence and Machine Learning to gain efficient and effective results. The automation of appropriate workflows provides processing efficiencies that support enabling customer-facing teams to provide increased face-to-face time by reducing system inputs and making information available quicker.

We are also strengthening compliance through the creation of rapid action groups, which will work directly with customers to ensure technology conforms against the delivery of services including gas servicing and damp and mould monitoring.

As well as improving our systems for our customers, we are committed to enhancing the employee experience by delivering modern and efficient processes and resources. We're midway through the development of HR2, a complete upgrade of our HR, payroll and expenses systems.



Customer Relations Officer Paul Rogers

The self-service technology will better enable our colleagues to manage their own information and HR requirements in a flexible way. We remain committed to driving efficiencies through our investment in technology, as well as simplifying, standardising and automating processes for the benefit of our customers and teams.

Longer-term, we will continue to invest in our core technologies by completing the conversion to next generation SAP by 2027 and continuing the adoption of modern Microsoft computing systems. This will ensure we have an up-to-date and efficient technology platform to empower colleagues to be their best at work.

We will also continue to explore new innovations and technologies across our care homes, building on the investment we have already made.

As well as investing in improving our systems, we play a vital role in building new energy efficient homes. Our innovative Green Vale affordable housing development in Evesham is delivering 76 new modular homes which will offer residents the chance to live in more energy efficient properties which have less impact on the environment and cost less to run.

We also recognise that we need flexibility across our workforce to ensure it is fit for purpose. Many of our customer-facing teams are now spending more time out and about in our communities, meeting people face-to-face and in their homes.

In line with this, we want to provide modern workspaces that offer our teams adaptable and balanced ways of operating. Through our Future Workspaces programme, we are establishing regional hubs that provide flexible, inclusive and collaborative spaces for colleagues to come together and deliver their roles.

In support of this approach, we have strengthened our presence in communities with the creation of further Community Connector roles in two neighbourhoods in England.

The roles are focused on supporting residents to identify and build on their skills and aspirations to help drive positive change. Our Connectors take the time to embed themselves in the local communities, meeting residents face-to-face and talking to them about their interests and ambitions for their neighbourhoods.

We already have four established Community Connectors in Scotland who have been successfully working in key areas to engage with and empower residents.

Case Study:

Transforming Customer Experience

Our transformative ‘OneProperty’ programme to improve customer experience won a 2023 SAP Innovation Award.

The ‘OneProperty’ project was selected as the winner of the SAP UK and Ireland Customer Success Award for the design and proof concept of work on the project to date.

The awards celebrate the achievements of future-minded organisations and individuals that have harnessed the power of the latest SAP cloud technologies to create positive economic, environmental and social impact.

‘OneProperty’ will improve the ways we manage data on our homes and provide a real-time holistic review of properties.

With the help of SAP Business Technology Platform and innovation from other SAP solutions, we are working towards a 360-degree view of our customers and asset management. Utilising SAP Field Service Management, the project will allow Sanctuary to provide customers with real-time feedback, with faster and higher-quality repairs services transforming how they serve residents.

“The project will allow Sanctuary to **provide customers with real-time feedback**, with **faster** and **higher-quality** repairs services transforming how they **serve residents.**”

The Sanctuary ‘OneProperty’ team with their "Customer Success Awards for SAP UKI Cutting Edge Genius Award 2023"

Chief Financial Officer's Review

Chief Financial Officer Ed Lunt

Introduction

Revenue growth across all business areas, combined with £51.9 million of additional revenue from in-year business combinations, has resulted in total Group revenue of £943.8 million, an increase of £131.3 million (16.2%) from the prior year.

The Group's affordable housing business benefitted from an increase in revenue from existing homes, which, together with additional revenue from 869 new affordable homes, resulted in growth of £17.0 million (4.2%). The Group's supported living business saw revenue increases of £3.5 million (3.4%), through continued focus on achieving both organic and acquisition driven growth. Revenue growth within the care business of £33.5 million (17.4%) was driven by improved occupancy as the business accelerated its recovery from the pandemic, combined with income from 13 additional operational care homes added through the acquisition of Cornwall Care in October 2022. The Group's student business saw further recovery from the pandemic, with occupancy increasing two percentage points to 92%, achieving revenue growth of £3.2 million (5.6%). Revenue from the sale of 307 developed properties saw an increase of £36.7 million (66.2%) over the prior year as a result of increased sales volumes. The Group continues to have a modest development programme with only 13% of revenue being derived from shared ownership and outright sales. Revenue from the newly acquired Swan Housing Group, which is not included in the above divisional figures, totalled £37.9 million relating to a mixture of housing and development income. This increased Group revenue by 4.2%.

The Group operating surplus of £199.6 million is £21.0 million (11.8%) higher than the prior year (2022: £178.6 million), while the underlying operating surplus of £188.7 million*, adjusted to remove fixed asset sales surpluses, represents a £16.5 million (9.6%) increase from the prior year (2022: £172.2 million), reflecting continued growth, recovery from the pandemic and efficiencies across the business. The operating margin is 21.1% compared to 22.0% in the prior year, while the underlying operating margin is 20.0% compared to 21.2% in 2022. It is expected that until Swan is fully integrated into the wider Group, and its development programme reduced, there will be a modest impact on the Group's operating margin.

The reduction in the current year underlying operating margin has resulted from increased investment in properties, increased development sales, and the impact of steeply rising cost inflation compared to modest rental income increases of only 4.1% in England and 3% in Scotland. While next financial year may see an adverse net impact of inflation, the Group has weathered some of the inflationary pressures in 2023 through fixed price contracts, an energy hedging strategy and part year pay awards. The Group continues to maintain a strong housing margin with a social operating surplus margin, as defined by the Regulator of Social Housing, of 33.1% (2022: 35.7%).

Surplus before tax of £101.3 million is £42.7 million (72.9%) higher than the prior year (2022: £58.6 million). This reflects a £38.5 million net gain on acquisitions, predominantly relating to Swan. Underlying surplus for the year is £58.1 million*, which is £10.9 million (23.1%) higher than the prior year (2022: £47.2 million).

Strong and improving operational metrics continue to underpin our financial performance. Rent arrears remained stable and low at 3.25% (2021: 3.21%) and void losses improved to 1.8% (2022: 1.9%). Within the care business CQC scores improved to 94% (2022: 90%) and Sanctuary Supported Living CQC scores achieved 98% (2022: 100%). Care occupancy improved to 86% (2022: 82%) and student occupancy increased to 92% (2022: 90%).

Cash generated from operating activities, including Swan, improved to £284.8 million (2022: £227.2 million), a £57.6 million (25.4%) increase. The Group's predominantly fixed rate debt coupled with timely accessing of the capital markets has minimised rising interest costs in the year. EBITDA MRI interest cover remained high at 120.3%* (2022: 128.4%), which reflects that, through growth, we have been able to enhance our reinvestment spend while maintaining solid cash interest cover performance. The continued strength of our liquidity is highlighted by our closing cash balance for the year of £180.1 million (2022: £102.1 million) and undrawn facilities of £434.0 million (2022: £433.0 million), which coupled with new facilities secured after the year end provides the Group with 29 months of financing versus committed expenditure. Our total capacity (cash, undrawn facilities and available security) has increased to £2.0 billion (2022: £1.8 billion), providing a foundation for the Group to grow.

The Group maintained compliance with all of its financial Golden Rules during the year.

The Group is in robust financial health and combined with our investment grade credit ratings (A Negative (Standard & Poor's) and A2 Negative (Moody's)), places us in a good position to pursue our strategic objectives, and deliver our social purpose, while having the continued financial capacity to withstand external economic factors, including inflationary pressures.

*Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in Appendix 3 on page 218 and the Value for Money statement on page 76.

Five-Year Summary

Five-Year Summary	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Income Statement					
Revenue	943.8	812.5	765.4	763.0	735.4
Cost of sales and operating exp. (excl. restructuring)	(759.3)	(643.4)	(600.8)	(584.8)	(557.5)
Share of profit of joint ventures	4.2	3.1	2.1	4.4	3.1
Underlying operating surplus*	**188.7**	**172.2**	**166.7**	**182.6**	**181.0**
Restructuring costs	-	-	(1.8)	(2.6)	-
Other gains and losses	10.9	6.4	5.2	6.2	22.7
Operating surplus	**199.6**	**178.6**	**170.1**	**186.2**	**203.7**
Loss on cessation of DB pension scheme	(6.2)	-	-	-	-
Net gain from acquisitions	38.5	2.3	4.5	-	-
Fair value movement on derivatives	1.1	1.3	0.7	(0.1)	(0.1)
Net interest payable in respect of loans	(131.3)	(125.0)	(128.5)	(124.2)	(125.7)
Loan break costs	-	-	-	(8.6)	-
Gain on refinancing	-	2.7	-	-	-
Other finance costs	(0.4)	(1.3)	0.1	(0.9)	(1.0)
Surplus for the year before tax	**101.3**	**58.6**	**46.9**	**52.4**	**76.9**
Surplus for the year before tax	**101.3**	**58.6**	**46.9**	**52.4**	**76.9**
Adjustments for:					
Restructuring costs	-	-	1.8	2.6	-
Other gains and losses	(10.9)	(6.4)	(5.2)	(6.2)	(22.7)
Loss on cessation of DB pension scheme	6.2	-	-	-	-
Net gain from acquisitions	(38.5)	(2.3)	(4.5)	-	-
Loan break costs	-	-	-	8.6	-
Gain on refinancing	-	(2.7)	-	-	-
Underlying surplus for the year*	**58.1**	**47.2**	**39.0**	**57.4**	**54.2**
Statement of Financial Position					
Non-current assets	5,075.1	4,179.9	4,064.0	4,002.1	3,750.0
Current assets	559.9	410.1	753.1	457.5	337.8
	5,635.0	4,590.0	4,817.1	4,459.6	4,087.8
Current liabilities	650.3	303.5	585.7	239.3	254.1
Non-current liabilities	3,669.6	3,072.5	3,123.1	3,098.9	2,796.0
Reserves	1,315.1	1,214.0	1,108.3	1,121.4	1,037.7
	5,635.0	4,590.0	4,817.1	4,459.6	4,087.8
Statement of Cash Flows					
Operating surplus	199.6	178.6	170.1	186.2	203.7
Depreciation, amortisation and impairment	80.2	78.1	78.6	73.0	67.3
EBITDA	279.8	256.7	248.7	259.2	271.0
Working capital movements	24.3	(20.0)	(22.9)	(4.4)	(30.0)
Other adjustments	(19.3)	(9.5)	(7.3)	(10.6)	(25.8)
Cash generated from operating activities	284.8	227.2	218.5	244.2	215.2
Financing and returns on investments	(141.8)	(136.1)	(134.8)	(142.5)	(133.0)
Investing - capital expenditure and investment	(167.7)	(224.1)	(184.9)	(307.2)	(190.9)
Investing - capital grants and sales proceeds	84.3	43.7	65.8	59.0	85.0
Net cash flow from financing activities	18.4	(303.3)	268.6	257.9	78.1
	78.0	(392.6)	233.2	111.4	54.4
Cash and cash equivalents at start of year	102.1	494.7	261.5	150.1	95.7
Cash and cash equivalents at end of year	180.1	102.1	494.7	261.5	150.1

*Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a basis that enables comparison of performance; they are defined and/or reconciled in Appendix 3 on page 218 and the Value for Money statement on page 76. VFM Metrics defined by the Regulator of Social Housing (RSH) are highlighted grey in the following table.

Key Performance Indicators (Swan included, where relevant, unless indicated)

Key Performance Indicators (Swan included, where relevant, unless indicated)	2023	2022	2021	2020	2019
Satisfaction - what customers think about our services					
Care - resident satisfaction %	95	96	96	96	96
Housing residents providing positive feedback % (ex. Swan)	73	79	80	87	88
Satisfaction - maintenance % (ex. Swan)	78	96	95	94	93
Compliance - measurement against standards prescribed by regulating bodies					
Care Quality Commission rating % (Care)	94	90	86	84	81
Care Quality Commission rating % (SSL) (ex. Swan)	98	100	98	100	-
Care Inspectorate rating % (Scotland)**	63	50	75	88	73
Properties with valid gas safety certificate % (ex. Swan)	99.7	99.7	99.7	99.9	99.9
RSH governance	G1	G1	G1	G1	G1
RSH viability	V2	V2	V2	V2	V1
Operational - evaluation of operational efficiency and effectiveness					
Occupancy - Sanctuary Care % (average for year)	86	82	83	92	90
Occupancy - Student % (year end)	92	90	79	94	95
Rent arrears % (ex. Swan)	3.25	3.21	3.16	3.60	3.80
Homes in management	119,695	105,509	105,219	102,686	101,218
Void loss % (ex. Swan)	1.8	1.9	1.6	1.1	1.1
RSH social housing cost per unit £*	4,730	4,687	4,218	4,499	4,584
Average weekly fee rates - Care £	938	874	840	807	761
Debt - ability to service debt and secure funding					
Interest cover (excluding loan break costs) - times*	2.15	2.08	1.95	2.09	2.15
RSH EBITDA MRI interest cover %*	120.3	128.4	134.2	119.3	121.3
Gearing %*	51.8	49.8	49.6	50.6	49.3
RSH gearing %*	52.9	52.0	51.9	53.1	51.9
Capacity £m	1,960.8	1,789.0	1,442.0	1,408.8	1,131.1
% of debt under fixed interest rates	91.5	94.6	96.0	82.7	87.0
Standard & Poor's credit rating	A	A	A+	A+	A+
Moody's credit rating	A2	A2	A2	A2	A2
Profitability - measurement of financial performance					
Operating surplus margin %	21.1	22.0	22.2	24.4	27.7
Underlying operating surplus margin %	20.0	21.2	21.8	23.9	24.6
RSH operating surplus margin (social) %*	33.1	35.7	38.4	37.4	38.5
RSH operating surplus margin (overall) %*	19.5	20.8	21.3	23.0	24.2
Operating costs as % of revenue*	70.5	73.1	74.8	73.0	72.9
Underlying net margin %*	6.2	5.8	5.1	7.5	7.4
Total divisional EBITDA £m*	282.1	257.2	250.6	260.1	260.8
Total divisional EBITDA %*	29.9	31.7	32.7	34.1	35.5
Maintenance - investment in assets and how efficiently they are maintained					
Average repair cost per home £	1,340	1,353	1,186	1,257	1,262
Reinvestment spend per home £	857	792	609	782	827
RSH reinvestment %*	3.0	4.0	3.4	4.0	3.1
Average cost per responsive repair £ (ex. Swan)	133	128	139	122	119
Asset efficiency - the returns generated from the Group's assets					
RSH Return on capital employed %*	2.8	2.8	2.7	3.1	3.5
Development - delivery of new properties					
Homes on-site and in development	4,760	5,183	5,130	5,642	6,002
RSH new supply delivered (social) %*	0.7	0.8	0.7	0.6	0.9
RSH new supply delivered (non-social) %*	0.3	0.1	0.3	0.1	0.1
Homes completed (excluding JVs and consortia)	978	768	620	604	941

**Details can be found in the care divisional review on page 62.

Treasury

The Group's overall treasury management strategy seeks to maintain continued financial strength through polices which support strong cash and liquidity management (including cash flow forecasting), prudent interest rate and credit risk management, the management and monitoring of its debt obligations (including covenant compliance), and the securitisation of the assets utilised in support of those debt obligations. This includes sourcing and structuring liquidity to meet the Group's future cash flow requirements by reference to the long-term financial projections.

Cash and Liquidity Management

The cash position of the Group remains strong, with sufficient cash in hand and facilities to fund operations and committed capital expenditure through the next financial year and well beyond. The Group generated £284.8 million of cash from operating activities (2022: £227.2 million). At 31 March 2023, the Group had cash and undrawn facilities of £614.1 million (2022: £535.1 million). The undrawn facilities available at year end totalled £434 million and related to £560 million of revolving credit facilities of which £126 million had been drawn. No repayments have been made since year end.

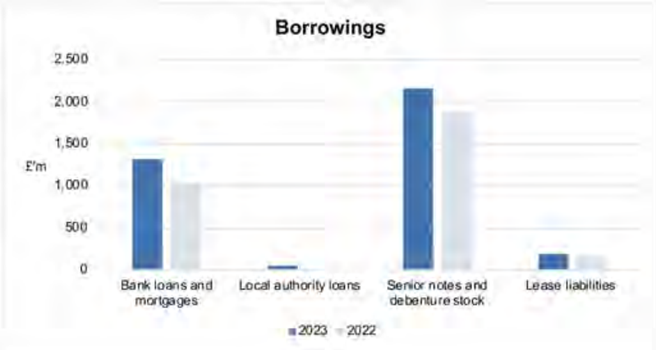
The Group manages liquidity by preparing and monitoring cash forecasts on a daily, weekly, monthly and longer-term basis to ensure that short and medium-term cash requirements are met. The forecasts are updated regularly to include sensitivity and scenario planning, ensuring that existing cash and available facilities cover at least 18 months of future committed spending requirements; at the reporting date, inclusive of Swan, it covered 19 months. Following additional facilities agreed after the year end, the Group has 29 months of refinancing at the end of June.

Loan drawdowns are carefully managed to ensure funding is available when required and ensure debt finance costs are minimised. Sanctuary utilises revolving credit facilities to meet short-term fluctuations in cash flow, including capital expenditure on new housing for shared ownership or for sale where cash receipts are received in the short to medium-term. Longer-term funding requirements utilise term-loan facilities and debt capital market issues where necessary.

Debt Management

At 31 March 2023 the Group had total borrowings of £3,758.7 million (2022: £3,074.9 million), made up of bank loans, senior notes and debenture stock, GLA/HE loans and lease liabilities.

Undrawn facilities at 31 March 2023 totalled £434 million (2022: £433 million).



In the year to March 2023 the Group has raised £175 million of new facilities, comprising a bond tap issue of £150 million and additional bank finance of £25 million. The acquisition of Swan Housing Association resulted in the recognition of an additional £627.7 million of borrowings, at fair value.

The weighted average duration of drawn debt across the Group is 17.3 years (2022: 17.6 years). Our funding strategy is designed to monitor the debt maturity profile and thereby manage the refinancing risk across the Group, ensuring that there is not a concentration of refinancing risk in any 12-month period.

The Group is confident its financial strength will allow it to refinance existing loans and finance the current business plan commitments at competitive rates.

The Group has limited refinancing risk of 17.9% (£671.4 million) of existing drawn loans in the next five years (2022: 15.8%, £486.4 million). The Group anticipates funding this through a mix of fixed and variable interest rate facilities, operating activities, cash generated from property sales and Government grants.

Covenant Compliance

The Group monitors loan covenants, taking into consideration the headroom against them, on a continual basis and these are reported to Group Board, Group Audit and Risk Committee and subsidiary boards as appropriate. Key covenants include interest cover, gearing ratios and asset cover. All covenants on loan facilities have been met during the financial year and were within the parameters of the Group's risk appetite hurdles, metrics, and trigger points. Based on the Group's financial projections and analysis, covenants will continue to be met.

Interest Rates

The Group operates an interest rate policy designed to reduce volatility in cash flow and debt service costs. Wherever possible, bank borrowing and long-term debt market facilities are structured to include interest payments on a fixed or hedged basis. The Group's policy is to ensure that a minimum of 75% of all debt is held on a fixed basis. At 31 March 2023, 91.5% of debt was fixed (2022: 94.6%) and 8.5% floating (2022: 5.4%). Net finance costs on borrowings totalled £131.3 million (2022: £125.0 million); an increase of £6.3 million.

The Group's cost of borrowing has increased slightly to 4.51% (2022: 4.28%), reflecting a general rise in interest rates that has impacted variable rate borrowings. However, interest cover has also increased to 2.15 (2022: 2.08). The EBITDA MRI interest cover was 120.3% (2021: 128.4%), well above the Golden Rule hurdle of 100%. The year end EBITDA MRI interest cover is well within the range of the Group's optimum level of interest cover, balancing the need to ensure sufficient reinvestment in our homes while maintaining suitable headroom above the Group's interest costs.

Sanctuary has one stand-alone interest rate swap, entered into as part of a legacy project finance arrangement, which swaps a variable interest rate to a fixed rate. At the reporting date, a £0.4 million liability (2022: liability of £1.5 million) was recognised in respect of this derivative financial instrument. The requirement to collateralise this derivative is limited to the assets already securitised under this ring-fenced arrangement.

At 31 March 2023, the Group had US dollar denominated debt with an aggregate value of $80 million (2022: $80 million). A cross currency interest rate swap is in place to hedge the risk of currency rate volatility in the future. This derivative is recognised at fair value on the Statement of Financial Position; an asset of £31.9 million at the reporting date (2022: asset of £26.4 million). The counterparty is required to provide security, should the balance increase further, or its credit rating diminish. Their credit ratings are monitored on a monthly basis and these are checked against exposure and collateralisation levels.

Property Securitisation

The Group primarily utilises its assets as security (collateral) for its debt obligations in line with individual borrowing agreements. Assets secured across a variety of these debt obligations support £3.4 billion (2022: £2.7 billion) of the Group's overall debt, inclusive of Swan.

The Group's primary security pool contains 40,108 units (2022: 39,290 units) with an aggregate value of £3.0 billion (2022: £2.9 billion). The collateralised assets represent a broad geographical cross-section of the Group's housing properties across all of its key geographical locations. This pool supports all the debt issued by Sanctuary Capital PLC via the debt capital markets, together with other bank funding put in place via Sanctuary Treasury Limited, including the Group's available Revolving Credit Facilities. The pool also comprises 137 unallocated units (2022: 863) with an aggregate value of £11 million (2022: £66.3 million).

For all other secured borrowings, the Group undertakes regular revaluations of the security and (where funding arrangements allow) excess security is released from charge adding to the Group's pool of unencumbered assets, for future use as security. Unencumbered assets total £2.1 billion, but the required asset cover ratios reduce this by £0.7 billion. The inclusion of cash and undrawn facilities of £0.6 billion then contributes to the Group's capacity figure of £2 billion (2022: £1.8 billion). This is well above the Group's Golden Rule Hurdle of £500 million.

Credit Risk Management

It is the Group's policy not to take or place funds with any financial institution that is not investment grade, requiring regular monitoring of credit ratings of all counterparties. Sanctuary continues to have strong Group investment grade credit ratings of A Negative (Standard & Poor's) and A2 Negative (Moody's). The negative outlook is predominantly reflective of the wider sector. The ratings were reaffirmed following the Swan acquisition.

Abbey Meadows, Great Wakering

Business Reviews

Affordable Housing - Divisional Review

Affordable Housing (excludes Swan)	2023	2022
Homes in management at the year end	82,653	81,784
Revenue (£m)	419.3	402.3
Divisional EBITDA (£m)*	209.4	202.6
Divisional EBITDA margin (%)*	49.9	50.4
Internal Maintenance team utilisation (%)	72.4	72.8
Social operating surplus (%) – VFM metric*	33.1	35.7
Capital investment before grants (£m)	78.9	59.3

*The Group's operating segments are defined and reconciled in note 6 on page 159. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

Performance

The Sanctuary Affordable Housing division currently has 82,653 homes in management, including general needs properties, affordable housing and housing for older persons along with shared ownership and homeownership properties. We aim to provide good-quality homes throughout England and Scotland with the objective of creating communities and houses our residents are proud to call home. The customer is at the heart of what we do and as a not-for-profit organisation any surpluses we make are reinvested back into our homes, services and communities.

Overall revenue has increased for existing homes which, together with additional revenue from new developments, has translated into improved income for the division with an increase of £17.0 million from the prior year. The number of empty homes has marginally deteriorated during the year, though void loss percentage has slightly improved from 1.9% to 1.8%. Maximising the quality and availability of our homes is a continued area of focus for us next year.

During this financial year we have felt the impact of rising cost inflation, but with only relatively modest rent increases of 4.1% in England and 3% in Scotland, due to the point of rent setting. We have also felt the effects of a challenging job market, which has predominately affected our internal repairs service. We have seen the pressures ripple through to our supply chains and most notably to our colleagues. In response to this we completed a mid-year review of our roles and awarded secondary pay increases in areas where they were needed most. Plus, we have also continued to regularly meet with key suppliers and this has enabled us to commence roll-out of the 'Warm Welcome' initiative, which uses funding from our supply chain to offer carpets and curtains to new customers who are most in need.

Increasing cost inflation has put pressure on our EBITDA margins resulting in the margin deteriorating from 50.4% to 49.9%. We have seen a significant increase in utility costs in addition to our other supply chain costs increasing, though this impact has been partially mitigated through forward pricing and utility hedging. This does mean, however, that the effects of inflation will continue to be felt next financial year as those arrangements come to an end. Notably, we have stepped up our proactive approach to identify and remedy any potential damp and mould in our homes. We have further developed our zero-tolerance approach to damp and mould, resulting

Manor Grove, Witham

in us proactively visiting 10,479 homes during this financial year. Due to this continued proactive approach our repairs costs have increased, resulting in pressure on our margins.

Customers are front and centre in our operating model and ensuring we invest in our homes is vital. Our capital reinvestment programme has increased from £59.3 million to £78.9 million. Alongside investing in our homes, we have a continued and strong focus on compliance. This means we have focused on fitting smoke detectors and carbon monoxide detectors across our social housing stock to ensure we continue to be compliant with existing and new legislations.

In Scotland, following the successful integration of Thistle Housing Association, the second year of delivering transfer promises has resulted in our residents receiving a rent increase restricted to 3%, reinvestment in their homes in the form of kitchens, bathrooms and heating systems, and community investment initiatives from a budget doubled to £50,000. The local residents' panel continues to scrutinise our delivery of promises on behalf of the community.

Despite these pressures, our national strength and the work of our highly skilled central and regional colleagues means we continue to deliver customer first services alongside having one of the leading margins within the sector at 33.1%.

Strong operational management has also maintained low rent arrears at 3.25% compared with 3.21% in 2021/2022.

Future Plans

Last year we reviewed the vital work of our National Resident Scrutiny Panel (NRSP). Due to the great success of this panel and the impact it has had on shaping our organisational services and operations, this year has seen us evolve this and develop the NRSP into two new panels, one Resident Scrutiny Panel (RSP) and a Resident Advisory Panel (RAP), more than doubling the number of engaged residents we work with across the year.

Our resident panel has continued to support us shape our services with an ongoing working group reviewing the Social Housing White Paper as well as our repairs services, home ownership offering, complaints management and more recently the Housing Ombudsman's 26 recommendations on damp and mould. The panel will continue to scrutinise and advise on our services into 2023/2024 by reviewing our target operating model, supporting our ongoing roll-out of the Tenant Satisfaction Measures from both a data collection and continuous improvement perspective, and reviewing our performance data.

We continue to embed our Resident Engagement Strategy, building upon our strong base of engagement. Our strategy emphasises our commitment to great relationships with our residents and working together to improve services – both locally and at a national level. Listening to what's most important to our residents and striving to provide the quality of services they deserve remains high on our agenda.

We will maximise the use of our inhouse maintenance and reinvestment services, utilising both existing skilled and experienced team members as well as investing in new roles to strengthen the breadth of experience and knowledge across our inhouse teams. We will assess the works we have used contractors for in the past and look at whether local and inhouse services would be a better option for our customers and, where this makes sense, we will look to further internalise core services.

Across 2023/2024 we will work towards our North Star, our vision of having a local relationship with our customers, providing a place to live that is good quality, affordable, safe and secure. And in collaboration with our customers, we want to create sustainable homes within thriving communities. To do this we will review our operating models across housing and property services and look to simplify and localise our offering – putting our teams in to the heart of the local communities they support and using technology to enhance our services. We will aim to introduce self-service portals for the transactions customers have told us would be better completed this way, freeing up our colleagues' time to support our customers where they need it most. Our local service will also focus on improving our repairs service, ensuring we build up our inhouse teams to make sure we respond more quickly and efficiently to repair and maintain our customers' homes.

There will be a continued focus on enhancing our workforce, ensuring we support colleagues to better support our customers. This will include increasing the number and type of apprentices we hire, recruiting graduates into housing and property, and looking to provide ongoing professional development to our existing colleagues. Alongside development, we will look to modernise and develop our employee offering to create flexible and agile ways of working for our teams across the country.

2023/2024 is also an exciting time for the Affordable Housing division, we will look to welcome our new colleagues from Swan Housing Association into our team, aligning best practice and customer service to ensure that we maximise our service offering for the newer customers in the organisation. For the current year, Swan's results are reported separately on page 74.

The Resident Advisory and Scrutiny Panels visit Noble House, Worcester

Case Study:

Greater Engagement Than Ever Before

"**More than 500 residents** applied to join either the RAP or RSP, bringing lots of **fresh** and **diverse customer insight** to help **strengthen engagement** and **improve our services.**"

A key aim of our new Resident Engagement Strategy is to strengthen strategic engagement. Our new Resident Advisory Panel (RAP) and Resident Scrutiny Panel (RSP) are great examples of us doing just that.

These two new bodies complement one another. The RAP has been created to look forward at the things we want to plan to do and help influence those decisions. The Panel will work closely with senior colleagues to develop new policy, strategy and ways of working, while ensuring our residents' voice is heard by our Group Board and Executive Committee to help influence decision making.

The RSP will review the things we have done, to see how we might do them better in the future, bringing together the diverse views from residents to help shape future services and make sure resident views influence the quality of service we deliver.

More than 500 residents applied to join either the RAP or RSP, bringing lots of fresh and diverse customer insight to help strengthen engagement and improve our services.

Supported Living - Divisional Review

Supported Living (excludes Swan)	2023	2022
Homes in management at the year end	6,618	6,674
Revenue (£m)	105.7	102.2
Divisional EBITDA (£m)*	9.1	9.7
Divisional EBITDA margin (%)*	8.6	9.5
Capital investment (£m)	7.4	4.6
Care Quality Commission rating (%)	98	100

*The Group's operating segments are defined and reconciled in note 6 on page 159. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

Performance

Sanctuary Supported Living provides care, support, housing management and assistive technology solutions to vulnerable adults across 644 separate services in England. Client groups include older people, people with disabilities, people with mental health issues, homeless people and young people.

We have seen year-on-year growth in revenue, through a small decline in EBITDA and EBITDA margin, with voids and cost inflation coupled with low uplifts in rent and service charges driving down margin.

The overall improvement in occupancy levels has supported partial financial resilience, increasing support and care income in addition to rental income across our occupied homes portfolio.

The pandemic's aftermath continues to impact on the delivery of services, through increased colleague vacancies and associated increase in agency spend. These pressures have been mitigated due to a review of our recruitment, induction and pay approach, which during the last quarter has seen a stabilising in workforce in many areas.

Services are reviewed on a continuous basis to make sure we are meeting the housing and support needs within each community, which is reflected in the Care Quality Commission rating 98% of our services as 'Good' or 'Outstanding'. As a result, we have won support contracts in several areas which have further contributed to our growth.

During 2022/2023 we have focused our attention on a number of individual properties that were not able to meet the quality standards we aim to provide for our customers. Following a strategic review, the decision to dispose of these assets was made. The customers were fully supported to find better-quality long-term homes and our EBITDA position was positively impacted.

Capital investment in our stock has increased during the year as reinvestment continues to be an area of focus to ensure our services are fit for the communities they operate within.

Our quality-of-service provision and colleague support has been recognised across various award nominations, including the Great British Care Awards and retention of Investors in People Gold status, which we are very proud of.

Future Plans

Our reinvestment plan continues to make sure we are investing in the right assets at the right time and maintaining high-standard, sustainable homes and services which are fit for the future. Our priority continues to be on achieving long-term sustainable contractual relationships which reflect the increasing inflationary pressures in order to maintain the high quality of our services.

During 2023/2024 we aim to deliver service improvement and an enhanced wellbeing approach across our retirement communities' portfolio, taking the decision to exit from related domiciliary care contracts to ensure customers get the best from their homes and communities while financial deliverables are achieved.

Exciting times are ahead with the full integration of Swan Care & Support services into the business, which will be a key focus and deliverable across this year, bringing stability and security for our new customers and colleagues. For the current year, Swan's results are reported separately on page 74.

Recovery of occupancy to pre-pandemic levels remains a priority, with the prediction of meeting this target by the final quarter of 2023/2024. The social and supported housing sectors are facing several changes over the coming year across the Social Housing Bill, Supported Housing Bill and the Renters Reform Act. These regulatory changes will impact across our supported living portfolio. We believe we are well placed to respond to and meet the necessary challenges and changes the bills will each bring.

Investment in our workforce is also critical to make sure we remain a market-leading quality provider of choice. Our planned investment in our workforce includes Positive Behaviour Support specialist training, as well as our continued leadership and management programmes, to ensure both retention and succession planning as a responsive and expanding organisation.

In 2023/2024 our focus remains on our commitment to grow our contribution to society by continuing to expand our services across England, supporting more vulnerable customers and ensuring a sustainable, high-quality business where we provide people with a pathway to independence.

Case Study:

Helping People Eat Well For Less

Sanctuary Supported Living has been helping people with the cost-of-living crisis through the launch of a new recipe book.

The cookbook includes a series of easy to prepare recipes that can be made with minimum cost and effort.

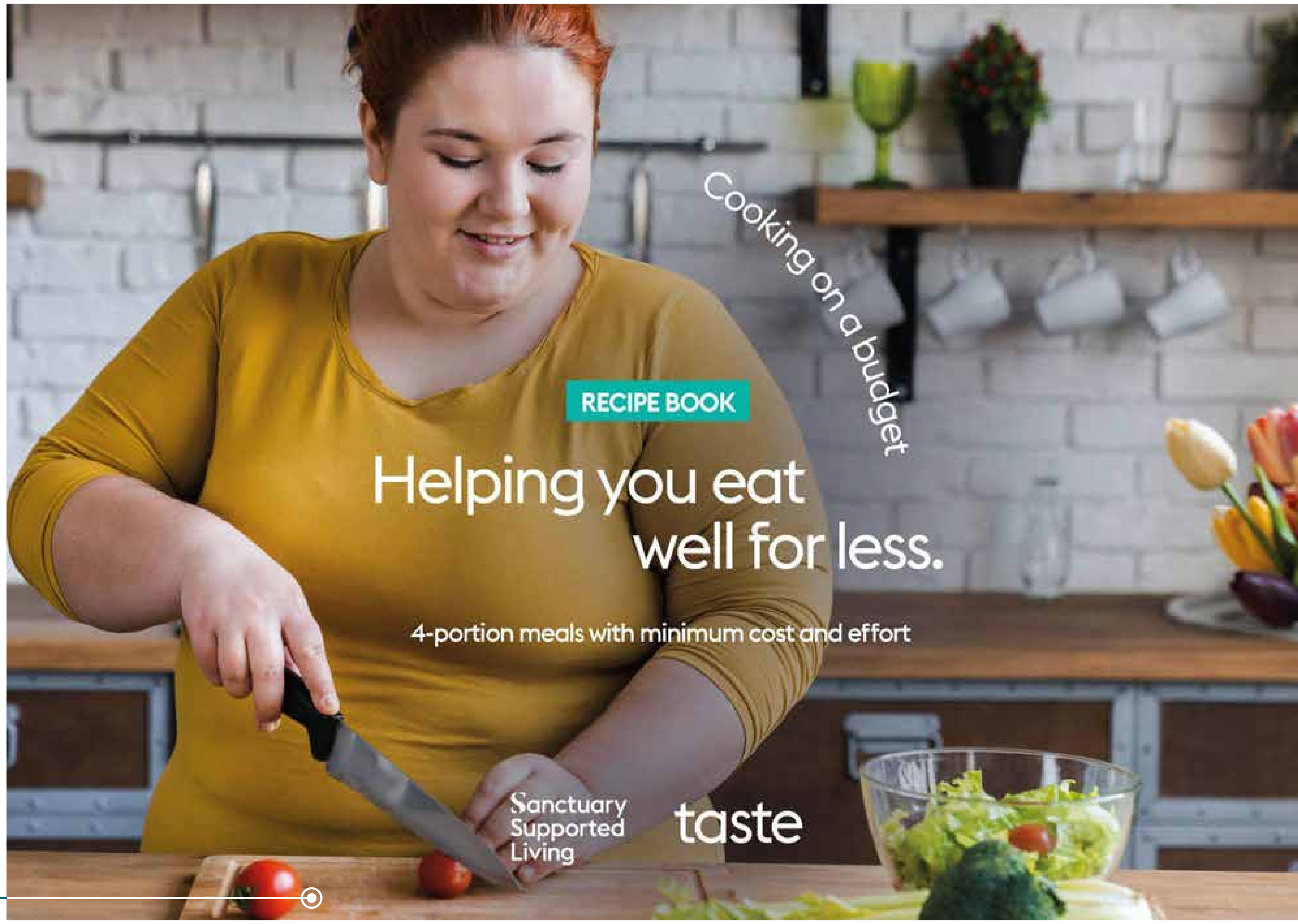
Organised by the Hospitality and Catering team, who manage the in-house Taste restaurants at Sanctuary's retirement communities, its aim is to support customers with their financial wellbeing by providing them with more accessible and budget-friendly recipes.

It forms part of a wider 'helping you eat well for less' campaign which is providing helpful information and advice to customers and colleagues across the country on healthy eating to a budget.

The free cookbook, which features firm favourites like chicken curry and cottage pie, focuses on helping people to keep up with a balanced diet despite pressure on household budgets, as well as important messages about using leftovers and batch cooking.

Will Childe, Hospitality Services Manager, said: "We created the recipe book because we wanted to try and relieve some anxiety for people as inflation is currently pushing up food and other prices. While the recipes have been created with cost in mind, they're still full of flavour! We're very proud to be supporting customers in bringing this book to fruition, and hope that it offers both practical help and reassurance for those that need it the most."

"**We're very proud to be supporting customers** in bringing this book to fruition, and hope that it offers both **practical help** and **reassurance** for those that need it the most."



The Sanctuary Supported Living "Helping you eat well for less" campaign includes access to a guide including advice about good nutrition and cost-effective recipes

Care - Divisional Review

Care (includes Cornwall Care)	2023	2022
Number of bed spaces in management at the year end	5,447	5,069
Revenue (£m)	226.5	193.0
Divisional EBITDA (£m)*	18.3	15.2
Divisional EBITDA margin (%)*	8.1	7.9
Care Quality Commission rating (England)%**	94	90
Care Inspectorate rating (Scotland)%	63	50
Average weekly rates (£)	938	874
Occupancy (%) – average for year**	85.9	82.2
Occupancy (%) – at year end**	88.4	83.7
Capital investment (£m)	10.3	14.5

*The Group's operating segments are defined and reconciled in note 6 on page 159. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.
**Excludes Cornwall Care

Performance

Sanctuary Care has been delivering care to older people for over 25 years and currently manages 108 care homes and a supported living care service, across England and Scotland. These provide a range of person-centred short-term and long-term care options, including residential, nursing, dementia, palliative, and respite care, to both the public and private pay markets, with private pay comprising circa 50% of annual revenues.

During the third quarter of 2022/2023, the business added 13 additional operational care homes to the portfolio, following our acquisition of Cornwall Care. This addition comes with a significant investment plan to improve the quality of care homes in Cornwall and provides Sanctuary Care with a sizeable footprint in a new region of the South West, that aligns with the wider organisation's footprint.

The 2022/2023 financial year has seen a steady recovery of occupancy following the considerable impact of the Covid-19 pandemic, with occupancy in the existing business growing by 3.7 percentage points during the year. Occupancy ended the year at 88.4%, only 3.0 percentage points behind the pre-pandemic average of 91.4%.

This improvement in occupancy has allowed for a partial recovery of EBITDA margin by 0.2 percentage points on the previous financial year, even in light of the extensive cost pressures experienced by the sector. Social care has been impacted by escalating price increases on utilities, maintenance-related costs and food which are expected to continue into 2023/2024. The business has managed the impact of these inflationary pressures through renegotiation of rates with Local Authority partners to cover costs of delivery; several cost efficiency-based initiatives to absorb price impacts; and a drive to uplift the number of privately-funded residents within the portfolio. Energy price fixes have partially mitigated utility inflation.

In addition, 2022/2023 has seen a sector-wide staffing shortage across health and social care, the result of which has been increased agency usage at premium rates. Sanctuary Care continually reviews the commercial competitiveness of its pay offering and as a result of the fast-changing pressures on the employment market, carried out a mid-year review of pay rates to ensure that the best quality colleagues continue to be attracted into the business. There has also been a strengthening in investment in Sanctuary Care's overseas recruitment programme during the year.

Extending the scheme from solely nurses, to include team leaders and carers; onboarding 238 new colleagues from overseas during the year. The additional investment in these areas has allowed the business to significantly reduce the impact of agency premium costs in the second half of the year and ensure that homes are staffed to a level that allows for occupancy growth.

Sanctuary Care's continued investment in its 'Enriching Lives' framework and co-production initiatives continues to support the business' delivery of high-quality care. The Care Quality Commission rates 94% of homes as 'Good' or higher, an improvement of four percentage points on the previous year, and 15 percentage points ahead of the sector average of 79%. This performance supports occupancy growth, fee rates and the attraction of experienced colleagues into care home teams.

Care Inspectorate ratings in Scotland were driven down last year by its Covid-19 Inspection Framework which put a more stringent focus on premises and the impact environment has on infection control measures.

The Care Inspectorate has now removed its heavy focus on the Covid-19 Inspection Framework, which coupled with an investment programme in the environments of our Scottish homes, has uplifted the percentage of Scottish homes achieving 'Good' or higher to 63% and this continues to improve.

Sanctuary Care continually reviews care home assets to ensure that homes are the right fit for the business for the future. As part of those reviews, at the end of 2022/2023, the business divested of its one mental health hospital, to focus on its older person care provision in England.

Future Plans

Continued investment in the care home portfolio remains a priority, building on the £10.3 million invested during 2022/2023. An extensive programme to refresh homes in the Home Counties and London is planned over 2023/2024, to ensure that those homes continue to attract the private pay market. This runs alongside a continued wider programme of investment throughout the portfolio, covering the refurbishment of bathrooms and communal spaces, ensuring homes remain homes we are proud of.

Further programmes of investment in new technology will also continue into next year, including: the roll-out of tools to support with computer insight-based scheduling of staff; smart interactive media services for residents; and maintenance service and compliance systems. All of these will be valuable technology to support residents and colleagues to thrive where they live and work.

The full recovery of occupancy to pre-pandemic levels will naturally remain a priority, with the prediction of meeting this occupancy level by the final quarter of 2023/2024.

In 2023/2024, we will also ramp up the integration of Cornwall Care into the business, including the roll-out of Sanctuary Care systems and processes, with significant investment in technology and wraparound support and control from the wider Sanctuary support functions. The acquisition also comes with two closed homes which are currently being reviewed for development.

The social care sector will undoubtedly experience many challenges over the coming year; however we are well placed to face these head on and to continue to grow with the mantra of 'Enriching Lives' at the heart of everything we do.

Case Study:

Enriching Lives – Elsie Whittaker

“I enjoy doing it – I think it’s very important and it makes me feel really good, like **I really belong here.**”

Resident Elsie Whittaker lives at our Barony Lodge Residential Care Home in Nantwich where she plays a key role in supporting the team to deliver the best possible care.

As resident ambassador, Elsie supports the team with tasks including interviewing potential staff and showing people around the home.

For Elsie, having a very active role to play in how the home is run is very important to her, providing her with a sense of significance and purpose.

“I enjoy doing it – I think it’s very important and it makes me feel really good, like I really belong here,” she says.

“I met a lady one morning and she seemed really pleased that a resident was showing her round – and for me it’s lovely. I am using my brain and I really enjoy it because I like talking to people.”

The role Elsie plays in the home forms part of our Enriching Lives framework and approach to delivering the best possible care to our residents that enriches their lives.

Through commissioned independent research, we discovered residents need to have ‘six senses’ met to feel fulfilled and content in our homes – security, belonging, continuity, purpose, achievement, and significance.

This is why we have worked with Elsie, as we do with all our residents, to tailor our care and support to truly meet her individual needs and fulfil her wishes to be involved in supporting the team.

For Elsie it is also so important to lead an active life, and she has made so many friendships at the home.

“There’s something to do every day – one day we were making kites and the next crocheting and knitting.

“And from my bedroom there’s a door so you can go to the gardens straight away, which is lovely because you can see the birds.”

Resident Elsie Whittaker at our Barony Lodge Residential Care Home in Nantwich

Student and Market Rented - Divisional Review

Student and market rented (excludes Swan)	2023	2022
Homes in management at the year end	11,976	11,982
Revenue (£m)	60.6	57.4
Divisional EBITDA (£m)*	28.6	27.3
Divisional EBITDA margin (%)*	47.2	47.6
Occupancy – Student (available units) (%)	92	90
Capital investment (£m)	8.0	3.4

*The Group's operating segments are defined and reconciled in note 6 on page 159. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

Performance

Sanctuary Students provides a home for nearly 12,000 customers across 39 locations within the UK. We deliver high-quality purpose-built student, keyworker and commercial accommodation in 14 of the UK's top university cities and work in collaboration with higher education providers and the National Health Service as well as letting directly to students and keyworkers.

The 2022/2023 academic year started with the universities clearly understanding that face-to-face teaching and being on campus matters to students. Many popular universities ended up with more students than expected as the first post-Covid cohort of school leavers competed for places. University applications were up 5%, partly fuelled by higher numbers of 18-year-olds due to the mid-2000s baby boom and those delayed because of the pandemic.

Although university applications increased, regional demand for student accommodation primarily reflects the strength of the local educational institution, consequently performance has been mixed. While occupancy for all London and Manchester locations remains at over 99%, occupancy challenges were experienced for sites housing students from lower ranked universities or in areas of oversupply of accommodation.

Nevertheless, this has created an opportunity, and a high degree of success has been achieved by offering short-term contracts for locations in Liverpool and Bradford. As a result, 92% occupancy was achieved for properties available to let, an improvement of two percentage points on the previous year, which, in turn, has driven additional student rental revenue. Overall, revenue increased by £3.2 million to £60.6 million.

During summer 2022, the Golf Open bookings in Dundee were successfully delivered as well as ongoing individual bookings for casual business and interns. The transient leisure market, via online agents, has shown a dramatic recovery since the pandemic, however the high demands placed on operational colleagues has meant that we have had to adapt processes to ensure delivery of services.

As extensively publicised, external factors have significantly impacted the cost of delivering an all-inclusive rent model for students and keyworkers. We have recognised the cost-of-living pressures being faced by our tenants and the comfort and support we have been able to give them through our fixed all-inclusive offer, but this has come at a cost. Cost-of-living pressures and increased inflation have resulted in significant increases in operating costs, particularly energy costs. Despite these challenges, through the organisation's forward hedging of energy costs and careful cost control, we have seen stable EBITDA and EBITDA margin of £28.6 million and 47.2% respectively (2022: £27.3 million and 47.6%).

We continually strive to improve our user experience and deliver high-quality customer experience, and this year we have successfully delivered new software where customers can complete a property inventory online in the customer portal. Colleagues can view and access comments and carry out any repair works. This sits alongside our 100% digital welcome guides and inductions, further enhancing our self-service platform and increasing accessibility.

Capital investment in our portfolio has continued with £8.0 million being spent this year. This includes both building safety spend and reinvestment in our properties. Competition in the market is significant, greater choice and enhanced living experiences have resulted in customers demanding more. Further reinvestment will continue to be an area of focus to ensure our properties remain high-quality performing assets in order to deliver fit-for-purpose services to our customers.

As part of the wider Group, positive progress has been made against the Group's Environment and Climate Change Strategy in the last 12 months. Our emissions have reduced due to the Group's continued procurement of green electricity, and we have completed new EPCs on all the student accommodation in England, with 84% of student accommodation recognised as EPC Band B or above. Work will continue to achieve the proposed Minimum Energy Efficiency Standard of EPC Band B for all non-domestic commercial buildings by 2030 in England.

Future Plans

The UK Higher Education sector is experiencing a solid recovery, with increasing student participation rates, demographic growth, and a rising number of international students. As a result, we remain committed to continuing our investment in properties to support this growth.

As the cost-of-living pressures and a higher inflation economy are expected to continue into the next financial year, increasing revenue and delivering value for money continue to be of high importance in order to be able to reinvest in our services and assets. Increased occupancy and revenue for academic year 2023/2024, costs already hedged by the Group, and appropriate cost control measures will support the delivery of our financial objectives.

Our ongoing investment in properties and services remains the focus of our decision making. We are committed to ensuring our environments are safe, secure, and compliant with the new building safety legislation. Additionally, we are reviewing our existing assets and making improvements to optimise structures and commercial performance, with asset improvement works supporting the optimisation of our letting and leasing activities.

However, investing in our assets is only part of the story. We recognise the importance of putting our customers at the heart of what we do. That is why plans focus on improving ease of access to our services by delivering a refreshed mobile-optimised customer website with an enhanced sector-leading self-service platform. We are also engaging with our customers by providing access to mental health, financial, legal, and wellbeing services through the "Here if you need us" engagement platform.

We recognise the importance of culture and people in achieving objectives. We will invest in staff learning, employee recognition, and talent management while promoting a diverse and inclusive workplace, building on our existing success of achieving Investors in People Gold Standard.

As part of our Group focus on growing our services, we will integrate Keyworker, Private Rented, and Commercial assets from Swan Housing (for the current year, Swan's results are reported separately on page 74), increase occupancy levels and utilisation across the portfolio, and maintain rental growth in the London student and market rented properties.

In 2023/2024 we will continue to focus on enhancing our customer experiences by investing in our assets and people to drive growth and success.

Case Study:

Supporting Students' Wellbeing

Over recent years, the increase in mental health and emotional needs of the students living in Sanctuary properties has moved to the forefront of activities as we look to support students throughout their university experience.

The long-lasting impact of the Covid-19 pandemic and associated isolation, disruption and insecurity combined with students becoming more in-tune with the state of mental health has highlighted a number of initiatives and procedures Sanctuary can provide.

Sanctuary has partnered with Health Assured to provide a 24-hour, seven days a week, 365 days a year online or telephone support and counselling service to colleagues and this service has been extended to students living in a Sanctuary property. The service has seen an increase in usage year-on-year as students look to external support outside of their university and the NHS on a number of topics including mental health support, financial, legal and family advice. The uptake of services continues to rise.

The reintroduction of our on-site events programme provides students with an opportunity to meet peers outside of their direct flatmates to help build new relationships. These events also provide an opportunity for students to spend time with their on-site teams, many of whom are mental health first aiders, and discuss any issues or concerns.

Data from our participation in the Global Student Living Index indicates that Sanctuary is having a positive impact on students' wellbeing and students feel that the organisation cares about them and actively finds ways to help support them.

New functionality has also been implemented within the secure booking system which allows students to request a welfare check if there is a concern for themselves or their flatmates. Since the introduction of the process in 2019, more students continue to log a request year-on-year as they rely on Sanctuary colleagues to help support them and their peers.

"The reintroduction of our **on-site events programme** provides students with an **opportunity** to meet peers outside of their direct flatmates **to help build new relationships**."

Students at Don Gratton House, London

Development - Divisional Review

Development Sales (excludes Swan)	2023	2022
Revenue (£m)	92.1	55.4
Cost of sales (£m)	(76.2)	(47.8)
Divisional EBITDA (£m)*	15.9	7.6
Gross margin (%)*	17.3	13.7
Homes completed in the year**	963	768
Housing sales***	307	238
Homes on-site and in development at the year end	4,057	5,183
Funding for development		
Expenditure contracted (£m)	254.5	218.0
Authorised expenditure not contracted (£m)	308.4	498.4
Total (£m)	562.9	716.4

*The Group's operating segments are defined and reconciled in note 6 on page 159. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

Excluding joint ventures and consortia * Includes First Tranche sales

Performance

The Development team builds new homes and communities and regenerates existing communities across England and Scotland. This enables Sanctuary to grow and improve both its services to customers and its asset base. This is achieved through design and build contracts and through an in-house Construction team.

Over the financial year, we completed 963 new homes, of which 539 were for social or affordable rent, 174 for affordable home ownership and 250 for open market sale. This was 195 more than the previous year despite ongoing challenging conditions in the construction industry. We reached final completion on schemes across a wide geographical area from St Buryan in Cornwall to a further phase of our large regeneration project at Cumbernauld in North Lanarkshire.

We started on site with a number of new affordable schemes under our Strategic Partnership with Homes England, including a 138-unit retirement living scheme in Lichfield, Staffordshire and a 122-unit mixed-tenure scheme in Wickford, Essex. Overall, performance against our sales strategy remains strong. Revenue increased by £36.7 million because of an increase in homes for sale and we also achieved an increased margin of 17.3%, up from 13.7% in the previous year. In total we sold 307 new homes, of which 126 were shared ownership properties, one was for discount market and 180 outright sale properties. We sold the final homes at large sites such as Kingsfield in Glastonbury and Bullwood Hall in Hockley, while our biggest selling sites during the year were at Watling Gate in Sittingbourne and Abbey Meadows in Great Wakering.

The total value of the completed stock and under construction sales inventory at the end of the financial year was £175.5 million across 1,604 units, a slight decrease from the previous year's figures of £183.1 million and 1,728 units.

Our ongoing success has been achieved despite it being another turbulent year for the construction industry as the recovery from the pandemic, coupled with the impact of the highest inflation rates seen for many years, has impacted on the financial health of our supply chain. Sadly, these conditions led to the insolvency of one of our construction partners, causing a delay on three of our development schemes. This highlighted one of the key benefits of having our own in-house Construction team, that of increased resilience to such failures, as the in-house team stepped in to deliver the part-completed schemes. Fixed price contracts have mitigated the impact of inflation where possible.

The in-house Construction team continues to successfully expand its operations to deliver an increasing proportion of our programme. During 2022/2023 it completed affordable housing schemes at Richmond Court in Chester and Dales Lodge in Hull and started constructing large new sites in Banbury, the Cotswolds and Shrewsbury. It also both started and completed a range of smaller asset remodelling projects, offering Sanctuary a cost-effective alternative to external contractors for these projects.

A further challenge is the uncertainty seen in the housing market since the autumn of 2022, with restrictions on mortgage finance and stagnant or falling house prices being reported. We are closely monitoring the situation and keeping the tenure mix of all on-site development schemes under continual review to ensure they best meet the needs of customers and the local market, while also delivering an appropriate financial return.

The continued wide geographical spread of our development pipeline and the wide range of products, from brownfield urban regeneration to suburban and rural housing schemes, means that Sanctuary is not significantly exposed to any particular local housing market conditions.

We are continuing to improve the sustainability standards of our new homes in a range of ways to ensure we not only comply with the new Building Regulations that were enacted in June 2022 but also to ensure we meet rising customer expectations and Sanctuary's commitment to reducing carbon emissions and increasing biodiversity across our estates.

Future Plans

We will continue to deliver on our commitment to build 1,000 new affordable homes under our Strategic Partnership with Homes England. Several sites that will contribute to the programme were secured during 2022/2023 and negotiations are very advanced on a number of further sites. The challenging economic conditions forecast for 2023/2024 are leading to a softening of competition in the land market so we will aim to take advantage of these conditions to seek out good value land opportunities to fulfil the programme.

Similarly, in Scotland we will continue to secure new sites using additional funding from the Affordable Housing Supply Programme, which will strengthen our partnership with the Scottish Government.

Since Cornwall Care joined Sanctuary in October 2022, we have been advancing plans for the reprovision and expansion of the care home portfolio in Cornwall to meet the wide range of care and housing needs across the region. A further new care home site was secured in Devon in 2022, which will start on site during 2023.

Housing for sale will remain a key part of our development programme, enabling us to both provide balanced, sustainable communities and provide essential cross subsidy to deliver our affordable housing commitments. The financial year 2023/2024 will see the delivery of the first phase of our largest ever housing for sale scheme at the Victoria Infirmary in Glasgow.

Development will also continue to invest in Sanctuary's existing assets. Construction is well underway at the Barne Barton regeneration scheme while the asset optimisation programme has proactively identified numerous Sanctuary assets across England and Scotland where further investment can improve and modernise the housing we provide to our customers.

Since the merger with Swan Housing Association in February 2023, Sanctuary has taken over a number of exciting projects in London and Essex, some of which have been paused due to the financial problems experienced by Swan before the merger. During 2023/2024, we will work closely with all stakeholders to complete the live projects and agree the best future plan for the paused development sites.

Case Study:

Burns Road, Cumbernauld

In 2022/2023, Sanctuary completed the final phase of our 10-year, £100 million regeneration of Cumbernauld’s 12 tower blocks.

Burns Road was previously the location of three high-rise tower blocks, including the tallest building in Cumbernauld, which have now been replaced by three new six-storey blocks of apartments.

Alongside the homes we have carefully designed the landscaping, improved pedestrian routes across the site and created new, welcoming outdoor public spaces. Another great feature of the site is the unique curved form of one of the blocks, which responds to the oval shape of the surrounding highways and provides a new signature landmark for Cumbernauld.

In total the development provides 131 new two and three-bedroom apartments as well as a new office from which Sanctuary will be able to provide a range of services to its local customers.

The redevelopment of the Burns Road site marks the culmination of a decade long high-rise regeneration project between Sanctuary, North Lanarkshire Council and the Scottish Government to transform much of Cumbernauld's social housing.

“Alongside the homes we **have carefully designed the landscaping, improved pedestrian routes** across the site and **created new, welcoming outdoor public spaces.**”

Homes at Burns Road, Cumbernauld, Scotland

Swan - Divisional Review

Swan (post-acquisition)	2023
Revenue - development sales (£m)	26.0
Revenue - housing, supported and other (£m)	11.9
Divisional EBITDA (£m)*	9.2
Divisional EBITDA margin (%)*	24.3
Gross development margin (%)	33.5
Social operating surplus (£m)	1.6
Social operating surplus (%)	17.2
Homes in management at the year end	13,001
Capital investment (£m)	2.8
Housing sales	55
Homes on-site and in development at the year end	703
Funding for development	
Expenditure contracted (£m)	81.0

*The Group's operating segments are defined and reconciled in note 6 on page 159. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

Performance

On 8 February 2023 Swan Housing Association Limited became a wholly-owned subsidiary of Sanctuary Housing Association.

In rescuing the struggling organisation, Sanctuary has brought much-needed stability to Swan and safeguarded services to its residents. The deal has also ensured resilience within the wider sector.

Sanctuary already had an established presence in London and Essex, operating in 17 of the 19 Local Authority areas in which Swan operates, and so Swan provides a good geographic fit for the Group. The business combination is also strongly aligned with one of the Group's key strategic objectives 'growing our services', which is about seeking opportunities for expansion in line with the Group's core social purpose and developing new homes in communities.

In the post-combination period since 8 February 2023 Swan Housing Association and its subsidiaries contributed revenue of £37.9 million and an EBITDA of £9.2 million to the Group's results. Social housing lettings income achieved an operating margin of 17.2%; this encapsulates general needs, supported living, shared ownership and keyworker accommodation. Swan also receives income from commercial properties and has a PFI contract with Newham Borough Council for 1,300 properties.

Swan has a number of active development programmes. Sales of £26.0 million reflect 21 private sales at Beechwood Village, Basildon, 29 private sales at Blackwall Reach, Tower Hamlets, and 5 shared ownership sales at Cordage Works, Waltham Forest. At the year end Swan had 703 homes on site and in development.

The business combination and accompanying business case saw S&P improve Swan's credit rating from BB- to BBB+.

Future Plans

Sanctuary has previous experience of successfully integrating troubled housing associations, having rescued Cosmopolitan Housing Group from near-failure in 2013, and is currently working through plans to fully integrate Swan and embed its services into the organisation on an achievable timeframe.

There will also be a focus on reducing Swan's development programme and reducing debt, with a view to improving its ability to cover its interest burden.

Group Board visit to a Swan development

Value for Money

The past year has seen record inflation squeeze the income of every household, making the need to deliver Value for Money for our customers greater than ever and it continues to be fundamental to our mission of building affordable homes and sustainable communities. It is also central to our Corporate Strategy's objectives of **putting customers first, growing our services** and **investing in our assets,** and builds on our values of ambition, inclusion, integrity, quality, and sustainability.

Value for Money is embedded in all of our processes, ensuring our approach is strategic, comprehensive and aligned to our objectives. Underpinning our objectives are our financial Golden Rules and our rigorous approach to financial management, including detailed budgets, longer-term financial plans, and cost reduction targets. The budget setting process drives annual efficiencies in each operation, focusing on the Group's overall performance and the requirement to meet its Golden Rules. In addition to the annual budget, the Group's strategic projects, including acquisitions, are subject to the scrutiny of standalone business cases to ensure that they deliver the desired financial and non-financial benefits. Development schemes must meet Group Board approved hurdles that deliver the optimal balance between generating a sufficient level of return and delivering much-needed social housing. The Group's Procurement team works closely with all departments to secure goods and services at the best possible price, including longer-term contracts where appropriate.

Our Value for Money Principles

Our Value for Money principles are based on maximising:

Economy
When inputs or goods were purchased, did we get them for the lowest possible price?

Efficiency
How proficient are we at turning the inputs or goods into outputs or services?

Effectiveness
Did our outputs or services deliver the desired outcome or standard of service?

Equity
Are our services equally available to, and did they reach, all the people that they are intended for?

Resident Advisory Panel member Melissa Washington-Nortey and Resident Scrutiny Panel member Landa Love

Monitoring Our Performance

The Group's Value for Money performance is monitored across a variety of channels including operational management budgets, monthly financial performance reports to the Executive Committee and to every Group Board, and quarterly treasury reports to the Group Audit and Risk Committee. The Group Board is ultimately responsible for approving all budgets and financial forecasts. Value for Money is considered in every decision made by the Group Board, subsidiary boards, Executive Committee and Development Committee.

We analyse our performance in four areas: resources, structures and processes, customers, and assets, measuring performance over time and in comparison to other organisations. Benchmarking with other organisations provides a useful guide to our own performance and our peer group includes organisations either of a similar size or with activities of a similar nature to our own. However, none of these organisations have a similar-sized care or student portfolio, making meaningful comparisons difficult. Because information for 2022/2023 is not available at the time of preparing the annual reports, benchmarking information is presented for 2021/2022. For divisional benchmarking, relevant peer groups include large care providers and student accommodation providers.

Within the suite of key performance indicators, we include metrics required by the Regulator of Social Housing (RSH) through its 2018 Value for Money Standard. These metrics, referred to in this report as 'RSH metrics', are being disclosed by all Registered Providers, using prescribed methods of calculation to improve comparability. The methodology calculations for the RSH metrics can be obtained from the RSH website.

Value for Money and Our Corporate Strategy

Value for Money plays a key role in Sanctuary's delivery of its strategic objectives; putting our customers first, growing our services and investing in our assets. Examples of how we embed Value for Money in our objectives are:

Putting Our Customers First

- **Customer Commitments**
  In 2022 we launched Shaping our Future, our Resident Engagement Strategy that was developed following feedback from more than 3,000 residents. This will help us ensure that we listen to our residents equitably and that we respond effectively.

- **Customer Safety**
  While not required under legislation or economical to do so, we have installed sprinklers in a number of properties where they will deliver the most benefit, reflecting the fact that resident safety is our number one priority. We have also established a dedicated Building Safety Programme to ensure we are compliant with the Building Safety Act.

- **Customer Services**
  The rescue of Swan Housing protected its customers and ensured that vital services such as repairs remain equitably accessible.

- **Customer Innovation**
  Through our innovative technology programmes, which include a new approach to managing service charges and repairs, we are improving our service effectiveness.

- **Customer Living Standards**
  One of the biggest improvements we can make to our customers' living standards is through the energy efficiency of our buildings. We are reducing fuel poverty and carbon emissions through an effective investment programme in our homes, including upgrading heating systems, increasing insulation and replacing windows and doors. We have also led a consortium of other housing associations to bid for the Government's Social Housing Decarbonisation Fund.

- **Customer Engagement**
  While our primary customers are our residents, other customers include MPs, local authorities, central Government, regulators and investors. We work with these partners to effectively achieve shared mutual goals that are delivered under our Value for Money framework.

- **Customer Accessibility**
  We are developing further tools to make it easier for customers to access our services online, including our OneProperty repairs system. A new Customer Relationship Management system will enable faster resolution of simple queries, offer further choice for residents about how they interact with us and will allow us to serve our customers more effectively and efficiently.

Project Manager Ellie Chambers and Senior Project Manager Summer Boyd

Investing in Our Assets

Invest in Our Homes
We recognise that our homes are getting older and that we must work effectively and efficiently to ensure our buildings continue to meet a standard we and our residents are proud of.

Invest in Our Communities
The cost-of-living crisis has led to higher levels of poverty, placing renewed emphasis on our community investment work. We help our communities tackle challenges such as unemployment, poverty and exclusion through the effective use of matched funding where possible, creating a more equitable society.

Invest in Regeneration
The regeneration of Barne Barton in Plymouth demonstrates our desire to effectively recreate a sustainable and equitable community and improve lives for residents, replacing homes which have reached their end of life with modern, fit-for-purpose, energy efficient ones.

Invest in People
Delivering effective and equitable services requires a customer-centric culture which is embedded through our behaviours and values framework. We nurture potential talent through our apprenticeship schemes and have launched new executive and senior talent management programmes to support organisational development and succession planning.

Invest in Efficiencies
We recognise that we have limited resources but must also continually invest, so we constantly innovate and deliver efficiencies in order to avoid compromising frontline services.

Growing Our Services

Growing Through Development
We are continuing to develop essential social housing, building high-quality but economical homes where they are needed most and creating equitable communities. We have a Strategic Partnership with Homes England and have been awarded nearly £100 million in grant funding to support the delivery of 1,000 new affordable homes between now and 2026.

Growing Through Acquisition
We have acquired Swan Housing and Cornwall Care in the last year, expanding our housing and care operations. Both organisations require effective integration to deliver the best outcomes for their residents.

Growing Through Innovation
We are committed to continual innovation in the way we build new homes and will expand the proportion of homes delivered via our in-house Construction team to improve efficiency. We will also explore opportunities to expand our use of Modern Methods of Construction where it is effective to do so and are committed to Inclusion by Design.

Understanding Our Performance

Sanctuary Group's key performance indicator results for 2023 and 2022 are colour-coded as follows:

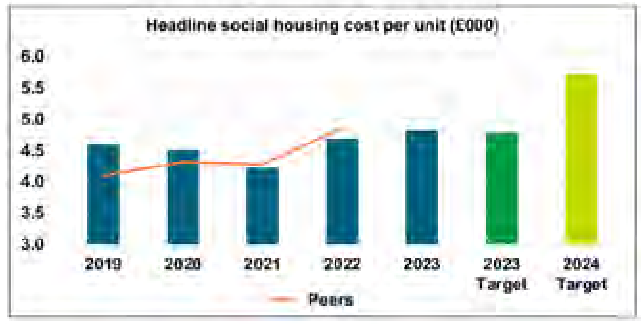
- Exceeded target (2023)/outperformed peer group (2022)
- Within 10% of target (2023)/within 10% of peer group (2022)
- More than 10% short of target (2023)/more than 10% short of peer group (2022)

Where no colour-coding is offered, this is because no comparison is available, or a comparison is subjective.

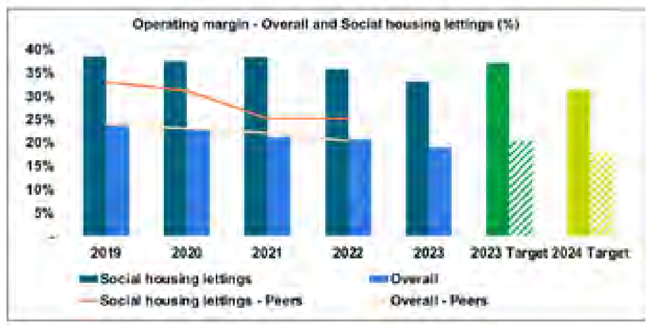
Resources

Our primary resource is our people, while our practical approach to procurement ensures that we purchase goods and services economically.

Value for Money Key Performance Indicators: Resources



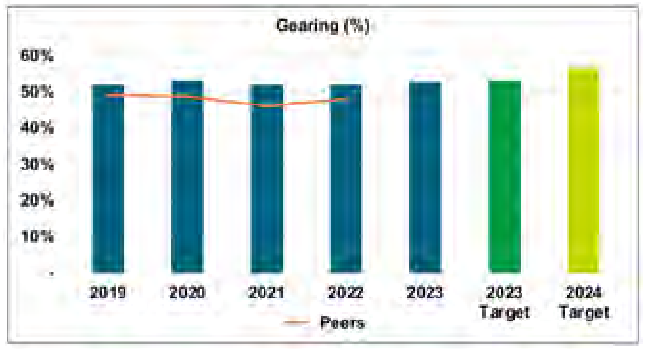
Headline social housing cost per unit was £4,730 for 2023, however this was distorted by the inclusion of Swan, without which the figure would be £5,062, £286 higher than target and £375 higher than 2022. The variances were particularly driven by higher levels of maintenance and reinvestment costs, with demand remaining consistently higher than pre-pandemic levels, but also by the general high inflationary environment that has impacted all cost areas and continues to persist. Our cost per unit of £4,687 in 2022 was lower than our peer group, despite our greater proportion of supported living services which have a relatively high cost base. The target for 2024 of £5,708 per unit is significantly impacted by Swan but also assumes greater maintenance, reinvestment and utilities costs.



The significant increase in maintenance costs and the inclusion of Swan also resulted in our operating margin (social housing lettings) of 33.1% being 4% below the target of 37.1%. Our target of 31.5% for 2024 reflects the full acquisition of Swan, in addition to greater maintenance costs and other inflationary pressures which more than offset the 7% rent increase. Our operating margin (social housing lettings) in 2022 was well above our peers, demonstrating our ability to deliver efficient housing services.

Our overall operating margin reflects the inclusion of labour-intensive activities such as care that generate lower margins. The 2023 margin was 19.5%, again below target due largely to additional maintenance costs and Swan. The target for 2024 is 17.9% with Swan impacting the margin through weaker underlying performance but also housing for sale income that dilutes the overall margin. Our margin in 2022 was higher than our peers, despite our relatively high proportion of activities such as care.

EBITDA MRI interest cover in 2023 of 120.3% was 5.7% below target and 8.1% below the prior year due largely to higher maintenance costs. The target for 2024 is 105.9% due to the impact of Swan which carries significant historic debt and associated interest costs and lowers our cover by approximately 13%. Our interest cover has typically been lower than our peers and is a reflection of several factors including previous acquisitions, our extensive history of development and the associated costs of financing those programmes, together with our decision to maintain a relatively high level of fixed debt which reduces volatility in our cash flow and debt servicing requirements.



Gearing is 52.9%, marginally better than target due to lower than expected debt.

Our target for 2024 is 56.5% due to increased development and reinvestment spend.

	Sanctuary Group 2023 Actual	Sanctuary Group 2023 Target	Sanctuary Group 2022 Actual	Peer Group Average 2022 Actual	Sanctuary Group 2024 target w/o Swan	Sanctuary Group 2024 target w. Swan
Headline social housing cost per unit (£)*	4,730	4,776	4,687	4,855	5,500	5,708
Operating margin – social housing lettings (%)*	33.1	37.1	35.7	25.1	32.7	31.5
Operating margin – overall (%)*	19.5	20.3	20.8	20.4	19.2	17.9
EBITDA MRI interest cover (%)*	120.3	126.0	128.4	140.0	119.0	105.9
Gearing (%)*	52.9	53.2	52	48.1	52.9	56.5
Void loss (%)	1.8	1.5	1.9	1.8		1.6
Average cost per responsive repair (£)	133	124	128	n/a	140	145
Chief Executive pay per unit (£)	3.05	3.27	3.18	4.90		3.13
Proportion of fixed rate debt (%)	91.5	n/a	94.6	85.0	n/a	n/a
Interest cover (Sanctuary metric)**	2.15	2.13	2.08	2.64	2.07	2.02
Cost of borrowing (%)	4.51	n/a	4.28	3.71	n/a	n/a

*RSH metric

**Excludes loan break costs. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

Void Loss

Void loss was greater than target due to the continued difficulties in turning around empty properties, either through our internal maintenance function which has been stretched with high demand, or using contractor resources. However, the last quarter of the year showed an improvement and the 2024 target reflects that we expect this to continue.

Average Cost Per Responsive Repair

The average cost of a responsive repair was higher than target as we have had to utilise more third party contractors than expected due to difficulties in recruiting our own maintenance staff. The average cost has also increased from the prior year due to the significant inflationary pressures which have impacted both labour and material prices. All of Swan's maintenance is currently performed by contractors and therefore we expect the average cost to increase again in 2024, while inflationary pressures also persist.

Chief Executive Pay Per Unit

This metric reflects our economies of scale and is a demonstration of our commitment to delivering Value for Money services across all of our businesses.

Proportion of Fixed Rate Debt/Interest Cover/Cost of Borrowing

Interest cover can be calculated in many different ways and our preferred method is consistent with our lenders' calculations and makes no adjustment for capitalised major repairs. As noted under EBITDA MRI interest cover, our interest cover is typically lower than our peer group due to several factors, including our decision to continue to hold relatively high levels of fixed debt (91.5% at March 2023) compared to our peers (85.0% at March 2022).

Our interest cover during the year was in line with expectations but is forecast to decline in 2024 due to the impact of Swan's historic debt burden. Our average cost of borrowing has increased during the year which is to be expected given the wider funding environment.

Key Resources Achievements in 2022/2023:

- We have saved approximately £19.1 million of utilities costs against the market achieved through proactive procurement.
- We continued to consolidate and rationalise our portfolio of offices under our Future Workspaces Programme, including at our head office in Worcester.
- We continued to implement our OneProperty maintenance programme, including winning the SAP UK and Ireland Customer Success Award for the design and proof on concept work to date.

Key Resources Areas of Focus in 2023/2024:

- With continued uncertainty in gas and electricity markets, we expect to save approximately £8 million in 2023/2024 due to our policy of hedging against short-term fluctuations.
- We will reduce our number of void properties, which were initially impacted by the pandemic and have stayed persistently higher than historic levels.
- We will continue to raise competitively priced funding to deliver our objectives, maintaining an efficient balance between short and long-term, variable and fixed funding.

Housing Officer Paul Davis with resident Frances Park

Structures and Processes

Our structures and processes include our corporate structure, our operational structure, our governance structure and processes, and our technology processes.

Value for Money Key Performance Indicators: Structures and Processes

	Sanctuary Group 2023 Actual	Sanctuary Group 2023 Target	Sanctuary Group 2022 Actual	Peer Group Average 2022 Actual	Sanctuary Group 2024 Target
Rent arrears (%)*	3.3	n/a	3.2	3.8	n/a
Number of statutory entities (excluding joint ventures)	46	n/a	36	n/a	n/a
Employee survey engagement score (%)*	76	n/a	76	n/a	n/a
Internal maintenance service utilisation (%)*	72.4	80.0	72.8	n/a	76.2

*Excludes Swan

Rent Arrears

Our rent arrears have fallen since the prior year despite the wider external economic pressures, demonstrating our effective income collection processes.

Statutory Entities

The number of statutory entities in the Group has increased over the year due to the acquisition of Swan which included several subsidiaries. We endeavour to keep the number of active entities to a minimum in order to reduce the administrative burden and plan to rationalise more as soon as possible.

Employee Engagement Score

Our employee engagement score of 76% has remained static year-on-year and is still significantly above the external benchmark of 66%. We recognise that it continues to be a challenging time for colleagues and are committed to providing them with the support and tools they need to thrive.

Internal Maintenance Service Utilisation

Like many in the sector we have struggled to recruit maintenance staff over the last couple of years and this has impacted the level of jobs performed by our internal teams, although we have seen an improvement in the last half of 2023 and expect this to improve utilisation further in 2024. Jobs performed by our teams are far more efficient than using third party contractors and also deliver better quality service.

Multi-trade Operative Ian Lowndes

Key Structures and Processes Achievements in 2022/2023:

- To tackle the challenge of low occupancy levels in secondary markets we introduced short-term contracts for selected student properties during the year, allowing us to attract temporary and seasonal occupants such as students on exchange programmes.
- We have reduced the volume of dispersed client instances in housing through the implementation of a new case management process that not only minimises the disruption to customers but also reduces the annual cost.
- We have expanded our internal Construction team and are now directly managing nine development sites.

Key Structures and Processes Areas of Focus in 2023/2024:

- We will increase the share of repairs delivered through our internal maintenance service. The recruitment of skilled tradespeople has been challenging and we are therefore training greater numbers of staff and increasing recruitment drives to grow our internal workforce.
- We will fully integrate Swan, generating efficiencies through economies of scale and process alignment.
- We will move our data centre from being on-site to hosted by an external provider, removing the need for a large-scale upgrade and reducing the high running costs which include specialist requirements such as temperature control and fire protection.
- We will implement Salary Exchange for all colleagues which will allow them to increase their take home pay and also reduce our National Insurance liability.

Customers

We serve a broad range of customers across a wide geographic area, many of whom live in our homes.

Value for Money Key Performance Indicators: Customers

	Sanctuary Group 2023 Actual	Sanctuary Group 2023 Target	Sanctuary Group 2022 Actual	Peer Group Average 2022 Actual	Sanctuary Group 2024 Target
Resident satisfaction – overall (%)	73	80	78.9	n/a	77
Sanctuary Care CQC rating (% good or better)	94	100	90	n/a	100
Sanctuary Supported Living CQC rating (% good or better)	98	100	100	n/a	100
Care Inspectorate Scotland rating (% good or better)	63	100	50	n/a	100

Resident Satisfaction

Our residents' overall satisfaction has fallen during the year and reversing this decline by putting our customers first is our first strategic objective. We are reviewing our housing operating model to ensure the customer is at the heart of our service delivery and also introducing a broader range of tools to ask customers their views about services they receive. We want to offer excellent customer service while also providing the highest Value for Money.

CQC/Care Inspectorate Ratings

While our CQC and Care Inspectorate ratings are below the target of 100% that we set ourselves, our CQC ratings continue to be some of the highest in the sector, demonstrating our ability to deliver cost-effective, high-quality services to our residents.

The Care Inspectorate measure, which rates the Group's Scottish care homes, fell in 2022 due to its implementation of a Covid-19 Inspection Framework in April 2020 which had a more stringent focus on premises and the impact that environment has on infection control measures, resulting in 'Adequate' or lower inspections for aged stock and in particular our Lorimer acquisition homes (this decline was seen across the sector). We have made significant progress in reinvesting in these homes in the past year but the inspection cycle means that not all homes have been subsequently re-inspected.

Resident Trevor Surrett

Key Customers Achievements in 2022/2023:

- The acquisition of Swan has protected its customers and ensured that they continue to receive uninterrupted housing and care services.
- We have fully digitised our induction and welcome guide for new student residents, who can now access vital information about our services, policies, and facilities online, resulting in a seamless onboarding experience.
- We have formed a new Resident Advisory Panel for housing and supported customers which will support our Resident Scrutiny Panel and work closely with the Executive and Group Board as we come up with new strategies, policies and ways of working.
- We utilised grant and supply chain funding in Scotland to fund Housing and Community Connector roles who helped support customers with financial difficulties.

Key Customers Areas of Focus in 2023/2024:

- We will implement a new complaints management process with the aim of minimising the handling time and improving outcomes for customers.
- We will improve the customer experience in housing through greater use of self-service facilities, providing more flexibility and faster response times.
- We will continue to adapt our care services to enrich lives against the six key senses of security, belonging, continuity, purpose, achievement and significance.

Assets

Assets comprises management of our existing asset base and the development of new properties.

Value for Money Key Performance Indicators: Assets

Reinvestment was 3.0% for 2023, 2.2% below target as development sites continued to experience delays arising from supply chain disruption and labour shortages. The target for 2024 is 5.0% as we continue to deliver our Homes England strategic partnership commitment and Swan's development promises.

ROCE was 2.8% for 2023, just below target due to the inclusion of Swan's balance sheet. A significant factor is the inclusion of gains and losses on disposal of fixed asset properties which causes fluctuations, particularly in our peers who tend to dispose of higher levels of stock. The target for 2024 is 3.3%, with the increase driven by operating efficiencies and planned disposals of Swan stock.

Both supply metrics were impacted by the supply chain disruption and labour shortages, which also impacted the reinvestment metric. New supply (social) was 0.7% for 2023, 0.7% lower than target. The target in 2023 increases to 1.1% as the delayed sites complete and we deliver our strategic commitments. New supply (non-social) was 0.3% for 2023, in line with target. The target for 2024 is also 0.3%.

	Sanctuary Group 2023 Actual	Sanctuary Group 2023 Target	Sanctuary Group 2022 Actual	Peer Group Average 2022 Actual	Sanctuary Group 2024 target w/o Swan	Sanctuary Group 2024 target w. Swan
Reinvestment (%)*	3.0	5.2	4.0	6.0	4.3	5.0
Return on Capital Employed (%)*	2.8	3.0	2.8	3.0	3.1	3.3
New supply delivered – social (%)*	0.7	1.4	0.8	1.2	1.1	1.1
New supply delivered – non-social (%)*	0.3	0.3	0.1	0.2	0.2	0.3
Number of new homes completed including through joint ventures and consortia	1,278	1,500	1,121	n/a	1,137	1,420
Number of new homes sold	307	532	238	n/a	329	475

*RSH metric

**Excludes loan break costs. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

New Homes Delivered and New Homes Sold

Excluding Swan, sales of newly built homes, both outright sale and shared ownership, generated £92.1 million of income, with a gross margin of 17.3%, compared to £55.4 million in 2022 which generated a margin of 13.7%. The number of homes sold in 2023 was another record for us but was still below target as scheme completions were delayed due to the continued cost pressures in the construction industry. As with our reinvestment and new supply metrics, the completions and sales targets for 2024 reflect the completion of delayed sites and the expectation that supply chains ease.

Key Assets Achievements in 2022/2023:

- We secured £12.5 million of funding from the Social Housing Decarbonisation Fund to improve the energy efficiency of nearly 2,000 homes in Cheshire, Rochford, Sheffield and Stoke-on-Trent. Works will include window upgrades and the installation of loft insulation, wall insulation and low-energy lighting, with improvements tailored to specific properties. Some homes will also get a new heating system.
- We delivered 1,278 new homes during the year and, while this is lower than expected, we remain fully committed to delivering affordable housing and communities in which people choose to live.
- We have improved 2,780 properties up to EPC Band C. This work is essential in ensuring that our residents continue to live in properties that provide safe and warm environments.

Key Assets Areas of Focus in 2023/2024:

- We will continue to identify and acquire the sites required to deliver our Homes England strategic partnership commitment.
- We will focus on remediating the outstanding building safety issues on Swan's stock, with customer safety our priority.
- We will expand our Asset Optimisation programme, identifying assets which could be utilised in more efficient or effective ways.
- We will improve occupancy through an innovative lettings approach, particularly for our hard to let Housing for Older People properties.

Governance

Sanctuary has a group structure, in which Sanctuary Housing Association (the Association) is the parent company. The Association was established on 5 May 1969 and is a Registered Society (19059R). Sanctuary is governed by the Board of the Association (the Group Board) which comprises seven non-executive members, the Group Chief Executive, Craig Moule, and two co-opted members.

The Role of the Group Board

The Group Board's primary role is to achieve Sanctuary's social and constitutional purpose by defining strategy and ensuring compliance with its values and objectives. It agrees the strategic direction of the organisation and makes sure that policies and plans are in place to achieve those objectives. It also establishes and oversees a framework of delegation and systems of control, ensuring that good governance practices are embedded across Sanctuary's operations.

We are committed to having an effective board comprising members with diverse backgrounds, including in terms of gender and ethnicity, lived experience, and attributes with a range of skills, competencies, experience and knowledge to lead and control the organisation. Out of the 10 current Group Board members, six are male and four are female, and one Group Board member represents ethnic minorities.

The Group Board visit Swan's development in Laindon

The Group Board (as at 28 June 2023)

Andrew Manning-Cox MA (Cantab), FCIArb, Chartered Arbitrator, CEDR Accredited Mediator
Group Chair

Andrew Manning-Cox retired as Senior Litigation Partner of Gowling WLG (UK) LLP in 2018, having been with the organisation for 40 years. He specialised in dispute resolution worldwide. Andrew is now in practice as an Arbitrator, Mediator, and a Notary Public.

Andrew is an experienced non-executive director and chair of a number of companies and public bodies. Past non-executive directorships include Chair of Hereford Enterprise Zone (Skylon Park), The Marches Local Enterprise Partnership, Worcestershire County Cricket Club, Malvern Hills Science Park, and Central Technology Belt. He is a non-executive director of Thursfields Legal Limited and a member of the Independent Remuneration Committee of Worcestershire County Council. Andrew is the immediate past High Sheriff of Worcestershire 2022/2023.

Craig Moule BSc (Hons)
Group Chief Executive

Craig Moule has been with Sanctuary for over 30 years, having joined the organisation in 1989 from Coopers & Lybrand. Craig was appointed Group Chief Executive on 1 January 2019. Prior to this he was the Group's Chief Financial Officer. While holding this position, Craig oversaw Sanctuary being the first housing association to implement a SAP enterprise solution and the formation of our Corporate Shared Service Centre. Craig is an ex-officio member of the Group Board.

Trudi Elliott CBE, BSc Econ (Law and Econs), MRTPI, FAcSS
Group Vice Chair and Chair of Group Housing Board

Trudi Elliott is a Chartered Town Planner and was formerly a lawyer, practising in both the public and private sectors. Trudi is the Chair of the Planning Inspectorate for England. She is a visiting Professor in planning and land economy at Henley Business School, University of Reading, and a Fellow of the Academy of Social Sciences. Prior to this Trudi was Chief Executive of the Royal Town Planning Institute; Director of the Government Office for the West Midlands; Chief Executive of West Midlands Regional Assembly (Regional Planning Body); Director of Local Government Practice (West Midlands); and Chief Executive of Bridgnorth District Council.

Trudi has considerable experience across the civil service, local Government, charity, and private sector, and she has a strong track record of partnership working and delivery. Trudi is Patron of the Commonwealth Association of Planners; is a Commissioner of UK2070, an inquiry into regional inequalities; and is Chair of Community Transport Wyre Forest.

Arvinda Gohil OBE, BA (Hons)
Group Board Member

Arvinda Gohil is an experienced executive and non-executive, having started her career in housing bringing significant experience of working in the housing, homelessness, and charity sectors. Her long history and considerable experience include the Chief Executive of Central YMCA, the founder YMCA; Community Links a place-based charity in Newham London; Emmaus UK; Director for Membership, Governance, and Regions for the National Housing Federation; Assistant Director for London at the Housing Corporation; setting up a capacity-building agency in South Africa for emerging housing organisations; and Chief Executive of two housing associations. She was a key figure in the setting up of housing associations specifically for the Black, Asian and Minoritised communities, and instrumental in setting up Unity Housing Association, where she was its first Chief Executive. Arvinda is currently Chief Executive at the Joseph Rowntree Charitable Trust.

Arvinda also has significant experience in the voluntary sector, working for a women's refuge, running a positive action programme to enable access to employment, and running a regeneration partnership. In addition to the executive roles, Arvinda has held several non-executive and trustee roles including in housing associations, refugee organisations, a university, and a social investment charity. She is currently Chair of Swan Housing Association and is a non-executive director at The Conduit.

James Thallon MA, MBBS, MBA, DRCOG, DCH, MRCGP
Group Board Member

James Thallon is a GP on the Norfolk Broads following a parallel career as a senior NHS clinical leader. James began working in clinical commissioning and medical performance management in 2003, eventually becoming Medical Director for Kent, Surrey, and Sussex for NHS England with a final role in 2018/2019 as Acting Regional Medical Director for NHS England South East.

As part of his GP role James is an Honorary Senior Lecturer at the University of East Anglia, teaching clinical skills to second year medical students. He also advises general practices in difficulty. James's involvement with Sanctuary followed a long association with Crossways Community, a charity providing long-term therapeutic residential accommodation for people with significant mental health issues in Tunbridge Wells and for which he was the Chair of Trustees. James is Chair of the Sanctuary Care Board and Chair of the Sanctuary Home Care Committee of Management.

Ian Chisholm MA, ACMA, FCT
Chair of Group Audit and Risk Committee

Ian Chisholm has over 30 years of executive experience in finance and treasury roles in large and complex organisations. He is currently Group Treasurer of Grosvenor Group, the international property management and development company. Ian oversees all treasury activities including managing cash and financial risks, ensuring adequate liquidity, and executing financing transactions for all operating companies. Responsibilities include advising senior management and various boards on treasury matters and risks, setting treasury policy and standards, building and maintaining relationships with principal financial institutions and key internal stakeholders, and leading a team of 10 treasury professionals.

Ian has operated at board level, both from an executive perspective, as Chief Executive of the Shell UK Pension Fund, and from a non-executive perspective, as President, Audit Committee Chair and Council Member of the Association of Corporate Treasurers.

Ros Kerslake CBE
Chair of Remuneration Committee

Ros Kerslake has worked at board level in the field of property and regeneration for many years. She is currently Chair of The Architectural Heritage Fund and Leeds Castle Foundation, a member of the Community and Voluntary Services Honours Advisory Committee, and a Trustee of Re-Form Heritage - a national heritage regeneration charity.

She was Chief Executive of the National Lottery Heritage Fund from 2016 to 2021, where she led a UK-wide team of 300 staff, responsible for the distribution of up to £400 million per annum. Here she delivered a major organisational transformation, including restructuring and culture change, a new strategic funding framework, and the delivery of a new grant making system. Her earlier roles include Chief Executive at The Prince's Regeneration Trust and RegenCo Sandwell, and Director-level roles at Network Rail, Booker PLC, and Gulf Oil.

Her previous non-executive roles include Senior Independent Director and Chair of the Remuneration Committee at U+I PLC, a regeneration-based property developer, Quintain Estates and Development PLC, Black Country Housing Association, and Thurrock Thames Gateway Development Corporation. Ros is a qualified solicitor and holds an MBA. Ros was awarded an OBE in the 2015 New Year's Honours list for services to British heritage. In 2020 she was awarded a CBE in the Queen's Birthday Honours for services to heritage.

Alan West
Group Board Member

Alan West is a retired corporate banker with expertise in both corporate finance and structuring debt in public sector supported transactions (including housing associations and universities). Alan is an experienced non-executive director having served on the boards of several charitable and non-charitable entities mainly in the housing arena. He was also a trustee of the Lintel Trust from 1999 to 2019.

Alan is currently a consultant with The Housing Finance Corporation, undertaking consultancy work in Scotland and Northern Ireland for this London-based bond aggregator. Alan is a non-executive director on a number of Sanctuary Group subsidiary boards, including Chair of Sanctuary Scotland Housing Association Limited.

Ed Lunt BA (Hons), CA
Chief Financial Officer and Co-opted Group Board Member

Ed Lunt joined Sanctuary in May 2019. As Chief Financial Officer, Ed is responsible for finance, treasury and procurement, ensuring Sanctuary maintains and enhances its financial performance and strength to deliver its ambitions. Ed is also a co-opted member of the Group Board.

Ed is a Chartered Accountant who was previously the Finance Director for Alliance Medical Limited. Prior to this Ed was the UK and Germany Finance Director at National Express PLC, and spent 15 years at PwC LLP where he moved through various roles to become Assurance Director.

Nicole Seymour BA (Hons), MA
Executive Director - Corporate Services and Co-opted Group Board Member

As Executive Director - Corporate Services and Co-opted Group Board Member, Nicole Seymour is responsible for human resources, communications, health and safety, facilities, governance and legal services, building safety, and equality, diversity and inclusion. Nicole is a co-opted member of the Group Board and is the Company Secretary to Sanctuary and all of its subsidiaries.

Nicole initially joined Sanctuary through its successful graduate programme and held a number of roles before becoming Director of Corporate Services in 2016.

Board/committee membership, as at 31 March 2023, is summarised as follows:

Membership details	Group Board	Group Audit and Risk Committee	Group Housing Committee**	Nominations Committee	Remuneration Committee	Succession Planning Committee***
Andrew Manning-Cox*	Chair (9/9)	-	-	Chair (0/0)	-	Chair (0/0)
Craig Moule	✓ (9/9)	-	-	Lead Officer	Lead Officer	Lead Officer
Trudi Elliott	Vice Chair (8/9)	-	Chair (4/4)	✓ (0/0)	-	✓ (0/0)
Arvinda Gohil	✓ (7/9)	-	✓ (3/4)	✓ (0/0)	-	✓ (0/0)
James Thallon	✓ (9/9)	-	-	✓ (0/0)	✓ (1/1)	✓ (0/0)
Ian Chisholm	✓ (9/9)	Chair (4/4)	-	✓ (0/0)	-	✓ (0/0)
Ros Kerslake	✓ (9/9)	✓ (4/4)	-	✓ (0/0)	Chair (1/1)	✓ (0/0)
Alan West	✓ (9/9)	✓ (4/4)	-	✓ (0/0)	-	✓ (0/0)
Ed Lunt	✓ (8/9)	Lead Officer	-	-	-	-
Nicole Seymour	✓ (8/9)	-	-	-	-	-

*As Group Chair, Andrew Manning-Cox is an ex-officio member of all committees of the Group Board.
**Group Housing Committee was renamed Group Housing Board in April 2023 and the Group Chief Executive is now a member.
***The Succession Planning Committee is currently dormant.

Member attendance at board/committee meetings from 1 April 2022 to 31 March 2023 is also included in the table above. This is shown as (number of meetings attended in year/number of meetings held in year).

Code of Governance

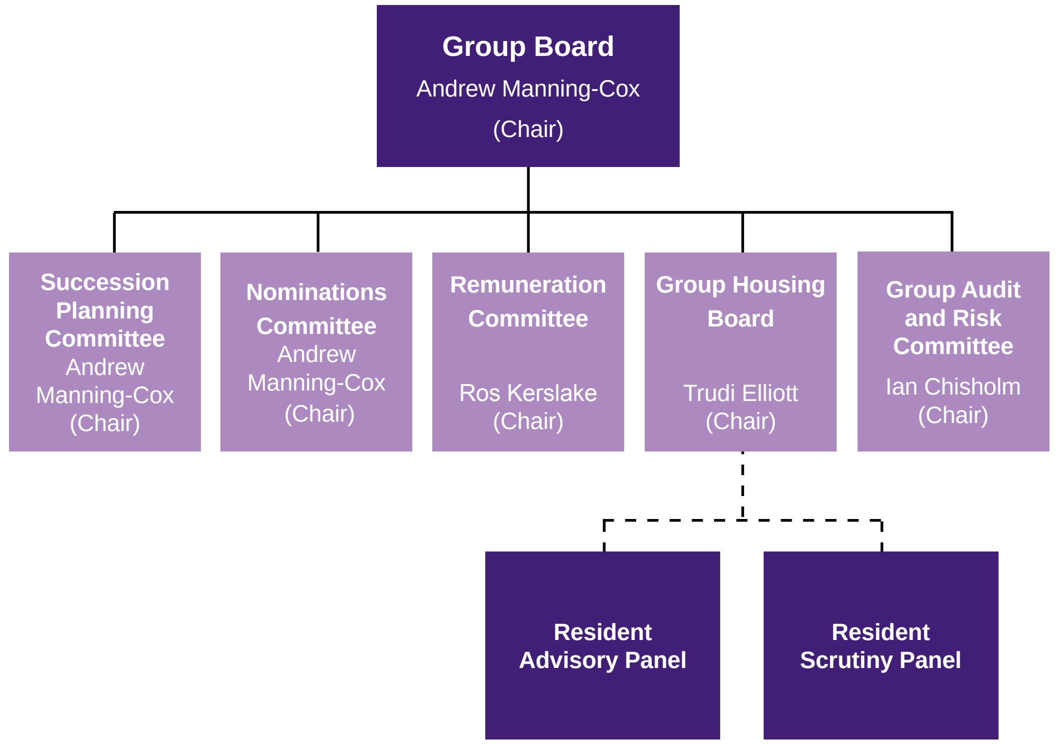
The Group Board considers that the Group and its Registered Provider subsidiaries comply with the provisions of the National Housing Federation's Code of Governance 2020.

Subsidiary Boards

All subsidiaries within the Group have their own boards, which are responsible to the Group Board for overseeing the operations of each subsidiary.

Committees of the Group Board

Sanctuary has the following committee structure in place.



Group Audit and Risk Committee

The membership of the Group Audit and Risk Committee is determined by the Group Board and comprises a maximum of five members including at least three Group Board members.

The role of Group Audit and Risk Committee is detailed on the following page:

Effectiveness – The Group Audit and Risk Committee:

a) Advises the Group Board of the effectiveness and adequacy of the Association's risk management and internal control systems;
b) Monitors the implementation of approved recommendations relating both to internal audit reports and external audit reports and management letters;
c) Monitors the effectiveness of the external and internal audit services and their relationship with each other; and
d) Reviews the objectivity and independence of external and internal audit services.

Accountability – The Group Audit and Risk Committee:

a) Reviews and considers whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable before it is presented to the Group Board, focusing on:

- Accounting policies;
- Compliance with accounting standards;
- Findings of the external auditors, including significant audit adjustments;
- Statements concerning internal controls and risk management; and
- Customer considerations to be reflected within the Annual Report where relevant.

b) Prepares an annual report for submission to the Group Board.

Internal Audit – The Group Audit and Risk Committee:

a) Reviews the long-term plan and strategic focus for internal audit, approves the annual audit plan, and monitors results as presented in internal audit's annual report;
b) Reviews, considers and advises upon reports made by the internal audit services, as to the financial affairs of the Association and the functioning, maintenance and development of its financial control systems;
c) Pre-approves audit and non-audit services to be provided by the internal auditors, as set out in the Internal Auditor Engagement Policy, as reviewed from time to time;
d) Advises the Group Board on the organisation, remuneration and resourcing of the internal audit service; and
e) Ensures the customer voice is fully considered within internal audit work where services impact on customers.

External Audit – The Group Audit and Risk Committee:

a) Advises the Group Board on the appointment and remuneration of external auditors and the scope of their work;
b) Communicates with the external auditors on audit approach, reporting, timetables and findings;
c) Pre-approves audit and non-audit services to be provided by the external auditors, as set out in the External Auditor Engagement Policy, as reviewed from time to time; and
d) Reviews relationships or services that may impact on the independence and objectivity of the external auditors.

Risk Management, Internal Control and Fraud – The Group Audit and Risk Committee:

a) Advises the Group Board on the adequacy and effectiveness of the internal control framework and risk management strategy and the risk implications of Sanctuary's activities;
b) Regularly reviews the Sanctuary Group and its operations risk maps to assess the risks involved in the organisation and how these impact customers and are controlled and mitigated;
c) Reviews the policies and procedures for Risk Management, Management of Fraud Risk and Reported Fraud, Whistleblowing, Prevention of Bribery and Anti-Money Laundering; and
d) Provides monitoring and oversight in relation to fraud risk.

Internal and External Audit

KPMG LLP (KPMG) provides external audit services and PricewaterhouseCoopers LLP (PwC) performs internal audit services. The Group Audit and Risk Committee has approved a policy in relation to the nature of non-audit work undertaken by PwC and KPMG. The Chair of the Group Audit and Risk Committee must approve the work. There is an annual review of the provision of, and fees for, non-audit services as part of the Group Audit and Risk Committee's review of the services provided by PwC and KPMG.

Group Housing Board

Group Board has determined that there should be a Group Housing Board to which it will delegate certain powers in relation to the Association's activity as a landlord. The Group Housing Board is responsible for ensuring the Association's Registered Provider services, including general needs (England and Scotland), sheltered (retirement), supported and extra care landlord services, are efficient and effectively responding to and meeting the needs of residents. Landlord services cover the delivery of housing management and maintenance, including repairs, achievement of the Decent Homes standard, the allocation and letting of properties, rent collection and arrears pursuance, management of tenancy breaches, customer services, complaints management and resident engagement.

Membership of the Group Housing Board is determined by the Group Board and at least one third of the membership comprises existing residents of the Association. The Chief Customer Officer and Group Chief Executive shall be a member.

The Group Board has delegated certain responsibilities to the Group Housing Board (limited to the Association's Registered Provider services). The Group Housing Board:

a) Ensures that resident engagement is thorough and robust;
b) Ensures resident scrutiny arrangements are in place and working effectively;
c) Makes recommendations to the Executive Committee and Senior Management Teams in relation to resident engagement and/or the resident voice;
d) Seeks assurance on compliance with consumer standards, building and fire safety, ensuring compliance with current legislation, meet or exceed standards as laid down by the Regulator of Social Housing (or its successors) or the Scottish Housing Regulator (or its successors) (together, the 'Regulators');
e) Ensures there is openness and transparency with housing decisions and performance;
f) Receives and considers data on complaints and review processes and makes recommendations;
g) Monitors and challenges operational performance to ensure compliance, best practice and continuous improvement;
h) Reviews and approves housing-related policies, including social policy, ensuring they comply with current legislation, and meet or exceed standards as laid down by the Regulators;
i) Makes recommendations to Group Board or Executive Committee (as appropriate) on investment, covering reinvestment and capital programmes of work;
j) Sets and monitors service standards to ensure all services are delivered efficiently, offering Value for Money for residents and other stakeholders;
k) Oversees that all activity is compliant with the regulatory requirements of the Regulators;
l) Ensures that equality and diversity strategies and plans for housing are delivered;
m) Ensures the Local Offers and the Annual Reports to Tenants are produced in a manner that ensures compliance with the Regulator's regulatory framework, and reflect the wishes of the Association's residents; and
n) Reviews consultation documents to be submitted by the Association to third parties.

Succession Planning Committee*

The Succession Planning Committee is a committee of the Group Board. The Chair of the Group Board is expressly appointed as a voting member and Chair of the Succession Planning Committee. In addition to the Chair, the membership of the Succession Planning Committee shall be the non-executive members of the Group Board (including any non-executive co-optees).

The role of the Succession Planning Committee is to assist the Group Board in the performance of its responsibilities relating to succession planning for the Group Chief Executive.

The Succession Planning Committee:

a) In collaboration with the Group Chief Executive, develops candidate profiles and qualifications (including experience, competencies and personal characteristics) to meet the leadership needs of the organisation taking into account its customers' needs and strategic plan;
b) In collaboration with the Group Chief Executive, identifies and evaluates internal candidates against the profile, including state of readiness to assume a larger role;
c) Agrees with the Group Chief Executive on development opportunities to be provided to identified candidates to overcome deficiencies in experience and/or education, as well as opportunities to increase exposure to the Group Board in business and social settings;
d) Considers the appointment of external advisers to support succession planning, to include identification of external candidates, as well as appointment of advisers to support any selection and recruitment process;
e) Evaluates external candidates identified by the Group Chief Executive, members of the Committee or recruitment exercise, and benchmarks against internal candidates;
f) Performs functions listed above in collaboration with the Group Chief Executive at least annually and updates as needed;
g) Presents results of this work to the Group Board annually for review and discussion;
h) Identifies and recommends to the Group Board a permanent Group Chief Executive; and
i) Replaces, whether in emergency situations or for planned transition, as appropriate.

*The Succession Planning Committee is currently dormant.

Nominations Committee

The Nominations Committee is a committee of the Group Board. The Chair of the Group Board is expressly appointed as a voting member and Chair of the Nominations Committee. In addition to the Chair, the membership of the Nominations Committee shall be the non-executive members of the Group Board (including any non-executive co-optees).

The Nominations Committee is an advisory body to the Group Board.

The Nominations Committee:

a) Considers the suitability of candidates put forward by the Group Board for election to the Group Board by the shareholding membership; and
b) Provides feedback to the Group Board on its nominees, being mindful of its customer and regulatory obligations and the need to ensure that the governing body has a wide range of skills, experience, and fully appreciates and embraces the importance of diversity and lived experience, in order to be able to maintain effective control of the organisation and ensure the communities served are fully represented.

Remuneration Committee

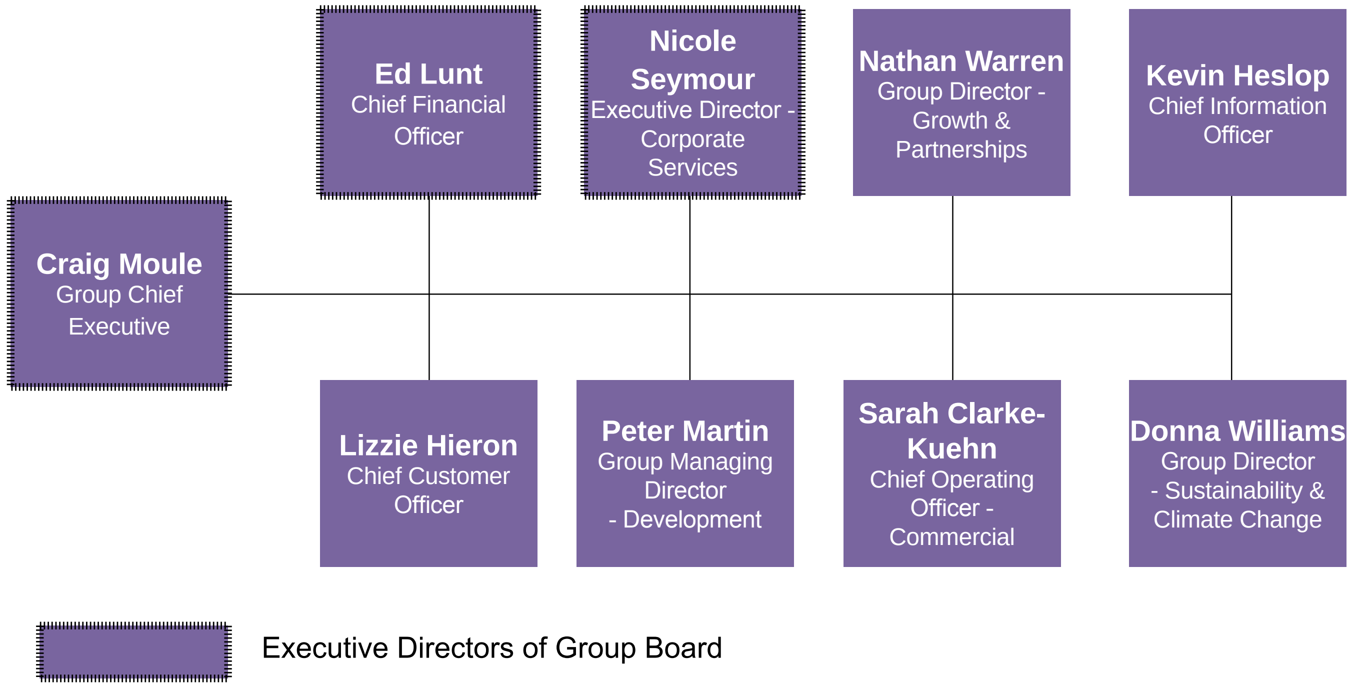
The Remuneration Committee is a committee of the Group Board. The membership of the Remuneration Committee is determined by the Group Board and is a maximum of three of its non-executive members. The Chair of the Group Board is an ex-officio non-voting member of the Committee unless expressly appointed as a voting member and is not eligible to be the Chair of the Committee. The Chair of the Committee is appointed by the Group Board.

Nurse Marisabel Al Omari and resident Alex Shepherd

The Remuneration Committee:

a) Determines and agrees with the Board the framework for the remuneration of Sanctuary Group (the Group) Executive Directors;
b) Sets remuneration for the Group's Executive Directors;
c) Determines targets for performance-related pay schemes operated by the Association in respect of each of the Group's Executive Directors;
d) Determines the policy and scope of pension arrangements for each of the Group's Executive Directors;
e) Determines, within the terms of the agreed framework, the total individual remuneration package of each of the Group's Executive Directors including, where appropriate, bonuses and incentive payments;
f) Monitors the structure and level of remuneration for senior management where senior management is defined for the purposes of these Terms of Reference as being those reporting directly to the Group Chief Executive;
g) Ensures that in relation to the Group's Executive Directors and senior management, contractual terms on termination and any payments made, are fair to the individual, the Association and its customers, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
h) Considers employment conditions elsewhere in the Group and across the sector when determining annual salary increases for the Group's Executive Directors' pay;
i) Is aware of and advises on any major changes in employee benefit structures throughout the Group;
j) Agrees the policy for authorising claims for expenses from the Group Chief Executive;
k) Has exclusive responsibility for establishing the selection criteria, the selection and appointment of and the setting of the Terms of Reference for any remuneration consultants who advise the Committee;
l) Makes a statement in the Annual Report about its activities; the membership of the Committee, number of Committee meetings and attendance over the course of the year;
m) Conducts an annual review, or as and when needed, of the Terms of Reference to reflect any changes in regulatory requirements;
n) Gives due regard to the contents of associated guidance issued by the regulators and the National Housing Federation and ensures that the provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the UK Corporate Governance Code (each as may be subsequently amended), are fulfilled. Where the Remuneration Committee decides not to comply with the requirements of any relevant codes of governance it will explain the rationale for its decision; and
o) Reviews the non-executive director remuneration annually, using an objective mechanism for setting payment levels, and recommends to the Board, taking external advice where appropriate.

Executive Management



The Group Board delegates day-to-day management of activities to the Group Chief Executive, Craig Moule, who is responsible for ensuring that the organisation has appropriate executive arrangements in place to meet Sanctuary's objectives and targets, and that those arrangements reflect the diverse needs of the business, including financial performance, capital investment, compliance, growth, and business planning. To this end, Sanctuary has an Executive Committee, chaired by Craig Moule, which considers and approves strategic matters affecting the organisation (either implementation of strategy direction by the Group Board or determination of recommendations to the Group Board); and a Development Committee, also chaired by Craig Moule, which is responsible for monitoring performance and approving capital projects in furtherance of Sanctuary's Corporate Strategy agreed by the Group Board.

Task Force on Climate-Related Financial Disclosures

The International Financial Stability Board created the 'Task Force for Climate-related Financial Disclosures' (TCFD) in 2017 which outlined a methodology for identifying and managing climate-related risk. Executive Committee is currently responsible for ensuring Sanctuary develops its internal TCFD reporting capabilities, with regular progress updates given to Group Board.

Group Executives (as at 28 June 2023)

Craig Moule BSc (Hons)
Group Chief Executive

Craig Moule has been with Sanctuary for over 30 years, having joined the organisation in 1989 from Coopers & Lybrand. Craig was appointed Group Chief Executive on 1 January 2019. Prior to this he was the Group's Chief Financial Officer. While holding this position, Craig oversaw Sanctuary being the first housing association to implement a SAP enterprise solution and the formation of our Corporate Shared Service Centre. Craig is an ex-officio member of the Group Board.

Ed Lunt BA (Hons), CA
Chief Financial Officer and Co-opted Group Board Member

Ed Lunt joined Sanctuary in May 2019. As Chief Financial Officer, Ed is responsible for finance, treasury and procurement, ensuring Sanctuary maintains and enhances its financial performance and strength to deliver its ambitions. Ed is also a co-opted member of the Group Board.

Ed is a Chartered Accountant who was previously the Finance Director for Alliance Medical Limited. Prior to this Ed was the UK and Germany Finance Director at National Express PLC, and spent 15 years at PwC LLP where he moved through various roles to become Assurance Director.

Nicole Seymour BA (Hons), MA
Executive Director - Corporate Services and Co-opted Group Board Member

As Executive Director - Corporate Services and Co-opted Group Board Member, Nicole Seymour is responsible for human resources, communications, health and safety, facilities, governance and legal services, building safety, and equality, diversity and inclusion. Nicole is a co-opted member of the Group Board and is the Company Secretary to Sanctuary and all of its subsidiaries.

Nicole initially joined Sanctuary through its successful graduate programme and held a number of roles before becoming Director of Corporate Services in 2016.

Nathan Warren BA (Hons), FCCA, MBA, C-DIR
Group Director - Growth & Partnerships

As Group Director - Growth & Partnerships, Nathan Warren is responsible for introducing and managing investment opportunities, including joint ventures, partnerships, and managing strategic improvement programmes. Nathan is also chair of Sanctuary's Equality, Diversity and Inclusion Group and a trustee of Leadership 2025, a charity promoting greater ethnic diversity in the leadership of the housing sector.

Before joining Sanctuary, Nathan spent his career working in the private sector with FTSE listed Rolls-Royce PLC, chartered accountancy practice Grant Thornton and large international defence companies. During his time with Sanctuary, Nathan has led a number of our operations, corporate planning and financing programmes, growth and partnerships, improvement, change and business development activities.

Kevin Heslop BA (Hons)
Chief Information Officer

Kevin Heslop is Chief Information Officer and is responsible for teams which: support our current technologies, ensuring they are safe, secure, and up to date; manage data and analytics; deliver new and future technologies aligned to the needs of the organisation; and manage and promote awareness of cyber security at Sanctuary.

Kevin joined Sanctuary in March 2010, working initially as System Development and Support Manager until he was promoted to the role of Director of Technology in December 2014. During his time at Sanctuary, Kevin has been responsible for supporting the roll-out of systems to enable the creation of the internal maintenance services, leading the implementation of OneSanctuary and, more recently, our Modern Workplace strategy. Prior to this, Kevin worked in technology consultancy providing leadership to large-scale IT implementation programmes, including within the social housing sector.

Lizzie Hieron BSc (Hons)
Chief Customer Officer

Lizzie Hieron is Chief Customer Officer, with responsibility for Sanctuary's housing operations across England and Scotland.

Lizzie's career history is heavily customer service focused, having worked in the energy sector and more recently as Chief Operating Officer for Midcounties Co-operative. She joined Sanctuary in July 2022 and her focus is on continually improving the experience for our customers and delivering the best possible service.

Peter Martin BA, DipHsg, LLM
Group Managing Director - Development

As Group Managing Director - Development, Peter Martin is responsible for leading the Development, Construction, Sales, and Regeneration teams to achieve Sanctuary's aspiration to build more homes.

Prior to this role, Peter was appointed as Senior Development Manager for Sanctuary Scotland, promoted to Head of Development Services, and then appointed Director of Sanctuary Cumbernauld. This followed 15 years working in the housing sector.

Sarah Clarke-Kuehn BA (Hons)
Chief Operating Officer - Commercial

As Chief Operating Officer - Commercial, Sarah Clarke-Kuehn oversees a portfolio of operations on behalf of the Group, including Sanctuary Care, Sanctuary Supported Living, and Sanctuary Students. Sarah joined Sanctuary in 2011 as Head of Finance - Housing and Communities and since then has undertaken a number of roles including Director of Housing Operations, Commercial Services Director, Operations Director for Sanctuary Supported Living, and Group Director - Care.

Sarah is a qualified management accountant with varied experience in commercial, customer-focused environments within multinational PLCs and not-for-profit cultures. She started her career at London International Group (FMCG) and progressed from manufacturing into the service sector with RWE npower. Sarah holds an expert experience role with Care England, a registered charity and leading representative body for providers in England. Sarah is also a member of the Board of Trustees of the National Care Forum (NCF).

Donna Williams BA (Hons), MBA, MCIM (Chartered)
Group Director - Sustainability and Climate Change

As Group Director - Sustainability and Climate Change, Donna Williams is responsible for leading Sanctuary's transition to net zero carbon by 2050 as well as the strategy for delivering social impact across the organisation. Donna initially joined Sanctuary through its successful graduate programme and since then has undertaken a number of communications roles including Director - Sales and Marketing.

Donna is a Chartered Marketeer with the Chartered Institute of Marketing and has recently completed an MBA with the University of Warwick, specialising in sustainability.

Internal Controls

The Group Board is ultimately responsible for ensuring that the Group maintains a system of internal control that is appropriate to the various business environments in which it operates. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. The controls by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Group Board has established key procedures to provide internal control and there are clear lines of responsibility for the creation and maintenance of the procedures through the Executive Committee of Sanctuary. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within Sanctuary or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposition.

Major business risks are identified through a system of continuous monitoring. The financial control framework includes the following key features:

- The Group Board being directly responsible for strategic risk management.
- The adoption of formal policies and procedures including documentation of key systems and rules relating to a delegation of authorities, which allows the monitoring of controls and restricts the unauthorised use of the Group's assets.
- Experienced and suitably qualified staff being responsible for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- Executives to monitor the key business risks and financial objectives allowing the Group to progress towards its financial plans set for the year and the medium-term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information including significant variances from targets which are investigated as necessary.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Group Audit and Risk Committee reviews reports from management, PwC and KPMG to provide reasonable assurance that control procedures are in place and are being followed. The Group Audit and Risk Committee receives an annual report on internal controls from the Chief Financial Officer. The Group Audit and Risk Committee makes regular reports to the Group Board. The Group follows formal procedures for instituting appropriate action to correct weaknesses identified in the above reporting.

On behalf of the Group Board, the Group Audit and Risk Committee has reviewed the effectiveness of the systems of internal control in existence in the Group for the year ended 31 March 2023 and is not aware of any material changes at the date of signing the Financial Statements.

Pauline Riley, Care and Support Team Leader at Goodwin Court

Risk Appetite, Principal Risks and Uncertainties

Risk Appetite

In forming its overall risk appetite, the Group identified specific operations and business functions that warrant specific risk appetite statements. Each of these areas has a statement indicating how the appetite is applied, together with metrics that monitor and measure our approach to risk. This includes hurdles which should not be breached without Board approval. Each metric has a trigger point which is an early warning system highlighting when we are approaching a hurdle. The trigger points provide a clear indicator of when remedial actions may need to be taken to avoid the Group breaching the risk appetite hurdles.

Included within the risk appetite metrics are financial measures and we call these our Golden Rules. These define the financial parameters that the Group will stay within. These are illustrated in the table below along with our performance against these rules for the years ended 31 March 2023 and 31 March 2022.

Due to the impact of Swan, the cash and available facilities metric of 19 months was below the trigger point of 20 months. New facilities agreed after the year end provide the Group with 29 months of financing versus committed expenditure. The operating margin was 20.0% against a trigger point of 20.0% and it is expected that, while the Group will continue to improve value for money through a range of efficiency measures, the ongoing impact of Swan will mean that the margin is below the trigger point, but above the hurdle, for 2023/2024.

Golden Rule	Hurdle	Trigger Point	31 March 2023	31 March 2022
All outright sales revenue not to be greater than 30% of Group total sales revenue	30.0%	20.0%	10.6%	6.8%
Value of lending to Beech Grove Homes - the maximum amount we are prepared to lend into our development and construction business at any time	£350m	£300m	£159.1m	£143.1m
Existing cash and available facilities cover at least 18 months of future committed spending requirements	18 months	20 months	19 months	35 months
All income test funder covenants are exceeded and this continues to be the case for the life of the latest projections/ business plan (statutory entity specific)	Pass	Covenant forecast within 10%	Tightest covenant is 152% against a covenant of 125% (£24m of headroom)	Tightest covenant is 159% against a covenant of 125% (£28m of headroom)
All balance sheet funder covenants are met and this continues to be the case for the life of the latest projections/business plan (statutory entity specific)	Pass	£100m debt headroom	Tightest covenant has £192m of headroom	Tightest covenant has £205m of headroom
Capacity in the form of cash, undrawn facilities and available unencumbered property security that could be used to raise financing exceeds £500 million	£500m	£600m	£1,961m	£1,789m
EBITDA MRI interest cover (Group level) - the amount we can cover our interest expense from our earnings after deducting capital reinvestment spend*	100.0%	110.0%	120.3%	128.4%
Operating margin (Group level)*	18.0%	20.0%	20.0%	21.2%
Standard and Poor's (S&P) and Moody's credit ratings are maintained above BBB and Baa2 respectively	S&P = BBB Moody's = Baa2	S&P = BBB+ Moody's = Baa1	S&P = A Moody's = A2	S&P = A Moody's = A2

*Alternative performance measures are defined and/or reconciled in Appendix 3 on page 218.

Principal Risks and Uncertainties

We operate a comprehensive risk mapping process both at a strategic level and with all our business operations and this is reviewed by the Group Audit and Risk Committee. Risk and assurance maps are approved by the relevant boards and board reports must reference the relevant risks addressed on the appropriate risk map.

The Group's principal and highest rated risk relates to Government policy, legislation and regulation and this is deemed to have increased over the last 12 months with a residual risk that is now above target, largely as a result of the continued uncertainty regarding future rental income uplifts. While we now have assurance over the levels of rents in 2023/2024, there is still a risk that future rental uplifts will be below inflation which would impact our ability to deliver fully funded services. We also continue to operate in a period of political flux and one in which there is far greater scrutiny on the sector as a whole following high profile disrepair cases, while a general election is due before the end of 2024. As a result, we regularly review the Government's proposals in respect of potential changes to policy, legislation and regulation to anticipate, adapt and mitigate any adverse effects of changes in the Government and political landscape.

The current economic climate and below inflation rent increases have also resulted in us increasing the Group's funding and financial viability risk in the last year. Like all organisations we have suffered from high cost inflation over the last year, particularly in utilities and maintenance expenditure, and our income has not kept pace, squeezing margins. The cost of new debt funding has also grown significantly and while our prudent treasury policy of maintaining high levels of fixed rates has limited our exposure, future refinancing may increase the Group's average cost of capital in the years ahead. The overall financial squeeze on the sector has been demonstrated by the number of credit and outlook downgrades over the last year and these may contribute to higher funding costs in the future. The Group has excellent relationships with its ratings agencies and has a broad investor base and this will enable the Group to secure new financing at competitive rates.

The acquisition of Swan has led us to increase our programme and service delivery risk. Although the acquisition was completed swiftly, the full integration of Swan onto our systems and processes will take longer and while the Group has excellent experience of managing integration projects, Swan's history means that this process will need to be carefully managed and resourced and it is appropriate to recognise accordingly the level of risk involved.

Last year we increased our staffing risk to reflect the fact that, like many organisations, we experienced difficulties in recruiting and retaining colleagues. While we have taken a number of proactive steps to address the issue there are still areas of the Group, such as Property Services, where staffing is below our desired level and as a result the residual risk remains higher than our desired target risk. We will continue to introduce further measures, including additional pay rises for certain categories of our people, revised recognition policies and investment in greater wellbeing offerings, to make sure we remain an employer of choice to both current and potential staff.

We also increased the residual risk score for reputational and customer service last year, reflecting growing scrutiny on the sectors in which we operate from the national press, politicians and social media, particularly following the tragic case of Awaab Ishak. We welcome this wider interest in the sector and believe that it will lead to beneficial change but recognise that the additional scrutiny increases the reputational risk to the Group and therefore continue to maintain our risk scores at the same level.

Following on from a reduction in the Covid-19 risk last year we have further downgraded the risk score in the current year, reflecting the wider acceptance of 'living with Covid' and our own continued recovery from some of the longer-lasting effects of the pandemic such as care occupancy, which is nearly back to its pre-pandemic levels.

The principal risks affecting Sanctuary are set out on the following pages. The order in which they are presented does not represent a hierarchy of risk level.

Keys

Risk Scores:

- Gross risk is the level of risk before any mitigating controls have been applied.
- Residual risk is the level of risk remaining after all of the mitigating controls have been applied.
- Target risk is our desired level of residual risk and is defined by our risk appetite.

Risk Assessments:

Rating	Likelihood	Impact
1	Rare	Insignificant
2	Unlikely	Minor
3	Possibly	Moderate
4	Probable	Material
5	Very likely	Significant

Risk Ratings: (Calculated as Likelihood x Impact x Impact)

Contingent Risks | **Prime Risks**

Impact	Low Likelihood				High Likelihood
High	25	50	75	100	125
	16	Pensions 32 Reputational and customer service	Programme and service delivery Funding and financial viability 48 Staffing Climate change Information security and availability	64	Government policy, legislation and regulation 80
	9	18	Asset maintenance and compliance 27	36	Sales 45
	4	8	Covid-19 12	16	20
Low	1	2	3	5	5

Risks to Monitor | **Risks to Manage**

Low **Likelihood** *High*

Risk Description	Year-on-Year Change*	Score
0 10 20 30 40 50 60 70 80 90 100 110 120		

Government Policy, Legislation and Regulation

	Score
Gross	125
Net	80
Target	64

Failure to comply with or react to regulations and Government announcements, for example around welfare reform and rent reduction, and health and safety changes, leading to reputational damage and financial impacts such as cash flow deterioration.

Funding and Financial Viability

	Score
Gross	125
Net	48
Target	48

Gearing constraints can limit the Group's capacity for further borrowing. Downgrades to the sector's credit ratings may increase the cost of future borrowing. Failure to obtain funding could undermine the Group's long-term growth plans.

Sales Risk

	Score
Gross	80
Net	45
Target	45

The proposed development programme increases the risk due to the level of new properties for sale either via shared ownership or outright sale.

Programme and Service Delivery Risk

	Score
Gross	125
Net	48
Target	48

Planned expansion increases the risk of overstretching management and overloading current systems, including risk management systems, while capacity and material constraints could result in supply chain and service disruption. There could be a subsequent decrease in control or a significant unforeseen event due to a failure in risk management.

Reputational and Customer Service Risk

	Score
Gross	75
Net	32
Target	32

By operating businesses that provide services to many residents and tenants, we run the risk of reputational damage that could lead to loss of business and, at its most extreme, viability concerns for particular business streams.

Asset Maintenance and Compliance Risk

	Score
Gross	64
Net	27
Target	27

A failure to monitor and invest in a group or class of assets leads to a significant impairment due to inadequate returns, a decline in demand or obsolescence generating a material financial loss, impact of health and safety requirements, operational failures or degradation of competitive ability.

Risk Description	Year-on-Year Change*	Score
0 10 20 30 40 50 60 70 80 90 100 110 120		

Pensions Risk

		Score
Gross		64
Net		32
Target		32
The Group participates in a number of defined benefit pension schemes and there is a risk of increasing funding requirements.		

Staffing Risk

		Score
Gross		100
Net		48
Target		32
A failure to recruit, train and retain a workforce with the appropriate knowledge, skills and experience at all levels leading to the Group failing to achieve its strategy or impacting on reputation. This risk includes wage costs inflation in an environment where costs are increasing.		

Information Security and Availability

		Score
Gross		125
Net		48
Target		48
A failure to protect the Group's technology, data and assets against unauthorised access leading to a loss of, or no access to, data, or systems being rendered unavailable, resulting in prosecution, significant financial loss and reputational damage.		

Covid-19

		Score
Gross		27
Net		12
Target		12
The outbreak of the coronavirus (Covid-19) and the associated measures to address its transmission could (a) severely impact the ability of the Group to provide frontline and back office services, (b) result in reduced income from all business streams and (c) limit our ability to access credit/capital markets.		

Climate Change

		Score
Gross		64
Net		48
Target		48
Climate change adversely affects or threatens the continuity of business operations and service delivery. Alternatively increased costs associated with climate events or mitigating/adaptions.		

*Year-on-Year Change denotes movement in net risk score since the 2021/2022 Annual Report

Financial Strength

Our financial strength remains pivotal to us and underpins our ability to grow and be resilient to external events. Sanctuary's financial and operational decisions are made in the context of the Group's defined risk appetite. Our risk appetite is the level of risk the Group is willing to accept to achieve its strategic objectives. The Group refers to a set of Group-level Risk Appetite Statements and supporting metrics that address key risk areas and specific business operations. Each Risk Appetite Statement provides guidance on the nature and extent of the risk the Group is prepared to accept and in what circumstances. We call our financial risk appetite metrics our Golden Rules.

Monitoring our Golden Rules facilitates the maintenance of our financial strength, ensuring we have the resilience to withstand sharp shocks to the economy and continue to deliver our services and serve our communities. Our financial strength is assessed through continuous stress testing of our business plans against potential adverse events. Further details about the Group's risk appetite and management of risk are given on page 110.

Our financial strength is further underpinned by:

Scale and Diversity

Sanctuary's scale, range of activities and national footprint means the Group is not significantly exposed to a single market or geographic region.

Operating Performance

Sanctuary's financial strength is underpinned by its strong operating performance in each of its key divisions. Sanctuary's overall operating margin is comparable to its peers, despite its significant level of care and support activities. When comparing social housing margins alone, Sanctuary is amongst the highest in its peer group; further details are included in the Value for Money review on page 76. The Group's operations are also highly cash generative, facilitating continued reinvestment in the existing business and enabling capacity for growth as well as mitigating the effects of economic or regulatory shocks.

Credit Worthiness and Capacity

Credit ratings of A Negative (Standard & Poor's) (2022: A Stable) and A2 Negative (Moody's) (2022: A2 Stable) establish Sanctuary as a sound investment grade business; the slight downgrade in outlook in the current year predominantly reflecting the sector as a whole.

These strong credit ratings, in conjunction with £2 billion of capacity (cash, undrawn facilities and available security) (2022: £1.8 billion) enable the Group to secure funding from banks and the capital markets at competitive rates.

Liquidity

Significant liquidity and facilities to draw upon ensure the Group is able to withstand any additional external challenges as well as take advantage of new opportunities. At 31 March 2023, the Group had cash balances of £180.1 million (2022: £102.1 million) and a further £434 million (2021: £433 million) of undrawn facilities.

Debt Management

We match the maturity of our debt to the period over which our assets generate their net income. Volatility in cash out flows including debt service payments is reduced through maintaining a high proportion of fixed rate debt; 91.5% (2022: 94.6%) at year end. We regularly monitor our refinancing exposure and ensure that there is not a concentration of refinancing risk. The Group also has a cross currency interest rate swap in place to hedge the risk of currency rate volatility in respect of US dollar denominated debt.

Going Concern

The Group Board's assessment of the Group and the Association's ability to continue as a going concern is based on consideration of cash flow forecasts for a period of at least 12 months from the date of approval of these Financial Statements. The cash flow forecasts fully incorporate Swan and the Group's capital commitments and show that the Group and Association will have sufficient funds to continue to meet liabilities as they fall due. In order to demonstrate the Group's financial resilience, a number of plausible downside scenarios have been modelled, which individually and in combination show that there is sufficient headroom for liquidity purposes and no breaches of covenants. Scenarios include: a prolonged period of high inflation, energy cost increases, a rent cap in England, deterioration in income collection, an increase in voids, a reduction in student and care occupancy, lower development sales and greater maintenance demand. Further details are given in note 1 to the Financial Statements on page 132.

Having assessed the principal risks as set out on pages 111 to 114, the previously mentioned sensitivities and other matters discussed in connection with the Viability Statement on page 117, the Group Board considers that the Group and the Association have adequate resources to remain in operation for the foreseeable future, have sufficient cash to meet their needs for the foreseeable future and will continue to meet all borrowing covenants. The Group Board has therefore continued to adopt the going concern basis in preparing the Financial Statements.

Viability Statement

During the year the Group Board has assessed the viability of the Group in line with the business plan. This assessment has been made through the business planning process which takes account of both the Group's current position and its principal risks, which are detailed on pages 111 to 114.

The Group Board has determined that the period to 31 March 2026 is an appropriate period over which to provide its Viability Statement. While the Group Board believes that Sanctuary will be viable over a much longer period, this period has been chosen as it has a much greater degree of certainty.

The business planning process includes the Group's most recent targets, operational plans, a review of external factors and the impact of any recent acquisitions such as Swan. The operational plans provide long-term direction and are reviewed on at least an annual basis. The base strategy is tested through rigorous sensitivity analysis and stress testing using a series of robust downside financial scenarios such as greater inflation, rising interest rates, rent controls, house price declines, higher wages and greater net zero costs, all of which result in a financial impact. The testing also identifies the principal risks that may adversely impact the Group which include operational, political, business, liquidity, market and credit risk. The results of the testing ensure potential mitigating actions are appropriately developed.

Due to the inherent uncertainty involved in all business planning, it is not possible for the review to consider every risk that the Group may face. However, the Group Board considers that the stress testing performed includes all major risks and therefore provides strong assurance of the Group's financial viability.

Also key is the maintenance of a Group-wide assets and liabilities register and risk management processes that flow through to all of the Group's subsidiaries and operations. External assurance of the Group's viability is demonstrated by the Group's credit ratings (Moody's: A2 Negative and Standard & Poor's: A Negative), while the Group has strong liquidity in place and is able to refinance any debt due over the period. Sanctuary's £150 million bond tap issue during the year was five times oversubscribed.

The Group Board has therefore concluded, based on the extent of the business planning process and strong financial position, that there is a reasonable expectation the Group and the Association have adequate resources and will continue to operate and meet their liabilities as they fall due over the period of their assessment.

The Group Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the RSH. During the year, the RSH gave Sanctuary Group ratings for Governance and Viability of G1 and V2 respectively (2022: G1 and V2).

Statement of the Board's Responsibilities in Respect of the Annual Report and Financial Statements

The Group Board is responsible for preparing the Annual Report and the Group and Association Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Group Board to prepare Group and Association Financial Statements for each financial year. Under these regulations, the Group Board has elected to prepare the Group and Association Financial Statements in accordance with UK-adopted international accounting standards (IFRS).

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

In preparing these Financial Statements, the Group Board is required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRS;
- Assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

The Group Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that its Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is responsible for such internal control as it determines necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and the Association and to prevent and detect fraud and other irregularities.

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

Disclosure of Information to Auditor

In the case of each of the persons who are members of the Group Board at the date when this report was approved:
- So far as each of the members of the Group Board is aware, there is no relevant audit information of which the Group and Association's auditor is unaware; and
- Each of the members of the Group Board has taken all the steps that they ought to have taken as a Member of the Group Board to make themselves aware of any relevant audit information and to establish that the Group and Association's auditor is aware of that information.

Independent Auditor

KPMG LLP has indicated its willingness to continue in office and a resolution concerning the appointment of the auditor for the 2024 year end will be proposed at the next Annual General Meeting.

By order of the Group Board.

Nicole Seymour
Secretary
28 June 2023
Registered office: Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ

Independent Auditor's Report
to the Members of Sanctuary Housing Association

1. Our Opinion is Unmodified

We have audited the Financial Statements of Sanctuary Housing Association ('the Association') for the year ended 31 March 2023 which comprise the Group and Association Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1, and appendices 1, 2 and 3.

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 2023 and of the Group's and Association's income and expenditure for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The Association Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards
- The Group and Association Financial Statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- The Group and Association Financial Statements have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 28 November 2014. The period of total uninterrupted engagement is for the nine financial years ended 31 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group Financial Statements as a whole	£9.4m (2022: £8.1m) 1% (2022: 1%) of Group revenue	
Coverage	86% (2022: 94%) of Group revenue	
Key audit matters		**vs 2022**
Event Driven	**New:** Valuation of acquired assets and liabilities in business combination	⇑
Recurring risks	Post-retirement benefits obligation	⇑

2. Key Audit Matters: Our Assessment of Risks of Material Misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The Risk	Our Response
Valuation of Acquired Assets and Liabilities in the Business Combination of Swan Housing Association (Group asset value 2023: £908.3 million; 2022: £nil; Group liability value 2023: £863.9 million; 2022: £nil) Refer to page 135 (accounting policy) and page 211 (financial disclosures).	**Subjective Valuation:** On 8 February 2023, the Group completed the acquisition of Swan Housing Association ('Swan'). As part of the acquisition, estimation is required in order to determine the fair value of assets and liabilities acquired; the key areas being the valuation of PPE, inventory WIP, provisions and contingent assets. The effect of these matters is that, as part of our risk assessment, we determined that the fair value of assets and liabilities acquired has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole, and possibly many times that amount. The Financial Statements (note 34) disclose the sensitivity estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Tests of detail:** We read the acquisition agreements and assessed whether the assets and liabilities acquired reflect the contractual terms; **Assessment of management's experts:** We carried out an assessment as to whether the experts engaged by management had the necessary competence to carry out the acquisition accounting work, whether the scope was in line with our expectations, and whether they were independent; **Our valuation expertise:** We engaged our internal valuation specialists to assist us in our assessment of the fair values attributed to the properties, inventory work in progress (WIP), provisions and contingent assets. This included an assessment of the key assumptions used in the valuations; **Tests of details:** We assessed the valuation reports prepared for the fair value of PPE and inventory WIP, and vouched the relevant data points to source documentation, for example the number of properties being valued and confirmation that the property was owned by Swan; **Tests of details:** We assessed the appropriateness of provisions recognised, vouching these to supporting documents such as contractual agreements, cost reports or legal opinion; and **Assessing transparency:** We assessed the adequacy of the Group's disclosures in respect of the valuation of acquired assets and liabilities, the accounting policies adopted, disclosure of the provisional nature of certain items and the disclosure of contingent assets in the Financial Statements. **Our Results** We found the carrying amount of acquired assets and liabilities to be acceptable (2022: N/A).

	The Risk	Our Response
Post-Retirement Benefits Obligation (Group 2023: £342.3 million; 2022: £477.3 million Association 2023: £300.3 million; 2022: £446.7 million) Refer to pages 135 and 150 (accounting policy) and pages 192 to 199 (financial disclosures).	**Subjective Estimate:** The valuation of the post-retirement benefits obligation involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Group and Association's pension liability could have a significant effect on the financial position of the Group and Association. Auditor judgement is required to assess whether the Directors' overall estimate, taking into account key discount rate assumptions, key inflation rate assumptions and key mortality rate assumptions, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (note 29) disclose the range estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the post-retirement benefits obligation to these assumptions. **Our Results** We found the estimate of the post-retirement benefits obligation to be acceptable (2022: acceptable).

We continue to perform procedures over Care Property Impairment. However, following an increase in occupancy rates, to which the impairment charge is sensitive, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our Application of Materiality and an Overview of the Scope of Our Audit

Materiality for the group Financial Statements as a whole was set at £9.4 million (2022: £8.1 million), determined with reference to a benchmark of total Group revenue (of which it represents 1% (2022: 1%)). We consider revenue to be more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation, therefore the focus is on revenue and any surplus generated is variable, with any surpluses reinvested in the Group.

Materiality for the Association's Financial Statements as a whole was set at £4.7 milion (2022: £4.5 million), determined with reference to a benchmark of Association total revenue, of which it represents 1% (2022: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the Financial Statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the Financial Statements as a whole, which equates to £7.0 million (2022: £6.1 million) for the Group and £3.5 million (2022: £3.4 million) for the Association. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Group Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.47 million (2022: £0.40 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 40 (2022: 35) reporting components, we subjected eight (2022: 10) to full scope audits for group purposes.

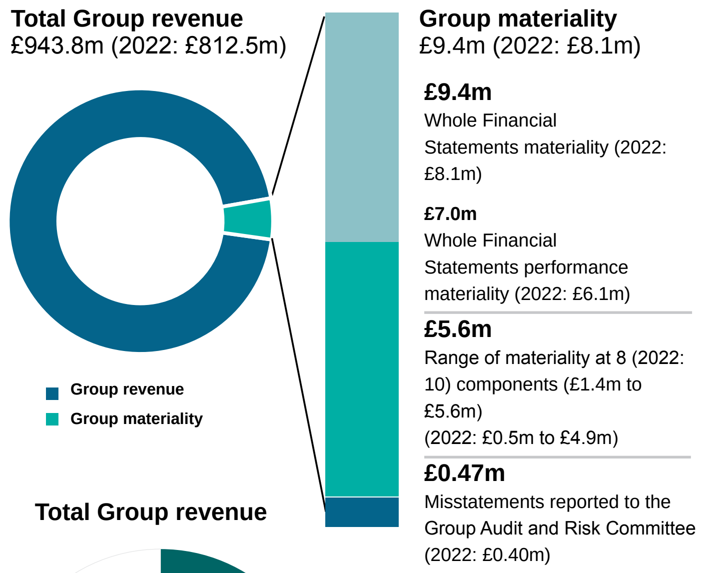
The components within the scope of our work accounted for the percentages illustrated opposite.

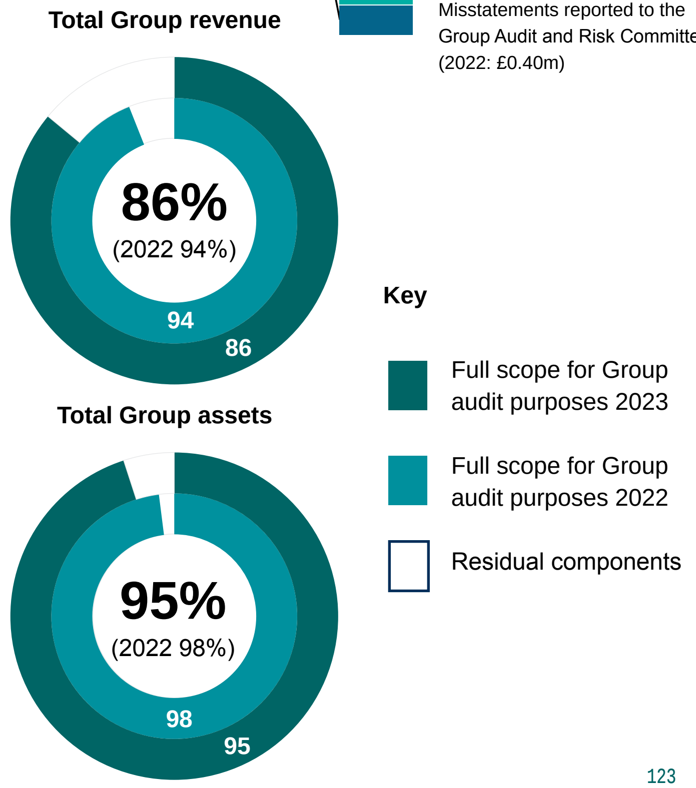
The remaining 14% (2022: 6%) of total Group revenue, 5% (2022: 2%) of total Group assets is represented by 32 (2022: 25) reporting components, none of which individually represented more than 2% (2022: 1%) of total Group revenue or total Group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The audit of all components, including the Association, were completed by the Group engagement team.

The Group team approved the component materialities, which ranged from £1.4 million to £5.6 million (2022: £0.5 million to £4.9 million), having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.





4. Going Concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group's and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least twelve months from the date of approval of the Financial Statements ('the going concern period').

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Association's available financial resources and/or metrics relevant to debt covenants over this period was the impact of the acquisition of Swan Housing Association on the borrowings of the group (including covenants compliance).

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Association's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 1 to be acceptable;

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Association will continue in operation.

5. Fraud and Breaches of Laws and Regulations – Ability to Detect

Identifying and Responding to Risks of Material Misstatement Due to Fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and the Group Audit and Risk Committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Group Audit and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the impairment of care property and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because:

- The Group does not operate in an industry that would create an inherent revenue risk.
- The majority of the Group's revenue streams are easily observable and do not contain estimates e.g. rental income.
- There is no history of significant or a high number of audit misstatements in relation to revenue.
- Management are not incentivised on revenue directly.
- There are no indicators that management possesses the attitude, character or ethical values that would cause it to knowingly and intentionally commit a dishonest act.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journals with unusual account pairings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and Responding to Risks of Material Misstatement Due to Non-Compliance with Laws and Regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related co-operative and community benefit society/charity legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Financial Statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Care Quality Commission standards, health and safety and anti-bribery law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the Ability of the Audit to Detect Fraud or Breaches of Law or Regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We Have Nothing to Report on the Other Information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

7. We Have Nothing to Report on the Other Matters on Which We Are Required to Report by Exception

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

- The Association has not kept proper books of accounts; or
- The Association has not maintained a satisfactory control over transactions; or
- The Financial Statements are not in agreement with the Association's books of account; or
- We have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

8. Respective Responsibilities

Directors' Responsibilities
As explained more fully in their statement set out on page 118, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

9. The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

M. Froom

Michael Froom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
6 July 2023


Students at Tramways, Salford

Statement of Comprehensive Income for the Year Ended 31 March 2023

		Group		Association	
	Notes	2023 £m	2022 £m	2023 £m	2022 £m
INCOME STATEMENT					
Continuing operations					
Revenue	2	943.8	812.5	474.8	454.8
Cost of sales	4	(93.7)	(49.8)	(2.5)	(2.4)
Operating expenditure	4	(665.6)	(593.6)	(377.9)	(344.3)
Other gains and losses	7	10.9	6.4	7.5	4.2
Other income	3	-	-	10.1	7.5
Share of profit of joint ventures	33	4.2	3.1	-	-
Operating surplus		**199.6**	**178.6**	**112.0**	**119.8**
Loss on cessation of defined benefit pension schemes	29	(6.2)	-	(6.2)	-
Net gain from acquisitions	34	38.5	2.3	-	-
Provision for amounts due from subsidiary undertakings	9	-	-	(46.7)	-
Finance income	10a	3.9	2.2	8.5	6.1
Finance costs	10b	(134.5)	(124.5)	(87.8)	(87.4)
Surplus before tax		**101.3**	**58.6**	**(20.2)**	**38.5**
Taxation	11	0.7	(0.3)	-	-
Surplus/(loss) for the year from continuing operations		**102.0**	**58.3**	**(20.2)**	**38.5**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to income or expense:					
Remeasurement of defined benefit pension scheme liability	28,29	(2.1)	44.3	0.8	41.7
Equity investments at fair value through other comprehensive income – net change in value	15,28	(0.4)	(0.1)	(0.4)	(0.1)
Items that may be reclassified subsequently to income or expense:					
Cash flow hedges – changes in fair value	28	2.0	3.1	2.0	3.1
Cost of hedging reserve – changes in fair value	28	(0.4)	0.1	(0.4)	0.1
Other comprehensive (losses)/income for the year		**(0.9)**	**47.4**	**2.0**	**44.8**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**101.1**	**105.7**	**(18.2)**	**83.3**

There were no discontinued operations in either the current or previous financial years.

The notes and appendices on pages 132 to 222 form part of these Financial Statements.

Statement of Financial Position as at 31 March 2023

		Group		Association	
	Notes	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
ASSETS					
Non-current assets:					
Intangible assets	12	55.2	51.6	43.8	45.6
Property, plant and equipment	13	4,676.3	3,794.6	2,592.9	2,548.9
Investment property	14	252.2	248.0	149.9	155.2
Deferred tax assets	25	5.4	4.7	-	-
Derivative financial assets	16	31.9	26.4	31.9	26.4
Investments in subsidiaries	33	-	-	87.7	87.7
Equity accounted investments	33	4.5	2.9	-	-
Other investments	15	17.1	17.9	15.9	17.7
Trade and other receivables	17,18	32.5	33.8	59.1	49.5
		5,075.1	4,179.9	2,981.2	2,931.0
Current assets:					
Trade and other receivables	17,18	140.3	96.9	150.8	191.5
Inventory	19	239.1	201.1	1.9	0.1
Assets classified as held for sale	20	0.4	10.0	0.4	10.0
Cash and cash equivalents	31	180.1	102.1	4.9	10.4
		559.9	410.1	158.0	212.0
TOTAL ASSETS		**5,635.0**	**4,590.0**	**3,139.2**	**3,143.0**
LIABILITIES					
Current liabilities:					
Trade and other payables	21	340.2	216.2	127.6	116.2
Contract liabilities	2	45.9	44.0	22.3	24.1
Current tax liabilities	11	0.1	-	-	-
Loans and borrowings	22,23	242.1	34.4	119.3	25.2
Provisions	26	22.0	8.9	2.9	1.9
		650.3	303.5	272.1	167.4
Non-current liabilities:					
Trade and other payables	21	6.8	3.3	4.6	2.6
Loans and borrowings	22,23	3,516.6	3,040.5	1,610.0	1,703.0
Deferred tax liabilities	25	0.6	0.5	-	-
Derivative financial liabilities	16	0.4	1.5	-	-
Retirement benefit obligations	29	29.0	21.6	24.6	23.9
Provisions	26	116.2	5.1	-	-
		3,669.6	3,072.5	1,639.2	1,729.5
TOTAL LIABILITIES		**4,319.9**	**3,376.0**	**1,911.3**	**1,896.9**
EQUITY					
Equity attributable to owners of the parent:					
Ordinary shares	27	-	-	-	-
Cash flow hedge reserve	28	9.8	7.8	9.7	7.7
Cost of hedging reserve	28	(1.0)	(0.6)	(1.0)	(0.6)
Revaluation reserve	28	0.1	-	0.1	-
Restricted reserves	28	4.9	4.8	4.7	4.6
Retained earnings	28	1,301.3	1,202.0	1,214.4	1,234.4
TOTAL EQUITY		**1,315.1**	**1,214.0**	**1,227.9**	**1,246.1**
TOTAL EQUITY AND LIABILITIES		**5,635.0**	**4,590.0**	**3,139.2**	**3,143.0**

The notes and appendices on pages 132 to 222 form part of these Financial Statements.

The Financial Statements were authorised and approved by the Board on 28 June 2023 and signed on its behalf by:

Andrew Manning-Cox
Group Chair

Ed Lunt
Group Board Member, Chief Financial Officer

Nicole Seymour
Group Board Member, Secretary

Statement of Changes in Equity for the Year Ended 31 March 2023

Group	Share capital	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2021	-	1,099.6	4.8	(0.1)	4.7	(0.7)	1,108.3
Surplus for the year	-	58.3	-	-	-	-	58.3
Other comprehensive income	-	44.3	-	(0.1)	3.1	0.1	47.4
Total comprehensive income	**-**	**102.6**	**-**	**(0.1)**	**3.1**	**0.1**	**105.7**
Transfer of VRTB proceeds	-	-	-	-	-	-	-
Transfer of gain on disposal of equity investments	-	(0.2)	-	0.2	-	-	-
Total transfers	**-**	**(0.2)**	**-**	**0.2**	**-**	**-**	**-**
At 31 March 2022	**-**	**1,202.0**	**4.8**	**-**	**7.8**	**(0.6)**	**1,214.0**
At 1 April 2022	-	1,202.0	4.8	-	7.8	(0.6)	1,214.0
Surplus for the year	-	102.0	-	-	-	-	102.0
Other comprehensive income	-	(2.1)	-	(0.4)	2.0	(0.4)	(0.9)
Total comprehensive income	**-**	**99.9**	**-**	**(0.4)**	**2.0**	**(0.4)**	**101.1**
Transfer of VRTB proceeds	-	(0.1)	0.1	-	-	-	-
Transfer of loss on disposal of equity investments	-	(0.5)	-	0.5	-	-	-
Total transfers	**-**	**(0.6)**	**0.1**	**0.5**	**-**	**-**	**-**
At 31 March 2023	**-**	**1,301.3**	**4.9**	**0.1**	**9.8**	**(1.0)**	**1,315.1**

Association	Share capital	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2021	-	1,154.4	4.6	(0.1)	4.6	(0.7)	1,162.8
Surplus for the year	-	38.5	-	-	-	-	38.5
Other comprehensive income	-	41.7	-	(0.1)	3.1	0.1	44.8
Total comprehensive income	**-**	**80.2**	**-**	**(0.1)**	**3.1**	**0.1**	**83.3**
Transfer of VRTB proceeds	-	-	-	-	-	-	-
Transfer of gain on disposal of equity investments	-	(0.2)	-	0.2	-	-	-
Total transfers	**-**	**(0.2)**	**-**	**0.2**	**-**	**-**	**-**
At 31 March 2022	**-**	**1,234.4**	**4.6**	**-**	**7.7**	**(0.6)**	**1,246.1**
At 1 April 2022	-	1,234.4	4.6	-	7.7	(0.6)	1,246.1
Deficit for the year	-	(20.2)	-	-	-	-	(20.2)
Other comprehensive income	-	0.8	-	(0.4)	2.0	(0.4)	2.0
Total comprehensive income	**-**	**(19.4)**	**-**	**(0.4)**	**2.0**	**(0.4)**	**(18.2)**
Transfer of VRTB proceeds	-	(0.1)	0.1	-	-	-	-
Transfer of loss on disposal of equity investments	-	(0.5)	-	0.5	-	-	-
Total transfers	**-**	**(0.6)**	**0.1**	**0.5**	**-**	**-**	**-**
At 31 March 2023	**-**	**1,214.4**	**4.7**	**0.1**	**9.7**	**(1.0)**	**1,227.9**

The notes and appendices on pages 132 to 222 form part of these Financial Statements.

Statement of Cash Flows for the Year Ended 31 March 2023

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the year	102.0	58.3	(20.2)	38.5
Adjustments for:				
Depreciation, amortisation and impairment	80.2	78.1	61.6	58.6
Surplus on sale of property, plant and equipment	(10.8)	(6.4)	(7.4)	(4.2)
Surplus on sale of investments	(0.1)	-	(0.1)	-
Provision for amounts due from subsidiary undertakings	-	-	46.7	-
Share of profits in joint venture	(4.2)	(3.1)	-	-
Loss on cessation of defined benefit pension schemes	6.2	-	6.2	-
Net gain from acquisitions	(42.7)	(2.3)	-	-
Net finance costs	130.6	122.3	79.3	81.3
Tax expense	(0.7)	0.3	-	-
	158.5	188.9	186.3	135.7
Cash generated before working capital movements	260.5	247.2	166.1	174.2
Changes in:				
Trade and other receivables	(6.2)	0.1	(10.2)	(4.5)
Trade and other payables	17.9	26.2	7.4	13.5
Inventories	26.0	(36.4)	(1.7)	0.9
Retirement benefit obligations and provisions	(13.4)	(9.9)	(4.4)	(7.0)
	24.3	(20.0)	(8.9)	2.9
Cash generated from operating activities	284.8	227.2	157.2	177.1
Interest paid	(142.9)	(136.3)	(80.7)	(82.9)
Tax paid	-	-	-	-
Net cash inflow from operating activities	**141.9**	**90.9**	**76.5**	**94.2**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1.1	0.2	0.1	0.1
Proceeds from sale of property, plant and equipment	33.7	18.8	26.6	11.9
Proceeds from sale of investments	4.0	5.9	4.0	5.9
Acquisition and construction of property, plant and equipment, investment property and software	(243.5)	(234.5)	(110.8)	(73.3)
Acquisition of subsidiaries and other business combinations, net of cash acquired (note 34)	59.9	-	-	-
Acquisition of other investments	(2.1)	(0.4)	(2.6)	(0.4)
Capital grants received	46.6	19.0	9.1	-
Dividends received from joint ventures	4.4	2.4	-	-
Loans to joint ventures	13.6	8.4	13.6	8.4
Loans to other Group entities	-	-	(17.5)	3.0
Net cash outflow from investing activities	**(82.3)**	**(180.2)**	**(77.5)**	**(44.4)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans and borrowings	212.8	32.5	45.0	17.0
Repayment of borrowings	(194.4)	(335.8)	(49.5)	(61.5)
Net cash flow from financing activities	**18.4**	**(303.3)**	**(4.5)**	**(44.5)**
Net increase/(decrease) in cash and cash equivalents	**78.0**	**(392.6)**	**(5.5)**	**5.3**
Cash and cash equivalents 1 April 2022	102.1	494.7	10.4	5.1
Cash and cash equivalents 31 March 2023	**180.1**	**102.1**	**4.9**	**10.4**

An analysis of changes in liabilities from financing activities is shown in note 31.

The notes and appendices on pages 132 to 222 form part of these Financial Statements.

Notes to the Financial Statements

1. Principal Accounting Policies

General Information

The Association is registered in England as a Registered Society (number 19059R) and with the Regulator of Social Housing (number L0247); it is the ultimate parent undertaking within the Group. The Association's separate Financial Statements are presented alongside those of the Group, which consolidates the Financial Statements of the Association and entities controlled by the Association.

The Financial Statements are presented in pounds sterling which is the Group's functional currency. Unless otherwise stated, amounts are denominated in millions (£m) rounded to the nearest £0.1 million.

Basis of Accounting

The Group's and Association's Financial Statements (the Financial Statements) have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards. They are also prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2022. Additional guidance is taken from the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 (the SORP) where this does not conflict with IFRS.

Alternative Performance Measures

In the reporting of financial information, the Group uses various Alternative Performance Measures (APMs). These measures are not defined under IFRS and therefore may not be directly comparable with the APMs of other businesses reporting under IFRS.

APMs are not intended to be a substitute for, or superior to, IFRS measurement, but are included to provide additional useful information on the underlying trends, performance and position of the Group.

APMs are used for the following reasons:

- Where metrics have been defined by the Regulator of Social Housing (RSH) and are a compulsory requirement within the Financial Statements of a housing association.
- Where metrics are not defined by the RSH but are commonly used within the sector and so their use aids comparability with peers.
- Where adjustment for events outside normal operations aids users of the Financial Statements in understanding the Group's underlying performance.

In determining whether events outside normal operations should be adjusted for, the Group considers whether these items are significant either because of their size or their nature. An item will be considered for adjustment if it meets one of the following criteria:

- It is directly incurred as a result of an acquisition.
- It arises from a major business change or restructuring programme.
- It relates to a major refinancing of loans and borrowings.
- It is unusual in nature, e.g. outside the normal course of business.

Further details of the Group's APMs, including reconciliations to line items within the primary Financial Statements and accompanying notes, are included in Appendix 3.

Going Concern

The Group's operations, together with the factors likely to affect its future performance and financial position, are set out in the Strategic Report on pages 8 to 91.

The Group manages its exposure to risk, and this activity is reviewed and scrutinised by the Group Audit and Risk Committee. Details of the Group's Golden Rules and principal risks are discussed on pages 110 to 114.

Information about the Group's approach to treasury management can be found in the Chief Financial Officer's Review on pages 46 to 52, as well as within note 24 to the Financial Statements (Financial Instruments and Risk Management).

The Group's core operations are built on a solid base with strong relationships forged over the years with local authorities. The Group prepares robust business plans which are reviewed by the Regulator of Social Housing (RSH).

The Group's strategy and core strength is reflected in its external ratings with the RSH and credit agencies, with a V2 viability status from the RSH and investment grade ratings of A2 Negative from Moody's and A Negative from Standard & Poor's.

The Group Board's assessment of the Group and the Association's ability to continue as a going concern is based on consideration of cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. The cash flow forecasts fully incorporate Swan and the Group's capital commitments and show that the Group and Association will have sufficient funds to continue to meet liabilities as they fall due. In order to demonstrate the Group's financial resilience, a number of plausible downside scenarios have been modelled, which individually and in combination show that there is sufficient headroom for liquidity purposes and no breaches of covenants. Scenarios include: a prolonged period of high inflation, energy cost increases, a rent cap in England, deterioration in income collection, an increase in voids, a reduction in student and care occupancy, lower development sales and greater maintenance demand.

Significant liquidity and facilities to draw upon ensure the Group is able to withstand any additional external challenges that arise. At 31 March 2023, the Group had cash balances of £180.1 million and a further £434 million of undrawn facilities; the Group's total capacity stood at £2.0 billion (cash, undrawn facilities and available security).

Borrowing covenants are constantly monitored as part of the Group's Golden Rules, to ensure that they will continue to be met based on latest projections (page 110). As expected from the acquisition there have been covenant amendments required on two facilities which have been agreed with the lenders. As such, the Group has ensured that all covenants will continue to be met.

Having assessed the principal risks as set out on pages 111 to 114, the other matters discussed in connection with the viability statement on page 117 and the severe but plausible downside sensitivities, the Group Board considers that the Group and the Association have adequate resources to remain in operation for the foreseeable future, have sufficient cash to meet their needs for the foreseeable future and will continue to meet all borrowing covenants. The Group Board has therefore continued to adopt the going concern basis in preparing the Financial Statements.

IFRSs Not Yet Applied

The following list details new standards, amendments and interpretations which are not yet effective, which may have an impact on the accounting within the Group's Financial Statements in future periods:

- Introduction of IFRS 17 Insurance Contracts (annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 3 Business Combinations (annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (annual periods beginning on or after 1 January 2023).

Other forthcoming standards, amendments or interpretations which are not covered within the above are unlikely to impact the Financial Statements of the Group.

Critical Accounting Judgements

In the process of applying the Group's and Association's accounting policies, management has made certain judgements which have an impact upon the Financial Statements, these are detailed below.

Classification of Property

A degree of judgement is required over certain property held by the Group is treated as property, plant and equipment or as investment property.

Investment property is property held to earn rentals or for capital appreciation or both. The Group considers all of its commercial property and its property held for student lettings to fall under this definition.

Property held for use in the production or supply of goods or services or for administrative purposes is treated as property, plant and equipment. The Group has therefore classified its office buildings (held for administrative purposes) and its care homes (held for the provision of care services) as property, plant and equipment.

A greater degree of judgement is required over the classification of housing property held for social lettings. It is the Group's opinion that while rental income is received from the provision of social housing, the primary purpose is to provide social benefits. The provision of social housing is therefore akin to supplying a service and so property held for this purpose has been accounted for as property, plant and equipment. This treatment is consistent with housing associations that have chosen the alternative option of applying the revised UK GAAP (FRS 102), which contains explicit provisions for this scenario and arrives at a similar conclusion; it is also consistent with guidance contained in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 (the SORP).

Critical Accounting Estimates and Assumptions

The preparation of the Group's and Association's Financial Statements requires management to make estimates and assumptions that affect reported carrying amounts of assets and liabilities.

Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed on the next page.

Acquisition of Swan Housing Association

On 8 February 2023 the Group completed the acquisition of Swan Housing Association, and its subsidiaries, and in accordance with the measurement principles of IFRS 3 Business Combinations (IFRS 3), all identifiable assets acquired and liabilities assumed were measured at their fair values at that date.

Third-party specialists provided support in determining valuations for intangible assets, properties, right of use assets and lease liabilities, inventory work in progress (WIP), loans and borrowings and retirement benefit obligations. Third-party specialists also provided support in determining levels of provisions required.

Key estimates and assumptions exist in determining the property and WIP values and also in establishing levels of provisions and contingent asset disclosures. The estimates and assumptions relating to other acquired assets and liabilities are not considered to be critical and fall under 'other' accounting estimates.

Property and WIP fair values were determined by reference to independent valuations, conducted in accordance with RICS Valuation Professional Standards, while other acquired assets and liabilities were valued in accordance with the principles of IFRS 13 Fair Value Measurement.

Social housing properties were valued at Existing Use Value - Social Housing (EUV-SH) using discounted cash flows (DCFs) to perpetuity. Assumptions exist around rental growth, voids, bad debts, maintenance costs, inflation and discount rates, but significantly, in the case of Swan's properties, the estimated costs of cladding and other fire safety works were also incorporated into the valuations. Note 34 includes sensitivities for variations in cladding and fire safety costs, which are considered provisional. Sensitivities have not been provided for the other inputs which are standard in nature and will not give rise to adjustments in subsequent periods. The acquisition date fair value of the properties will become deemed cost going forwards.

The main inputs in determining the fair value of inventory work in progress include forecast selling prices, construction costs to complete, finance costs and developer margin. Note 34 includes sensitivities for variation in forecast sales prices and construction costs.

Provisions include a number of items where costs have been estimated. Where possible, these estimates are based on third-party assessments or industry data. Legal advice has been sought, where required, to establish contractual obligations, or to support quantification of the outcome of cases. Further details are included in notes 26 and 34.

Contingent assets in relation to potential recovery of fire safety and cladding costs are disclosed in note 36. At the date of acquisition, no amounts were recognised for these potential reimbursements due to the uncertainty of recovery. Additional information is also included in note 34.

Key judgements exist in relation to a number of loans recognised as part of the acquisition of Swan, which include embedded interest rate swaps. It has been determined that these swaps are closely related to the host contracts and so do not need to be separately accounted for. However, the presence of the swaps changes the nature of the loan instruments as a whole and so they have been classified as fair value through profit and loss.

There is a post-acquisition measurement period, not exceeding one year from the acquisition date, during which provisional amounts recognised may be adjusted to reflect new information obtained about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. Given the complexity and the proximity of the acquisition to the year end a number of balances are provisional and these are explained in more detail in note 34.

Retirement Benefit Obligation Valuations

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:

- Inflation rate;
- Life expectancy; and
- Discount rate.

The Group is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 29.

Other Accounting Judgements, Estimates and Assumptions

Impairment of Care Home Property Assets

Where indicators of impairment exist then an asset's recoverable amount must be estimated to determine if an impairment adjustment is required; this entails making a number of assumptions, which include:

- Future occupancy levels;
- Fee rates;
- Inflation rates;
- Discount rates; and
- Sustainable Earnings Before Interest, Taxation, Depreciation, Amortisation, Rent and Management fees (EBITDARM) and EBITDARM multiples for determining valuations.

Further details of the general principles of impairment testing are included later within note 1. Details of the specific assumptions used, are included in note 13.

Provisions and Contingent Liabilities (excluding items on acquisition)

A provision is recognised when the Group has a measurable present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions, by their nature, have a degree of uncertainty over the timing or amount of the future expenditure required in settlement. Management determines the level of an obligation by considering the range of possible outcomes and estimating the probable financial effect of settlement using judgement based on past experience and, where applicable, information provided by independent experts. Details of the provisions held within the Group are included in note 26.

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated. The Group does not recognise contingent liabilities but discloses them in note 36.

Inventory Carrying Value

The Group has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value, with reference to estimates of costs to complete and remaining revenues. The assumptions and estimates for both revenue and costs are based on conditions existing at the reporting date, with reference to recent experience on similar properties and site-specific knowledge. A material portion of the Group's activities are undertaken through house building and development and the Group is required to make estimates in accounting for revenue and margin. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change.

Specific procedures for assessing development projects include:

- **Market analysis** – A review of potential impact on build costs and sales revenues based on analysis of information published by the leading consultants in the sector;
- **Contract analysis** – A review of current contractual positions and the potential impact on build costs; and
- **Impact analysis** – Application of a series of sensitivities to existing models to assess the impact of potential revenue and cost movements.

Details of the year end review are included in note 19.

Fair Value of Acquired Assets and Liabilities Assumed in Business Combinations (excluding Swan)

In accordance with the measurement principles of IFRS 3 Business Combinations (IFRS 3), all identifiable assets acquired and liabilities assumed are measured at their fair values at the date of acquisition.

Property fair values are determined by reference to an independent valuation, conducted in accordance with RICS Valuation Professional Standards, while other acquired assets and liabilities assumed are valued in accordance with the principles of IFRS 13 Fair Value Measurement.

There is a degree of judgement involved in determining these values and, in line with IFRS 3, the fair value adjustments are considered provisional and may change during the measuring period, which will not exceed one year from the acquisition date.

Expected Credit Losses on Trade Receivables

Under IFRS 9, as long as there is no significant financing component, loss allowances for trade receivables are always measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument (see note 24). Due to the diverse activities of the Group a range of different methodologies are used to derive ECLs for the different operational areas, taking into account factors such as service type, customer type, customer status, age of debt, level of debt and legal status. Outcomes have been assessed by using both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

Revenue

Many of the Group's activities involve a high number of end service users, each of whom has a separate contract. However, for each activity type (for example, general needs housing) there is very little variation in the substance of the individual contracts. In arriving at its conclusions over application of IFRS 15, management has therefore applied the practical expedient that allows application of the Standard to portfolios of contracts with similar characteristics, rather than to individual contracts. Management believes that the effect on the Financial Statements of applying the Standard to the portfolios does not differ materially from applying the Standard to the individual contracts within the portfolios.

Detailed consideration has been given to the way in which shared ownership property transactions should be accounted for under IFRS 15. Since such transactions are unique to the housing industry no specific guidance is offered within the Standard itself and so in reaching this conclusion management has relied upon an assessment of the substance of the underlying elements of the arrangement, while considering guidance within the housing SORP and drawing on wider industry practice.

Climate change

The Group has considered the impact of climate change in preparing these financial statements, in the context of its Environment and Climate Change Strategy, which is discussed in the Environment and Sustainability section on pages 28 to 40.

During the year, the Group contracted external climate and sustainability specialists to produce a comprehensive register of the risks and opportunities generated by physical aspects of climate change. The register outlines in detail how these risks will impact the Group on a short, medium and long-term basis (2032, 2042 and 2052). Further details are contained on page 37. No material impact on financial reporting judgements and estimates has been identified, as detailed below.

Climate change mitigation activities are already well underway across the Group, with a short-term target of halving operational carbon emissions by 2030, as detailed on page 31. The Group continues to invest in environmental initiatives to drive decarbonisation, and the effect that these initiatives may have on existing asset component lives is kept under constant review. To date, works have been within existing life cycles or additive in nature and so have not been indicative of a shortening of component lives.

Climate risks are considered when assessing assets for impairment. The review of physical climate-related risks such as flooding, changes in temperature and extreme weather events, has not resulted in identification of indicators of impairment for the Group's assets. When determining cash flows for value in use calculations, climate change is deemed to have a negligible impact on the Group's income streams and maintenance requirements in the short or medium term and so no adjustments have been required.

The Group continues to improve sustainability standards in the construction of new homes in a range of ways to reduce carbon emissions and to minimise exposure to physical climate change risks in the future.

Climate change in relation to defined benefit pension schemes is discussed in note 29.

Whilst there is currently no material impact expected from climate change over the short to medium term, the Group will continue to assess the risks of climate change against judgements and estimates made in preparation of the Group's financial statements.

Fair Value Measurement (excluding items on acquisition)

A number of assets and liabilities included in the Group's Financial Statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.

The Group measures (or discloses) the following items at fair value:

- Investment property – disclosure only (note 14)
- Equity investments at FVOCI – listed investments (notes 15 and 24)
- Derivative financial instruments (notes 16 and 24)
- Certain loans with embedded interest rate swaps (notes 24)

Basis of Consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Association and entities controlled by the Association.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Business combinations are accounted for using the acquisition method.

Investments in subsidiaries are accounted for at cost less any impairment for permanent diminutions in value.

Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. The Group has a number of joint ventures whereby it has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Application of the Equity Method to Joint Ventures

Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to £nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Transactions Eliminated on Consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill Arising on Business Combinations

Goodwill is calculated as the difference between the fair value of the aggregate of the consideration transferred and the net fair value of identifiable assets acquired and liabilities assumed.

If the difference calculated above is positive, the amount is treated as an intangible asset in the Statement of Financial Position and is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment with any impairment losses recognised in the Statement of Comprehensive Income.

Where the consideration transferred is lower than the net fair value of identifiable assets acquired and liabilities assumed, the resulting gain is credited to the Statement of Comprehensive Income in the period in which the business combination takes place, as a gain on acquisition.

Investments Treated as Non-Current Assets

Where the investments in listed or unlisted securities are held as a condition of financing arrangements, with the result that the Group's ability to utilise these funds is restricted in the long-term, the investments are treated as non-current assets.

Listed investments are accounted for as fair value through other comprehensive income (FVOCI). Unlisted investments are stated at amortised cost less impairment.

Revenue

Under IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

A significant proportion of the Group's income is derived from contracts of 'residential occupation'. Management has determined that social housing tenancies and student licences do not meet the definition of leases; consequently, they are treated as revenue contracts under IFRS 15.

As per the Standard, revenue must be recognised either over time or at a point in time. The majority of the Group's activities are services where the customer consumes the benefits of performance simultaneously with the Group performing and so revenue is recognised over time. Revenue from property sales, which is a transfer of goods, is recognised at a point in time.

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from a customer. Such balances include payments received in advance and deferred income.

Contract receivables are unconditional rights to consideration where only the passage of time is required before payment becomes due. Such balances include rental receivables, other trade receivables and accrued income.

The Group has presented contract liabilities as separate line items on the Statement of Financial Position while contract receivables are included within trade and other receivables.

IFRS 15 requires that the incremental costs of obtaining a contract with a customer are capitalised if those costs are expected to be recovered through future services to the customer. The Group does not incur costs such as sales commissions in obtaining contracts and any pre-contract costs that are incurred are not incremental, consequently no asset of this nature has been recognised. The Group continually reviews costs incurred in fulfilling contracts to determine if they require capitalisation under the Standard.

Accounting for the Revenue from Shared ownership property transactions is considered to be an accounting judgement. This is explained in further detail on page 136.

Non-Capital Grants

The Group has received Government funding during the years ended 31 March 2021 and 31 March 2022 through both the Adult Social Care Infection Control Fund and the Coronavirus Job Retention Scheme.

In accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, the Group considers this funding to constitute income related grants and has opted to present them as a deduction to the related cost within operating expenditure.

Intangible Assets – Software

Software acquisition costs, licence costs and development costs are treated as intangible assets and stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of the software from the date it is available for use.

The estimated useful lives used for software are between 4 to 10 years. Management judges these estimated lives to be a reasonable reflection of the economic lives of the assets.

Property, Plant and Equipment and Depreciation

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of PPE.

Land and Buildings

Land and buildings consists of housing properties for social rent (including care homes) and shared ownership properties. The provision of social housing is akin to supplying a service and therefore property held for the primary purpose of providing social benefits should be excluded from the scope of investment property and accounted for as PPE. Housing properties are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of such properties includes the following:

a) Cost of acquiring land and buildings;
b) Construction costs including internal equipment and fitting;
c) Directly attributable development administration costs;
d) Cost of capital employed during the development period;
e) Expenditure incurred in respect of improvements and extensions to existing properties; and
f) Construction costs incurred but not yet certified at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic or social benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Expenditure on housing properties which is capable of generating increased future rents, extends their useful life, or significantly reduces future maintenance costs, is capitalised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Structure	40 to 125 years
Doors and door entry systems	10 to 40 years
Bathrooms	15 to 40 years
External works	20 to 25 years
Heating systems	15 to 40 years
Kitchens	30 years
Lifts	10 years
Green technologies	25 years
Roof coverings	50 years
Windows	40 years
Electrical wiring	30 years

The acquisition and disposal of properties is accounted for on the date when completion takes place.

Offices, Plant and Equipment

Assets are stated at cost (this includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use) less accumulated depreciation, which is charged on a straight-line basis to write off assets over their expected economic useful lives as follows:

Freehold land and buildings (offices) and improvements	10 to 40 years
Leasehold land and buildings (offices)	Over the period of the lease
Furniture and equipment	4 to 10 years
Motor vehicles	4 to 7 years
Computer equipment (excluding software)	4 to 10 years

Investment Property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. The Group classifies its commercial property and its property held for student lettings as investment property. The Group has chosen to apply the cost model to all of its investment property; it is therefore stated at cost less accumulated depreciation.

Depreciation on investment property is charged on a straight-line basis to write off assets over its expected economic useful lives as follows:

Student property (right-of-use assets)	Over the period of the lease
Other investment property	As per PPE

Shared Ownership Property

Under shared ownership arrangements, the Group disposes of a long lease to the occupier; the initial lease premium paid for the first tranche is typically for between 25% and 75% of the value. The occupier has the right to purchase further proportions. A shared ownership property comprises two assets: that to be disposed of in the first tranche, which is recorded as inventory within current assets; and that retained by the Group, which is recorded as a non-current asset (PPE) in the same manner as general needs housing properties. Proceeds of sale for first tranches are accounted for as revenue in the Income Statement, with apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold (staircasing) are reflected as surpluses or deficits on sale of housing properties, shown within other gains and losses on the Income Statement.

Capitalised Borrowing Costs and Capitalised Staff Costs

Interest on the Group's and Association's borrowings is capitalised when directly attributable to the construction of an asset that necessarily takes a substantial amount of time to get ready for its intended use or sale. For the Group, qualifying assets are properties under construction for sale or rental. The interest is either on borrowings specifically financing a scheme (after deduction of interest on Social Housing Grant (SHG) received in advance) or the weighted average borrowing rate across net borrowings deemed to be financing a scheme. Where a scheme has SHG in excess of costs, interest receivable is accrued against the balance.

Labour costs of the Group's and Association's own employees that are incurred in relation to the development of properties, whether for sale or rental, are also capitalised.

Social Housing Grant (SHG) and Other Public Grant

Where developments have been financed wholly or partly by SHG and/or other public grant, the amount of grant received is offset against the cost of developments on the face of the Statement of Financial Position. In instances where grant for the development programme exceeds development costs, an amount equal to the excess is held in payables. Where grants are receivable for the development programme in arrears the amounts are accrued within receivables. Where grants are repayable and the associated asset is sold, the grant is held within the recycled capital grant fund (RCGF) within payables until it is recycled or repaid to the issuer.

Where acquired entities have grant, the gross book value has been uplifted by the grant amount to show both the cost and grant element within the Group Statement of Financial Position.

Recycled Capital Grant Fund

In certain circumstances the Group and Association are permitted to retain the SHG relating to properties sold and to apply this to further property development within a certain time frame. If this time frame is exceeded the grant may be repayable. In these circumstances it is included within the RCGF within payables.

Impairment

Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- Financial assets measured at amortised cost

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Other loss allowances are measured at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk (that is the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, that is based on the Group’s historical experience and informed credit assessment and includes forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Group considers this to be ‘Baa3’ or higher as per the rating agency Moody’s.

Non-Financial Assets

The carrying amounts of the Group’s non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects a market participant rate and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the ‘cash-generating unit’). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

Impairment Testing – Property

When an impairment indicator is identified, an impairment review is performed at an individual CGU level and carrying value is compared to recoverable amount, which is defined as the higher of:

- Fair value less selling costs, or
- Value in use.

Should the carrying value of the CGU exceed the higher of these measures, it is impaired to this value, with the movement going through the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A valuation technique that may be used to determine fair value is the cost approach, which reflects the amount that would be required currently to replace the service capacity of the asset (current replacement cost). For social housing properties this is depreciated replacement cost (DRC) of the property. To determine the DRC, the Group uses information on current and recently completed developments in order to establish a build cost relevant to the property being tested, based on size, location, and other factors.

Value in Use (VIU) is the present value of the future cash flows expected to be derived from the CGU, established by estimating future cash inflows and outflows from the use of the asset and applying an appropriate discount rate to those cash flows.

Impairment Testing – Goodwill and Other Intangible Assets

The Group tests goodwill and other intangible assets annually for impairment or more frequently if there are indications that items might be impaired. The carrying value of the relevant CGU is compared to the recoverable amount to ascertain if impairment is required. Recoverable amounts for CGUs are based on the higher of value in use and fair value less costs of disposal. VIU is determined by calculating the present value of future cash flows of the CGU, using discount rates that reflect the time value of money and risks specific to the CGU.

Inventories

Inventories are stated at the lower of cost and net realisable value and comprise properties held for sale and consumables used by the Group's maintenance operation. Properties held for sale include properties held for outright sale and proportions of shared ownership properties allocated as first tranche sales; costs include direct materials, direct labour and other direct costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less any anticipated selling costs. Maintenance consumables are valued on a first in, first out basis.

Assets Classified as Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. On initial classification as held for sale, assets are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the Income Statement.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the initial rate implicit in the lease. The Group uses a single discount rate for each portfolio of leases with reasonably similar characteristics.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the Statement of Financial Position.

Short-Term Leases and Leases of Low-Value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term and low value assets. The Group recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Financial Instruments

Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

a) Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The funding needs of the Group
- How the performance of the assets is evaluated and reported to the Group's management
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- The contractual cash flows
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment of Contractual Cash Flows that are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable-rate features
- Prepayment and extension features
- Terms that limit the Group's claim to cash flows from specified assets (for example non-recourse features).

b) Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

a) Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

b) Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Derivative Financial Instruments and Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments which hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

The forward points are accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Financing Costs

Costs which are incurred directly in connection with the raising of private finance are deducted from the liability and amortised over the term of the loan on a consistent periodic rate of charge. Premiums or discounts on financial instruments are amortised using the effective interest rate basis or a straight-line basis where it can be demonstrated that there is no material difference between the two methods.

Leasehold Service Charge Sinking Funds

The Group and Association are required to set aside sums for future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added. Amounts accumulated in the fund are included within trade and other receivables and within trade and other payables. Unutilised contributions to sinking funds and over recovery of service costs repayable to tenants/leaseholders are shown in liabilities (including any interest). Where there has been an under recovery of variable service charges, the balance is included within receivables to the extent it is recoverable.

Retirement Benefits

The Group's and Association's pension arrangements comprise various defined benefit and defined contribution schemes. Where the underlying assets and liabilities of the defined benefit schemes can be separately identified the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Actuarial gains and losses for these schemes are included within other comprehensive income. Current and past service costs, curtailments and settlements are recognised within operating surplus. Interest on net pension liabilities is recognised as a finance expense. Key assumptions used in determining the valuation of defined benefit schemes are given within critical accounting estimates and assumptions.

For defined benefit pension schemes where a debt has been, or is soon to be, crystallised, the Group and Association recognise the full liability on the Statement of Financial Position based upon a cessation valuation.

For defined contribution arrangements, the cost charged to the Statement of Comprehensive Income represents the Group's contributions to those schemes in the financial year in which they fall due.

2. Revenue

Nature of Goods and Services and Revenue Recognition

The following is a description of the principal activities from which the Group derives its revenue.

Product/ Service	Nature, timing of satisfaction of performance obligations and significant payment terms
Social housing lettings income	Social housing lettings income relates to rent and service charges received from social housing tenancies, which may be classified as: general needs, sheltered housing, extra care, shared ownership (all affordable housing division), supported housing (supported living division) or key worker accommodation (student division). Revenue is recognised over time based on rental periods, in accordance with tenancy agreements. Where periodic timing differences arise between billing and rental periods, then revenue is accrued or deferred accordingly. Some older tenancy agreements include rent-free periods each year, in these cases income is accrued or deferred in order to recognise the rent-free periods on a straight-line basis over 52 weeks. Tenants generally pay weekly or monthly in advance.
Domiciliary	Home care services are provided to certain tenants of extra care schemes. Revenue is recognised based on care hours delivered. Clients are generally billed either weekly, fortnightly, four-weekly or monthly, in arrears, depending on the terms of the individual contract.
Supported registered services	Supported registered services (CQC registered services) encapsulate both residential and non-residential care and support. Residential care and support services are provided to individuals who are in care homes for reasons other than being an older person, for instance due to physical or mental disabilities. Revenue is recognised based on number of bed days occupied in the period. Billing is predominantly done on a four-week cycle, which may be in advance or arrears. Non-residential care and support services are generally supported living services where income is separately recognised for rent and service charges (social housing lettings income); support income may be received for support hours delivered, dependent upon the client needs and the agreements with the local authority and/or the client.

Product/ service	Nature, timing of satisfaction of performance obligations and significant payment terms
Supporting People income	Supporting People income is a specific form of revenue received from local authorities to provide housing-related support services to vulnerable individuals. This includes people with disabilities, people with mental health issues, young people, homeless people or people at risk of domestic violence. Revenue is recognised based either on support hours delivered in a period (spot contracts) or at a fixed amount each period (block contracts), depending on the specific agreement. Billing is predominantly done on a four-week cycle.
Care homes	Residential and nursing homes for older people are managed within the care division. Revenue relates to provision of residential/nursing care, with contracts in place with local authorities, the NHS and private self-funders. Revenue is recognised based on the number of bed days occupied (or available for occupation in the case of block contracts) in the period. Billing is generally monthly or four-weekly in advance.
Student lets	Student lettings income is received through direct lets or via nominations agreements with universities. Revenue is recognised in accordance with the rental contract periods and is generally billed termly in advance.
Facilities management	The Group provides facilities management services for several student and non-student sites. Performance is by virtue of managing the sites, with all that this entails, and so revenue is recognised equally throughout the year based on the contracted annual fees; this is generally billed quarterly.
Property sales – outright sales	Property held for sale in the ordinary course of business or in the process of construction or development for such a sale is treated as inventory as per IAS 2; sales of these properties are treated as revenue under IFRS which is consistent with the approach of the housing SORP. Revenue is recognised on the date of legal completion of the sale to the new owner of the property when consideration is also received.
Property sales – initial sales	Initial sales are governed by a shared ownership arrangement, where the Group will retain a percentage of the ownership of the property with the new shared owner having the remaining share. The Group recognises sales of shared ownership properties as those where the initial tranche of equity has been sold; this is treated as revenue under IFRS which is consistent with the approach of the housing SORP. Revenue is recognised on the date of legal completion of the sale of the acquired proportion when consideration is also received.

Disaggregation of Revenue

In the following tables, revenue is disaggregated by major products and services using the same headings as the note prepared to meet the requirements of the Accounting Direction for Private Registered Providers of Social Housing 2022 (Appendices 1 and 2) and reconciled to the Group's operating segments (note 6).

Year ended 31 March 2023 - Group	Affordable housing	Supported living	Care	Student & market rented	Development property sales	Swan	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time								
Income from social housing lettings	405.0	53.8	-	4.5	-	9.3	-	**472.6**
Home ownership and managed properties	7.2	1.2	-	-	-	1.6	-	**10.0**
Supported registered services	-	11.7	-	-	-	-	-	**11.7**
Supporting People contract income	0.2	29.6	0.3	-	-	0.4	-	**30.5**
Other social housing income	0.5	4.2	-	0.2	-	0.1	-	**5.0**
Student lettings, facilities management and commercial	2.4	-	-	55.9	-	-	-	**58.3**
Care homes	-	-	226.2	-	-	-	-	**226.2**
External maintenance services	3.4	-	-	-	-	-	-	**3.4**
Domiciliary	-	5.2	-	-	-	-	-	**5.2**
Other development income	-	-	-	-	-	0.5	-	**0.5**
Other non-social housing income	0.6	-	-	-	-	-	1.6	**2.2**
Total revenue over time	**419.3**	**105.7**	**226.5**	**60.6**	**-**	**11.9**	**1.6**	**825.6**
Revenue at a point in time								
Shared ownership first tranche sales	-	-	-	-	17.5	0.8	0.1	**18.4**
Non-social housing property sales	-	-	-	-	74.6	25.2	-	**99.8**
Total revenue at a point in time	**-**	**-**	**-**	**-**	**92.1**	**26.0**	**0.1**	**118.2**
Total revenue from external customers	**419.3**	**105.7**	**226.5**	**60.6**	**92.1**	**37.9**	**1.7**	**943.8**
Less lease income	-	(5.1)	-	(6.8)	-	(0.1)	-	(12.0)
Revenue from contracts with customers	**419.3**	**100.6**	**226.5**	**53.8**	**92.1**	**37.8**	**1.7**	**931.8**

Year ended 31 March 2022 - Group	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	389.4	49.9	-	4.3	-	-	**443.6**
Home ownership and managed properties	6.6	1.2	-	-	-	-	**7.8**
Supported registered services	-	11.7	-	-	-	-	**11.7**
Supporting People contract income	0.1	29.1	-	-	-	-	**29.2**
Other social housing income	0.2	4.9	-	0.1	-	-	**5.2**
Student lettings, facilities management and commercial	2.2	-	-	53.0	-	-	**55.2**
Care homes	-	-	193.0	-	-	-	**193.0**
External maintenance services	3.2	-	-	-	-	-	**3.2**
Domiciliary	-	5.4	-	-	-	-	**5.4**
Non-social housing development contracts	-	-	-	-	-	0.1	**0.1**
Other development income	-	-	-	-	-	0.1	**0.1**
Other non-social housing income	0.6	-	-	-	-	0.6	**1.2**
Total revenue over time	**402.3**	**102.2**	**193.0**	**57.4**	**-**	**0.8**	**755.7**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	17.7	1.4	**19.1**
Non-social housing property sales	-	-	-	-	37.7	-	**37.7**
Total revenue at a point in time	**-**	**-**	**-**	**-**	**55.4**	**1.4**	**56.8**
Total revenue from external customers	**402.3**	**102.2**	**193.0**	**57.4**	**55.4**	**2.2**	**812.5**
Less lease income	-	(5.1)	-	(6.4)	-	-	(11.5)
Revenue from contracts with customers	**402.3**	**97.1**	**193.0**	**51.0**	**55.4**	**2.2**	**801.0**

Year ended 31 March 2023 - Association	Affordable housing	Supported living	Care	Student & market rented	Development property sales	Swan	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time								
Income from social housing lettings	331.5	40.7	-	4.4	-	-	-	**376.6**
Home ownership and managed properties	6.6	0.6	-	-	-	-	-	**7.2**
Supporting People contract income	0.1	14.0	-	-	-	-	-	**14.1**
Other social housing income	0.4	5.6	-	0.2	-	-	-	**6.2**
Student lettings, facilities management and commercial	-	-	-	35.6	-	-	-	**35.6**
Non-social housing development contracts	-	-	-	-	-	-	-	**-**
Other development income	-	-	-	-	-	-	0.1	**0.1**
Management charges (intra-Group)	-	-	-	-	-	-	24.1	**24.1**
Other non-social housing income	-	-	-	-	-	-	7.1	**7.1**
Total revenue over time	**338.6**	**60.9**	**-**	**40.2**	**-**	**-**	**31.3**	**471.0**
Revenue at a point in time								
Shared ownership first tranche sales	-	-	-	-	-	-	-	**-**
Non-social housing property sales	-	-	-	-	3.8	-	-	**3.8**
Total revenue at a point in time	**-**			**-**	**3.8**	**-**	**-**	**3.8**
Total revenue from external customers	**338.6**	**60.9**	**-**	**40.2**	**3.8**	**-**	**31.3**	**474.8**
Less lease income	-	(4.3)	-	(2.9)	-	-	-	(7.2)
Revenue from contracts with customers	**338.6**	**56.6**	**-**	**37.3**	**3.8**	**-**	**31.3**	**467.6**

Year ended 31 March 2022 - Association	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	321.9	37.4	-	4.3	-	-	**363.6**
Home ownership and managed properties	6.2	0.6	-	-	-	-	**6.8**
Supporting People contract income	0.1	14.5	-	-	-	-	**14.6**
Other social housing income	0.1	6.3	-	0.1	-	-	**6.5**
Student lettings, facilities management and commercial	-	-	-	32.2	-	-	**32.2**
Non-social housing development contracts	-	-	-	-	-	0.1	**0.1**
Other development income	-	-	-	-	-	0.1	**0.1**
Management charges (intra-Group)	-	-	-	-	-	21.4	**21.4**
Other non-social housing income	-	-	-	-	-	7.3	**7.3**
Total revenue over time	**328.3**	**58.8**	**-**	**36.6**	**-**	**28.9**	**452.6**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	-	1.4	**1.4**
Non-social housing property sales	-	-	-	-	0.8	-	**0.8**
Total revenue at a point in time	**-**	-	-	-	**0.8**	1.4	**2.2**
Total revenue from external customers	**328.3**	**58.8**	**-**	**36.6**	**0.8**	**30.3**	**454.8**
Less lease income	-	(4.4)	-	(2.9)	-	-	(7.3)
Revenue from contracts with customers	**328.3**	**54.4**	**-**	**33.7**	**0.8**	**30.3**	**447.5**

2. Contract Balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Contract receivables (included in trade and other receivables)				
Tenant rental receivables (note 17)	14.2	13.0	11.3	10.0
Other trade receivables (note 17)	22.9	19.1	5.0	4.4
Accrued income (note 17)	13.0	14.0	1.2	2.5
	50.1	46.1	17.5	16.9
Contract liabilities				
Payments received in advance	(28.3)	(25.6)	(15.9)	(15.8)
Deferred income	(17.6)	(18.4)	(6.4)	(8.3)
	(45.9)	**(44.0)**	**(22.3)**	**(24.1)**

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

3. Other Income

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Gift aid	-	-	10.1	7.5
	-	**-**	**10.1**	**7.5**

4. Surplus for the Year

Cost of sales relates to the cost of properties sold in the ordinary course of business. Expenditure relating to the provision of services, which forms the majority of the Group's activities, is shown within operating expenditure.

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
The surplus is arrived at after charging/(crediting):				
Cost of sales				
Cost of inventories recognised as an expense	93.7	49.8	2.5	2.4
Operating expenditure				
Rented and sheltered credit losses (note 24)	5.6	3.8	3.9	2.9
Other credit losses (note 24)	2.0	1.2	(0.7)	0.6
Amortisation of intangible assets (software) (note 12)	9.2	10.9	9.2	10.9
Depreciation of property, plant and equipment (note 13)	65.8	61.9	49.8	46.4
Impairment of property, plant and equipment (note 13)	(0.5)	1.1	-	(0.7)
Depreciation of investment property (note 14)	5.7	4.2	2.6	2.0
Non-capital grants offset against operating expenditure	7.2	11.7	0.8	0.1
Other gains and losses				
Surplus on sale of property, plant and equipment (note 7)	10.9	6.4	7.5	4.2

5. Auditor's Remuneration

Auditor's remuneration (excluding VAT) for audit and non-audit services comprises:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Fees payable to the Association's auditor and its associates for the audit of these Financial Statements	0.8	0.5	0.5	0.4
Fees payable to the Association's auditors for other services to the Group:				
The audit of the Association's subsidiaries	0.2	0.2	-	-
Total audit fees	**1.0**	**0.7**	**0.5**	**0.4**
Other assurance services	0.2	0.2	0.2	0.2
Total non-audit fees	**0.2**	**0.2**	**0.2**	**0.2**
Total audit and non-audit fees	**1.2**	**0.9**	**0.7**	**0.6**

The above shows fees paid to the Group's external statutory auditor.

Amounts receivable by the Association's auditor and its associates in respect of the audit of Financial Statements of associated pension schemes totals £13,000 (2022: £13,000).

Other assurance services relate to regulatory reviews and the audit of service charge accounts.

6. Operating Segments

The Group's reportable segments are based on its operational divisions which offer distinguishable services, are managed separately and are regularly assessed by the chief operating decision maker, identified as the Executive Committee, comprising the Group Chief Executive, the Chief Financial Officer and the Group Director – Corporate Services.

Operating division results include items directly attributable to the segment, together with apportioned centralised costs. Central costs are allocated based on a number of factors including headcounts, desk spaces, asset values and turnover within each of the respective operations.

Information relating to each reportable segment is set out below:

2023	Affordable housing	Supported living	Care	Student & market rented	Development sales	Swan*	All other segments**	Intra-Group eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	419.3	105.7	226.5	60.6	92.1	37.9	1.7	-	943.8
Internal maintenance income	148.3	-	-	-	-	-	-	(148.3)	-
Internal maintenance costs	(148.3)	-	-	-	-	-	-	148.3	-
Cost of sales	-	-	-	-	(76.2)	(17.4)	(0.1)	-	(93.7)
Operating costs	(209.9)	(96.6)	(208.2)	(32.0)	-	(11.3)	(10.0)	-	(568.0)
Divisional EBITDA* **	**209.4**	**9.1**	**18.3**	**28.6**	**15.9**	**9.2**	**(8.4)**	**-**	**282.1**
Depreciation	(39.8)	(7.5)	(14.4)	(8.0)	-	(1.2)	(1.2)	-	(72.1)
Impairment	-	-	0.5	-	-	-	-	-	0.5
Reportable segment surplus	**169.6**	**1.6**	**4.4**	**20.6**	**15.9**	**8.0**	**(9.6)**	**-**	**210.5**
Corporate central overheads****									(26.0)
Share of profits of joint ventures									4.2
Underlying Group operating surplus									**188.7**
Other gains and losses (note 7)									10.9
Total Group operating surplus									**199.6**

2022	Affordable housing	Supported living	Care	Student & market rented	Development sales	Swan*	All other segments**	Intra-Group eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	402.3	102.2	193.0	57.4	55.4	-	2.2	-	812.5
Internal maintenance income	133.6	-	-	-	-	-	-	(133.6)	-
Internal maintenance costs	(133.6)	-	-	-	-	-	-	133.6	-
Cost of sales	-	-	-	-	(47.8)	-	(2.0)	-	(49.8)
Operating costs	(199.7)	(92.5)	(177.8)	(30.1)	-	-	(5.4)	-	(505.5)
Divisional EBITDA* **	**202.6**	**9.7**	**15.2**	**27.3**	**7.6**	**-**	**(5.2)**	**-**	**257.2**
Depreciation	(42.0)	(8.3)	(10.5)	(6.6)	-	-	(1.3)	-	(68.7)
Impairment	-	-	(1.1)	-	-	-	-	-	(1.1)
Reportable segment surplus	**160.6**	**1.4**	**3.6**	**20.7**	**7.6**	**-**	**(6.5)**	**-**	**187.4**
Corporate central overheads****									(18.3)
Share of profits of joint ventures									3.1
Underlying Group operating surplus									**172.2**
Other gains and losses (note 7)									6.4
Total Group operating surplus									**178.6**

Divisional EBITDA %	Affordable housing	Supported living	Care	Student & market rented	Development sales	Swan*	Total
2023	49.9%	8.6%	8.1%	47.2%	17.3%	24.3%	29.9%
2022	50.4%	9.5%	7.9%	47.6%	13.7%	-	31.7%

*Swan relates to the post acquisition period.

**Other segments comprises sundry external income and associated costs and development administration costs.

***Divisional EBITDA is defined as segment surplus with office and equipment depreciation and software amortisation costs removed. Other gains and losses have not been attributed across divisions. Further information explaining alternative performance measures is included in Appendix 3.

****Included within corporate central overheads is depreciation of £8.3 million (2021: £8.4 million).

Details of the Group's operating divisions are included in the Business Reviews on pages 54 to 75.

7. Other Gains and Losses

Group

2023	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2023
	£m	£m	£m	£m	£m	£m
Proceeds	9.3	10.5	9.9	4.0	4.0	37.7
Cost of disposals	(6.5)	(4.8)	(9.1)	(2.5)	(3.9)	(26.8)
	2.8	5.7	0.8	1.5	0.1	10.9

2022	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2022
	£m	£m	£m	£m	£m	£m
Proceeds	5.4	10.3	2.2	0.9	5.9	**24.7**
Cost of disposals	(4.6)	(4.8)	(2.7)	(0.3)	(5.9)	**(18.3)**
	0.8	5.5	(0.5)	0.6	-	**6.4**

Association

2023	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2023
	£m	£m	£m	£m	£m	£m
Proceeds	9.3	3.9	9.8	3.6	4.0	30.6
Cost of disposals	(6.5)	(1.6)	(8.7)	(2.4)	(3.9)	(23.1)
	2.8	2.3	1.1	1.2	0.1	7.5

2022	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2022
	£m	£m	£m	£m	£m	£m
Proceeds	5.4	4.8	0.7	1.4	5.9	**18.2**
Cost of disposals	(4.6)	(1.9)	(0.8)	(0.8)	(5.9)	**(14.0)**
	0.8	2.9	(0.1)	0.6	-	**4.2**

Cost of disposals includes the carrying amount of assets prior to disposal and other related disposal costs.

Subsequent staircasing relates to shared ownership properties, where the tenant owners have purchased an additional stake in the property from the Group or Association. This is treated as a gain or loss on asset disposal based on guidance from the SORP that does not conflict with IFRS.

8. Key Management Remuneration and Employee Information

Key Management Personnel

Members of the Board of Directors and Executive Committee are deemed to be key management personnel.

Emoluments of the Group Board for the financial year was as follows:

	2023	2022
	£'000	£'000
Salary and benefits in kind – Executive Board Directors	837	774
Pension contributions and payments in lieu of pension contributions – Executive Board Directors	82	74
	919	848
Salary – Non-Executive Board Directors	223	203
Benefits in kind – Non-Executive Board Directors	-	-
	1,142	**1,051**

The emoluments (excluding pension contributions and analogous payments) of the Group Board Directors and Executive Committee were:

		Salary	Benefits excluding pension contributions and payments in lieu of pension contributions	Total	Pension contributions and payments in lieu of pension contributions
		£'000	£'000	£'000	£'000
Executive Board Members at 31 March 2023 and those served during the year					
Craig Moule	Group Chief Executive	365	17	**382**	55
Ed Lunt	Chief Financial Officer	260	14	**274**	13
Nicole Seymour	Group Director – Corporate Services	168	13	**181**	14

		Salary	Other benefits	Total
		£'000	£'000	£'000
Non-Executive Board Members				
Andrew Manning-Cox	Group Chair	53	-	**53**
Trudi Elliott	Vice Chair	30	-	**30**
James Thallon	Non-Executive Board Director	27	-	**27**
Arvinda Gohil	Non-Executive Board Director	23	-	**23**
Alok Bhalla (resigned 21 Sept 2022)	Non-Executive Board Director	11	-	**11**
Ian Chisholm	Non-Executive Board Director	27	-	**27**
Ros Kerslake	Non-Executive Board Director	25	-	**25**
Alan West	Non-Executive Board Director	27	-	**27**
Other members of the Executive				
Operating division and functional Directors		1,300	80	1,380

The emoluments of the highest paid Executive Group Board Director (excluding payments in lieu of pension contributions) were £382,000 (2022: £352,000).

Key Management Personnel – Expenses

In addition to the emoluments detailed on page 161, key management personnel were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £15,500 (2022: £7,700).

Employee Information

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Employee (including Directors) costs charged during the year amounted to:				
Wages and salaries	319.4	285.9	96.9	92.2
Social security costs	29.7	25.2	9.8	9.0
Other pension costs	10.6	10.3	4.6	5.1
	359.7	**321.4**	**111.3**	**106.3**

	Group 2023 Number	Group 2022 Number	Association 2023 Number	Association 2022 Number
The average monthly number of persons (including Directors) employed during the year expressed in full-time equivalents was:				
Site-based staff	7,290	7,107	729	769
Office-based staff	2,897	2,788	2,081	2,062
	10,187	**9,895**	**2,810**	**2,831**

Full-time equivalents have been calculated based on hours worked compared to the standard level of working hours per week for an equivalent employee in the same business area.

Loans totalling £6,230 (2022: £13,436) have been made to employees for tools and travel season tickets. All loans are interest bearing at a commercial rate with terms varying between one and five years.

Senior Pay Banding

In the year, the following number of staff within the social housing part of the business, expressed in full-time equivalents, were paid remuneration (including pensions) of over £60,000:

	2023 Number	2022 Number
£60,000-£69,999	102	98
£70,000-£79,999	49	50
£80,000-£89,999	34	40
£90,000-£99,999	26	18
£100,000-£109,999	8	9
£110,000-£119,999	8	7
£120,000-£129,999	5	4
£130,000-£139,999	7	3
£140,000-£149,999	1	5
£150,000-£159,999	3	-
£160,000-£169,999	2	-
£170,000-£179,999	-	1
£180,000-£189,999	1	1
£190,000-£199,999	2	-
£200,000-£209,999	-	1
£230,000-£239,999	1	3
£240,000-£249,999	1	-
£250,000-£259,999	1	-
£260,000-£269,999	-	1
£280,000-£289,999	1	-
£400,000-£409,999	-	1
£430,000-£439,999	1	-
	253	**242**

9. Provision for amounts due from Subsidiary Undertakings

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Provision for amounts due from subsidiary undertakings	-	-	46.7	-
	-	-	46.7	-

The Group is in the process of planning for a restructure in its student property portfolio, which will result in the transfer of properties between Group companies. As a result of this, amounts receivable from subsidiary undertakings of £46.7m, are no longer considered recoverable due to the decision to restructure before the end of the current agreements in place. There is no impact on the Group.

10. Finance Income and Costs

a) Finance Income

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Interest received and receivable from:				
Short-term cash deposits	1.9	1.1	1.1	1.1
Listed investments	0.2	0.2	0.2	0.2
Other interest	1.8	0.9	7.2	4.8
	3.9	**2.2**	**8.5**	**6.1**

b) Finance Costs

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Bank loans, overdrafts and other loans:				
Repayable within five years by instalments	19.0	17.8	14.3	14.8
Repayable wholly or partly in more than five years	119.0	109.8	70.3	71.0
Interest in respect of right-of-use assets	10.3	9.7	3.1	3.1
Less: amounts transferred to housing properties in the course of construction within PPE and inventory	(13.1)	(10.1)	(0.5)	(0.1)
	135.2	127.2	87.2	88.8
Fair value gain on derivative financial instruments	(1.1)	(1.3)	-	-
Finance costs/(income) of defined benefit pension schemes	0.4	1.3	0.6	1.3
Gain on refinancing	-	(2.7)	-	(2.7)
	134.5	**124.5**	**87.8**	**87.4**

Included within bank loans, overdrafts and other loans repayable wholly or partly in more than five years is £0.9 million (2022: £1.5 million) in respect of premium and discount amortisation for the Group and £1.1 million (2022: £1.1 million) for the Association.

11. Taxation on Surplus on Ordinary Activities

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Corporation tax:				
Current year	-	0.1	-	-
Adjustments in respect of prior year	(0.1)	0.1	-	-
Current tax charge	(0.1)	0.2	-	-
Deferred tax charges:				
Temporary timing differences	(0.6)	0.1	-	-
	(0.6)	0.1	-	-
Total tax (credit)/charge	**(0.7)**	**0.3**	**-**	**-**

A significant proportion of the Group's activities occurs in Group entities recognised by His Majesty's Revenue and Customs as exempt charities for tax purposes and are therefore not liable to corporation tax on surpluses.

The tax charge for the year is lower (2022: lower) than the standard rate of corporation tax in the UK of 19% (2022: 19%) for the Group and Association. The differences are explained below:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Surplus before tax	101.3	58.6	(20.2)	38.5
	101.3	58.6	(20.2)	38.5
Surplus before tax multiplied by the main rate of corporation tax in the UK of 19% (2022: 19%)	19.2	11.2	(3.8)	7.4
Effects of:				
Activities which are exempt from taxation	(16.9)	(9.8)	3.8	(7.4)
Gift aid	(1.9)	(1.4)	-	-
Utilisation of brought forward losses	(0.4)	0.1	-	-
Adjustments in respect of prior year	(0.1)	0.1	-	-
Temporary timing differences	(0.6)	0.1	-	-
Total tax (credit)/charge	**(0.7)**	**0.3**	**-**	**-**

Factors affecting future tax charge:

The Finance Act 2021 was substantively enacted on 24 May 2021. Following enactment, the rate of corporation tax was increased to a main rate of 25% for profits over £250,000 from April 2023.

12. Intangible Assets

Group	Goodwill £m	Software £m	Other £m	Total £m
Cost				
At 1 April 2021	5.9	108.5	-	114.4
Additions	-	5.0	-	5.0
Transfer from property, plant and equipment	-	(0.2)	-	(0.2)
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	5.9	113.0	-	118.9
At 1 April 2022	5.9	113.0	-	118.9
Acquisitions	-	-	5.2	5.2
Additions	-	7.7	-	7.7
Disposals	-	(0.1)	-	(0.1)
At 31 March 2023	5.9	120.6	5.2	131.7
Amortisation and impairment				
At 1 April 2021	-	56.7	-	56.7
Amortisation for the year	-	10.9	-	10.9
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	-	67.3	-	67.3
At 1 April 2022	-	67.3	-	67.3
Amortisation for the year	-	9.2	-	9.2
At 31 March 2023	-	76.5	-	76.5
Net book amount at 31 March 2023	**5.9**	**44.1**	**5.2**	**55.2**
Net book amount at 31 March 2022	5.9	45.7	-	51.6
Net book amount at 1 April 2021	5.9	51.8	-	57.7

Association	Goodwill £m	Software £m	Other £m	Total £m
Cost				
At 1 April 2021	-	108.4	-	108.4
Additions	-	5.0	-	5.0
Transfer to property, plant and equipment	-	(0.2)	-	(0.2)
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	-	112.9	-	112.9
At 1 April 2022	-	112.9	-	112.9
Additions	-	7.5	-	7.5
Disposals	-	(0.1)	-	(0.1)
At 31 March 2023	-	120.3	-	120.3
Amortisation and impairment				
At 1 April 2021	-	56.7	-	56.7
Amortisation for the year	-	10.9	-	10.9
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	-	67.3	-	67.3
At 1 April 2022	-	67.3	-	67.3
Amortisation for the year	-	9.2	-	9.2
At 31 March 2023	-	76.5	-	76.5
Net book amount at 31 March 2023	**-**	**43.8**	**-**	**43.8**
Net book amount at 31 March 2022	-	45.6	-	45.6
Net book amount at 1 April 2021	-	51.7	-	51.7

In accordance with the policies set out in note 1, goodwill was tested for impairment at the year end. No impairment was found or recorded in respect of goodwill.

Other intangibles totalling £5.2 million relate to amounts recognised on acquisition of Swan Housing Association in connection with customer contracts. Fair values at acquisition were determined by an independent specialist who adopted a Multi-period Excess Earnings Method (MEEM) approach. The assets will be amortised over periods of between 2 and 6 years. Amortisation in the post-acquisition period was incidental.

13. Property, Plant and Equipment

Group	Land and buildings	Land and buildings shared ownership	Plant and equipment	Offices	Under construction	Shared ownership under construction	Total
Cost	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2021	5,523.9	164.8	128.6	62.9	200.1	29.3	6,109.6
Additions	83.1	0.2	13.8	-	118.3	19.6	235.0
Acquisitions	4.7	-	-	-	-	-	4.7
Transfer to completed land and buildings	86.1	17.7	-	-	(86.1)	(17.7)	-
Transfer between PPE categories	(4.7)	4.8	-	-	(0.1)	-	-
Transfer to investment property	(5.9)	-	-	-	-	-	(5.9)
Transfer from intangible assets	-	-	0.2	-	-	-	0.2
Transfer from/(to) inventory	0.1	-	-	-	1.7	(1.0)	0.8
Transfer to assets held for sale	(8.6)	-	-	-	(1.6)	-	(10.2)
Other transfers	(1.2)	-	-	-	1.4	-	0.2
Disposals	(9.1)	(5.0)	(3.4)	-	-	-	(17.5)
Balance at 31 March/1 April 2022	5,668.4	182.5	139.2	62.9	233.7	30.2	6,316.9
Additions	101.1	-	19.7	-	106.4	-	227.2
Acquisitions* (note 34)	820.1	33.8	-	3.3	8.0	5.7	870.9
Acquisitions – adjustments for fire safety works* (note 34)	(103.7)	-	-	-	-	-	(103.7)
Transfer to completed land and buildings	100.6	19.7	-	-	(100.6)	(19.7)	-
Transfer between PPE categories	6.0	(5.0)	(0.7)	(0.7)	0.4	-	-
Transfer to investment property	(0.3)	-	(2.8)	-	-	-	(3.1)
Transfer from inventory	0.4	-	-	-	0.3	12.7	13.4
Transfer from assets held for sale	0.5	-	-	-	-	-	0.5
Other transfers	6.7	-	(0.3)	0.2	-	-	6.6
Disposals	(15.0)	(4.8)	(5.0)	(5.6)	-	(0.8)	(31.2)
Balance at 31 March 2023	6,584.8	226.2	150.1	60.1	248.2	28.1	7,297.5
Depreciation and impairment							
Balance at 1 April 2021	362.6	3.7	73.6	22.8	-	-	462.7
Depreciation charge for the year	45.5	-	14.8	1.6	-	-	61.9
Impairment	1.1	-	-	-	-	-	1.1
Transfer between PPE categories	(0.5)	(0.4)	0.9	-	-	-	-
Transfer to investment property	(3.1)	-	-	-	-	-	(3.1)
Disposals	(5.9)	(0.1)	(3.7)	-	-	-	(9.7)
Balance at 31 March/1 April 2022	399.7	3.2	85.6	24.4	-	-	512.9
Depreciation charge for the year	48.4	0.4	15.4	1.6	-	-	65.8
Impairment	1.2	-	-	-	-	-	1.2
Impairment reversal	(1.7)	-	-	-	-	-	(1.7)
Transfer between PPE categories	0.6	(0.6)	0.3	(0.3)	-	-	-
Transfer to investment property	(0.1)	-	(1.8)	-	-	-	(1.9)
Other transfers	(2.4)	-	(0.3)	0.2	-	-	(2.5)
Disposals	(10.0)	(0.2)	(4.6)	(3.6)	-	-	(18.4)
Balance at 31 March 2023	435.7	2.8	94.6	22.3	-	-	555.4
Social Housing Grant							
Balance at 1 April 2021	1,346.9	41.5	-	-	25.8	5.1	1,419.3
Additions	0.2	0.1	-	-	5.7	-	6.0
Transfer to completed land and buildings	13.3	4.6	-	-	(17.9)	-	-
Transfer between PPE categories	(1.4)	1.7	-	-	(0.3)	-	-
Reclassification between cost, depreciation and grant	1.7	-	-	-	0.4	-	2.1
Disposals	(1.6)	(0.2)	-	-	-	-	(1.8)
Balance at 31 March/1 April 2022	1,359.1	47.7	-	-	13.7	5.1	1,425.6
Additions	1.1	0.1	-	-	18.0	3.3	22.5
Acquisitions* (note 34)	-	-	-	-	6.9	1.7	8.6
Transfer to completed land and buildings	5.9	3.3	-	-	(5.9)	(3.3)	-
Transfer between PPE categories	(0.2)	0.1	-	-	0.1	-	-
Other transfers	3.7	-	-	-	(0.2)	-	3.5
Disposals	(1.7)	(0.7)	-	-	-	-	(2.4)
Balance at 31 March 2023	1,367.9	50.5	-	-	32.6	6.8	1,457.8
Other grant							
Balance at 1 April 2021	489.5	4.0	-	-	69.6	-	563.1
Additions	0.1	0.1	-	-	27.2	-	27.4
Transfer to completed land and buildings	15.8	-	-	-	(15.8)	-	-
Other transfers	(4.4)	-	-	-	-	-	(4.4)
Reclassification between cost, depreciation and grant	(1.7)	-	-	-	(0.4)	-	(2.1)
Disposals	(0.2)	-	-	-	-	-	(0.2)
Balance at 31 March/1 April 2022	499.1	4.1	-	-	80.6	-	583.8
Additions	0.3	-	-	-	30.7	-	31.0
Transfer to completed land and buildings	32.0	-	-	-	(32.0)	-	-
Transfer to investment property	(4.6)	-	-	-	-	-	(4.6)
Other transfers	(3.0)	-	-	-	1.1	-	(1.9)
Disposals	(0.3)	-	-	-	-	-	(0.3)
Balance at 31 March 2023	523.5	4.1	-	-	80.4	-	608.0
Net book value							
31 March 2023	**4,257.7**	**168.8**	**55.5**	**37.8**	**135.2**	**21.3**	**4,676.3**
31 March 2022	3,410.5	127.5	53.6	38.5	139.4	25.1	3,794.6
1 April 2021	3,324.9	115.6	55.0	40.1	104.7	24.2	3,664.5

Included in the amounts disclosed above is care property with a carrying value of £320.9 million (2022: £291.3 million).

The Swan Housing Association acquisition includes completed social housing properties that have associated historic capital grants.

* In accordance with the measurement principles of IFRS 3 Business Combinations, acquired property, plant & equipment is measured at a provisional fair value at the date of acquisition. Fair value adjustments may change during the measurement period, which will not exceed one year from the acquisition date.

Association	Land and buildings	Land and buildings shared ownership	Plant and equipment	Offices	Under construction	Shared ownership under construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
Balance at 1 April 2021	4,052.1	83.2	114.4	60.7	9.7	0.3	4,320.4
Additions	64.2	-	11.6	-	1.1	-	76.9
Transfer to completed land and buildings	1.1	-	-	-	(1.1)	-	-
Transfer to investment property	(5.9)	-	-	-	-	-	(5.9)
Transfer to assets held for sale	(8.3)	-	-	-	(1.7)	-	(10.0)
Transfer to intangible assets	-	-	0.2	-	-	-	0.2
Transfer between PPE categories	(3.0)	3.0	-	-	-	-	-
Other transfers	(1.5)	-	-	-	-	-	(1.5)
Intra-Group transfers	-	-	-	(0.5)	1.8	-	1.3
Disposals	(8.5)	(1.8)	(3.2)	-	-	(0.2)	(13.7)
Balance at 31 March/1 April 2022	4,090.2	84.4	123.0	60.2	9.8	0.1	4,367.7
Additions	81.5	-	15.6	-	7.5	-	104.6
Transfer to completed land and buildings	3.6	-	-	-	(3.6)	-	-
Transfer to investment property	(0.1)	-	(2.8)	-	-	-	(2.9)
Transfer from inventory	-	-	-	-	0.6	-	0.6
Transfer from assets held for sale	0.5	-	-	-	-	-	0.5
Transfer between PPE categories	1.1	-	(1.1)	(0.4)	0.4	-	-
Reclassification between grant, depreciation and cost	(2.2)	-	-	-	-	-	(2.2)
Disposals	(13.4)	(1.6)	(4.7)	(5.6)	-	-	(25.3)
Balance at 31 March 2023	4,161.2	82.8	130.0	54.2	14.7	0.1	4,443.0
Depreciation and impairment							
Balance at 1 April 2021	288.4	2.6	67.1	19.8	-	-	377.9
Depreciation charge for the year	31.9	0.3	12.6	1.6	-	-	46.4
Impairment reversal	(0.7)	-	-	-	-	-	(0.7)
Transfer between PPE categories	(0.5)	(0.4)	0.9	-	-	-	-
Intra-Group transfers	-	-	-	(0.2)	-	-	(0.2)
Disposals	(5.0)	(0.1)	(3.1)	-	-	-	(8.2)
Balance at 31 March/1 April 2022	314.1	2.4	77.5	21.2	-	-	415.2
Depreciation charge for the year	34.6	0.1	13.5	1.6	-	-	49.8
Transfer between PPE categories	0.7	(0.7)	-	-	-	-	-
Transfer to investment property	(3.4)	-	(1.8)	-	-	-	(5.2)
Reclassification between grant, depreciation and cost	(2.2)	-	-	-	-	-	(2.2)
Disposals	(8.8)	(0.1)	(4.4)	(3.6)	-	-	(16.9)
Balance at 31 March 2023	335.0	1.7	84.8	19.2	-	-	440.7
Social Housing Grant							
Balance at 1 April 2021	1,207.7	31.6	-	-	1.2	-	1,240.5
Additions	0.2	0.1	-	-	-	-	0.3
Transfer to be completed	0.3	-	-	-	(0.3)	-	-
Transfer between PPE categories	1.5	(1.5)	-	-	-	-	-
Other transfers	-	-	-	-	(0.3)	-	(0.3)
Reclassification between grant, depreciation and cost	1.2	-	-	-	-	-	1.2
Disposals	(1.5)	-	-	-	-	-	(1.5)
Balance at 31 March/1 April 2022	1,209.4	30.2	-	-	0.6	-	1,240.2
Additions	4.2	-	-	-	7.1	-	11.3
Transfer to be completed	1.1	-	-	-	(1.1)	-	-
Transfer between PPE categories	(0.3)	0.3	-	-	-	-	-
Disposals	(1.6)	(0.4)	-	-	-	-	(2.0)
Balance at 31 March 2023	1,212.8	30.1	-	-	6.6	-	1,249.5
Other grant							
Balance at 1 April 2021	161.4	3.3	-	-	-	-	164.7
Additions	-	-	-	-	-	-	-
Transfer between PPE categories	0.1	(0.1)	-	-	-	-	-
Reclassification between grant, depreciation and cost	(1.2)	-	-	-	-	-	(1.2)
Disposals	(0.2)	0.1	-	-	-	-	(0.1)
Balance at 31 March/1 April 2022	160.1	3.3	-	-	-	-	163.4
Additions	-	-	-	-	1.2	-	1.2
Transfer between PPE categories	-	-	-	-	-	-	-
Transfer to investment property	(4.6)	-	-	-	-	-	(4.6)
Disposals	(0.1)	-	-	-	-	-	(0.1)
Balance at 31 March 2022	155.4	3.3	-	-	1.2	-	159.9
Net book value							
31 March 2023	**2,458.0**	**47.7**	**45.2**	**35.0**	**6.9**	**0.1**	**2,592.9**
31 March 2022	2,406.6	48.5	45.5	39.0	9.2	0.1	2,548.9
1 April 2021	2,394.6	45.7	47.3	40.9	8.5	0.3	2,537.3

Included in the amounts disclosed above is care property with a carrying value of £108.9 million (2022: £107.9 million).

Annual Impairment Review

The Group annually reviews properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further impairment tests using the methods described in note 1 and below. The Group has determined that for the purposes of impairment testing, each property, together with associated operating assets, is a cash-generating unit.

Social housing assets are considered to have indicators of impairment when they have been vacant for a period of ninety days or longer. In the current and prior year, the carrying value of social housing properties identified with indicators of potential impairment was not material to the Group or Association and so further impairment tests were not deemed necessary.

Care homes are assessed for indicators of impairment based on a balanced scorecard that encapsulates measurement of regulatory ratings, occupancy, fee types and other metrics that relate to quality or operational performance. For the year ended 31 March 2023, 12 (2022: 23) care homes were identified as having indicators of potential impairment and so further tests were carried out for these assets.

Impairment is recognised when the carrying amount exceeds the recoverable amount. Recoverable amounts are the higher of fair value less costs of disposal, and value-in-use.

For care homes, where there was an indicator of impairment, value-in-use was calculated from cash flow projections based on detailed five-year forecasts; the forecasts were then extrapolated to perpetuity using long-term growth rates of 2.0% (2022: 1.9%). Management used a discount rate of 7.5% (2022: 7.0%) which reflects a market participant rate and the risks specific to the assets. Fair value was determined with the assistance of independent, professional valuers, where appropriate; valuations were calculated using sustainable EBITDARM and an EBITDARM multiple as referenced on page 136.

Following these reviews, an impairment of £1.2 million was recognised for care homes within the Group, no impairment was recognised for the Association (2022: £2.6 million was recognised for care homes within the Group, no impairment was recognised for the Association). This impairment charge was offset by impairment reversals, relating to three properties, totalling £1.7 million, of which no properties related to the Association. The net impairment credit recognised in the Income Statement was therefore £0.5 million for the Group, none of which was recognised in the Association.

Care homes impairment was not materially sensitive as at 31 March 2023.

To mitigate risk of impairment the Group continually reinvests in its assets. Where instances of under-performance or under-utilisation are evident, focused initiatives are employed to improve operational effectiveness and increase occupancy levels.

Assets Pledged as Security

Property with a pre-grant carrying amount of £3,214.3 million (2022: £3,234.6 million) in the Group and £2,338.0 million (2022: £2,397.4 million) in the Association has been pledged to secure borrowings.

14. Investment Property

	Group £m	Association £m
Cost		
Balance at 1 April 2021	344.0	177.3
Additions	1.8	-
Transfer from property, plant and equipment	5.9	5.9
Disposals	(5.2)	-
Balance at 31 March/1 April 2022	346.5	183.2
Acquisitions	5.3	-
Additions	8.0	4.2
Transfer from property, plant and equipment	3.1	2.9
Disposals	(0.2)	(0.2)
Balance at 31 March 2023	362.7	190.1
Depreciation and impairment		
Balance at 1 April 2021	87.5	17.8
Depreciation charge for the year	4.2	2.0
Transfer from property, plant and equipment	3.1	-
Disposals	(5.2)	(0.1)
Balance at 31 March/1 April 2022	89.6	19.7
Depreciation charge for the year	5.7	2.6
Transfer from property, plant and equipment	1.9	5.2
Disposals	(0.2)	(0.2)
Balance at 31 March 2023	97.0	27.3
Social Housing Grant		
Balance at 1 April 2021	5.1	5.1
Balance at 31 March/1 April 2022	5.1	5.1
Balance at 31 March 2023	5.1	5.1
Other grant		
Balance at 1 April 2021	3.7	3.2
Additions	0.1	-
Balance at 31 March/1 April 2022	3.8	3.2
Additions	-	-
Transfer from property, plant and equipment	4.6	4.6
Balance at 31 March 2023	8.4	7.8
Net book value		
31 March 2023	**252.2**	**149.9**
31 March 2022	248.0	155.2
1 April 2021	247.7	151.2

Included in the amounts disclosed above is student property with a carrying value of £227.9 million for the Group (2022: £222.0 million) and £128.8 million for the Association (2022: £129.6 million).

Annual Impairment Review

The Group annually reviews investment properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further review. The Group has determined that for the purposes of impairment testing, each property, together with associated operating assets and any asset-specific provisions, is a cash-generating unit.

Commercial property is considered to have indicators of impairment if it is vacant or if there has been a significant decline in market value. For the year ended 31 March 2023 no commercial property was identified as having indicators of potential impairment (2022: none).

Student accommodation is considered to have indicators of impairment when there are low levels of occupancy or where there has been a decline in occupancy during the year. For the year ended 31 March 2023 5 (2022: 8) student properties were identified as having indicators of potential impairment.

Impairment is recognised when the carrying amount exceeds the recoverable amount. Recoverable amounts are the higher of fair value less costs of disposal, and value in use.

Where there was an indicator of impairment, value in use was calculated from cash flow projections based on detailed three-year forecasts; the forecasts were then extrapolated using long-term growth rates of 1.8% (2022: 1.9%) Management used region specific discount rates ranging between 7.0% and 9.9% (2022: 6.5% and 9.5%) which reflects a market participant rate and the risks specific to the assets. Fair value was determined with the assistance of independent, professional valuers where appropriate.

No impairment was recognised for student accommodation within the Group during the year (2022: £nil) as a result of these reviews; no impairment was recognised in the Association (2022: £nil). No impairment was recognised in the Group or Association in relation to commercial property (2022: £nil).

Value-in-use calculations require a number of assumptions to be made. The impact of reasonably possible changes to these primary assumptions does not have a material effect on the levels of indicated impairment.

To mitigate risk of impairment the Group continually reinvests in its assets. Where instances of under-performance or under-utilisation are evident, focused initiatives are employed to improve operational effectiveness and increase occupancy levels.

Fair Value of Investment Property

The estimated fair value of the investment property is £583.1 million (2022: £524.8 million) for the Group and £372.8 million (2022: £375.4 million) for the Association. Of this fair value, £25.4 million (2022: £28.3 million) for the Group and £24.0 million (2022: £26.8 million) for the Association has been determined by Directors' valuations.

Restrictions

At 31 March 2023, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal for the Group or Association (2022: none).

Assets Pledged as Security

Investment property with a pre-grant carrying amount of £38.2 million (2022: £42.2 million) in the Group and £16.8 million (2022: £20.4 million) in the Association has been pledged to secure borrowings.

Items Recognised in the Statement of Comprehensive Income

Rental income from investment property during the year amounted to £42.9 million (2022: £40.5 million) for the Group and £23.6 million (2022: £20.2 million) for the Association.

The majority of the rental income detailed above relates to student property which is let on a short-term basis.

Details of future minimum lease payments receivable in respect of non-cancellable operating leases are shown in note 23.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year amounted to £45.3 million (2022: £37.1 million) for the Group and £17.6 million (2022: £15.4 million) for the Association.

Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the year amounted to £nil (2022: £nil) for both the Group and Association.

15. Other Investments

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
FVOCI – equity investment				
Listed investments	1.2	5.2	1.0	5.0
	1.2	5.2	1.0	5.0
Carried at amortised cost				
Unlisted investments	14.9	12.7	14.9	12.7
Homebuy				
- Investment	2.5	1.5	-	-
- Grant	(1.5)	(1.5)	-	-
	15.9	12.7	14.9	12.7
Total other investments	**17.1**	**17.9**	**15.9**	**17.7**

The Directors believe that the carrying value of other investments is supported by their underlying net assets. The historical cost of the Group's listed investments is £1.0 million (2022: £5.2 million). The historical cost of the Association's listed investments is £1.0 million (2022: £5.0 million). These investments comprise gilt edged stock and other corporate issue bonds, which are held in accordance with the terms of certain Group facilities. Where required under documentation the security trustee has a charge over these investments, totalling £1.0 million (2022: £3.2 million).

The unlisted investments represent cash reserves held as security against borrowings either as required under the terms of the loan agreements or as substitutes for charges on stock. These reserves cannot be utilised for any purpose other than servicing the associated debt.

Reconciliation of Movement in Listed Investments

	Group	Association
	£m	£m
As at 1 April 2021	10.8	10.7
Additions	0.4	0.3
Disposal	(5.9)	(5.9)
Revaluations	(0.1)	(0.1)
As at 31 March 2022	5.2	5.0
As at 1 April 2022	5.2	5.0
Additions	0.2	0.2
Disposal	(3.8)	(3.8)
Revaluations	(0.4)	(0.4)
As at 31 March 2023	**1.2**	**1.0**

See note 24 for further details.

16. Derivative Financial Instruments

Fair value of derivative assets	Group and Association	
	2023	2022
	£m	£m
US Private Placement foreign exchange swap	31.9	26.4
	31.9	**26.4**

The derivative financial instrument represents the fair value of the currency related swap in place to hedge the foreign currency risk arising from interest and principal payments. It relates to $80 million 5.83% senior notes issued in April 2007 and due in 2037 (US private placement).

Fair value of derivative liabilities	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Interest rate swap	(0.4)	(1.5)	-	-
	(0.4)	**(1.5)**	**-**	**-**

The derivative financial instrument represents the fair value of an interest rate swap drawn under a facility agreement dated September 2002; this was put in place to hedge the interest rate risk arising from a variable rate loan.

Further details of derivative financial instruments are provided in note 24.

17. Trade and Other Receivables

	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Current:				
Tenant rental receivables (note 24d)	14.2	13.0	11.3	10.0
Other trade receivables (note 24d)	22.9	19.1	5.0	4.4
Amounts due from subsidiary undertakings (note 9)	-	-	89.2	139.2
Prepayments	30.5	19.4	18.5	14.1
Accrued income	13.0	14.0	1.2	2.5
Amounts due under lease receivable (note 18)	4.3	0.8	-	-
Other receivables	55.4	30.6	25.6	21.3
	140.3	96.9	150.8	191.5
Non-current:				
Amounts due under lease receivable (note 18)	21.9	10.5	-	-
Amounts due from subsidiary undertakings	-	-	48.5	26.2
Amounts due from joint venture	10.6	23.3	10.6	23.3
	32.5	33.8	59.1	49.5
Total trade and other receivables	**172.8**	**130.7**	**209.9**	**241.0**

Tenant rental receivables are stated net of expected credit loss allowance of £5.5 million for the Group (2022: £5.8 million) and £3.7 million for the Association (2022: £4.7 million). Further information on rental receivables is contained in note 24d.

Other trade receivables are stated net of expected credit loss allowance of £7.0 million for the Group (2022: £6.1 million) and £1.8 million for the Association (2022: £2.6 million). Further information on other trade receivables is contained in note 24d.

18. Lease Receivable

	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Land and buildings:				
Under one year	4.3	0.8	-	-
In the second to fifth year inclusive	13.3	1.3	-	-
In more than five years	8.6	9.2	-	-
	26.2	**11.3**	**-**	**-**

The amounts receivable in respect of leases relate to a PFI agreement between ASK (Greenwich) Limited and the Royal Borough of Greenwich, all amounts are expected to be received over the next 13 years. Additionally, the acquisition of Swan Housing Association included a PFI arrangement with London Borough of Newham to provide and arrange property related services, all amounts are expected to be received by 2028.

19. Inventory

	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Materials and consumables	1.9	1.2	-	-
Properties held for sale – completed	44.1	16.8	-	-
Properties held for sale – under construction	193.1	183.1	1.9	0.1
Total inventory	**239.1**	**201.1**	**1.9**	**0.1**

	Group	Association
	£m	£m
Properties held for sale as at 1 April 2022	199.9	0.1
Acquisitions	66.8	-
Additions	76.0	2.6
Transfer to property, plant and equipment	(13.4)	(0.6)
Other transfers	1.6	2.3
Disposals – property sales	(93.7)	(2.5)
Properties held for sale as at 31 March 2023	**237.2**	**1.9**

Within the Group and Association, no inventories have been written off or written down to net realisable value during the year (2022: none).

Included within properties held for sale for the Group are £3.8 million (2022: £2.3 million) completed shared ownership properties and £16.4 million (2022: £21.5 million) shared ownership properties under construction.

Included within properties held for sale for the Association are £nil (2022: £nil) completed shared ownership properties and £0.1 million (2022: £0.1 million) shared ownership properties under construction.

A detailed year end review of all development projects was carried out to assess the carrying value of property inventories and identify if there were any instances where this was in excess of net realisable value. As a result of this exercise no impairment has been recognised.

Inventory added through acquisitions relates to Swan Housing Association and was recognised at fair value at the date of acquisition. One of the development projects acquired has been dormant for a number of years and has an existing development plan which suggests there is no or a negative value in the site. This site has provisionally been valued at £nil, but this will be reassessed as additional information becomes available. Further information, including sensitivities over inventory valuation, is included in note 34.

20. Assets Classified as Held for Sale

	Group	Association
	£m	£m
At 1 April 2022	10.0	10.0
Additions	0.3	-
Transfer to property, plant and equipment	(0.5)	(0.5)
Other transfers	(1.6)	(1.6)
Disposals	(7.8)	(7.5)
At 31 March 2023	**0.4**	**0.4**

21. Trade and Other Payables

	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Current:				
Trade payables	45.7	27.9	18.6	14.5
Amounts owed to subsidiary undertakings	-	-	17.5	15.0
Other taxation and social security payable	12.9	1.3	7.6	4.9
Other payables	14.7	8.7	2.7	2.4
Grants received in advance or repayable	59.0	8.0	-	-
Accruals	172.1	137.7	46.6	48.0
Future maintenance on home ownership schemes	25.4	23.9	24.4	23.1
Recycled capital grant fund (a)	10.4	8.7	10.2	8.3
	340.2	216.2	127.6	116.2
Non-current:				
Recycled capital grant fund (a)	4.9	2.7	2.8	2.1
Other payables	1.9	0.6	1.8	0.5
	6.8	3.3	4.6	2.6
Total Trade and Other Payables	**347.0**	**219.5**	**132.2**	**118.8**

All social housing and other capital grants are potentially repayable to the issuing body. The potential liability is recognised through the balances held as the recycled capital grant fund.

(a) Recycled Capital Grant Fund

	Group	Association
	£m	£m
Recycled capital grant fund at 1 April 2022	11.4	10.4
Grants recycled	2.3	1.9
Interest accrued	0.3	0.3
Acquisition of Private Registered Provider	1.4	-
New build	(0.5)	-
Transfers to other Private Registered Providers	(0.7)	(0.4)
Transfers from other Private Registered Providers	0.7	0.3
Repayment of grants	(0.3)	(0.2)
Other	0.7	0.7
Recycled capital grant fund at 31 March 2023	**15.3**	**13.0**

22. Loans and Borrowings

	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Current:				
Senior notes and debenture stock	6.8	4.4	6.8	4.4
Bank loans and overdrafts	229.9	26.3	70.1	11.6
Net lease liability (note 23)	5.4	3.7	1.3	1.3
Amounts owed to Group companies	-	-	41.1	7.9
	242.1	34.4	119.3	25.2
Non-current:				
Senior notes and debenture stock	2,174.0	1,877.5	561.8	565.0
Bank loans and mortgages	1,109.2	994.6	277.6	348.2
GLA and HE loans	49.8	-	-	-
Net lease liability (note 23)	183.6	168.4	44.7	44.6
Amounts owed to Group companies	-	-	725.9	745.2
	3,516.6	3,040.5	1,610.0	1,703.0
Total loans and borrowings	**3,758.7**	**3,074.9**	**1,729.3**	**1,728.2**

The acquisition of Swan Housing Association resulted in the recognition of loans and borrowing at fair value of £642.8 million (note 34). At year end Swan total loans and borrowings amounted to £607 million.

Additional loans from two lenders of approximately of £212 million were agreed after the year end.

Based on the lender's earliest repayment date, borrowings fall due as follows:

Group	Leases	Other borrowings	Total
	£m	£m	£m
Due within one year	5.4	236.7	242.1
Due in more than one year but less than two years	5.4	87.2	92.6
Due in more than two years but less than five years	16.5	325.7	342.2
Due in more than five years	161.7	2,920.1	3,081.8
	189.0	**3,569.7**	**3,758.7**

Association	Leases	Other borrowings	Total
	£m	£m	£m
Due within one year	1.3	118.0	119.3
Due in more than one year but less than two years	1.2	77.7	78.9
Due in more than two years but less than five years	3.1	194.5	197.6
Due in more than five years	40.4	1,293.1	1,333.5
	46.0	**1,683.3**	**1,729.3**

The Group recorded security on loans with charges on property totalling £3,346.3 million (2022: £2,665.0 million) at the reporting date. It also recorded security for the one year's interest payments and final principal instalment in the form of debt service reserves for loans totalling £122.4 million (2022: £127.9 million). Borrowings are stated net of £16.9 million set up costs (2022: £15.9 million). Further details on interest rates are contained in note 24a.

The Association recorded security on loans with charges on property totalling £1,345.7 million (2022: £1,348.8 million) at the reporting date. It also recorded security for the one year's interest payments and final principal instalment in the form of debt service reserves for loans totalling £122.4 million (2022: £127.9 million). Borrowings are stated net of £10.5 million set up costs (2022: £11.1 million).

23. Leases

Lessee Arrangements

The Group leases a significant number of residential and commercial properties. Typical residential leases most commonly run from periods of between 100 and 999 years. Commercial leases typically run on shorter leases up to 99 years in duration. Leases will be typically appraised prior to expiry of the initial term of the contract or at the next break opportunity. A decision to either terminate or renew the lease will be undertaken. Leases that pass the initial term without a decision will continue in a holdover period until resolved.

Right-of-Use Assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 13).

Right-of-Use Assets Included Within Property, Plant and Equipment

Group	Land and buildings	Offices	Total
	£m	£m	£m
Cost			
Balance as at 1 April 2022	29.7	5.8	35.5
Acquisitions	15.1	-	15.1
Additions to right-of-use assets	1.1	-	1.1
Disposals	(0.1)	-	(0.1)
Balance as at 31 March 2023	45.8	5.8	51.6
Depreciation and impairment			
Balance as at 1 April 2022	5.0	1.2	6.2
Depreciation charge for the year	2.1	-	2.1
Balance as at 31 March 2023	7.1	1.2	8.3
Net Book Value			
31 March 2023	**38.7**	**4.6**	**43.3**
31 March 2022	24.7	4.6	29.3

Association	Land and buildings	Offices	Total
	£m	£m	£m
Cost			
Balance as at 1 April 2022	29.4	5.8	35.2
Additions to right-of-use assets	1.0	-	1.0
Disposals	(0.1)	-	(0.1)
Balance as at 31 March 2023	30.3	5.8	36.1
Depreciation and impairment			
Balance as at 1 April 2022	4.4	1.2	5.6
Depreciation charge for the year	1.9	-	1.9
Balance as at 31 March 2023	6.3	1.2	7.5
Net Book Value			
31 March 2023	**24.0**	**4.6**	**28.6**
31 March 2022	25.0	4.6	29.6

Amounts Recognised in the Statement of Comprehensive Income

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Interest on lease liabilities	10.3	9.7	3.1	3.1
Depreciation charge for right-of-use assets	2.1	2.1	1.9	1.8
	12.4	**11.8**	**5.0**	**4.9**

Amounts Recognised in the Statement of Cash Flows

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Total cash outflow for leases	13.9	13.4	4.9	4.3
	13.9	**13.4**	**4.9**	**4.3**

Rent Reviews

Around 40% of the Group's leases have rent reviews within their terms. These reviews rely on information such as inflation indexes and market rates at the time of the review. These future increases (and occasional decreases) in rents payable will not be recognised in the right-of-use assets and lease liabilities until they become effective.

Lease Liabilities

Undiscounted lease payments to be made under lease arrangements fall due as shown below. Lease liabilities also relate to assets within investment property.

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Land and buildings:				
Under one year	15.2	13.0	4.3	4.2
In the second to fifth year inclusive	62.8	51.3	15.4	15.4
In more than five years	324.6	318.6	103.7	104.8
Total gross payments	402.6	382.9	123.4	124.4
Financing costs	(213.6)	(210.8)	(77.4)	(78.5)
Net lease liability	**189.0**	**172.1**	**46.0**	**45.9**

The present value of amounts payable under leases is as follows:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Land and buildings:				
Under one year	5.4	3.7	1.3	1.3
In the second to fifth year inclusive	21.9	14.8	4.3	4.4
In more than five years	161.7	153.6	40.4	40.2
	189.0	**172.1**	**46.0**	**45.9**

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

Lessor Arrangements

It has been determined that contracts of residential occupation, which include social housing tenancies and student licences, do not meet the definition of a lease under IFRS 16. These arrangements are treated as revenue contracts under IFRS 15. A small proportion of the Group's income is derived from commercial arrangements that do meet the definition of a lease under IFRS 16 and these are discussed further below.

The Group undertakes an assessment of the financial and operational viability of any potential lessee for a new lease and as such will determine the most appropriate lease terms to put in place. Negotiation of these lease terms will consider the most appropriate terms to ensure they are not unduly onerous or prohibitive and ensure any value continues to be realised or enhanced from the property.

There are no variable lease payments that do not depend on an index or a rate.

The Group has operating leases in its Supported Living, Student and Market Rented and Swan divisions. During the year ended 31 March 2023, income from operating leases was £12.0 million for the Group (2022: £11.5 million) and £7.2 million for the Association (2022: £7.3 million).

Amounts receivable under operating leases are due as follows:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Under one year	7.7	4.7	4.3	4.5
Between one and two years	7.2	4.4	3.7	4.3
Between two and three years	3.8	3.9	3.7	3.7
Between three and five years	7.6	7.5	7.3	7.3
In more than five years	38.1	43.4	37.3	41.1
	64.4	**63.9**	**56.3**	**60.9**

24. Financial Instruments and Risk Management

Financial Risk Management Objectives and Policies

The Group's treasury function is responsible for the management of funds and control of the associated risks. Other financial risks, for example tenant rental arrears, are the responsibility of other teams within the Group's finance function. Treasury and finance activities are governed in accordance with the Board approved policy and the management of associated risks is reviewed and approved by the Group Audit and Risk Committee. There is further explanation of the Group's approach to risk management in the Strategic Report.

Where financial instruments are measured in the Statement of Financial Position at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's financial instruments include:

Financial Assets

Financial assets at amortised cost	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Unlisted investments (note 15)	15.9	12.7	14.9	12.7
Rental receivables (note 17)	14.2	13.0	11.3	10.0
Other trade receivables (note 17)	22.9	19.1	5.0	4.4
Other receivables (note 17)	55.4	30.6	25.6	21.3
Amounts due from subsidiary undertakings (note 17)	-	-	137.7	165.4
Amounts due from joint venture (note 17)	10.6	23.3	10.6	23.3
Lease receivable (note 18)	26.2	11.3	-	-
Cash and cash equivalents	180.1	102.1	4.9	10.4
	325.3	**212.1**	**210.0**	**247.5**

The Group's investments in the Statement of Financial Position were £17.1 million at 31 March 2023 (2022: £17.9 million). Of this value, £1.2 million (2022: £5.2 million) was classed as FVOCI and £15.9 million (2022: £12.7 million) was classed as held at amortised cost. The Association's investments in the Statement of Financial Position were £15.9 million at 31 March 2023 (2022: £17.7 million). Of this value, £1.0 million (2022: £5.0 million) was classed as FVOCI and £14.9 million (2022: £12.7 million) was classed as held at amortised cost.

Of the above balance held at amortised cost, rental receivables, finance lease receivables, amounts due from subsidiary undertakings, amounts due from joint venture and other receivables totalling £129.3 million (2022: £97.3 million) for the Group and £190.2 million (2022: £224.4 million) for the Association derive from current and non-current trade and other receivables balances on the Statement of Financial Position.

Trade and other receivables totalled £172.8 million at 31 March 2023 (2022: £130.7 million) for the Group and £209.9 million at 31 March 2023 (2022: £241.0 million) for the Association. Prepayments and accrued income balances of £43.5 million (2022: £33.4 million) for the Group and £19.7 million (2022: £16.6 million) for the Association are not considered to fall within the definition of a financial asset.

Financial assets at FVOCI	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Listed investments (note 15)	1.2	5.2	1.0	5.0

All significant inputs required to value investments held at FVOCI are observable and, as such, the Group has classified them as Level 1.

Financial Liabilities

As at 31 March 2023, the Group's and Association's financial liability balances were as follows:

Financial liabilities at amortised cost – current	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Debt finance excluding set up costs	238.4	32.4	119.2	25.0
Trade payables (note 21)	45.7	27.9	18.6	14.5
Net lease liability (note 23)	5.4	3.7	1.3	1.3
Amounts due to subsidiary undertakings (note 21)	-	-	17.5	15.0
Grants (note 21)	59.0	8.0	-	-
Other payables (note 21)	53.0	33.9	34.7	30.4
	401.5	**105.9**	**191.3**	**86.2**

Other payables include other tax and social security, other payables, future maintenance on home ownership schemes and Social Housing Grant and other grants in advance or repayble. Current trade and other payables as disclosed in the Statement of Financial Position totalled £340.2 million (2022: £216.2 million) for the Group and £127.6 million (2022: £116.2 million) for the Association. The difference between the Statement of Financial Position and the amounts disclosed above is £182.5 million (2022: £146.4 million) for the Group and £56.8 million (2022: £56.3 million) for the Association and relates to balances that are not considered to fall within the definition of a financial liability. Debt finance consists of loans and borrowings and is presented above before deduction of set up costs.

Financial liabilities at amortised cost – non-current	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Debt finance excluding set up costs	3,157.3	2,886.3	1,574.8	1,668.4
Net lease liability (note 23)	183.6	168.4	44.7	44.6
Other payables (note 21)	1.9	0.6	1.8	0.5
	3,342.8	**3,055.3**	**1,621.3**	**1,713.5**

Financial liabilities at FVPL	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Debt finance excluding set up costs	190.8	-	-	-
Derivative financial instruments – interest rate swap (note 16)	0.4	1.5	-	-
	191.2	**1.5**	**-**	**-**

Non-current trade and other payables as disclosed in the Statement of Financial Position totalled £6.8 million (2022: £3.3 million) for the Group and £4.6 million (2022: £2.6 million) for the Association. Of these amounts, £1.9 million (2022: £0.6 million) in the Group is considered to fall within the definition of a financial liability while £1.8 million (2022: £0.5 million) is considered to fall within this definition in the Association.

All significant inputs required to value the above instruments are observable and, as such, the Group has classified them as Level 2.

A number of loans recognised as part of the acquisition of Swan Housing Association include embedded interest rate swaps. It has been determined that these swaps are closely related to the host contracts and so do not need to be separately accounted for. However, the presence of the swaps changes the nature of the loan instruments as a whole and so they have been classified as fair value through profit and loss.

The derivative financial instrument relating to an interest rate swap valued at FVPL was entered into by the Group under a facility agreement dated September 2002. Fair value movements totalling £1.1 million (2022: £1.3 million) for the Group and £nil (2022: £nil) for the Association are shown as a credit to the Income Statement (note 10).

The purpose of the derivative financial instrument is to hedge the interest rate risk associated with the variability of cash flows on variable rate loans.

Valuation

Balances are valued in accordance with note 1 Principal Accounting Policies – Financial Instruments. Instruments are carried at fair value in the following cases:

Derivative financial instruments are measured at fair value.

The fair value of the cross currency derivative financial instruments is arrived at by discounting future cash flows associated with each swap and comparing, for each swap, the cumulative total discounted sterling future cash flows with the total discounted dollar future cash flows translated at the year end exchange rate. The swap rate data used for discounting the flows is provided to the Group by external advisers.

The fair value of the interest rate swap is arrived at by discounting the fixed leg and variable leg cash flows using interpolated yield curves provided to the Group by external advisers.

Listed investments are measured at fair value. The fair value equates to the market value of these listed investments at the reporting date.

Certain loans with embedded interest rate swaps acquired through the Swan acquisition are measured at fair value. The fair value equates to the discounted future cashflows of these loans at the reporting date.

Senior notes and debenture stock, bank loans and mortgages, and net lease liabilities are measured at book value. However, fair value can be calculated and these are disclosed in note 24a. The variance between the fair value and the book value of the Group and Association's long-term borrowings is driven by the discount rates and weighted average life of the fixed rate financial liabilities, which is 17.3 years (2022: 17.6 years) for the Group and 14.5 years (2022: 15.2 years) for the Association.

Loans denominated in foreign currency are translated at year end exchange rates.

Analysis of Risks

a) Interest Rate Risk and Exposure

Interest rate risk is defined as the risk that interest rates may change in the future materially affecting the Group's liabilities and cash flows. The interest rate exposure of the Group and Association net debt at 31 March 2023 after hedging instruments was:

	Group		Association	
	£m	%	£m	%
Fixed rate financial liabilities	3,437.4	91.5	1,676.5	96.9
Floating rate financial liabilities	321.3	8.5	52.8	3.1
	3,758.7	**100.0**	**1,729.3**	**100.0**

The cost of borrowing of the Group fixed rate financial liabilities is 4.42% (2022: 4.44%) and for the Association 4.79% (2022: 4.84%). The cost of borrowing of the Group's total financial liabilities is 4.51% (2022: 4.28%) and for the Association 4.92% (2022: 4.91%). The weighted average life of fixed rate financial liabilities for the Group is 17.3 years (2022: 17.6 years) and for the Association is 14.5 years (2022: 15.2 years). The Group operates an interest rate policy designed to minimise interest cost and reduce volatility in cash flow and debt service costs. Group borrowings currently comprise 91.5% fixed rate debt (2022: 94.6%) and 8.5% floating rate debt (2022: 5.4%). Association borrowings comprise 96.9% fixed rate debt (2022: 97.3%) and 3.1% floating rate debt (2022: 2.7%).

The Group's cash flow interest rate risk relates to:

- Variable rate financial instruments which are subject to rate changes – a 10% increase in interest costs would result in an additional charge to the Statement of Comprehensive Income of £1.7 million (2022: £0.3 million).
- Fixed rate financial instruments where benefits of interest rate reductions are lost – a 0.25% rate reduction would result in a lost benefit of £8.6 million (2022: £7.2 million).

A comparison of the book value to fair value of the Group's and Association's long-term borrowings at 31 March 2023 is set out below.

	Group		Association	
	2023 Book value £m	2023 Fair value £m	2023 Book value £m	2023 Fair value £m
Senior notes and debenture stock (note 22)	2,174.0	2,036.8	561.8	552.3
Bank loans and mortgages (note 22)	1,159.0	1,184.2	277.6	300.1
Net lease liability (notes 22, 23)	183.6	189.0	44.7	46.0
Amounts owed to Group companies (note 22)	-	-	725.9	729.2
	3,516.6	3,410.0	1,610.0	1,627.6

The following methods and assumptions have been applied in determining the value of the financial instruments in the table above.

(i) The book value of loans with a maturity of less than one year is assumed to equate to their carrying value. They have therefore not been included in the above table.
(ii) The fair value of loans greater than one year is established by utilising discounted cash flow valuation models or listed market prices where available.
(iii) The fair value of balances shown above at a variable rate of interest is assumed to approximate to their book value.

For the balances at 31 March 2023, the range of discount rates used was 4.11% to 5.63% (2022: 2.39% to 3.17%). Swan Housing loans were fair valued by a third party on acquisition. These values have been included as at 31 March 2023 as deemed not to be materially different due to the short period of time between acquisition and financial year end.

The fair values of the swaps at the year end would decrease by the following amounts, if an increase of 1% occurred:

Group	Liability £m	Statement of Comprehensive Income £m
In sterling swap rates only	(0.3)	0.3

Interest rate risk applies to debt finance.

Management considers the sensitivity analysis in relation to the remaining interest rate swaps not included above to be not material.

b) Currency Rate Risk and Exposure

Currency rate risk is the risk that foreign currency arrangements that the Group has entered into will be adversely affected by exchange rate movements. Hedging is defined as the practice of offsetting such risks and the organisation applies such practices. The hedge put in place by the organisation removes completely the currency risk, as explained below.

In 2007 the Group borrowed $80 million through an issue of senior notes at an interest rate of 5.83% repayable in 2037. The foreign currency funds have been swapped through derivative financial instruments with the counterparty of the arrangement described above.

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Carrying value of hedging instrument £m	Line item in the Statement of Financial Position where the hedging instrument is located	Change in value of the hedging instrument recognised in OCI £m	Costs of hedging recognised in OCI £m
Foreign currency risk	31.9	Derivative financial assets	(2.0)	0.4

The fair values of the swaps and loans at the year end, if an increase in interest rates of 1% occurred, are:

Group	Asset £m	Income Statement £m	Cash flow hedge reserve £m
In both dollar and sterling swap rates	(2.7)	-	(2.7)
In sterling swap rates only	4.8	-	4.8
In dollar swap rate only	(7.5)	-	(7.5)
In the year end exchange rate	(0.8)	-	(0.8)
In the year end exchange rate and in the dollar and sterling swap rates	(3.5)	-	(3.5)

Association	Asset £m	Income Statement £m	Cash flow hedge reserve £m
In both dollar and sterling swap rates	(2.7)	-	(2.7)
In sterling swap rates only	4.8	-	4.8
In dollar swap rate only	(7.5)	-	(7.5)
In the year end exchange rate	(0.8)	-	(0.8)
In the year end exchange rate and in the dollar and sterling swap rates	(3.5)	-	(3.5)

Currency rate risk applies to the derivative financial instruments balance and underlying loans denominated in dollars.

c) Liquidity Risk

Liquidity risk is the risk that the Group will fail to be able to access liquid funds, either through:

- Lack of available facilities; or
- Lack of secured, but available, facilities; or
- Lack of identification of need to draw on available facilities.

The treasury function ensures the above risks are managed by preparing cash forecasts on a daily and longer-term basis to ensure that short and longer-term requirements are known. The forecasts are cautious in the approach and are constantly updated to allow for sensitivity in assumptions. These are reported to the Group Chief Financial Officer on a fortnightly basis. The forecasts identify when drawdowns on existing facilities are required and when existing facilities expire. Further facilities are negotiated and secured well in advance of them being needed for drawdown.

The treasury function also manages a database of the Group's stock in order to identify unencumbered stock for security of new facilities. A programme of valuations is maintained to ensure that optimum value is gained from the Group's secured properties. These systems ensure that facilities are available to the Group which are secured and available to draw on as required.

The Group's liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding to enable the Group to meet its financial obligations.

The Group has not defaulted on any of its loan arrangements in the year.

Liquidity risk applies to cash and all payables balances.

Contractual Cash Flows for All Financial Liabilities

The following is an analysis of the anticipated contractual cash flows including interest and finance charges payable for the Group and Association's financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as bank loans, mortgages, deferred finance, bonds and debenture stock. Interest is calculated based on debt held at 31 March.

At 31 March 2023 – Group	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(237.8)	(155.2)	(15.2)	(157.7)	(2.7)	(568.6)
Between one and two years	(89.0)	(153.1)	(15.7)	(1.9)	(2.7)	(262.4)
Between two and three years	(159.8)	(146.1)	(15.8)	-	(2.7)	(324.4)
Between three and four years	(111.8)	(139.5)	(15.7)	-	(2.6)	(269.6)
Between four and five years	(69.5)	(134.2)	(15.6)	-	(2.6)	(221.9)
Greater than five years	(2,916.3)	(1,697.9)	(324.6)	-	(22.1)	(4,960.9)
Gross contractual cash flows	**(3,584.2)**	**(2,426.0)**	**(402.6)**	**(159.6)**	**(35.4)**	**(6,607.8)**

At 31 March 2022– Group	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(30.9)	(127.2)	(13.0)	(69.8)	(2.8)	(243.7)
Between one and two years	(187.5)	(120.0)	(12.8)	(0.6)	(2.7)	(323.6)
Between two and three years	(85.0)	(120.3)	(12.9)	-	(2.7)	(220.9)
Between three and four years	(100.8)	(115.4)	(12.8)	-	(2.7)	(231.7)
Between four and five years	(62.3)	(111.3)	(12.8)	-	(2.6)	(189.0)
Greater than five years	(2,395.6)	(1,453.2)	(318.6)	-	(24.7)	(4,192.1)
Gross contractual cash flows	**(2,862.1)**	**(2,047.4)**	**(382.9)**	**(70.4)**	**(38.2)**	**(5,401.0)**

At 31 March 2023 – Association	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(118.1)	(83.2)	(4.3)	(70.8)	(2.3)	(278.7)
Between one and two years	(77.5)	(82.4)	(4.0)	(1.8)	(2.3)	(168.0)
Between two and three years	(89.2)	(78.5)	(4.0)	-	(2.3)	(174.0)
Between three and four years	(60.3)	(74.9)	(3.8)	-	(2.3)	(141.3)
Between four and five years	(43.6)	(70.6)	(3.6)	-	(2.3)	(120.1)
Greater than five years	(1,263.0)	(754.2)	(103.7)	-	(21.5)	(2,142.4)
Gross contractual cash flows	**(1,651.7)**	**(1,143.8)**	**(123.4)**	**(72.6)**	**(33.0)**	**(3,024.5)**

At 31 March 2022 – Association	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(23.9)	(86.3)	(4.2)	(59.9)	(2.3)	(176.6)
Between one and two years	(118.6)	(80.3)	(4.0)	(0.5)	(2.3)	(205.7)
Between two and three years	(78.0)	(79.6)	(3.9)	-	(2.3)	(163.8)
Between three and four years	(89.7)	(75.8)	(3.8)	-	(2.3)	(171.6)
Between four and five years	(50.8)	(71.9)	(3.7)	-	(2.3)	(128.7)
Greater than five years	(1,289.2)	(804.9)	(104.8)	-	(23.8)	(2,222.7)
Gross contractual cash flows	**(1,650.2)**	**(1,198.8)**	**(124.4)**	**(60.4)**	**(35.3)**	**(3,069.1)**

d) Credit Risk

Credit risk applies to all debtor balances and to debt finance. The risk falls into two categories: financial and operational.

Financial

It is the Group's policy not to take or place funds with any financial institution which is not accepted as a counterparty in the Group's Financial Regulations. Such counterparties are approved by the Board but only on the achievement of the desired credit agency rating. The maximum exposure with a single funder is £329.0 million as at 31 March 2023 (2022: £332.0 million).

The Group manages credit risk by carrying out monthly credit checks on all counterparties from which the Group either sources funds or places deposits, also allowing the Group to assess whether there has been a significant increase in credit risk at the reporting date. The financial credit risk is mitigated to some extent by the existence of borrowing facilities with such counterparties.

Twelve-month probabilities of default (PD) are based on historical credit loss data supplied by the rating agency Moody's. Assets measured at amortised cost or FVOCI were subject to a 12-month ECL allowance, none of these assets were materially credit impaired. Largely due to the low credit risk of the financial assets held, there has been no expected credit loss recognised at 31 March 2023 because the amounts are not material.

Operational

The majority of the operational debt at any given time relates to tenants and non-tenants of the Group. These debts are reported to management on a weekly basis and recovery of debts is coordinated through subsidiary and regional management teams. Performance of debt recovery is reviewed monthly by the Executive Committee.

Tenant Rental Receivable Arrears

Gross tenant rental arrears due as at 31 March 2023 totalled £19.7 million (2022: £18.8 million) for the Group and £15.0 million (2022: £14.7 million) for the Association. Most of this balance was past due as the majority of tenancy agreements state that the rent is due in advance. The age of these arrears was as follows:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Less than 30 days	10.9	12.1	8.1	9.0
30 to 60 days	2.8	0.4	1.9	0.7
60 to 90 days	1.4	1.6	1.1	1.2
More than 90 days	4.6	4.7	3.9	3.8
Balance as at 31 March	**19.7**	**18.8**	**15.0**	**14.7**

In the Group there is an expected credit loss allowance against £5.5 million (2022: £5.8 million) of this balance leaving a net rental arrears balance of £14.2 million (2022: £13.0 million) (see note 17). In the Association there is an expected credit loss allowance against £3.7 million (2022: £14.7 million) of this balance leaving a net rental arrears balance of £11.3 million (2022: £10.0 million) (see note 17).

Tenant Rental Receivable Arrears Expected Credit Loss

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Balance as at 1 April	5.8	4.8	4.7	3.9
Provided in the year	6.2	4.4	4.1	3.6
Released in the year	(0.6)	(0.6)	(0.2)	(0.7)
Amounts written off	(5.9)	(2.8)	(4.9)	(2.1)
Balance as at 31 March	**5.5**	**5.8**	**3.7**	**4.7**

Under IFRS 9, loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument.

Other Trade Receivables

Gross other trade receivables balances as at 31 March 2023 totalled £29.9 million (2022: £25.2 million) for the Group and £6.8 million (2022: £7.0 million) for the Association. The age of gross other trade receivables balances was as follows:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Less than 30 days	12.0	14.8	2.7	0.8
30 to 60 days	5.6	3.4	0.8	1.6
60 to 90 days	1.7	0.9	0.7	0.2
More than 90 days	10.6	6.1	2.6	4.4
Balance as at 31 March	**29.9**	**25.2**	**6.8**	**7.0**

In the Group there is an expected credit loss allowance against £7.0 million (2022: £6.1 million) of this balance leaving a net other trade receivables balance of £22.9 million (2022: £19.1 million) (see note 17). In the Association there is an expected credit loss allowance against £1.8 million (2022: £2.6 million) of this balance leaving a net other trade receivables balance of £5.0 million (2022: £4.4 million) (see note 17).

Other Trade Receivables Expected Credit Loss

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Balance as at 1 April	6.1	7.9	2.6	2.9
Provided in the year	3.7	2.7	0.5	1.2
Released in the year	(1.7)	(1.5)	(1.2)	(0.6)
Amounts written off	(1.1)	(3.0)	(0.1)	(0.9)
Balance as at 31 March	**7.0**	**6.1**	**1.8**	**2.6**

The Group provides for specific categories of sundry receivable balances and specific sundry receivable balances where the likelihood of settlement in full or in part is unlikely.

Summary of Credit Risk

The maximum credit risk at 31 March 2023 and 2022 was as follows:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Investments (note 15)	17.1	17.9	15.9	17.7
Derivative financial instruments (note 16)	31.9	26.4	31.9	26.4
Receivables	129.3	97.3	190.2	224.4
Cash and cash equivalents	180.1	102.1	4.9	10.4
	358.4	**243.7**	**242.9**	**278.9**

e) Concentration Risk

Concentration risk is defined as the risk associated with a reliance on transactions that carry a similar risk profile. Management determines concentrations of risk through its standard risk management procedures, as detailed in the Strategic Report.

Management considers the Group's main concentration of risk to be within rent and service charge arrears. The shared characteristic of this concentration is the social demographic of the client base that can be linked to lower credit quality. However, the arrears are from a number of types of tenancy:

- Rental
- Sheltered housing
- Supported housing
- Care homes
- Students
- Commercial tenants
- Shared ownership
- Home ownership.

A reduced level of risk is associated with shared ownership and home ownership residents.

The maximum exposure to this risk is equal to the tenant rental arrears balance (net of expected credit loss) at 31 March 2023, £14.2 million (2022: £13.0 million) for the Group and £11.3 million (2022: £10.0 million) for the Association.

Information on the Group's spread of lenders is explained in note 24d.

f) Market Rate Risk

Market risk applies to listed investments. Listed investments are exposed to fluctuations in market values that are outside the Group's control. Listed investments at 31 March 2023 totalled £1.2 million (2022: £5.2 million) in the Group and £1.0 million (2022: £5.0 million) in the Association. The Group mitigates this risk by carrying out credit checks on all counterparties and investing only in those counterparties that achieve the desired credit agency rating. This is also explained in note 24d.

g) Collateral Pledged

The Group holds debt servicing reserves if, and as, required by the various lenders. These are disclosed and described in note 14.

h) Collateral Held

The Group does not hold any significant collateral.

i) Capital

The Group considers its capital balances to be share capital (note 27) and reserves (note 28). The revaluation reserve balance is entirely governed by market rates for listed investments. The revenue reserve is formed of Group surpluses and deficits from each year since the Group's formation and it also contains gains on business combinations that have arisen following the acquisition of subsidiaries. Acquisitions of social housing businesses that are in substance the gift of one business to another are treated as non-exchange transactions. The fair value of the gift of the recognised assets and liabilities is treated as a gain or loss in the Statement of Comprehensive Income.

None of these capital balances has a significant degree of active management, other than in the case of current year Income Statement movement that contributes to revenue reserves. There are restrictions on the Group in the use of £0.2 million (2022: £0.2 million) in relation to Carr-Gomm which was acquired by the Group in 2010 and then transferred its engagements to the Association on 31 March 2011, and £4.7 million (2022: £4.6 million) relating to Voluntary Right to Buy scheme surpluses (see note 28 regarding restricted reserves).

25. Deferred Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred Tax Assets

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
As at 1 April	4.7	4.9	-	-
Temporary timing differences	0.7	(0.2)	-	-
As at 31 March	**5.4**	**4.7**	**-**	**-**
Comprising:			-	
Trading losses carried forward	5.3	4.4	-	-
Interest rate swap derivative	0.1	0.3	-	-
	5.4	**4.7**	**-**	**-**

The interest rate swap derivative is held in ASK (Greenwich) Limited. Trading losses are carried across a number of Group subsidiaries.

Deferred Tax Liabilities

A deferred tax liability exists within ASK (Greenwich) Limited, a 100% owned subsidiary of the Association.

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
As at 1 April	0.5	0.6	-	-
Charge/(credit) to Income Statement	0.1	(0.1)	-	-
As at 31 March	**0.6**	**0.5**	**-**	**-**

This balance relates to timing differences on taxation of a unitary charge. Unitary charge refers to amounts due from the Royal Borough of Greenwich under the terms of a project agreement.

26. Provisions for Liabilities and Charges

Group	Onerous contracts £m	Property related £m	Other provisions £m	Total £m
At 1 April 2022	4.2	5.0	4.8	14.0
Provided in the year	0.2	-	3.8	4.0
Acquisitions	-	84.3	45.8	130.1
Utilised during the year	-	(1.8)	(1.0)	(2.8)
Released during the year	(0.5)	-	(6.6)	(7.1)
At 31 March 2023	**3.9**	**87.5**	**46.8**	**138.2**
Ageing of provisions – expected utilisation				
At 31 March 2023				
Under one year	-	7.9	14.1	22.0
Over one year	3.9	79.6	32.7	116.2
At 31 March 2022				
Under one year	0.2	3.9	4.8	8.9
Over one year	4.0	1.1	-	5.1

Association	Onerous contracts £m	Property related £m	Other provisions £m	Total £m
At 1 April 2022	-	-	1.9	1.9
Provided in the year	-	-	3.2	3.2
Utilised during the year	-	-	(1.0)	(1.0)
Released during the year	-	-	(1.2)	(1.2)
At 31 March 2023	**-**	**-**	**2.9**	**2.9**
Ageing of provisions – expected utilisation				
At 31 March 2023				
Under one year	-	-	2.9	2.9
Over one year	-	-	-	-
At 31 March 2022				
Under one year	-	-	1.9	1.9
Over one year	-	-	-	-

Onerous Contract Provisions

Provisions have been made for onerous lease contracts on leased buildings and other onerous contracts. The provisions are being unwound over the remaining term of the contracts, the last of which will be fully utilised by 31 March 2047.

Property Related Provisions

Property related provisions include a sum of £44.8 million in relation to cladding and fire safety works where the recently acquired subsidiary Swan Housing Association has contractual obligations to external parties to rectify the issues. Amounts are considered provisional and further details are included in note 34. There is the potential to recover a significant proportion of these costs from other parties; however, at the acquisition date there was not sufficient certainty to enable recognition of these amounts. Consequently, the reimbursements are considered to be contingent assets (see note 36).

Provisions have been recognised relating to a number of housing developments where defects have been identified on houses previously sold by Swan. Other property related provisions from the Swan acquisition relate to wider obligations arising from property development, as well as dilapidations for leased properties.

Most of the provisions recognised as part of the Swan acquisition are considered to be provisional as they have been estimated based on limited currently available information. Whilst some of the items are expected to be utilised after more than a year, the provisional nature of the estimates and the relatively short timeframes mean that amounts have not been discounted as the impact of discounting would not be material.

Other Provisions

Provisions have been recognised for a range of potential legal, contractual or other obligations, including £45.8 million recognised as part of acquisitions during the year. A total of £38.1 million stems from the Swan acquisition, with the remainder arising from the acquisition of Cornwall Care. Swan's obligations arise primarily from development related activities. Insurance recoveries of £10.8 million have been included within debtors, relating to a potential gross obligation of £16.3 million, where there is virtual certainty over reimbursement. No recoveries have been recognised for the other amounts. Most of the acquisition related amounts are considered to be provisional and, similar to the property related provisions, have not been discounted as they are expected to be utilised in a relatively short timeframe and the impact of discounting would not be material.

27. Share Capital

	Group and Association	
Each member holds one share of £1 in the Association	**2023**	**2022**
	£	£
Allotted, issued and fully paid:		
At 1 April	30	31
Issued during the year	-	2
Redeemed during the year	(2)	(3)
At 31 March	**28**	**30**

Each share carries voting rights but not rights to dividends, distributions on winding up or rights of redemption. Share issues and redemptions are as a result of changes to the membership of the Association.

28. Reserves

Group	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2021	1,099.6	4.8	(0.1)	4.7	(0.7)	1,108.3
Surplus for the year	58.3	-	-	-	-	58.3
Actuarial gain on pension schemes	44.3	-	-	-	-	44.3
Revaluation of listed investments	-	-	-	-	-	-
Gain/(loss) on financial assets	-	-	(0.1)	-	-	(0.1)
Gain/(loss) on hedge instrument	-	-	-	3.1	0.1	3.2
Transfer of gain on disposal of equity investments	(0.2)	-	0.2	-	-	-
At 31 March 2022	1,202.0	4.8	-	7.8	(0.6)	1,214.0
At 1 April 2022	1,202.0	4.8	-	7.8	(0.6)	1,214.0
Surplus for the year	102.0	-	-	-	-	102.0
Actuarial gain on pension scheme	(2.1)	-	-	-	-	(2.1)
Revaluation of listed investments	-	-	-	-	-	-
Gain/(loss) on financial assets	-	-	(0.4)	-	-	(0.4)
Gain/(loss) on hedge instrument	-	-	-	2.0	(0.4)	1.6
Transfer of VRTB proceeds	(0.1)	0.1	-	-	-	-
Transfer of loss on disposal of equity investments	(0.5)	-	0.5	-	-	-
At 31 March 2023	**1,301.3**	**4.9**	**0.1**	**9.8**	**(1.0)**	**1,315.1**

Association	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2021	1,154.4	4.6	(0.1)	4.6	(0.7)	1,162.8
Surplus for the year	38.5	-	-	-	-	38.5
Actuarial gain on pension schemes	41.7	-	-	-	-	41.7
Revaluation of listed investments	-	-	-	-	-	-
Gain/(loss) on financial assets	-	-	-			(0.1)
Gain/(loss) on hedge instrument	-	-	(0.1)	3.1	0.1	3.2
Transfer of VRTB proceeds	-	-	-	-	-	-
Transfer of gain on disposal of equity investments	(0.2)	-	0.2	-	-	-
At 31 March 2022	1,234.4	4.6	-	7.7	(0.6)	1,246.1
At 1 April 2022	1,234.4	4.6	-	7.7	(0.6)	1,246.1
Deficit for the year	(20.2)	-	-	-	-	(20.2)
Actuarial gain on pension schemes	0.8	-	-	-	-	0.8
Revaluation of listed investments	-	-	-	-	-	-
Gain/(loss) on financial assets	-	-	(0.4)	-	-	(0.4)
Gain/(loss) on hedge instrument	-	-	-	2.0	(0.4)	1.6
Transfer of VRTB proceeds	(0.1)	0.1	-	-	-	-
Transfer of loss on disposal of equity investments	(0.5)	-	0.5	-	-	-
At 31 March 2023	**1,214.4**	**4.7**	**0.1**	**9.7**	**(1.0)**	**1,227.9**

Restricted Reserves

Within both the Group and the Association, £0.2 million (2022: £0.2 million) of the reserves acquired with Carr-Gomm remain restricted in application.

At the year ended March 2023, £4.7 million of revenue reserves (2022: £4.6 million) in the Group and £4.5 million in the Association (2022: £4.4 million) has been restricted relating to surpluses made on asset sales as part of the Voluntary Right to Buy scheme. Funds are made up of the receipts from the discounted sale, plus compensation for the discount given. These funds are restricted in use and must be spent on new supply social housing properties on a one-for-one replacement basis.

Revaluation Reserve

The revaluation reserve comprises cumulative net changes in fair value of equity securities designated at fair value through other comprehensive income (FVOCI).

Cash Flow Hedge Reserve

The cash flow hedge reserve comprises the effective portion of cumulative net changes in the fair value of hedging instruments used in cash flow hedges.

Cost of Hedging Reserve

The cost of hedging reserve reflects gains or losses on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCI and accounted for similarly to gains or losses in the cash flow hedge reserve.

29. Retirement Benefits

During the year ended 31 March 2023, the Group participated in 14 (2022: 15) funded defined benefit pension schemes. All schemes' assets are held in separate funds administered by the trustees of each scheme.

Local Government Pension Schemes

Where the underlying assets and liabilities of the defined benefit schemes can be separately identified the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Where it is not possible to separately identify the share of the underlying assets and liabilities of a defined benefit scheme, an amount is charged to the Statement of Comprehensive Income that represents the contributions payable in the year.

The Association and its subsidiaries are admitted bodies into the below local Government pension schemes, participation in which is accounted for on a defined benefit pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
Cambridgeshire County Council Pension Fund	Sanctuary Housing Association	46.3%	5.5% to 9.9%	Yes
London Borough of Greenwich Pension Fund	Sanctuary Housing Association	18.5%	5.5% to 9.9%	Yes
Oxfordshire County Council Pension Fund	Sanctuary Housing Association	37.3%	5.5% to 9.9%	Yes
Essex County Council Pension Fund	Sanctuary Housing Association	24.3%	5.5% to 9.9%	Yes
Strathclyde Pension Fund	Sanctuary Scotland Housing Association	22.5%	5.5% to 11.2%	Yes
Warwickshire County Council Pension Fund	Sanctuary Care Property (1) Limited	45.3%	5.5% to 9.9%	Yes
North East Scotland Pension Fund	Sanctuary Scotland Housing Association	23.7%	5.5% to 11.2%	Yes
Cheshire County Council Pension Fund	Sanctuary Housing Association	23.0%	5.5% to 9.9%	Yes

Participation in the following local Government pension schemes is accounted for on a defined contribution pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
Shropshire County Council Pension Fund	Sanctuary Housing Association	18.7%	5.5% to 9.9%	Contributions only
Merseyside Pension Fund	Sanctuary Housing Association	20.8%	5.5% to 9.9%	Contributions only

The contribution rates above are applicable to both 2023 and 2022 for all local Government schemes.

Scottish Housing Associations' Pension Scheme

Through its subsidiary, Sanctuary Scotland Housing Association Limited, the Group is an admitted body of the Scottish Housing Associations' Pension Scheme (SHAPS). Participation in this scheme is accounted for on a defined benefit pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
Scottish Housing Associations' Pension Scheme (SHAPS)	Sanctuary Scotland Housing Association Limited	7.7% to 13.2%	7.7% to 13.2%	Yes

Swan Housing Association Social Housing Pension Scheme

Following acquisition of Swan Housing Association on 8 February 2023 (note 34), the Group acquired the assets and liabilities of the Swan Housing Association Social Housing Pension Scheme. Participation in this scheme is accounted for on a defined benefit pension scheme basis. This scheme is closed to future accrual and, as such, there are no ongoing employee contributions. Monthly contributions are made to the scheme to ensure statutory funding objectives are met.

Sanctuary Housing Association Final Salary Pension Scheme and Sanctuary North West Housing Association Pension Scheme

The Group participates in two further defined benefit pension schemes; the Sanctuary Housing Association Final Salary Pension Scheme (SHAFSPS) and the Sanctuary North West Housing Association Pension Scheme (SNWHAPS). Both schemes are closed to future accrual and, as such, there are no ongoing employee contributions. The Group makes monthly contributions to these schemes to ensure statutory funding objectives are met.

IAS 19 Employee Benefits

The financial assumptions used to calculate scheme liabilities under IAS 19 Employee Benefits in respect of defined benefit schemes are as follows:

All schemes	2023 %	2022 %
Inflation	3.30	3.65
Rate of increase in salaries for next two years	2.90	3.25
Rate of increase in salaries thereafter	2.90	3.25
Rate of increase for pensions in payment	2.90	3.25
Rate of increase for deferred pensions	3.30	3.65
Discount rate	4.70	2.70

On 25 November 2020, HM Treasury and the UK Statistics Authority released their joint response to the consultation on reform to retail price index (RPI) methodology. This confirmed that RPI will be aligned with CPIH (consumer price index including owner occupiers' housing costs) from February 2030. To reflect this, the Group has changed the approach to setting the CPI inflation assumption, resulting in a 1.0% per annum deduction to RPI inflation for the period up to 2030 and 0.0% per annum for the period from 2030. This leads to a single equivalent average deduction of 0.4% per annum from the RPI inflation assumption to derive the CPI inflation assumption. Changes in the approach to the setting of RPI and CPI assumptions are reported as a change in financial assumptions in the following tables.

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the IAS 19 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the IAS 19 discount rate, have increased significantly, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore both gross defined benefit obligations and assets have fallen.

The financial assumptions have been set with reference to the weighted average duration for the various pension scheme participations held by the Company (approximately 17 years).

The assumptions for mortality rates are based on 109% of the Continuous Mortality Investigation of the Institute and Faculty of Actuaries (CMI) S3PA tables (2022: (CMI S3PA tables) with future improvements based on the CMI 2021 model (2022: CMI 2021 model) with a long-term improvement of 1.25% per annum for both males and females. Based on these assumptions, the average future life expectancies at age 65 are:

	Males	Females
Current pensioners	21.2 years	23.7 years
Future pensioners	22.5 years	25.2 years

Changes in mortality assumptions are reported as changes in demographic assumptions in the following tables.

The fair value of assets in the scheme, split between quoted and unquoted investments, is as follows:

Group

	2023 £m Quoted	2023 £m Unquoted	2023 £m Total	2023 %	2022 £m Quoted	2022 £m Unquoted	2022 £m Total	2022 %
Equities	26.9	21.9	48.8	14.6	76.0	42.7	118.7	25.0
Bonds	150.8	11.6	162.4	48.6	202.7	13.4	216.1	45.6
Property	25.2	2.5	27.7	8.3	29.8	12.1	41.9	8.8
Other	79.1	15.9	95.0	28.5	82.3	15.4	97.7	20.6
Total value of assets	282.0	51.9	333.9	100.0	**390.8**	**83.6**	**474.4**	**100.0**

Association

	2023 £m Quoted	2023 £m Unquoted	2023 £m Total	2023 %	2022 £m Quoted	2022 £m Unquoted	2022 £m Total	2022 %
Equities	13.2	14.1	27.3	9.6	60.7	34.9	95.6	21.8
Bonds	148.4	10.4	158.8	55.7	199.6	12.4	212.0	48.4
Property	22.7	1.0	23.7	8.3	28.4	10.7	39.1	8.9
Other	62.0	13.3	75.3	26.4	78.6	12.9	91.5	20.9
Total value of assets	246.3	38.8	285.1	100.0	**367.3**	**70.9**	**438.2**	**100.0**

Reconciliation of the effect of the asset ceiling:

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Net asset ceiling at 1 April	(18.3)	(2.0)	(15.3)	(0.2)
Restriction of Strathclyde Pension Fund surplus	(3.5)	-	-	-
Restriction of North East Scotland Pension Fund surplus	(2.2)	-	-	
Restriction of Warwickshire County Council Pension Fund surplus	(1.7)	(1.2)	-	-
Destriction/(restriction) of the Sanctuary Housing Association Final Salary Scheme surplus	14.7	(14.2)	14.7	(14.2)
Restriction of the Cheshire Pension Fund surplus	(3.3)	-	(3.3)	-
Restriction of the Essex Pension Fund surplus	(1.0)	(0.6)	(1.0)	(0.6)
Restriction of the Oxfordshire County Council Pension Fund surplus	(2.7)	(0.3)	(2.7)	(0.3)
Restriction of Social Housing Pension Scheme surplus	(0.8)	-	-	
Interest effect of net asset ceiling	(0.4)	-	(0.4)	
Net asset ceiling at 31 March	**(19.2)**	**(18.3)**	**(8.0)**	**(15.3)**

Scheme assets/(liabilities) are reflected in the Statement of Financial Position:

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Present value of employer assets	333.9	474.4	285.1	438.2
Present value of funded liabilities	(342.3)	(477.3)	(300.3)	(446.7)
Net funding in funded plans	(8.4)	(2.9)	(15.2)	(8.5)
Present value of unfunded liabilities	-	-	-	-
Pension asset/(liability) before restrictions	(8.4)	(2.9)	(15.2)	(8.5)
Effect of net asset ceiling	(19.2)	(18.3)	(8.0)	(15.3)
Recognition of minimum funding requirements	(1.4)	(0.4)	(1.4)	(0.1)
Net pension liability	**(29.0)**	**(21.6)**	**(24.6)**	**(23.9)**

An analysis of the expense reflected in the Statement of Comprehensive Income:

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Amount charged to operating surplus:				
Current service cost	(0.7)	(2.4)	(0.4)	(2.2)
Past service cost	-	(0.1)	-	-
Expenses	(0.5)	(0.4)	(0.5)	(0.4)
Total charged to operating surplus	(1.2)	(2.9)	(0.9)	(2.6)
Amount charged to finance cost:				
Interest income on plan assets	12.8	9.0	11.7	8.3
Interest cost on defined benefit obligations	(12.8)	(10.3)	(11.9)	(9.6)
Interest effect of net asset ceiling	(0.4)	-	(0.4)	
Total amount (charged)/credited to finance cost	(0.4)	(1.3)	(0.6)	(1.3)
Loss on cessation of defined benefit pension scheme	(6.2)	-	(6.2)	-
Total amount charged to the Income Statement	**(7.8)**	**(4.2)**	**(7.7)**	**(3.9)**
Amounts recognised in other comprehensive income:				
Remeasurement gains and losses:				
(Losses)/return on plan assets excluding interest	(134.5)	19.1	(133.0)	17.9
Experience (losses)/gains	(31.4)	(5.8)	(31.3)	(5.7)
Other remeasurement (losses)/gains	(1.4)	0.3	(0.7)	-
Changes in financial assumptions	156.1	41.3	149.2	39.5
Changes in demographic assumptions	10.6	5.6	10.2	5.2
Effect of movement in net asset ceiling	(0.5)	(16.3)	7.7	(15.1)
Movement in IFRIC 14 minimum funding obligation	(1.0)	0.1	(1.3)	(0.1)
Total remeasurement gains/(losses)	(2.1)	44.3	0.8	41.7
Total amounts recognised in other comprehensive income	**(2.1)**	**44.3**	**0.8**	**41.7**

Reconciliation of the opening and closing balances of the present value of scheme liabilities:

	Group 2023 £m	Group 2022 £m	Association 2023 £m	Association 2022 £m
Opening defined benefit obligation	477.3	517.8	446.7	485.0
Acquisitions (note 34)	20.0	-	-	-
Revised opening defined benefit obligation	497.3	517.8	446.7	485.0
Current service cost	0.7	2.4	0.4	2.2
Past service cost	-	0.1	-	-
Interest cost	12.8	10.3	11.9	9.6
Contributions by employees	0.1	0.4	0.1	0.3
Experience gains	29.6	5.7	30.9	5.7
Changes in financial assumptions	(156.1)	(41.3)	(149.2)	(39.5)
Changes in demographic assumptions	(10.6)	(5.6)	(10.2)	(5.2)
Net benefits paid (including expenses)	(12.7)	(12.5)	(11.5)	(11.4)
Defined benefit obligation before cessation of pension scheme	361.1	477.3	319.1	446.7
Cessation of pension scheme	(18.8)	-	(18.8)	-
Closing defined benefit obligation	**(342.3)**	**477.3**	**300.3**	**446.7**

During the year ended March 2022, the Trustee of the Sanctuary Housing Association Final Salary Pension Scheme conducted a review of the application of historic changes to scheme member benefits. The review found that, in some cases, changes to benefits provided by the scheme may have been implemented at a time or in a way that may not be in accordance with scheme rules. In response to the review, the Trustee will be seeking direction from the courts, on behalf of scheme employers, on how to interpret these rules. Should the courts direct that some changes were made in a way not permitted by the scheme rules, this could give rise to an increase in member benefits and an additional liability for the Group. While the likelihood, timing and amount of this additional liability is uncertain, the scheme's actuaries have estimated that any potential additional obligation in respect of this scheme could be material to the Group. Due to the uncertainty surrounding this review, the pension obligations stated in the Financial Statements do not reflect any additional liability that may arise from this review, which is not expected to complete until the final quarter of 2024.

Reconciliation of opening and closing balances of the fair value of the scheme assets:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Opening fair value of the scheme assets	474.4	451.2	438.2	416.6
Acquisitions (note 33)	15.5	-	-	-
Revised opening fair value of the scheme assets	489.9	451.2	438.2	416.6
Expenses	(0.5)	(0.4)	(0.5)	(0.4)
Effect of settlements	-	-	-	-
Interest income on plan assets	12.8	9.0	11.7	8.3
(Losses)/return on plan assets excluding interest	(134.5)	19.1	(133.0)	17.9
Other remeasurement (losses)/gains	(1.4)	0.3	(0.7)	-
Contributions by employer	7.0	7.4	6.2	6.9
Contributions by employees	0.1	0.4	0.1	0.3
Experience (losses)/gains	(1.8)	(0.1)	(0.4)	-
Net benefits paid (including expenses)	(12.7)	(12.5)	(11.5)	(11.4)
Fair value of the scheme assets before cessation of pension scheme	358.9	474.4	310.1	438.2
Cessation of pension scheme	(25.0)	-	(25.0)	-
Closing fair value of scheme assets	**333.9**	**474.4**	**285.1**	**438.2**

The total and cumulative remeasurements recognised in other comprehensive income:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Net actuarial remeasurements recognised in year	(0.6)	60.5	(5.6)	56.9
Net cumulative actuarial remeasurements	(23.0)	(22.4)	(28.8)	(23.2)

Remeasurement gains and losses are broken down as follows:

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
(Losses)/return on plan assets excluding interest	(134.5)	19.1	(133.0)	17.9
Experience (loss)/gains	(31.4)	(5.8)	(31.3)	(5.7)
Other remeasurement gains	(1.4)	0.3	(0.7)	-
Changes in financial assumptions	156.1	41.3	149.2	39.5
Changes in demographic assumptions	10.6	5.6	10.2	5.2
Total remeasurement (losses)/gains	**(0.6)**	**60.5**	**(5.6)**	**56.9**

History of consolidated defined benefit schemes in Statements of Financial Position, before recognition of the net asset ceiling or IFRIC 14 minimum funding obligations:

	Group				
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Defined benefit obligations	(342.3)	(477.3)	(517.8)	(402.7)	(445.3)
Scheme assets	333.9	474.4	451.2	405.3	404.7
(Deficit)/surplus	**(8.4)**	**(2.9)**	**(66.6)**	**2.6**	**(40.6)**

	Association				
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Defined benefit obligations	(300.3)	(446.7)	(485.0)	(378.5)	(418.5)
Scheme assets	285.1	438.2	416.6	380.4	378.4
(Deficit)/surplus	**(15.2)**	**(8.5)**	**(68.4)**	**1.9**	**(40.1)**

The Group expects to contribute the following amounts to the defined benefit schemes during the year ended 2024:

	£m
Cheshire County Council Pension Fund	-
Sanctuary North West Housing Association Pension Scheme	0.9
Sanctuary Housing Association Final Salary Pension Scheme	3.5
Scottish Housing Associations' Pension Scheme	0.1
Oxfordshire County Council Pension Fund	0.2
Warwickshire County Council Pension Fund	-
North East Scotland Pension Fund	0.1
London Borough of Greenwich Pension Fund	-
Strathclyde Pension Fund	-
Essex County Council Pension Fund	-
Swan Social Housing Pension Scheme	0.8
	5.6

Cessation of Cambridgeshire County Council Pension Fund

Following a consultation process, the Group wrote to members of the Cambridgeshire County Council Pension Fund during March 2023 to inform them of the intention to end participation in the scheme. In line with IAS 19 Employee Benefits, the Group has de-recognised the assets and liabilities of the scheme at this date, and recognised a loss on cessation of the scheme in the Statement of Comprehensive Income as follows:

	£m
De-recognition of present value of employer assets	25.0
De-recognition of present value of funded liabilities	(18.8)
Estimated settlement price	-
Loss on cessation of defined benefit pension scheme	**6.2**

Assumption Sensitivity Analysis

The impact of a 0.1 percentage point movement in the primary assumptions (longevity: one year) on the defined benefit obligations as at 31 March 2023 is set out below:

	Group	Association
	Movement £m	Movement £m
Discount rate +0.1%	(5.3)	(4.7)
Discount rate -0.1%	5.3	4.7
Rate of inflation +0.1%	4.6	4.0
Rate of inflation -0.1%	(4.6)	(4.0)
Life expectancy +1 year	10.5	9.4
Life expectancy -1 year	(10.5)	(9.4)

The above sensitivity analyses are based on isolated changes in each assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and there is likely to be some level of correlation between movements in different assumptions. In addition, these sensitivities relate only to potential movement in the defined benefit obligations.

The assets, held by the schemes, are to some extent designed to mitigate the full impact of these movements so that the movements in the defined benefit obligations shown above would, in practice, be partly offset by movements in asset valuations.

However, the above sensitivities are shown to illustrate at a high level the scale of sensitivity of the defined benefit obligations to key actuarial assumptions.

The same actuarial methods have been used to calculate these sensitivities as are used to calculate the relevant Statement of Financial Position values and have not changed compared to the previous period.

The Group's share of total assets in participating Local Government Pension Schemes ranges from between less than 0.04% to less than 1.00% of fund value.

The Asset values of the Group for the Local Government Pension Schemes are reported using estimated asset allocations prepared by each scheme Actuary. This Asset value is calculated at each triennial valuation per scheme. Thereafter, it is rolled forward to accounting dates using suitable estimates for investment returns, contributions received, and benefits paid out. Each employer's share of the Fund is individually tracked.

Contributions which Sanctuary Group pays to the Funds are allocated entirely to its identified asset share and are not spread in any way. Asset allocations are also produced using bid values where necessary.

A sensitivity analysis to reflect a plus or minus 5% movement in asset values in Local Government Pension schemes equates to plus or minus £6.5 million (2022: £7.7 million).

Defined Benefit Schemes – Risk Factors

Through its various post-employment pension schemes, the Group is exposed to a number of risks, the most significant of which are detailed below. The Group's focus is on managing the cash demands which the various pension plans place on the Group, rather than Statement of Financial Position volatility in its own right. For funded schemes, cash requirements are generally determined by funding valuations which are performed on a different basis from accounting valuations.

Asset volatility: Plan liabilities are calculated using discount rates set with reference to bond yields (although the discount rate methodology differs for accounting and funding purposes). If plan assets deliver a return which is lower than the discount rate, this will create or increase a plan deficit.

The Group's various pension plans hold a significant proportion of equities and similar 'growth assets', which are expected to out-perform bonds in the long-term, albeit at the risk of short-term volatility. As the pension schemes mature, with a shorter time horizon to cope with volatility, the scheme trustees and administering authorities will gradually reduce holdings of growth assets in favour of increased matching assets (bonds and similar). In the meantime, the Group considers that equities and similar assets are an appropriate means of managing pension funding requirements, given the long-term nature of the liabilities and the strength of the Group to withstand volatility.

Changes in bond yields: A decrease in bond yields will typically increase scheme liabilities (and vice-versa), although this will be offset partially by an increase in the value of bonds held in the asset portfolios of the various plans. The effect of changes in bond yields is more pronounced in less well funded schemes where there is less potential for offsetting movements in asset values.

Inflation risk: As the Group's pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation. The asset portfolio includes some inflation-linked bonds to provide an element of protection against this risk.

Member longevity: As the Group's post-employment obligations are generally to provide benefits for the life of the member, increases in life expectancy will result in an increase in scheme liabilities (and vice versa).

The mortality rate is based on publicly available mortality tables for the specific country. Covid-19 has caused a short-term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of Covid-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long Covid", along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. In consideration of the potential impacts of Covid-19, the Group has allowed, in the mortality assumptions used, for 5 years of suppressed improvements in mortality rate before rates return to previously expected levels.

Climate change risk: TPT Retirement Solutions (TPT) are responsible for the investment strategy of the majority of the Group's defined benefit liabilities.

When considering environmental and social issues, TPT believe that climate change presents a material financial risk to the investment assets held, and therefore support the goals of the Paris Agreement and have signed the Global Investor Statements to Governments on Climate Change. TPT has developed an approach to ensure that climate change risk, including physical, regulatory and transition risks are more explicitly considered through the investment process, from portfolio construction through to asset allocation. TPT's approach to responsible investment in relation to climate change has three pillars:

- Understanding the exposure of investments to climate change;
- Making sure new and existing investments are managed in a way that takes account of climate change risks and opportunities; and
- Actively engaging with the wider investment community and policy makers on climate change.

National Health Service Pension Scheme

The Association is a direction body employer of the National Health Service Pension Scheme (NHS Pension Scheme). The NHS Pension Scheme is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS staff and qualifying employees of other approved organisations.

Employers and employees pay contributions based on a percentage of pensionable pay. Every four years the Government Actuary conducts a full actuarial review and recommends contribution rates in their valuation report to the Secretary of State for Health.

The Association contributes at a rate of 14.3% of pensionable salaries (2022: 14.3%). Members contribute at a rate of between 5.0% and 12.5% of pensionable salary.

Defined Contribution Schemes

The Group participates in defined contribution schemes for members of staff. The cost of the defined contribution schemes amounts to £9.7 million (2022: £8.7 million). As at the year end there was £0.8 million of accrued contributions due for payment after the year end (2022: £0.8 million).

30. Capital Commitments

	Group		Association	
	2023 £m	**2022 £m**	**2023 £m**	**2022 £m**
Expenditure contracted	335.5	218.0	10.1	0.6
Authorised expenditure not contracted	308.4	498.4	53.4	39.5
Expenditure on existing assets - committed	2.2	-	0.1	-
	646.1	**716.4**	**63.6**	**40.1**

For the Group, of the £646.1 million (2022: £716.4 million) of capital commitments at 31 March 2023, £138.8 million (2022: £120.6 million) will be financed by grant and other public finance.

For the Association, of the £63.6 million (2022: £40.1 million) of capital commitments at 31 March 2023, £13.1 million (2022: £4.4 million) will be financed by grant and other public finance.

The Group is confident its financial strength will allow it to refinance existing loans and finance the current business plan commitments at competitive rates. The Group anticipates funding this through a mix of fixed and variable interest rate facilities, cash generated from property sales, operating activities and Government grants.

31. Notes to the Statement of Cash Flows

Cash and Cash Equivalents

	Group		Association	
	2023 £m	2022 £m	2023 £m	2022 £m
Cash and cash equivalents per Statement of Financial Position	180.1	102.1	4.9	10.4
Cash and cash equivalents per Statement of Cash Flows	180.1	102.1	4.9	10.4

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Statement of Financial Position as shown above.

Reconciliation of Liabilities Arising from Financing Activities

Group	At 1 April 2022	Cash flows	Non-cash changes Acquisitions (note 34)	Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2023
	£m	£m	£m	£m	£m	£m	£m
Short-term borrowings	(30.7)	192.2	(17.8)	-	-	(380.4)	(236.7)
Long-term borrowings	(2,872.1)	(212.8)	(623.8)	(3.7)	-	379.4	(3,333.0)
Lease liabilities	(172.1)	2.1	(15.1)	-	-	(3.9)	(189.0)
Derivative financial instruments	24.9	-	-	-	6.6	-	31.5
Total liabilities from financing activities	**(3,050.0)**	**(18.5)**	**(656.7)**	**(3.7)**	**6.6**	**(4.9)**	**(3,727.2)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£5.5 million positive movement) and interest rate derivatives (£1.1 million positive movement).

Group	At 1 April 2021	Cash flows	Non-cash changes Acquisitions (note 34)	Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2022
	£m	£m	£m	£m	£m	£m	£m
Short-term borrowings	(332.4)	332.6	-	-	-	(30.9)	(30.7)
Long-term borrowings	(2,871.1)	(31.3)	-	(2.8)	-	33.1	(2,872.1)
Lease liabilities	(173.8)	2.0	-	-	-	(0.3)	(172.1)
Derivative financial instruments	17.8	-	-	-	7.1	-	24.9
Total liabilities from financing activities	**(3,359.5)**	**303.3**	**-**	**(2.8)**	**7.1**	**1.9**	**(3,050.0)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£5.8 million positive movement) and interest rate derivatives (£1.3 million positive movement).

Other non-cash changes reflect progression in the ageing of borrowings due after more than one year to less than one year, the amortisation of premiums and discounts recognised on issue of bonds and in the case of lease liabilities, the recognition, de-recognition and revaluation of right-of-use assets and corresponding lease liabilities. Foreign exchange movement relates to the retranslation of dollar denominated loan notes at the year end spot rate.

Association	At 1 April 2022	Cash flows	Non-cash changes Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2023
	£m	£m	£m	£m	£m	£m
Short-term borrowings	(23.9)	47.6	-	-	(141.7)	(118.0)
Long-term borrowings	(1,658.4)	(45.0)	(3.7)	-	141.8	(1,565.3)
Lease liabilities	(45.9)	1.9	-	-	(2.0)	(46.0)
Derivative financial instruments	26.4	-	-	5.5	-	31.9
Total liabilities from financing activities	**(1,701.8)**	**4.5**	**(3.7)**	**5.5**	**(1.9)**	**1,697.4**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£5.5 million positive movement) derivatives.

Association	At 1 April 2021	Cash flows	Non-cash changes Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2022
	£m	£m	£m	£m	£m	£m
Short-term borrowings	(27.5)	59.7	-	-	(56.1)	(23.9)
Long-term borrowings	(1,695.2)	(16.6)	(2.8)	-	56.2	(1,658.4)
Lease liabilities	(46.9)	1.4	-	-	(0.4)	(45.9)
Derivative financial instruments	20.6	-	-	5.8	-	26.4
Total liabilities from financing activities	**(1,749.0)**	**44.5**	**(2.8)**	**5.8**	**(0.3)**	**(1,701.8)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£5.8 million positive movement) derivatives.

Other non-cash changes reflect progression in the ageing of borrowings due after more than one year to less than one year, the amortisation of premiums and discounts recognised on issue of bonds and in the case of lease liabilities, the recognition, de-recognition and revaluation of right-of-use assets and corresponding lease liabilities. Foreign exchange movement relates to the retranslation of dollar denominated loan notes at the year end spot rate.

32. Related Party Transactions

Trading

During the year, the Association recharged costs incurred on behalf of other Group undertakings. Such costs include the Group audit fees and the recharging of Central Services costs including finance, information systems, human resources, office costs and management.

These recharges are agreed by management and are based on relevant information such as occupancy of offices, asset base and employee details.

The Association received gift aid from its subsidiary undertakings during the year of:

Entity	2023 £m	2022 £m
ASK (Greenwich) Limited	1.0	2.0
Beech Grove Homes Limited	3.1	1.4
Dornoch Medical Care Limited	-	0.2
Gate Healthcare Limited	-	0.3
Sanctuary Maintenance Contractors Limited	0.7	0.5
Sanctuary Care Limited	1.0	-
Sanctuary Treasury Limited	-	-
Spiral Developments Limited	4.3	3.1

The Association also receives capital grants on behalf of other Group undertakings. These are transferred through intra-Group transactions into the relevant entity which owns the property the grant relates to.

At the reporting date, the Association had the following trading balances with non-RSH regulated Group undertakings:

Entity	2023 £m	2022 £m
ASK (Greenwich) Limited	1.7	2.5
Avenue Services Limited	0.1	0.1
Beech Grove Homes Limited	7.7	4.2
Dornoch Medical Care Limited	0.4	0.3
Gate Healthcare Limited	-	0.3
Mull Hall Holdings Limited	(0.3)	(0.2)
Sanctuary Care Limited	3.1	2.1
Sanctuary Care Property (1) Limited	0.4	0.4
Sanctuary Care Property (2) Limited	0.1	0.6
Sanctuary Care (North) Limited	-	(0.1)
Sanctuary Home Care Limited	1.0	1.1
Sanctuary Maintenance Contractors Limited	(8.4)	(8.7)
Sanctuary Management Services Limited	(0.4)	(0.2)
Sanctuary (NW Management) Limited	1.9	1.8
Sanctuary Scotland Housing Association Limited	0.4	0.4
Sanctuary Student Homes Limited	0.2	0.1
Sanctuary Treasury Limited	(0.4)	0.4
Spiral Developments Limited	4.3	3.2

At the reporting date, the Association had the following trading balances with RSH regulated Group undertakings:

Entity	2023 £m	2022 £m
Sanctuary Affordable Housing Limited	(2.2)	2.6

Loans

The Association has loan balances with other Group undertakings at the reporting date.

The Association both receives and allocates funds to other Group undertakings. These loans are arranged at commercial terms and, as appropriate, secured against the assets of each entity.

At the reporting date, the Association had the following loan and lease balances with non-RSH regulated Group undertakings:

Entity	2023 £m	2022 £m
Loans		
ASK (Holdings) Limited	1.0	1.1
Beech Grove Homes Limited	26.0	15.0
Sanctuary Care Property (2) Limited	18.8	22.3
Sanctuary Scotland Housing Association Limited	0.3	0.6
Sanctuary Student Homes Limited	65.4	55.2
Sanctuary Student Properties Limited	46.9	46.9
Sanctuary Treasury Limited*	(751.3)	(757.7)
Leases		
Sanctuary Student Properties Limited	(4.6)	(4.6)
Sanctuary Student Homes Limited	2.5	2.5

*Sanctuary Treasury Limited raises finance (including bond issues by Sanctuary Capital PLC) for onward lending to Registered Providers within the Group, including the Association.

At the reporting date, the Association had no loan balances with RSH regulated Group undertakings.

Accrued Interest

Related party loan net interest accrued in the Association with non-RSH regulated Group entities at the reporting date is as follows:

	2023	2022
Entity	**£m**	**£m**
ASK (Holdings) Limited	0.1	0.1
Beech Grove Homes Limited	0.1	-
Sanctuary Care Property (2) Limited	1.2	1.4
Sanctuary Student Homes Limited	0.3	0.1
Sanctuary Student Properties Limited	0.5	0.2
Sanctuary Treasury Limited*	(5.8)	(5.8)

*Accrued interest payable on loan balances owed to Sanctuary Treasury Limited.

There was no related party loan net interest accrued in the Association with RSH regulated Group entities.

Transactions between the Group and joint ventures, associates and trade investments are disclosed on the following pages.

Sanctuary North West Housing Association Pension Scheme

The Sanctuary North West Housing Association Pension Scheme is considered a related party to the Group under IAS 19 Employee Benefits. The assets of the scheme for year ended 31 March 2023 were £11.2 million (2022: £13.6 million) and the obligations of the scheme for year ended 31 March 2023 were £11.5 million (2022: £16.7 million), these are included within the consolidated figures in note 29.

33. Investments in Subsidiaries, Associates and Jointly-Controlled Entities

The following table provides information about investments in subsidiaries, joint ventures and associates.

	Group		Association	
	2023	2022	2023	2022
	£m	£m	£m	£m
Investments in subsidiaries				
Investment in subsidiaries	-	-	87.7	87.7
	-	-	87.7	87.7
Equity accounted investments				
Joint ventures	2.7	2.9	-	-
Associates	1.8	-	-	-
	4.5	**2.9**	**-**	**-**

The Association carries investments in subsidiaries at cost.

	£m
At 1 April 2021 and 31 March 2022	87.7
At 31 March 2023	**87.7**

Details of the Association's subsidiaries and joint arrangements as at 31 March 2023 are shown below:

Entities registered in England and Wales with registered office at Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ:

Company	Nature of business	RSH regulated	Ownership (direct and indirect)
Subsidiaries			
ASK (Greenwich) Limited	Care home development and management	Non-RSH regulated	100%
ASK (Holdings) Limited	Holding company	Non-RSH regulated	100%
Avenue Services (NW) Limited	Property maintenance services	Non-RSH regulated	50%
Bateman Memorial Almshouses Charity	Registered almshouse	Registered Charity	100%
Beech Grove Homes Limited	Property development	Non-RSH regulated	100%
Cornwall Care Limited	Care home management	Registered Charity	100%
Cornwall Care Property Limited	Care home management	Non-RSH regulated	100%
Cornwall Care Services Limited	Care home management	Non-RSH regulated	100%
Hera Management Services Limited	Property management	Non-RSH regulated	100%
Riverside Apartments Management Limited	Property management	Non-RSH regulated	78%
Sanctuary Affordable Housing Limited	Supplier of social housing	Registered Provider	100%
Sanctuary Capital PLC	Group financing	Non-RSH regulated	100%
Sanctuary Care (North) Limited	Care home management	Non-RSH regulated	100%
Sanctuary Care Limited	Care home management	Non-RSH regulated	100%
Sanctuary Care Property (1) Limited	Care home development and management	Non-RSH regulated	100%
Sanctuary Care Property (2) Limited	Care home development and management	Non-RSH regulated	100%
Sanctuary Home Care Limited	Domiciliary care	Non-RSH regulated	100%
Sanctuary Maintenance Contractors Limited	Property maintenance services	Non-RSH regulated	100%
Sanctuary Management Services Limited	Management services	Non-RSH regulated	100%
Sanctuary (NW Management) Limited	Provider of market rented property	Non-RSH regulated	100%
Sanctuary Student Homes Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Student Properties Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Treasury Limited	Group financing	Non-RSH regulated	100%
Spiral Developments Limited	Property development	Non-RSH regulated	100%
Spon Lane Trust Almshouses	Registered almshouse	Registered Charity	100%
St Albans Mount Management Limited	Property management	Non-RSH regulated	66.7%
Swan BQ Limited	Regeneration partner	Non-RSH regulated	100%
Swan Commercial Services Limited	Property development	Non-RSH regulated	100%
Swan Housing Association Limited	Supplier of social housing	RSH regulated	100%
Swan Housing Capital Limited	Financing	Non-RSH regulated	100%
Swan Housing Association Limited	Supplier of social housing	RSH regulated	100%
Swan Housing Finance Limited	Financing	Non-RSH regulated	100%
Swan New Homes Limited	Property development	Non-RSH regulated	100%
The Hertford Housing Company Limited	Provider of market rented property	Non-RSH regulated	100%
Vivo Support Limited	Care and support services	Non-RSH regulated	100%

Entities registered in Scotland with registered office at Sanctuary House, 7 Freeland Drive, Glasgow, G53 6PG:

Company	Nature of business	RSH regulated	Ownership (direct and indirect)
Subsidiaries			
Donside Limited	Property development	Non-RSH regulated	100%
Dornoch Medical Care Limited	Care home management	Non-RSH regulated	100%
Gate Healthcare Limited	Care home management	Non-RSH regulated	100%
Glasgow Student Villages Limited	Student accommodation	Non-RSH regulated	100%
Glenfairn Limited	Care home management	Non-RSH regulated	100%
Lorimer Care Homes Limited	Holding company	Non-RSH regulated	100%
Mull Hall Care Limited	Care home management	Non-RSH regulated	100%
Mull Hall Holdings Limited	Holding company	Non-RSH regulated	100%
Sanctuary Homes (Scotland) Limited	Supplier of mid-market rent housing	Non-RSH regulated	100%
Sanctuary Scotland Housing Association Limited	Supplier of social housing	Registered Social Landlord (Scotland)	100%
Tayside Care Limited	Care home management	Non-RSH regulated	100%

These entities are controlled or wholly-owned subsidiaries of wholly-owned subsidiaries of the Association.

Non-Controlling Interests

The following parties have interests in the entities not wholly-owned by the Association or its subsidiaries:

- Avenue Services (NW) Limited – 50% owned by Cheshire West and Chester Council.
- Riverside Apartments Management Limited – 22% owned by the tenants of the company.
- St Albans Mount Management Limited – 33.3% owned by the tenants of the company.

Joint Ventures

The Group has the following investments in joint ventures which are registered in England and Wales with registered offices at 11 Tower View, Kings Hill, West Malling, Kent, England, ME19 4UY:

Name	Country of incorporation	Date of incorporation	Nature of incorporation	Voting rights	Carrying amount Group 2023 £m	Carrying amount Group 2022 £m
Linden (Biddenham) LLP	England	24 June 2015	Limited Liability Partnership	50%	0.3	0.9
Linden (Brampton) LLP	England	27 July 2016	Limited Liability Partnership	50%	0.2	1.0
Linden (Avery Hill) LLP	England	1 August 2016	Limited Liability Partnership	50%	1.1	-
Europa Way JV LLP	England	7 December 2017*	Limited Liability Partnership	50%	1.1	1.0
Glen Parva JV LLP	England	7 December 2017**	Limited Liability Partnership	50%	-	-
					2.7	**2.9**

*Spiral Developments Limited was appointed as a member on 20 December 2018.
**Spiral Developments Limited was appointed as a member on 28 June 2019.

The Group controls 50% of the joint ventures via Spiral Developments Limited, a wholly-owned subsidiary of the Association. The remaining 50% is controlled by Vistry Linden Limited, a wholly-owned subsidiary of Vistry Group PLC.

The joint ventures have been established to acquire, develop, manage and dispose of properties on specific development sites, including an element of affordable housing.

The Association and Vistry Linden Limited have provided equal amounts of loan finance to the joint ventures; these loans are on an arms length basis at a commercial rate of interest. Amounts due to the Association, including capitalised interest, at 31 March 2023 totalled £10.6 million (2022: £23.3 million), see note 17. The recoverability of the loans is supported by the appraisal work performed by the Group prior to entering into the joint ventures.

The following table summarises the financial information of the joint ventures as included in their own Financial Statements:

	2023 £m	2022 £m
Cash and cash equivalents	2.1	2.3
Other current assets	29.8	77.1
Loans and borrowings – short-term	(15.9)	(33.3)
Other current liabilities	(11.3)	(40.9)
Net assets 100%	**4.7**	**5.2**
Net assets 50%	2.4	2.6
Losses not recognised	0.3	0.3
Group's recognised share of net assets	**2.7**	**2.9**
Revenue	67.8	50.1
Cost of sales and other operating costs	(57.6)	(42.0)
Interest expense	(2.2)	(2.4)
Profit 100%	**8.0**	**5.7**
Profit 50%	4.0	2.9
Losses not recognised	0.2	0.2
Group's recognised share of profits	**4.2**	**3.1**
Dividends received by the Group	**4.4**	**2.4**

The acquisition of Swan Housing Association on 8 February 2023 (see note 34), included the following joint ventures which are incorporated in England and Wales:

- Purfleet Centre Regeneration Limited – 49.9% owned by Swan New Homes Limited (50% of voting rights) – property development.
- PCRL 1A Limited – 100% owned subsidiary of Purfleet Centre Regeneration Limited – property development.
- Porters Place Southend-on-Sea – 50% partnership between Swan BQ Limited and Southend-on-Sea Borough Council – regeneration partnership.

The acquisition date fair value of the equity investments in the joint ventures was determined to be nil. Consequently, no balance has been recognised in the Group financial statements. Post-acquisition, the Swan JVs have generated no revenue and have incurred administration and finance costs totalling £1.1 million. No amounts have been recognised within the Group.

Associates

The acquisition of Swan Housing Association on 8 February 2023 (see note 34), included the following associates which are incorporated in England and Wales:

- Linq Investors Limited – Swan New Homes Limited owns 408 shares with voting rights in Linq Investors Limited, representing 25% of the Company's voting share capital.
- Linq Housing PLC – 100% subsidiary of Linq Investors Limited – buying and selling of real estate.

A market approach was used to determine the acquisition date fair value for the Linq investment of £1.8 million.

	2023 £m	2022 £m
Fair value of acquired associates	**1.8**	**-**

34. Acquisitions

Swan Housing Association

On 8 February 2023 Swan Housing Association Limited (Swan) became a wholly owned subsidiary of Sanctuary Housing Association following formal completion of the business combination which was approved by the boards of both organisations. The substance of this transaction was the gifting of control of Swan and as such no consideration was transferred.

Prior to this, on 17 November 2022, Sanctuary Affordable Housing Limited, a 100% owned subsidiary of Sanctuary Housing Association, provided a £50 million loan to Swan, to enable them to repay a £40 million loan to Orbit Housing Association and to provide additional resources for working capital requirements whilst the two parties completed the due diligence process. The 12-month £50 million revolving loan facility attracts interest at rate of SONIA plus 2% and is repayable in full on maturity. The loan was provided on an arms-length basis with full securitisation. The granting of this loan did not commit Sanctuary to the acquisition and did not generate any additional rights that conferred control over Swan.

From 1 December 2022, and up to the date of completion, Sanctuary provided services to Swan in accordance with a service level agreement (SLA). This increased level of pre-acquisition involvement was not deemed to be indicative of a transfer of control at a date earlier than the final transaction date, chiefly because Sanctuary was operating within the authority given to it by Swan's board, pursuant to the agreement. Accordingly, the SLA did not convey upon Sanctuary the capacity to direct the activities of Swan and so Sanctuary did not have power over Swan, one of the primary elements necessary to determine control, until finalisation of the business combination.

On 27 January 2023 Swan's board approved the business combination with Sanctuary subject to required regulatory approval by the FCA. On 8 February 2023 the rule amendment for Swan was approved by the FCA, at which point control of Swan passed to Sanctuary.

Swan, which manages over 13,000 homes across east London and Essex, had been deemed non-compliant with the Governance and Financial Viability Standard in December 2021, with the regulator downgrading it to G3/V3 ratings. Sanctuary has previous experience of successfully integrating troubled housing associations, having rescued Cosmopolitan Housing Group from near-failure in 2013. As one of the largest providers of social housing in the country, Sanctuary is financially strong, well-run and has the experienced team in place to help Swan manage its challenges, bringing stability to Swan and safeguarding Swan's services to its residents and communities.

Sanctuary already had an established presence in London and Essex, operating in 17 of the 19 Local Authority areas in which Swan operates, and so Swan provides a good geographic fit for the Group. The business combination is also strongly aligned with one of the Group's key strategic objectives 'growing our services', which is about seeking opportunities for expansion in line with the Group's core social purpose and developing new homes in communities. With Swan as a subsidiary, Sanctuary now manages around 120,000 homes across England and Scotland.

In the post-combination period since 8 February 2023 Swan and its subsidiaries contributed revenue of £37.9 million and a net surplus of £4.5 million to the Group's results for the year. Swan's provisional results in its own books for the full 12 months to 31 March 2023 are revenue of £137.4 million and a net deficit of £12.7 million. However, this is not representative of the amounts that would have been recognised in the Group if the combination had occurred on 1 April 2022, due to a number of adjusted write offs and provisions that occurred prior to the acquisition that have been captured through acquisition accounting.

In accordance with the measurement principles of IFRS 3 Business Combinations (IFRS 3), all identifiable assets acquired and liabilities assumed have been measured at their fair values at the date of acquisition.

Swan Housing Association	Book value	IFRS policy alignment	Fair value adjustments	Fair value
	£m	£m	£m	£m
Assets				
Intangible assets	1.8	-	3.4	5.2
Property, plant and equipment (including AUC)	696.6	(46.4)	64.0	714.2
Right of use assets	-	15.1	-	15.1
Investment property	1.6	-	3.7	5.3
Investments	10.7	-	(7.9)	2.8
PFI and finance lease receivables	16.3	-	(0.4)	15.9
Trade and other receivables	18.2	-	8.0	26.2
Inventory	114.6	-	(47.7)	66.9
Cash and cash equivalents	56.7	-	-	56.7
Liabilities				
Trade and other payables	(48.5)	-	3.5	(45.0)
Loans and borrowings	(657.7)	-	30.0	(627.7)
Lease liabilities	(3.0)	(12.1)	-	(15.1)
Grant & RCGF	(94.0)	46.4	(3.0)	(50.6)
Retirement benefit obligations	(4.3)	-	(0.2)	(4.5)
Provisions	(25.0)	21.3	(117.3)	(121.0)
Net assets	**84.0**	**24.3**	**(63.9)**	**44.4**
Consideration				-
Gain from acquisition				44.4
Acquisition costs recognised as an expense				(3.3)
Net gain from acquisition				**41.1**

The proximity of the Swan acquisition to the year end and the complexity of some of the issues facing Swan, which led to it being taken over by Sanctuary, mean that provisional fair values have been recognised for certain assets and liabilities. It has been identified below where values are provisional.

Existing intangible assets within Swan book value were considered to have nil value, however intangible assets relating to customer contracts have been recognised totalling £5.2 million. Intangible asset fair values have been determined by an independent specialist who adopted a Multi-period Excess Earnings Method (MEEM) approach.

Property fair values have been determined by independent valuers in accordance with RICS Valuation Professional Standards ‘Red Book’. Social housing properties have been valued at Existing Use Value - Social Housing (EUV-SH), commercial properties have been valued at Market Value (MV) and offices have been valued at Market Value with special assumption of vacant possession.

Social housing property valuations are considered provisional since they include an estimated cost of remediation relating to cladding and other fire safety works, totalling £103.7 million. Every effort will be made to recover these costs either from the original developers or, where applicable, through funding from the Government’s Building Safety Fund. However, at the date of acquisition these avenues of recovery were in the earliest stages of discussion and so no amounts have been recognised for these potential reimbursements, which are considered to be contingent assets; further disclosure is included within note 36. Sensitivities relating to property fair values and contingent assets are shown at the end of this note.

For each qualifying lease agreement, the minimum lease payments were discounted using the incremental borrowing rate (IBR), to establish the lease liability and right-of-use asset at the date of acquisition. IBRs were determined for each lease, specific to the term, location and estimated value of each right-of-use asset. The IBRs were calculated using a primary build-up method and range between 4.5% and 5.7%. The fair values of the right-of-use assets (properties) at acquisition were determined by considering any favourable or unfavourable terms when compared against market rates. External experts were enlisted to carry out all work in relation to the leases.

Valuation of investments was carried out by external valuation specialists by applying a net asset value multiple approach and through consideration of the market values of individual assets and liabilities of the investees.

The fair value of the PFI debtor was determined by external valuation specialists by discounting the remaining payments per the model using a discount rate of 3.19%. The discount rate was estimated with reference to the UK government risk-free rate over the weighted term period.

The fair value of trade and other receivables was determined to be £26.2 million. Gross amounts receivable totalled £28.2 million, with cash flows not expected to be collected estimated at £2 million. Included within receivables are insurance recoveries of £10.8 million that relate to certain items included within provisions (see note 26).

Fair value of inventory work in progress has been determined by reference to finished selling prices, less the sum of costs to complete, costs to sell and a reasonable profit allowance for completion and selling effort. For shared ownership units under construction, valuations consider the income achievable from initial equity sale, plus the future rent receivable on the retained equity and the potential income from future staircasing receipts. Valuations have been carried out by independent valuers in accordance with RICS Valuation Professional Standards ‘Red Book’. Construction costs within those valuations were determined by separate third-party specialists. One of the development projects acquired with Swan has been dormant for a number of years and has an existing development plan which suggests there is no or a negative value in the site. This site has provisionally been valued at £nil, but this will be reassessed as additional information becomes available. Sensitivities in inventory and work in progress fair values for the other schemes are shown at the end of this note.

Fair value of loans and borrowings has been determined by independent valuers by discounting cash flows with reference to a yield curve covering the maturities in Swan’s portfolio. The curve was constructed using yields on Sanctuary’s public debt, with linear interpolation between data points, and applying spreads to UK Gilt curves. A number of the loans include embedded derivatives and so external specialist advice was obtained regarding the appropriate accounting treatments under IFRS.

Grant liabilities of £50.6 million relate to grant which is repayable, together with accrued interest, and RCGF balances.

Retirement benefit scheme assets and liabilities have been valued by an independent actuary in accordance with IAS 19. Further details are given in note 29.

Provisions have been made for a range of liabilities that predominantly relate to properties or development schemes. Included amongst these is a sum of £43.9 million in relation to cladding and fire safety works where Swan has contractual obligations to external parties to rectify the issues. Similar to the amounts reflected in property fair values, there is the potential to recover a significant proportion of these costs from other parties. However, at the acquisition date there is not sufficient certainty to enable recognition of these amounts; consequently, the reimbursements are considered to be contingent assets (see note 36). Separately, insurance recoveries of £10.8 million have been included within debtors, relating to a gross obligation of £16.3 million, where there is virtual certainty over reimbursement. All provisions are expected to be utilised within the next 5 years.

Fair values of properties, inventory, provisions and contingent assets are provisional and may change during the measurement period, which will not exceed one year from the acquisition date.

Valuations require a number of assumptions to be made. The impact of reasonably possible changes in these assumptions is shown below.

Inventory – excluding nil / negative value site	Change in estimate
	£m
Forecast Sales revenue +/- 10%	+/- 11.5
Construction costs +/- 10%	-/+ 5.8

Social housing properties	Change in estimate
	£m
Cladding and fire safety costs +/- 10%	-/+ 10.4

Sensitivities have not been provided for the other inputs to social housing property valuations, which are standard in nature and will not give rise to adjustments in subsequent periods.

Provisions	Change in estimate
	£m
Provisions +/- 10%	-/+ 12.1

Contingent assets (disclosure)	Range
	£m
Potential recoveries in relation to building safety	0 to 147.6

Cornwall Care

On 21 October 2022 Cornwall Care Limited (Cornwall Care) became a wholly owned subsidiary of Sanctuary Housing Association. The substance of this transaction was the gifting of control of Cornwall Care and as such no consideration was transferred.

Cornwall Care provides residential, nursing and dementia care in 540 beds across 13 operational care homes, supports younger adults with mental health issues and helps people across the county to live independently in their own homes. Over recent years Cornwall Care had faced a combination of sector-wide and organisation specific challenges. Joining Sanctuary will restore financial viability, improve the quality of its assets through reinvestment and development, increase the efficiency of its support services and enhance local stakeholder relationships.

Although Sanctuary had no care presence in Cornwall prior to the acquisition, it already managed 2,231 units of housing, commercial and student accommodation in the county and had been a significant developer in the county. The acquisition facilitates entry into a new geography for care with, untapped demand and prime locations, and results in Sanctuary becoming the largest provider of care in Cornwall. Sanctuary now manages more than 100 care homes across England and Scotland, providing care for more than 5,500 residents.

A new strategic partnership has been forged with Cornwall Council which will enable the two organisations to work closely together to ensure people in the county get high-quality care and support when they most need it.

In the post-combination period since 21 October 2022 Cornwall Care contributed revenue of £14 million and a net surplus of £0.4 million to the Group's results for the year. Cornwall Care's provisional results in its own books for the full 12 months to 31 March 2023 are revenue of £46.5 million and a net surplus of £4.0 million.

In accordance with the measurement principles of IFRS 3 Business Combinations (IFRS 3), all identifiable assets acquired and liabilities assumed have been measured at their fair values at the date of acquisition.

Cornwall Care	Book value	IFRS policy alignment	Fair value adjustments	Fair value
	£m	£m	£m	£m
Assets				
Property, plant and equipment	33.3	-	(4.0)	29.3
Trade and other receivables	1.9	-	(0.7)	1.2
Cash and cash equivalents	3.2	-	-	3.2
Liabilities				
Trade and other payables	(4.3)	-	(1.1)	(5.4)
Loans and borrowings	(13.9)	-	-	(13.9)
Grant	-	-	(7.2)	(7.2)
Provisions	-	-	(8.9)	(8.9)
Net assets	**20.2**	**-**	**(21.9)**	**(1.7)**
Consideration				-
Loss from acquisition				(1.7)
Acquisition costs recognised as an expense				(0.9)
Net loss from acquisition				**(2.6)**

Property fair values have been determined by independent valuers in accordance with RICS Valuation Professional Standards. Trading care homes have been valued at Market Value (MV); closed homes have been valued at Market Value with special assumption of vacant possession.

The fair value of trade and other receivables was determined to be £1.2 million. Gross contractual amounts receivable totalled £3.7 million, with cash flows not expected to be collected estimated at £2.5 million.

The majority of Cornwall Care's homes were on long-leaseholds with Cornwall Council. In exchange for the transfers of the freeholds from Cornwall Council as part of the acquisition, Sanctuary is obligated to spend a sum of £7.2 million on the upgrade of existing care homes and the development of new care homes; this amount has been treated as grant.

Cornwall Care has £13.9 million of borrowings. At the date of acquisition £11.4 million of this was refinanced through a new loan from Sanctuary Affordable Housing Limited, a 100% owned subsidiary of Sanctuary Housing Association.

Provisions relate to a range of property related and operational obligations. All provisions are expected to be utilised within the next 12 months. Amounts have not been discounted because the difference between the balances above and the discounted equivalents are not material.

Fair value adjustments are provisional and may change during the measurement period, which will not exceed one year from the acquisition date.

35. Events After the Reporting Period

Additional loans from two lenders of approximately £212 million were agreed after the year end.

36. Contingent Assets and Liabilities

Contingent Assets

On 8 February 2023 Swan Housing Association Limited (Swan) became a wholly owned subsidiary of Sanctuary Housing Association.

As noted in note 34, social housing property fair values at the date of acquisition reflect the estimated cost of remediation relating to cladding and other fire safety works, totalling £103.7 million. A further £44.8 million has been included in provisions where Swan has contractual obligations to external parties to rectify cladding and fire safety issues.

Every effort will be made to recover these costs either from the original developers or, where applicable, through funding from the Government's Building Safety Fund. However, at the date of acquisition these avenues of recovery were in the earliest stages of discussion and so no amounts have been recognised for these potential reimbursements.

Contingent Liabilities

The Association has entered into counter indemnities in respect of Surety Bonds for £15.2 million of pension liabilities. The Association considers these Surety Bonds to be insurance arrangements and accounts for them as such. The Association treats the counter indemnities as a contingent liability and, until such time as it becomes probable that the company is required to claim, any accompanying payment for the counter indemnity has a fair value of £nil. One bond expired during year ended March 2023 and has not been renewed.

Appendix 1

Prepared to meet the requirements of The Accounting Direction for Private Registered Providers of Social Housing 2022.

Turnover, Cost of Sales, Operating Costs and Operating Surplus - Group

	2023 Turnover £m	2023 Cost of sales £m	2023 Operating costs £m	2023 Operating surplus/(deficit) £m	2022 Operating surplus/(deficit) £m
Social housing lettings					
Housing accommodation	341.9	-	(198.4)	143.5	140.6
Sheltered and supported housing	115.2	-	(111.2)	4.0	9.5
Key worker accommodation	4.8	-	(3.6)	1.2	1.1
Shared ownership	10.7	-	(3.1)	7.6	7.2
	472.6	**-**	**(316.3)**	**156.3**	**158.4**
Other social housing activities					
Development administration	0.5	-	(5.0)	(4.5)	(4.2)
Home ownership and managed properties	10.0	-	(6.5)	3.5	3.3
Supported registered services	11.7	-	(11.7)	-	-
Supporting People contract income	30.5	-	(30.5)	-	-
Shared ownership first tranche sales	18.4	(15.5)	-	2.9	2.5
Community/neighbourhood services	-	-	(1.4)	(1.4)	(1.4)
Other	5.0	-	(5.0)	-	-
	76.1	**(15.5)**	**(60.1)**	**0.5**	**0.2**
Non-social housing activities					
Student accommodation and market rented	58.3	-	(48.3)	10.0	9.0
Care homes	226.2	-	(223.1)	3.1	0.3
External maintenance services	3.4	-	(2.8)	0.6	0.5
Domiciliary care	5.2	-	(5.7)	(0.5)	(1.4)
Non-social housing property sales	99.8	(78.2)	-	21.6	4.5
Non-social housing development contracts	-	-	-	-	0.1
Development administration (non-social housing)	-	-	(7.1)	(7.1)	(2.5)
Other	2.2	-	(2.2)	-	-
	395.1	**(78.2)**	**(289.2)**	**27.7**	**10.5**
Totals	**943.8**	**(93.7)**	**(665.6)**	**184.5**	**169.1**
Other gains and losses (note 7)				10.9	6.4
Share of profit of joint ventures				4.2	3.1
Operating surplus				**199.6**	**178.6**
Loss on cessation of pension schemes				(6.2)	-
Net gain from acquisitions				38.5	2.3
Finance income				3.9	2.2
Finance costs				(134.5)	(124.5)
Surplus for the year before taxation				**101.3**	**58.6**
Taxation				0.7	(0.3)
Surplus for the year after taxation				**102.0**	**58.3**

Turnover, Cost of Sales, Operating Costs and Operating Surplus - Association

	2023 Turnover £m	2023 Cost of sales £m	2023 Operating costs £m	2023 Operating surplus/(deficit) £m	2022 Operating surplus/(deficit) £m
Social housing lettings					
Housing accommodation	268.8	-	(180.1)	88.7	96.6
Sheltered and supported housing	98.7	-	(97.2)	1.5	7.4
Key worker accommodation	3.6	-	(2.7)	0.9	1.0
Shared ownership	5.5	-	(2.4)	3.1	3.5
	376.6	**-**	**(282.4)**	**94.2**	**108.5**
Other social housing activities					
Development administration	0.1	-	(2.2)	(2.1)	(3.0)
Home ownership and managed properties	7.2	-	(4.3)	2.9	2.6
Supporting People contract income	14.1	-	(14.1)	-	-
Shared ownership first tranche sales	-	-	-	-	(0.5)
Community/neighbourhood services	-	-	(1.4)	(1.4)	(1.4)
Other	6.2	-	(6.2)	-	-
	27.6	**-**	**(28.2)**	**(0.6)**	**(2.3)**
Non-social housing activities					
Student accommodation and market rented	35.6	-	(33.1)	2.5	3.5
Non-social housing property sales	3.8	(2.5)	-	1.3	0.3
Non-social housing development contracts	-	-	-	-	0.1
Development administration (non-social housing)	-	-	(3.0)	(3.0)	(2.0)
Management recharges	24.1	-	(24.1)	-	-
Other	7.1	-	(7.1)	-	-
	70.6	**(2.5)**	**(67.3)**	**0.8**	**1.9**
Totals	**474.8**	**(2.5)**	**(377.9)**	**94.4**	**108.1**
Other gains and losses (note 7)				7.5	4.2
Other income – gift aid and distribution of reserves				10.1	7.5
Operating surplus				**112.0**	**119.8**
Loss on cessation of pension schemes				(6.2)	-
Provision for amounts due from subsidiary undertakings				(46.7)	-
Finance income				8.5	6.1
Finance costs				(87.8)	(87.4)
Surplus for the year before taxation				**(20.2)**	**38.5**
Taxation				-	-
Surplus for the year after taxation				**(20.2)**	**38.5**

Appendix 2

Prepared to meet the requirements of The Accounting Direction for Private Registered Providers of Social Housing 2022.

Income and Expenditure from Social Housing Lettings

Group	Housing accommodation	Sheltered and supported housing	Key worker accommodation	Shared ownership	2023 Total	2022 Total
	£m	£m	£m	£m	£m	£m
Income from lettings						
Rents	323.5	68.8	4.8	9.2	406.3	380.2
Service charges	17.3	41.7	-	1.5	60.5	58.5
Total rent and service charge income	340.8	110.5	4.8	10.7	466.8	438.7
Other income	1.1	4.7	-	-	5.8	4.9
Turnover from social housing lettings	**341.9**	**115.2**	**4.8**	**10.7**	**472.6**	**443.6**
Expenditure on lettings						
Management	(46.3)	(17.5)	(0.7)	(1.9)	(66.4)	(61.1)
Services	(21.8)	(52.3)	(1.1)	(0.6)	(75.8)	(67.3)
Routine maintenance	(73.8)	(24.0)	(0.8)	-	(98.6)	(86.6)
Planned maintenance	(26.3)	(7.8)	(0.1)	-	(34.2)	(32.6)
Rent losses from bad debts	(2.2)	(1.3)	-	-	(3.5)	(4.0)
Depreciation of properties	(28.0)	(8.3)	(0.9)	(0.6)	(37.8)	(33.6)
Operating costs from social housing lettings	**(198.4)**	**(111.2)**	**(3.6)**	**(3.1)**	**(316.3)**	**(285.2)**
Operating surplus from social housing lettings	**143.5**	**4.0**	**1.2**	**7.6**	**156.3**	**158.4**
Voids	**(2.8)**	**(5.1)**	**(0.3)**	**-**	**(8.2)**	**(8.2)**

Income and Expenditure from Social Housing Lettings

Association	Housing accommodation	Sheltered and supported housing	Key worker accommodation	Shared ownership	2023 Total	2022 Total
	£m	£m	£m	£m	£m	£m
Income from lettings						
Rents	253.9	61.4	3.6	4.7	323.6	311.9
Service charges	13.9	33.1	-	0.8	47.8	47.3
Total rent and service charge income	267.8	94.5	3.6	5.5	371.4	359.2
Other income	1.0	4.2	-	-	5.2	4.4
Turnover from social housing lettings	**268.8**	**98.7**	**3.6**	**5.5**	**376.6**	**363.6**
Expenditure on lettings						
Management	(48.1)	(16.1)	(0.5)	(1.7)	(66.4)	(59.8)
Services	(18.7)	(44.6)	(0.9)	(0.5)	(64.7)	(57.4)
Routine maintenance	(66.0)	(21.1)	(0.5)	-	(87.6)	(78.2)
Planned maintenance	(24.1)	(7.0)	-	-	(31.1)	(29.9)
Rent losses from bad debts	(1.7)	(1.0)	-	-	(2.7)	(3.3)
Depreciation of properties	(21.5)	(7.4)	(0.8)	(0.2)	(29.9)	(26.5)
Operating costs from social housing lettings	(180.1)	(97.2)	(2.7)	(2.4)	(282.4)	(255.1)
Operating surplus from social housing lettings	**88.7**	**1.5**	**0.9**	**3.1**	**94.2**	**108.5**
Voids	**(2.0)**	**(3.9)**	**(0.3)**	**-**	**(6.2)**	**(6.4)**

Appendix 3

Alternative Performance Measures

In the reporting of financial information, the Group uses various Alternative Performance Measures (APMs). These measures are not defined under IFRS and therefore may not be directly comparable with the APMs of other businesses reporting under IFRS.

APMs are not intended to be a substitute for, or superior to, IFRS measurement, but are included to provide additional useful information on the underlying trends, performance and position of the Group.

APMs are used for the following reasons:

- Where metrics have been defined by the Regulator of Social Housing (RSH) and are a compulsory requirement within the Financial Statements of a housing association.
- Where metrics are not defined by the RSH but are commonly used within the sector and so their use aids comparability with peers.
- Where adjustment for events outside normal operations aids users of the Financial Statements in understanding the Group's underlying performance.

In determining whether events outside normal operations should be adjusted for, the Group considers whether these items are significant either because of their size or their nature. An item will be considered for adjustment if it meets one of the following criteria:

- It is directly incurred as a result of an acquisition.
- It arises from a major business change or restructuring programme.
- It relates to a major refinancing of loans and borrowings.
- It is unusual in nature, e.g. outside the normal course of business.

Further information about the specific APMs used by the Group is shown below, including reconciliations to line items within the primary Financial Statements and accompanying notes.

Value for Money Metrics

In April 2018, the Regulator of Social Housing introduced a new Value for Money Standard and accompanying Code of Practice. The Standard introduced a requirement for providers to publish performance against their own Value for Money targets, and a series of common metrics with which to measure economy, efficiency and effectiveness set by the Regulator. The Regulator defined these metrics in the publication Value for Money metrics – technical note feedback and responses. These seven metrics remain the most appropriate set of measures to capture performance across the sector in a fair and comparable way.

The seven metrics, which are analysed in the Value for Money report on pages 76 to 91, are:

- Metric 1 – Reinvestment %
- Metric 2 – New supply delivered (social and non-social)
- Metric 3 – Gearing %
- Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %
- Metric 5 – Headline social housing cost per unit
- Metric 6 – Operating margin % (social housing and overall)
- Metric 7 – Return on capital employed (ROCE) %

Current guidance on these metrics (published May 2023), which includes details of how they are calculated, can be found at:

https://www.gov.uk/government/publications/value-for-money-metrics-technical-note

Segmental Reporting

The Group's operating segments are defined and reconciled in note 6 to the Financial Statements on page 159.

Analysis of these operating segments, referred to as operating divisions, is included in the business reviews on pages 54 to 75. This analysis includes reference to divisional EBITDA and divisional EBITDA percentage, which are key measures of operational performance for the Group and are regularly monitored by senior management.

Divisional EBITDA is calculated by taking divisional revenue and deducting costs directly attributable to the division as well as an apportionment of central costs, but excluding interest, tax, depreciation, amortisation and impairment.

Total divisional EBITDA (as disclosed in the five-year summary on page 48) is the sum of the EBITDA of all individual divisions.

Other Metrics (Included in Golden Rules on Page 110)

Operating Margin

Operating surplus, excluding other gains and losses, as a percentage of revenue.

	2023 £m	2022 £m
Revenue	943.8	812.5
Operating surplus	199.6	178.6
Adjust for:		
Other gains and losses (note 7)	(10.9)	(6.4)
Adjusted operating surplus	188.7	172.2
	20.0%	**21.2%**

Other Metrics (Included in Five-Year Summaries on Page 48)

Profitability – Measurement of Financial Performance

Underlying Operating Surplus

Operating surplus, excluding restructuring costs and other gains and losses.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Operating surplus	199.6	178.6	170.1	186.2	203.7
Adjust for:					
Restructuring costs	-	-	1.8	2.6	-
Other gains and losses (note 7)	(10.9)	(6.4)	(5.2)	(6.2)	(22.7)
Underlying operating surplus	**188.7**	**172.2**	**166.7**	**182.6**	**181.0**

Underlying Operating Surplus Margin

Underlying operating surplus as a percentage of revenue.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	943.8	812.5	765.4	763.0	735.4
Underlying operating surplus	188.7	172.2	166.7	182.6	181.0
	20.0%	**21.2%**	**21.8%**	**23.9%**	**24.6%**

Operating Surplus Margin (Excluding Development Sales)

Operating surplus as a percentage of revenue (excluding development sales)

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	943.8	812.5	765.4	763.0	735.4
Adjust for:					
Development sales	(118.2)	(56.8)	(37.0)	(40.4)	(25.4)
Revenue (excluding development sales)	**825.6**	**755.7**	**728.4**	**722.6**	**710.0**
Operating surplus	199.6	178.6	170.1	186.2	203.7
Adjust for:					
Surplus on development sales after marketing costs	(24.5)	(4.3)	(3.7)	(7.5)	(5.4)
Other gains and losses (note 7)	(10.9)	(6.4)	(5.2)	(6.2)	(22.7)
Operating surplus (excluding development sales)	**164.2**	**167.9**	**161.2**	**172.5**	**175.6**
	19.9%	**22.2%**	**22.1%**	**23.9%**	**24.7%**

Operating Costs as a Percentage of Revenue

Operating expenditure as a percentage of revenue (excludes cost of sales, other gains and losses and joint venture income).

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	943.8	812.5	765.4	763.0	735.4
Operating expenditure	665.6	593.6	572.6	557.3	536.0
	70.5%	**73.1%**	**74.8%**	**73.0%**	**72.9%**

Underlying Surplus for the Year

Surplus for the year before tax excluding restructuring costs, other gains and losses, net gain from acquisitions and loan break costs.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Surplus before tax	101.3	58.6	46.9	52.4	76.9
Adjust for:					
Restructuring costs	-	-	1.8	2.6	-
Other gains and losses (note 7)	(10.9)	(6.4)	(5.2)	(6.2)	(22.7)
Gain on refinancing	-	(2.7)	-	-	-
Loss on cessation of pension schemes	6.2	-	-	-	-
Net gain from acquisitions	(38.5)	(2.3)	(4.5)	-	-
Loan break costs	-	-	-	8.6	-
Underlying surplus for the year	**58.1**	**47.2**	**39.0**	**57.4**	**54.2**

Underlying Net Margin

Underlying surplus for the year as a percentage of revenue.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	943.8	812.5	765.4	763.0	735.4
Underlying surplus for the year	58.1	47.2	39.0	57.4	54.2
	6.2%	**5.8%**	**5.1%**	**7.5%**	**7.4%**

Debt – Ability to Service Debt and Secure Funding

Interest Cover/Interest Cover (Excluding Loan Break Costs)

Operating surplus plus depreciation and impairment divided by net interest payable, excluding pension finance costs, loan break costs and gains on refinancing.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Operating surplus	199.6	178.6	170.1	186.2	203.7
Add back depreciation and impairment (note 4)	80.2	78.1	78.6	73.0	67.3
	279.8	256.7	248.7	259.2	271.0
Finance income	(3.9)	(2.2)	(2.9)	(3.6)	(3.5)
Finance costs	134.5	124.5	130.6	137.4	130.3
Add back pension finance costs (note 10)	(0.4)	(1.3)	0.1	(0.9)	(1.0)
	130.2	121.0	127.8	132.9	125.8
Add back loan break costs	-	-	-	(8.6)	-
Add back gain on refinancing	-	2.7	-	-	-
	130.2	123.7	127.8	124.3	125.8
Interest cover	**2.15**	**2.12**	**1.95**	**1.95**	**2.15**
Interest cover (excluding loan break costs)	**2.15**	**2.08**	**1.95**	**2.09**	**2.15**

Gearing

Net Debt/Properties Depreciated Cost

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Liabilities from financing activities (note 22)	3,758.7	3,074.9	3,377.3	3,105.7	2,792.0
Less cash and cash equivalents	(180.1)	(102.1)	(494.7)	(261.5)	(150.1)
	3,578.6	2,972.8	2,882.6	2,844.2	2,641.9
Property (PPE) cost – land and buildings (note 13)	6,811.0	5,851.8	5,688.7	5,489.5	5,289.1
Property (PPE) accumulated depreciation – L&B (note 13)	(438.5)	(403.8)	(366.3)	(346.6)	(311.7)
Property (PPE) cost – under construction (note 13)	276.3	263.9	229.4	210.7	144.4
Investment property cost (note 14)	362.7	346.5	344.0	336.7	299.7
Investment property accumulated depreciation (note 14)	(97.0)	(89.6)	(87.5)	(64.9)	(61.4)
	6,914.5	5,968.8	5,808.3	5,625.4	5,360.1
	51.8%	**49.8%**	**49.6%**	**50.6%**	**49.3%**

Methodology statement for Streamlined Energy and Carbon Reduction (SECR) declaration

In this carbon emissions declaration, we report emissions from gas and electricity consumption, fleet fuel consumption, and private business mileage.

Energy consumption relates to company buildings where Sanctuary pays the bills through our Group gas and electricity contracts. This includes:

- 98 care homes (excludes Cornwall Care)
- 34 student accommodation complexes
- 23 key office locations
- Communal heat and power at housing and supported living schemes

Transport energy consumption relates to 1,200 commercial vans, 332 company cars, 39 minibuses, 25 trailers, and 2 plant vehicles. We also include business mileage carried out by 850 staff in personal vehicles.

Our baseline year for these emissions is financial year 2019/2020, our first year of publishing carbon emissions for the Group. Data for this year was validated by the Carbon Trust.

Greenhouse gas emissions were then calculated using the Department for Business, Energy, and Industrial Strategy's 2022 Conversion Factors.

Since 1 October 2021, the Group has procured renewable electricity, resulting in electricity being certified as carbon-neutral and a conversion factor of zero being used for calculations.

Advisers and Other Information

Independent statutory auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal auditor	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX
Bankers	Barclays Bank PLC Barclays Corporate Social Housing Team Level 27 1 Churchill Place London E14 5HP
Legal adviser	Gowling WLG (UK) LLP Two Snowhill Birmingham B4 6WR
Registered office	Chamber Court Castle Street Worcester WR1 3ZQ

Registration Numbers

Regulator of Social Housing	L0247
Registered Society	19059R

Sanctuary Housing Association is an exempt charity under the Charities Act 2011

Accessibility

We want this report to be accessible to all. If you would like it in a different format, call **01905 334000** or email **pr@sanctuary-housing.co.uk.**

Sanctuary Group

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Sanctuary Group is a trading name of Sanctuary Housing Association, an exempt charity
Registered office: Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ
Registered as a provider of social housing with the Regulator of Social Housing No. L0247
Registered Society No. 19059R

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